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Pakistan

Economic Performance Assessment



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Pakistan

Economic Performance Assessment

Sponsored by the Economic Growth office of USAID's Bureau of Economic Growth, Agriculture and Trade (EGAT), and implemented by Nathan Associates Inc. under Contract No. PCE-I-00-00-00013-00, Task Order 004, the Country Analytical Support (CAS) Project, 2005-2006, has developed a standard methodology for producing analytical reports to provide a clear and concise evaluation of economic growth performance in designated host countries. These reports are tailored to meet the needs of USAID missions and regional bureaus for country-specific analysis. Each report contains

- A synthesis of data from numerous sources, including World Bank publications and other international data sets used by USAID for economic growth analysis, as well as host-country data sources;
- International benchmarking to assess country performance in comparison to similar countries and groups of countries; and
- A clear narrative that highlights where a country's performance is particularly strong or weak, thereby assisting in the identification of future programming priorities.

Under the CAS Project, Nathan Associates will also respond to mission requests for in-depth sector studies to examine more thoroughly particular issues identified by the data analysis in these country reports.

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HIGHLIGHTS OF PAKISTAN'S PERFORMANCE, RELATIVE TO BENCHMARK STANDARDS

Economic Growth	Economic growth has accelerated to more than 6 percent over the last few years, and is broadly based; however, the investment rate and labor productivity growth are very low.
Poverty	Poverty in Pakistan is comparable with other low-income countries in Asia, but still severe on any absolute scale. Poor health and education standards depress Pakistan's score on the Human Poverty Index. Sustained growth is critical to reduce poverty.
Gender	Pakistan is performing poorly on all gender indicators, particularly for education and literacy, and maternal mortality is high.
Demography and Environment	The rate of population growth has been declining, but remains high, increasing pressure for job creation. Pakistan's environmental performance is poor, with the most serious problems related to the management of water resources.
Fiscal and Monetary Policy	Macroeconomic performance has improved steadily over the last 5 years, helping to create a favorable environment for growth. Reduced budget deficits and public debt levels require consolidation, and revenue performance needs improvement. Inflation has been acceptable, but recent acceleration requires careful attention.
Business Environment	Most business environment indicators in Pakistan are consistent with benchmarks for low-income Asia, but could be improved to levels found in Thailand. Corruption is a very serious impediment to business.
Financial Sector	Financial sector indicators are comparable to or better than the benchmark standards, but further improvements are needed to stimulate private sector investment. A notable problem is the high cost of registering collateral.
External Sector	External performance is generally good, though the current account surplus has eroded as growth has accelerated. The ratio of trade to GDP is low for a country of this size, and exports are disproportionately concentrated in cotton, clothing, and textiles. FDI inflows are low; FDI is needed to help upgrade manufacturing and expand exports.
Economic Infrastructure	Infrastructure indicators are average for low-income Asia, but need substantial improvement if transformational development is to be sustained. Special focus is needed on roads and electricity.
Health	Life expectancy is comparable to other low-income countries in Asia, but child and maternal health indicators are poor on an absolute scale. Government spending on health care is low but improving.
Education	Performance is poor on almost all education indicators, especially those relating to women.
Employment and Workforce	Years of rapid labor supply growth combined with a sluggish economy caused high rates of unemployment, and led many Pakistanis to seek jobs abroad. Unemployment has yet to respond to recent rapid growth. Low utilization of female labor indicates a waste of resources and a need to improve opportunities for women.

Note: The standards used for the benchmarking analysis are explained in the appendix.

PAKISTAN PERFORMANCE SCORECARD
Performance Relative to Low-income Asia (except as noted)

	Pakistan Value	Benchmark Value
A. INDICATORS OF POOR PERFORMANCE		
Growth Performance		
Share of Gross Fixed Investment in GDP (2004)	16.4	22.6
Poverty and Inequality		
Human Poverty Index (2002)	41.9	30.4 ^a
Demography and Environment		
Adult literacy rate (2002)	48.0	66.4
Environmental Sustainability Index (2005)	39.9	44.1 ^a
Gender		
Ratio of male to female adult literacy rate (2002)	1.87	1.38
Ratio of male to female gross enrollment rates (2002)	1.39	1.15
Ratio of male to female life expectancy at birth (2002)	1.00	0.96
Business Environment		
Procedures to enforce a contract (2004)	46	29
Corruption Perception Index (2004)	2.1	3.0 ^c
Financial Sector		
Domestic credit to private sector, five year average (2003)	28.3	35.9 ^b
External Sector		
Trade, % GDP five year average, (2003)	36.5	77.4 ^b
Debt Service, ratio to exports (2003)	28.1	13.2 ^a
Economic Infrastructure		
Telephone density (2002)	33.5	41.1 ^a
Health		
Maternal mortality rate, deaths per 100,000 (2000/2001)	500 ^b	390 ^b
Education		
Net primary enrollment rate (2000)	66.9	83.7 ^a
Youth literacy rate (2002)	53.9	78.6 ^a
B. INDICATORS OF GOOD PERFORMANCE		
Growth Performance		
Real GDP growth (2003/04)	6.4	5.4

