

Monitoring Country Progress (MCP) Global Appendix

This appendix includes: (1) a listing of countries used in the graphs; (2) a general overview of the Monitoring Country Progress (MCP) system; (3) indicator definitions of the components of the MCP indices; and (4) an explanation of the method used to convert the initial data to a 1 to 5 scale.

USG Countries—Graduates and Top Beneficiaries

Countries that have graduated from U.S. Government (USG) foreign assistance (represented by the red line on the graphs) and the top benefitting countries of USG foreign assistance (represented by the blue mark on the graphs) are listed by sector under each of the following MCP indices.

General Overview of the MCP system

The core of the MCP system consists of four indices: (1) economic reforms; (2) governing justly and democratically; (3) investing in people; and (4) peace and security. For each index, primary data are converted to a 1 to 5 scale, where a 1 represents the worst country performances on that indicator worldwide and a 5 represents the best worldwide. Two indices (economic reforms and governing justly and democratically) are calculated by equally weighting the components. The weighting scheme for the investing in people and peace and security indices are more complex and reflect an iterative process of analysis and feedback among many colleagues in the U.S. government and beyond.

MCP draws on publicly available, standardized (i.e., cross-country) data from a variety of sources including international organizations such as the World Bank, the International Monetary Fund, the World Health Organization (WHO), the United Nations Office on Drugs and Crime (UNODC), and the United Nations Children Fund (UNICEF); various US government sources and reports (such as from USAID, US Department of State, US Department of Commerce, US Defense Department, and US Trade Representative); as well as think tanks and universities such as Freedom House, Transparency International, Fund for Peace, Binghamton University, and George Mason University.

Sequencing of progress by the sectors is an important aspect in the MCP system application. First, sufficient progress in peace and security needs to precede or at the least accompany progress in economic and democratic reforms. Second, progress in economic and democratic reforms needs to precede or at the least accompany investing in people. Additionally, sustainability of the gains in any one sector (or any one index) is less likely to occur if other sectors are lagging considerably.

The radar graphs include two sets of countries, the top recipients of USG assistance (illustrated in blue), and a select group of USAID graduate countries (illustrated in red).

The gaps listed on the graph are measures of the difference in progress (on the 1 to 5 scale) of the recipient countries versus the graduate countries.

For additional MCP analyses and reports, please visit http://www.usaid.gov/locations/europe_eurasia/wp/index.html.

Indicator Definitions of the Components of the MCP Indices

1. Economic Reforms Index

Graduate countries (n=8): Argentina, Botswana, Chile, Costa Rica, Czech Republic, Estonia, Slovenia, and Thailand

Top Twenty Beneficiaries of USG Foreign Assistance: Afghanistan, Armenia, Georgia, Guyana, Haiti, Honduras, Iraq, Jordan, Kosovo, Kyrgyz Republic, Lebanon, Liberia, Macedonia, Maldives, Mali, Pakistan, Rwanda, South Sudan, Timor-Leste, West Bank/Gaza

(1) Business environment. This indicator is an average rank of nine business environment areas measured by the World Bank's *Doing Business*. Each of these nine areas in turn is an average ranking of a number of components: (1) *starting a business* averages the country rankings of procedures, days, cost and minimum capital requirement to register a business; (2) *dealing with construction permits* averages the country rankings of number of procedures to get a license, number of days to get it, and the cost; (3) *registering property* is an average rank based on procedures, time and cost to register property; (4) *access to credit* includes credit information availability and legal rights for borrowers and lenders; (5) *protecting investors* ranks the World Bank's disclosure index (which measures the extent to which businesses disclose ownership and financial information); (6) *paying taxes* includes number of payments per year; hours per year in dealing with taxes, and the total tax rate; (7) *trading across borders* includes the number of documents needed to trade, the time and cost involved in dealing with the bureaucracy; (8) *enforcing contracts* averages the country rankings on the procedures, time and cost to enforce an overdue payment through the courts; and (9) *closing a business* is an average rank of the time, cost, and recovery rate to close a business via bankruptcy. Possible score: 1 to 183.

(2) Regulatory quality. This indicator is from the World Bank Institute (*Governance Matters*) and is an index of surveys which attempts to measure the incidence of market-unfriendly policies such as price controls or inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development. Possible score: -2.5 to 2.5.

(3) Government effectiveness. This indicator is also from the World Bank Institute (*Governance Matters*). It is an index of surveys that rates countries on the quality of public service provision, the quality of the bureaucracy, the competence of civil servants, the independence of the civil service from political pressures, and the credibility of the government's commitment to policies. Possible score: -2.5 to 2.5.