	Pakistan Value	Benchmark Value
Poverty and Inequality		
Population living on less than \$1 PPP per day, % population (2001)	13.0	20.6 ^b
Income share held by poorest 20% (1999)	8.8	7.2 ^a
Business Environment		
Doing business composite (2004)	70.1	59.4
Financial Sector		
Interest rate spread, lending rate minus deposit rate (2004)	6.6	9.4 ^a
External Sector		
Exports growth of goods and services, 5-year average (2003)	13.6	9.1 ^a
Economic Infrastructure		
Internet users per 1000 (2003)	10.3	7.6
Health		
HIV prevalence (2003)	0.1	0.5
Access to improved water source (2000)	86.0	71.5

Note: This scorecard shows major indicators for which Pakistan's performance is significantly worse or better than benchmark values. A separate Data Supplement provides a full tabulation of data for Pakistan and the international benchmarks, as well as technical notes on data sources and definitions. The standard benchmark is the median value for low-income Asia.

^a Lower value indicates better performance.

^b Benchmark estimated from regression analysis, controlling for region and per capita income.

^c Absolute standard for indicator used as benchmark.

1. Introduction

This paper is one of a series of Economic Performance Assessments prepared for the EGAT Bureau to provide USAID missions and regional bureaus with a concise evaluation of a broad range of indicators relating to economic growth performance in designated host countries. The report draws on a variety of international data sources¹ and uses international benchmarking to identify constraints, trends, and opportunities for strengthening growth and reducing poverty.

The methodology used here is analogous to examining an automobile dashboard to see which gauges are signaling problems. Sometimes a blinking light has obvious implications—such as the need to fill the fuel tank. In other cases, it may be necessary to have a mechanic probe more deeply to assess the source of the trouble and discern the best course of action.² Similarly, the Economic Performance Assessment is based on an examination of key economic and social indicators, to see which ones are signaling problems. In some cases a “blinking” indicator has clear implications, while in other instances a detailed study may be needed to investigate the problems more fully and identify an appropriate course for programmatic action.

The analysis is organized around the mutually supportive goals of transformational growth and poverty reduction.³ Rapid and broad-based growth is the most powerful instrument for poverty reduction. At the same time, many measures aimed at reducing poverty and lessening inequality can help to underpin rapid and sustainable growth. These interactions create the potential for stimulating a virtuous cycle of economic transformation and human development.

Transformational growth requires a high level of investment and rising productivity. This is achieved by establishing a strong *enabling environment for private sector development*, involving multiple elements: macroeconomic stability; a sound legal and regulatory system, including secure contract and property rights; effective control of corruption; a sound and efficient financial system; openness to trade and investment; sustainable debt management;

¹ Sources include the latest data from USAID’s internal Economic and Social Database (ESDB) and from readily accessible public information sources. The ESDB is compiled and maintained by the Development Information Service (DIS), under PPC/CDIE. It is accessible to staff through the USAID intranet.

² Sometimes, too, the problem is faulty wiring to the indicator—analogue here to faulty data.

³ In USAID’s White Paper on *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century* (January 2004), transformational growth is a central strategic objective, both for its innate importance as a development goal, and because growth is the most powerful engine for poverty reduction.

investment in education, health, and workforce skills; infrastructure development; and sustainable use of natural resources.

In turn, the impact of growth on poverty depends on policies and programs that create opportunities and build capabilities for the poor. We call this the *pro-poor growth environment*.⁴ Here, too, many elements are involved, including effective education and health systems; policies facilitating job creation; agricultural development (in countries where the poor depend on farming); dismantling barriers to micro and small enterprise development; and progress toward gender equity.

The evaluation in this paper must be interpreted with caution because a concise analysis of this sort cannot provide a definitive diagnosis of economic problems, or simple answers to questions about programmatic priorities. Instead, the aim of the analysis is to spot signs of economic growth problems based on a review of selected indicators, subject to limits of data availability and quality. The results should provide insight about potential paths for USAID intervention that complement on-the-ground knowledge and further in-depth studies.

The remainder of the report discusses the most important results of the diagnostic analysis, in three sections: Overview of the Economy; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topic coverage. The appendix provides a brief explanation of criteria used in selecting indicators and of the benchmarking methodology, and presents a listing of the full set of indicators examined for this report.

Table 1-1
Topic Coverage

Overview of the Economy	Private Sector Enabling Environment	Pro-Poor Growth Environment
<ul style="list-style-type: none"> • Growth Performance • Poverty and Inequality • Economic Structure • Demographic and Environmental Conditions • Gender 	<ul style="list-style-type: none"> • Fiscal and Monetary Policy • Business Environment • Financial sector • External sector • Economic Infrastructure • Science and Technology 	<ul style="list-style-type: none"> • Health • Education • Employment and Workforce • Agriculture

⁴ A comprehensive poverty reduction strategy also requires programs to reduce the *vulnerability* of the poor to natural and economic shocks. This aspect is not covered in the economic performance assessments since the focus is economic growth programs. In addition, it is difficult to find meaningful and readily available indicators of vulnerability.

2. Overview of the Economy

This section reviews basic information on Pakistan's macroeconomic performance, poverty and inequality, economic structure, demographic and environmental conditions, and indicators of gender equity.⁵ Some of the indicators cited here are descriptive rather than analytical, and are included to provide context for the performance analysis.

GROWTH PERFORMANCE

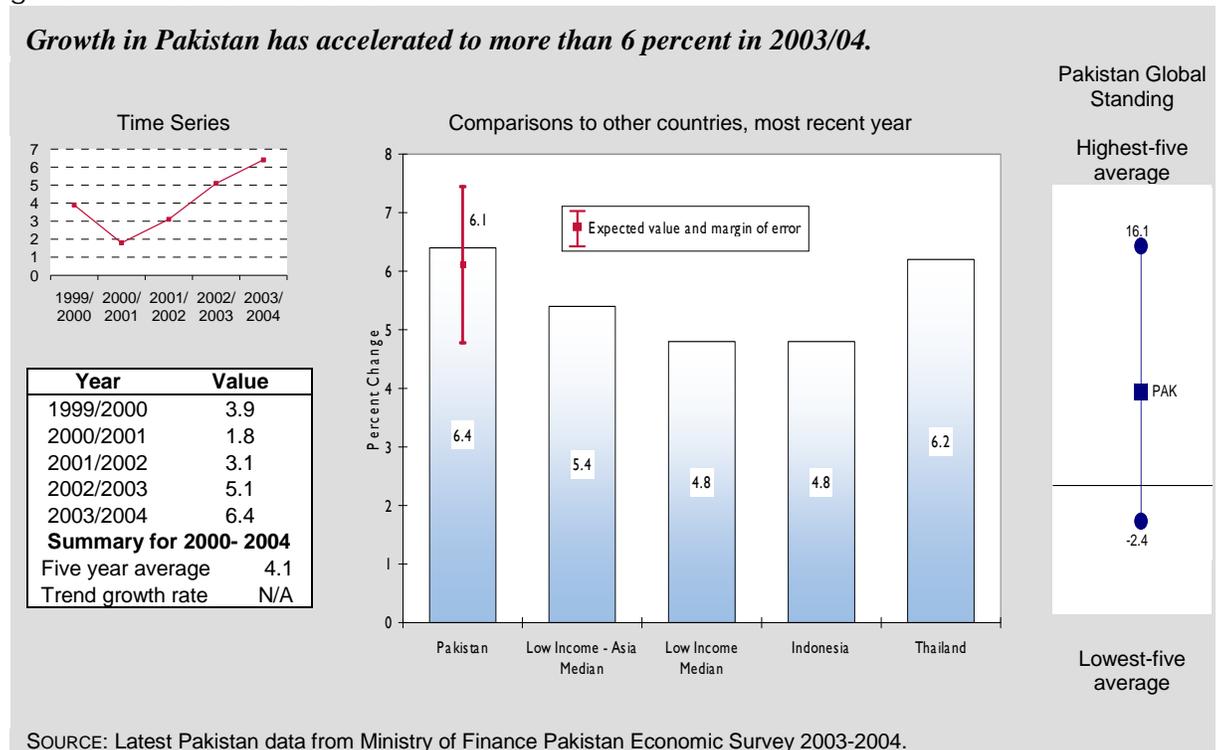
In recent years Pakistan has experienced promising rates of growth. GDP growth averaged 4.0 percent over the last five years. Though less than the average of 5.4 percent for low-income Asia, the rate has risen steadily and exceeded 6 percent in 2003/2004. The GDP growth rate is expected to reach or exceed 6 percent in 2004/2005; growth above 6 percent is comparable to recent growth in Thailand, and surpasses that of Indonesia. For 2004, Pakistan reports a per capita income of \$538, indicating that the standard of living average for Pakistan is better than the average for low-income Asia at \$494 (see Figure 2-1)⁶

Pakistan's improved growth rates stem from a variety of factors. Macroeconomic policy has been a stabilizing force, drawing down fiscal deficits, improving revenue collection, and controlling inflation. Progress in trade and financial sector liberalization and business regulatory improvement has been significant, though more needs to be done in all three areas. Domestic policies and reforms have been substantially influenced by Pakistan's strategic role in South Central Asia. Pakistani exports, particularly textiles and garments, have received favorable treatment from the United States and others. Much of Pakistan's debt burden has been relieved, facilitating greater fiscal flexibility. While export growth has been strong, the real driver of growth has been domestic demand, backed by large inflows of workers' remittances and increased access to consumer finance.