(4) Central government budget balance. Budget balance equals central government revenues minus expenditures as a percent of GDP. Primary source is the World Bank's *World Development Indicators*.

(5) Trade Liberalization. This indicator from the Heritage Foundation, *Index of Economic Freedom*, attempts to measure the extent of a country's tariff and non-tariff barriers. Possible score: 1 to 100.

2. Governing Justly and Democratically Index

Graduate countries (n=8): Argentina, Botswana, Chile, Costa Rica, Czech Republic, Estonia, Slovenia, and Thailand

Top Twenty Beneficiaries of USG Foreign Assistance: Afghanistan, Albania, Armenia, Bosnia and Herzegovina, Georgia, Haiti, Iraq, Jordan, Kosovo, Kyrgyz Republic, Lebanon, Liberia, Macedonia, Moldova, Montenegro, Serbia, South Sudan, Timor-Leste, West Bank/Gaza, Zimbabwe

(1) Political rights. This indicator comes from Freedom House's annual *Freedom in the World*. Political rights are rated by independent experts and include the extent to which elections (national and local) are free, fair, and competitive; the ability of citizens to form political parties; freedom from domination by the military, foreign power, totalitarian parties, religious hierarchies and economic oligarchies; and political rights of the minority groups. Two general criteria are used to rate progress: policy (the laws) and practice (the implementation of laws). Possible score: 1 to 7.

(2) Civil liberties. This is also from *Freedom in the World*. Independent experts rate freedom of expression; association and organizational rights; rule of law and human rights; and personal autonomy and economic rights. Two criteria are used to rate progress: policy (laws) and practice (implementation of laws). Possible score: 1 to 7.

(3) Media freedom. This Freedom House indicator is assessed worldwide annually in *Freedom of the Press*. Countries are scored on the basis of 23 questions divided into three subcategories: (1) legal environment (examination of the laws and regulations that could influence media content and the government's inclination to use these laws and legal institutions to restrict the media's ability to operate); (2) political environment (evaluation of the degree of political control over the content of news media); and (3) economic environment (examination of the structure of media ownership; transparency

and concentration of ownership; costs of establishing media as well as of production and distribution; selective withholding of advertising or subsidies by the state or other actors; impact of corruption and bribery on content; and the extent to which the economic situation in a country impacts the development of the media). Possible score: 0 to 100.

(4) Rule of law. This World Bank Institute indicator is an index of surveys that rates countries on the extent to which the public has confidence in and abides by rules of society; incidence of violent and non-violent crime; effectiveness and predictability of the judiciary; and the enforceability of contracts. Possible score: -2.5 to 2.5.

(5) Control of corruption. From the World Bank Institute, this index of surveys rates countries on various forms of corruption, including petty and grand corruption and state capture (which is the private sector capturing the state by illegally influencing the implementation of laws). Possible score: -2.5 to 2.5.

3. Investing in People Index

Graduate countries (n=8): Argentina, Botswana, Chile, Costa Rica, Czech Republic, Estonia, Slovenia, and Thailand

Top Forty Beneficiaries of USG Foreign Assistance by expenditure per capita:

Afghanistan, Armenia, Benin, Djibouti, Ghana, Haiti, Jordan, Lebanon, Liberia, Madagascar, Malawi, Mali, Mozambique, Rwanda, Senegal, South Sudan, Timor-Leste, Uganda, West Bank/Gaza, Zambia (recipients 1-20); Angola, Bolivia, Burundi, Cambodia, DR Congo, El Salvador, Ethiopia, Georgia, Guatemala, Guinea, Honduras, Iraq, Kenya, Kosovo, Nicaragua, Pakistan, Sierra Leone, Tajikistan, Tanzania, Zimbabwe (recipients 21-40)

(1) Under five mortality rate. Deaths of children under the age of five per 1,000 live births; World Bank, *World Development Indicators*.

(2) Life expectancy. Number of years of life expectancy; World Bank, *World Development Indicators*.

(3) Public health expenditures. Government expenditures in health as percentage of GDP; World Bank, *World Development Indicators*.

(4) Environmental health. An index of five indicators: urban particulates; indoor air pollution; drinking water; adequate sanitation; child mortality. Yale Center for Environmental Law & Policy and Columbia University Center for International Earth Science Information Network, *Environmental Performance Index*. Score: 25 to 100.

(5) Combined gross education enrollment rates. Percentage includes primary, secondary, and tertiary rates. Source: UNDP, *Human Development Report*.