⁵ The Data Supplement provides a full tabulation of the data for Pakistan and the international benchmarks, including indicators not discussed in the text, as well as technical notes for each indicator.

⁶ In terms of purchasing power parity, the figures are \$2,265 and \$1,864, respectively.

Figure 2-1. Real GDP Growth



Growth in labor productivity has been lackluster, fluctuating around zero for the past five years. In 2003 labor productivity grew by an estimated 1.8 per cent, although still below levels achieved in Indonesia and Thailand in particular (see Figure 2-2). Low growth in labor productivity, relative to accelerating GDP growth, is attributable to the substantial labor surplus, as evidenced by high official unemployment, vast numbers of Pakistanis working abroad, high labor force growth rates, and more than 40 percent of the population working in agriculture. Also, Pakistan's key exports are concentrated in low technology, low productivity sectors. At the same time, capital productivity has been reasonably good. The incremental capital output ratio (ICOR) for the past five years shows that \$4.4 of investment has been needed to produce an extra \$1 of GDP, which equals the average for low-income Asia.⁷

Despite large inflows of aid and remittances, along with the liberalization of the financial sector, the investment rate has been very low, with little indication of improving in the near future. The ratio of gross fixed investment to GDP has averaged 14.1 percent over the past five years, well below the benchmark of 20 percent or more for low-income Asia, Thailand, and Indonesia (see Figure 2-3). This glaring weakness strongly suggests a need for deeper reforms to improve the investment climate, as discussed in section 3 below.

⁷ The latest 5-year ICOR values for Indonesia and Thailand, from the World Development Indicators, are heavily distorted by having the post-crisis depression year of 1998 included in the calculation.

Figure 2-2. Growth of Labor Productivity, percent change

Labor productivity growth has been poor.

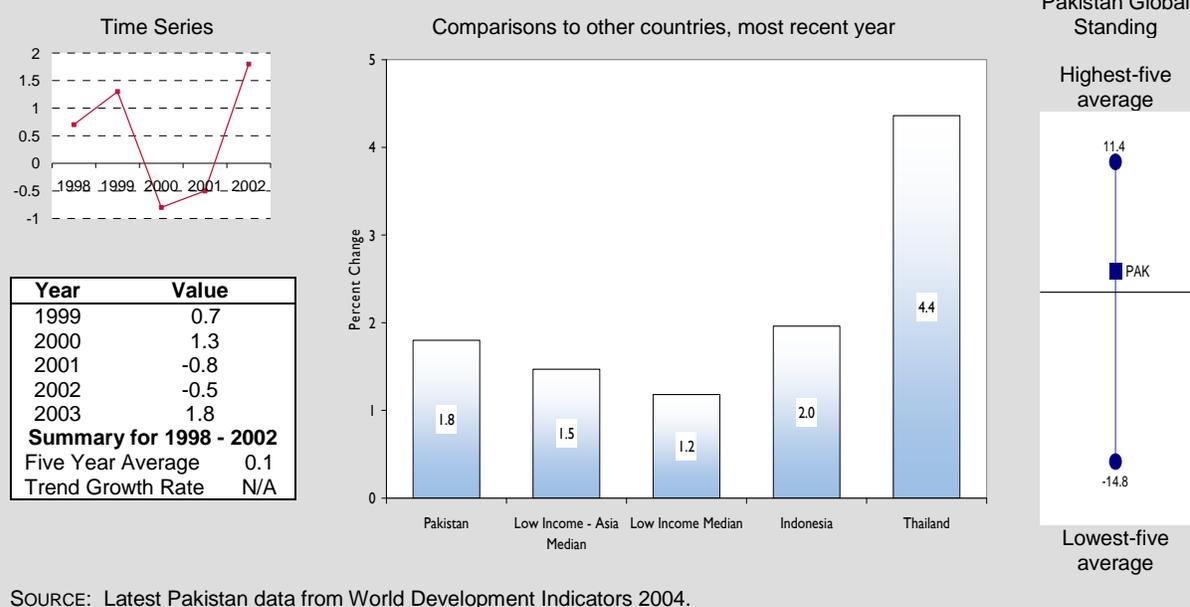
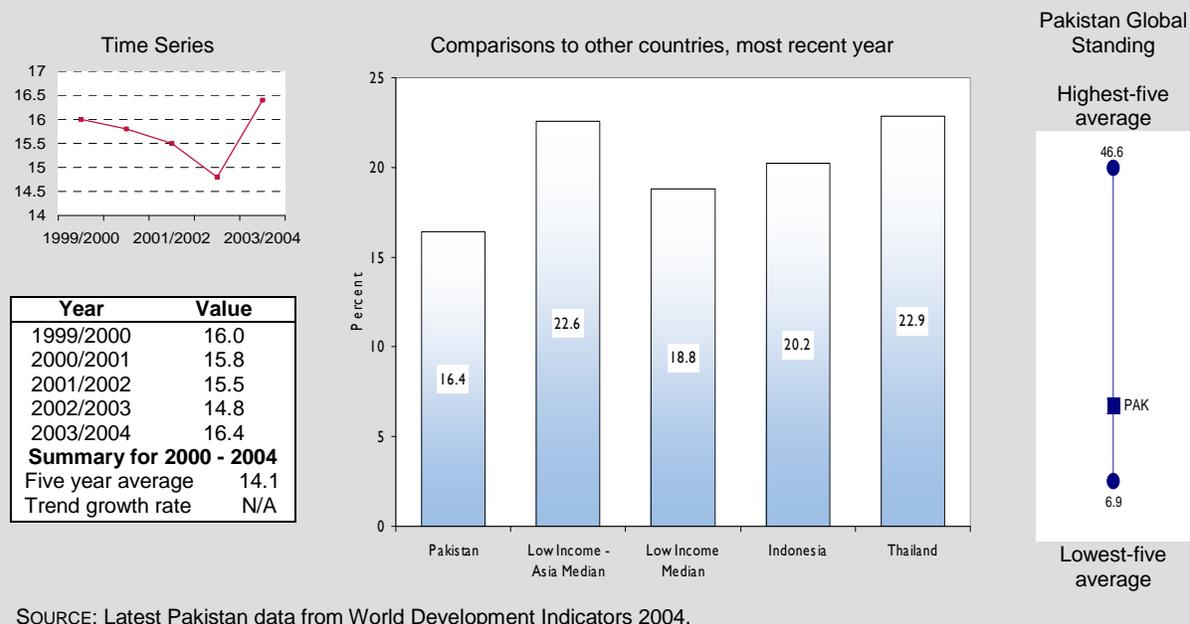


Figure 2-3. Gross Fixed Investment, percent of GDP

Investment levels are too low to support rapid and sustained growth.



The sustainability of recent growth is difficult to gauge. Pakistan's generally good growth performance is in part attributable to improved policies, but other contributing factors (e.g., high aid inflows, favorable treatment by trading partners, debt rescheduling) are attributable largely to Pakistan's strategic position. The principal challenge for Pakistan is to use the economic opportunities afforded by these potentially transient circumstances to undertake additional structural reforms to stimulate investment and productivity, and create a solid basis for transformational growth and poverty reduction. Many of the problems are longstanding: corruption, export concentration in low technology sectors; poor education and health systems; and agricultural inefficiencies relating to land tenure patterns and environmental exploitation. The window of opportunity may last only a few years, so strategic planning in the present is essential.

POVERTY AND INEQUALITY

Poverty levels in Pakistan are lower than international benchmarks but high on an absolute scale. By the common international standard of population living on less than \$1 per day PPP, it is estimated that 13 percent of Pakistanis were living in absolute poverty in 1999.⁸ This figure is vastly better than the regression benchmark of 20.6 percent⁹ and the low-income Asia median of 35 percent. But another household survey in 2001¹⁰ determined that the incidence of poverty rose from 30.6 percent in 1999 to 32.1 percent in 2001, nearly matching the regression analysis benchmark estimate of 33 percent (see Figure 2-4). The 2001 survey followed several years of drought, so the increase in poverty may be attributable to those conditions. Pakistan scores poorly on the UNDP's Human Poverty Index (HPI) with a value of 41.9,¹¹ which is considerably worse than the regression benchmark of 30.4 and the low-income Asia median of 38.7. This is due in large part to Pakistan's poor performance in education and health. Taking all of these measures into consideration it is clear that poverty is a significant problem in Pakistan.

Pakistan's Poverty Reduction Strategy Paper (PRSP), completed in February 2004, sets a target for reduction of the poverty rate¹² to 28 percent by 2005/06 with a further reduction to 16 percent by 2015. To achieve a substantial reduction in poverty over the medium to long term, Pakistan must adopt policies that will help sustain rapid and broad-based growth, while taking measures to assist the most vulnerable groups. Thus, the PRSP is built on four pillars: acceleration of economic growth through appropriate macroeconomic, microeconomic, and sectoral policies; improved governance and devolution, including control of corruption; investment in human capital; and special programs, such as microfinance and social safety nets, for the poor and the vulnerable.

⁸ Figures are based on the most recent data provided through the World Bank's 1998-1999 household survey of Pakistan.