(6) Literacy rate. Percentage of the population that is literate; World Bank, *World Development Indicators*.

(7) Public education expenditures. Government expenditures in education as percentage of GDP; World Bank, *World Development Indicators*.

(8) Per capita GNI. In purchasing power parity; World Bank, *World Development Indicators*.

(9) Gender equality. An index with three dimensions: reproductive health (maternal mortality rate and adolescent fertility rate); empowerment (share of parliamentary seats held by each sex); and labor market (attainment at secondary and higher education by each sex, and labor market participation rate by each sex). Source: UNDP, *Human Development Report*. Possible score: 0 to 1.

4. Peace and Security Index

Graduate countries (n=8): Argentina, Botswana, Chile, Costa Rica, Czech Republic, Estonia, Slovenia, and Thailand

Top Twenty Beneficiaries of USG Foreign Assistance by expenditure per capita: Afghanistan, Albania, Bahrain, Bosnia and Herzegovina, Colombia, Cyprus, Egypt, Georgia, Jordan, Iraq, Israel, Kosovo, Lebanon, Liberia, Macedonia, Montenegro, Oman, Somalia, South Sudan, West Bank/Gaza

The six components of this index are drawn from the Director of Foreign Assistance's conceptual framework of peace and security. Further elaboration is provided *Peace and Security in Eastern Europe & Eurasia*, USAID/E&E Working Paper Series, No. 10 (October 2009).

(1) Counter-terrorism consists of four indicators and measures the incidents and severity of terrorism as well as the capacity of governments to avert or control terrorism and/or the likelihood of political instability stemming from terrorism. Sources include the US Department of State, *Country Reports on Terrorism*, and the National Counter-Terrorism Center, *Worldwide Incidents Tracking System*.

(2) Combating weapons of mass destruction consists of three indicators and measures the extent to which governments control and regulate the export of chemical, biological, and nuclear weapons. Sources include US Department of Commerce, *Export Administration Regulations*, and the US Department of State, *Border Security Assessment*.

(3) Stabilization operations and security sector reform consists of five components and measures the capacity, scope, and intent of a government's security sector as well as estimates of the domestic security environment and status. Sources include the Center of International Development and Conflict Management, University of Maryland, *Peace and Conflict Instability Ledger*; USAID DCHA/CMM, *Instability Alert List*; SUNY at Binghamton, *Cingranelli-Richards Human Rights Dataset*; UNICEF, *TransMONEE database*; World Bank, *World Development Indicators*; and A.T. Kearney/Foreign Policy Magazine, *Globalization Index*.

(4) Counter-narcotics consists of four indicators and measures both the demand and supply of the four major types of narcotics: opiates, cocaine, cannabis, and amphetamines. Sources: UNODC, *World Drug Report*, and U.S. Department of State, *International Narcotics Control Strategy Report*.

(5) Combating transnational crime consists of five indicators and measures the extent of trafficking in persons, piracy of intellectual property rights, narcotics, and money laundering as well as the capacity of governments to address these concerns. Sources include the U.S. Department of State, *Trafficking in Persons Report*; U.S. Trade Representative, *Special 301 Report, Intellectual Property*; the U.S. Department of State, *International Narcotics Control Strategy Report*; and the Fund for Peace/Foreign Policy Magazine, *Failed States Index*.

(6) Conflict mitigation consists of three indicators and measures the potential or vulnerability of governments toward conflict and state failure by taking stock of instability, conflict history of the country, and the potential for conflict among neighborhood countries. Sources include the Center for Global Policy, George Mason University and the Political Instability Task Force; USAID DCHA/CMM, *Fragility Alert List*; and Center of International Development and Conflict Management, University of Maryland, *Peace and Conflict 2010*.

Converting the Primary Data into a 1 to 5 Scale

For each indicator, a 5 represents the best performance worldwide; that is, a level of progress which corresponds to the lower bound results of the top 5% of country performances worldwide. A 1 represents the worst performance worldwide; that is, a level of progress which corresponds to the upper bound results of the bottom 5% of country performances worldwide. The 1 to 5 "spread" is determined by the minimum-maximum normalization technique (see OECD's *Handbook on Constructing Composite Indicators: Methodology and User Guide*, 2008). For indicators that are positively correlated with development (i.e., an increase in value indicates development):

$$\frac{x - Min}{(Max - Min)} * 4 + 1$$

For indicators that are negatively correlated with development (i.e., a decrease in value indicates development):

$$5 - 4 * \frac{x - Min}{(Max - Min)}$$