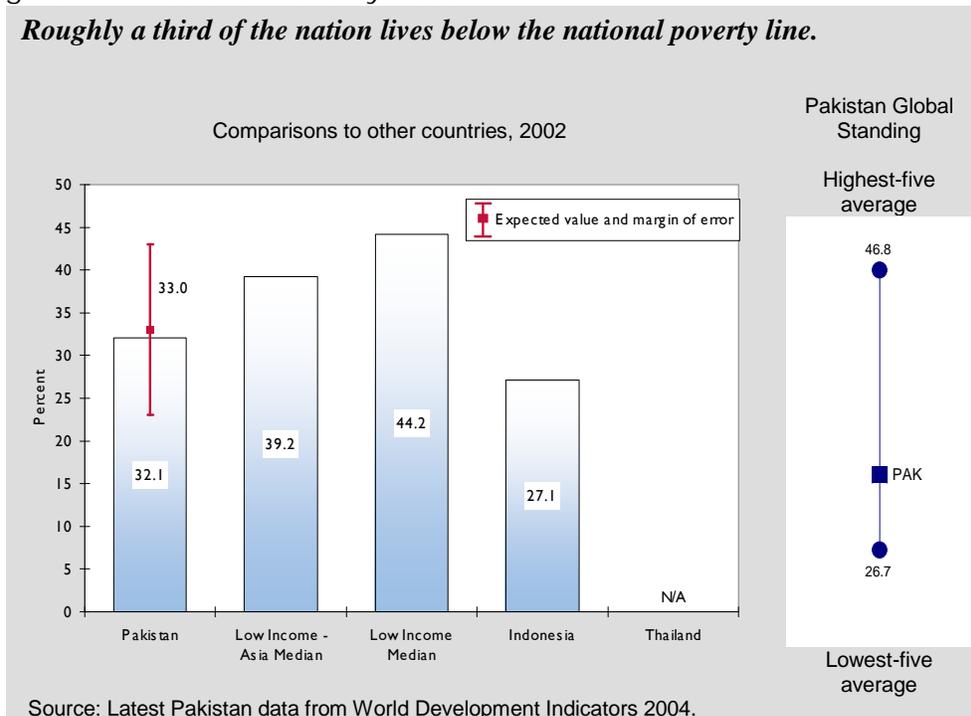
⁹ The appendix provides a brief explanation of the regression benchmark methodology.

¹⁰ This survey provides data using a national poverty line defined by the basic needs approach, which is calibrated on the basis of calorie requirements.

¹¹ The HPI ranges from 0 (no deprivation) to 100 (maximum deprivation).

¹² Using the national poverty line.

Figure 2-4. National Poverty Rate



ECONOMIC STRUCTURE

More than 40 percent of Pakistan's work force is in agriculture, and about 20 percent in industry. Over the 1999-2003 period, the number working in agriculture declined by more than 5 percentage points, with two thirds of that percentage moving into industry and one third into services. Over the same period, the share of output in services increased by about 1.5 percentage points, with a corresponding decline in the share of output in agriculture (leaving the industrial share of output nearly unchanged.) Taken together, this indicates falling productivity in industry and probably in agriculture as well, which is consistent with the poor labor productivity performance noted above.

The composition of Pakistan's labor force is similar to that of low-income Asia, Thailand, and Indonesia, but the composition of output differs markedly from that of Thailand and Indonesia. The share of industry in total output for these two countries is nearly double that of Pakistan and low-income Asia, with a correspondingly lower share of output in agriculture. These indicators point to a compelling need for Pakistan to improve industry productivity by shifting into higher value-added sectors in as-yet unexploited sectors as well as its traditional niches of clothing and textiles.

DEMOGRAPHY AND ENVIRONMENT

In the early 1990s, Pakistan's population growth rate exceeded 2.5 percent per year. This reflects a demographic transition in which improvements in health care and economic growth reduce death rates, while family-planning decisions take longer to affect birth rates. Since the early

1990s, Pakistan's birth rates have declined; the most recent official figures¹³ show population growth at 1.9 percent per year. While the latter figure nears the low-income Asia average, it is still high absolutely and contributes to high growth rates in labor supply and unemployment, and to production choices favoring the use of unskilled labor. Further reduction in population growth is closely linked to improving women's social status, health, and education in general, and to boosting their participation in the labor force in particular.

Environmental conditions are also a serious problem. The Environmental Sustainability Index gives Pakistan a score of 39.9 out of 100, which is below the regression benchmark of 44.1, and the values for Indonesia (48.8) and Thailand (49.8). The most serious problems involve water use, particularly in agriculture. The nature of agricultural land tenure in Pakistan,¹⁴ a poor irrigation system, and general mismanagement of water resources give rise to distorted incentives that lead to soil erosion and increasing salinity. Deforestation and rising urbanization rates also pose serious environmental problems.

GENDER

Pakistan's very poor performance on gender issues stands out as a fundamental shortcoming among other indicators of good and improving performance. The ratio of male to female adult literacy in Pakistan was 1.87 in 2002,¹⁵ more than a third higher than the average of 1.38 for low-income Asia. The gender differential in gross enrollment ratios is similarly large (see Figure 2-5). Gender imbalances are also apparent in health indicators. In Pakistan, male and female life expectancy rates are nearly identical, whereas in most countries women live longer. In Thailand, for example, the ratio is 0.89. This difference in life expectancy is closely related to differential male and female educational levels and to poor child and maternal health care. Pakistan's pervasive gender inequity is hindering transformational growth.

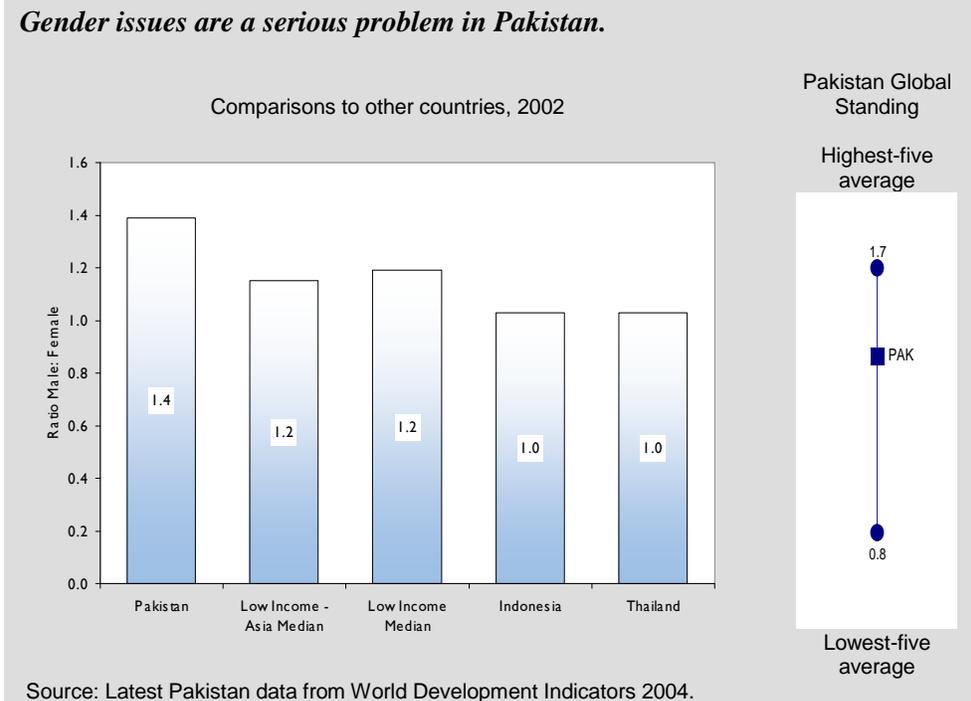
¹³ Most recent year reported is 2003.

¹⁴ In Pakistan land tenure patterns, irrigation decisions, and land degradation are closely linked. "[U]neven access to the land engenders intensification of its use by large and small holders, contributing to land degradation. Large landholders tend to over-irrigate cash crops, which causes land degradation from waterlogging and salinity. Similarly, small holders and tenant farmers intensively use their small holdings to pay for self-subsistence, cost of production, and rent on the land (latter in tenants' case)." See Tarique Niazi, "Land Tenure, Land Use, and Land Degradation: A Case for Sustainable Development in Pakistan," *The Journal of Environment & Development*, Vol. 12, No. 3, 275-294 (2003).

¹⁵ Figures from Pakistan's PRSP (Table 3.6) show a slightly lower ratio of 1.76.

Figure 2-5. Ratio of Male to Female Gross Enrollment Rate, All Levels

Gender issues are a serious problem in Pakistan.



3. Private Sector Enabling Environment

This section reviews indicators for key components of the enabling environment that encourage rapid and efficient growth of the private sector. Sound fiscal and monetary policies are essential for macroeconomic stability, which is a necessary (though not sufficient) condition for sustained growth. A dynamic market economy also depends on basic institutional foundations, including secure property rights, an effective system for enforcing contracts, and an efficient regulatory environment that does not impose undue barriers on business activities. Financial institutions play a major role in mobilizing and allocating savings, facilitating transactions, and creating instruments for risk management. Access to the global economy is another pillar of a good enabling environment, because the external sector is a central source of potential markets, modern inputs, technology, and finance, as well as competitive pressure for efficiency and rising productivity. Equally important is development of the physical infrastructure to support production and trade. Finally, developing countries need to adapt and apply science and technology as a basis for attracting efficient investment, improving competitiveness, and stimulating productivity growth.

FISCAL AND MONETARY POLICY ¹⁶

Pakistan's macroeconomic policy has been uneven over the last ten years, as reflected in an often difficult relationship with the IMF until recently (see sidebar).

Fiscal policy has been improving in the last few years, with the budget deficit, including grants, decreasing from 5.5 per cent of GDP in FY 1999/2000 to 1.8 per cent in 2003/2004. The current budget calls for levels under 3 percent of GDP for the fiscal year ending June 2005 as well as the following several years.

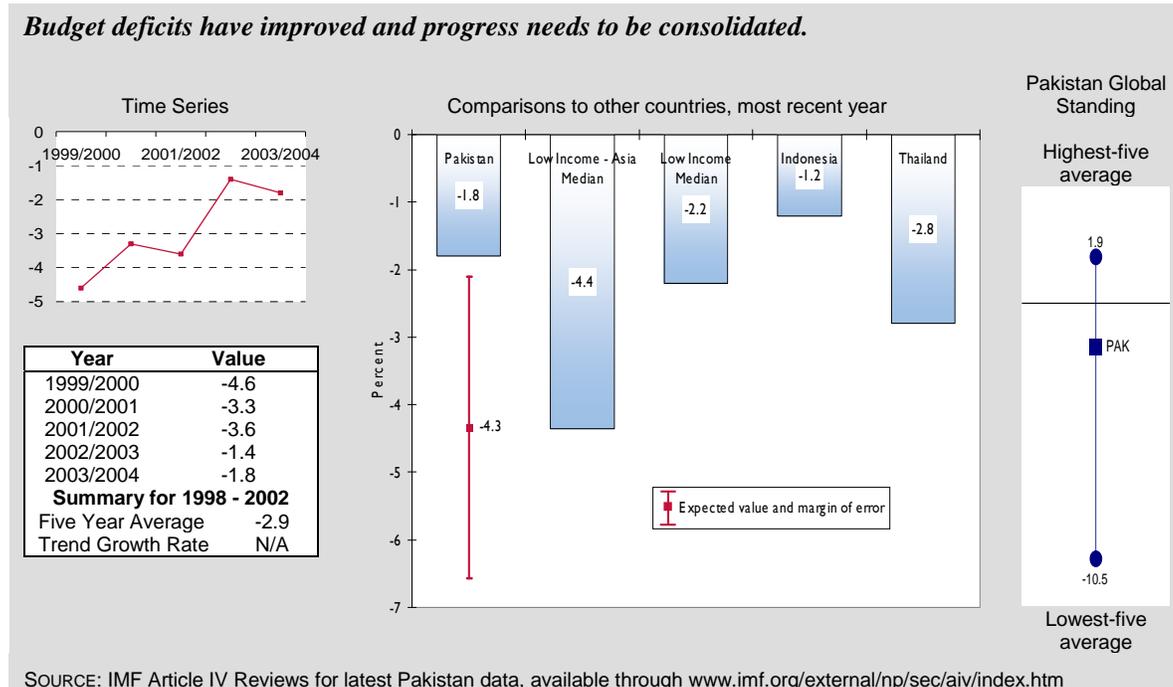
IMF Program Status for Pakistan

Pakistan reached a three-year agreement with the IMF in December, 2001, to draw its full quota under the Fund's Poverty Reduction and Growth Facility (PRGF). That agreement expired in December 2004. Pakistan currently has no outstanding agreement with the IMF; the relationship consists of regular monitoring under Article IV, and repayment of debt from past programs.

¹⁶ The World Development Indicators 2005 database adopts new categories for government finance statistics. As a result, the database has fiscal data for very few developing countries, and group medians for these fiscal variables are no longer meaningful because of limited sample size. The international benchmarking analysis for fiscal indicators is therefore based on data from WDI 2004.

Some of this improvement is due to revenue strengthening measures, such as the introduction of a general sales tax in 2001, but much is due to increased foreign grants, defense-related assistance, and reduced interest payments. Pakistan received foreign grants the equivalent of 1.9 and 2.4 percent of GDP in 2001/2002 and 2002/2003, respectively. Pakistan has been prudent in using a portion of these grants to reduce government debt, which declined from 88.8 percent of GDP in 2000/2001 to an estimated 68.7 percent in 2003/2004¹⁷ (see Figure 3-1). Continued fiscal success is contingent on consolidating the progress of the last few years through further and more entrenched fiscal reforms. The ratio of government revenue to GDP in 2003/2004 stood at 14.3 percent, well below the low-income Asia average of 17.7 percent. Pakistan needs to continue to improve revenue collection and reduce assistance to state-owned enterprises, especially in light of the government's necessary and highly appropriate commitment to a steady increase in social expenditures.

Figure 3-1. Overall Government Budget Balance, including Grants, percent GDP



Monetary policy has been largely expansionary for several years to help increase growth. The average increase in broad money of 14.3 percent per year for the five years ending in 2003/2004 is close to the average of 14.0 percent for low-income Asia. Furthermore, the largest contributor to money supply growth has been credit to the private sector, rather than inflationary financing of budget deficits. Hence, inflation has been less than 5 percent for several years. Recently, the inflation rate accelerated because of a combination of rising energy prices and strong economic growth. The monetary authorities have been appropriately raising interest rates in response. At

¹⁷ Internal and external debt combined. Both types of debt declined, with foreign debt declining much more.

year-end 2004, inflation was approaching 9 percent on an annual basis, and hit double-digits in March and April 2005. With growth expected to remain strong and real interest rates dropping, the monetary authorities need to pay close attention to containing inflation. Thus far, the authority's ability to control nominal inflation has earned Pakistan a "green" ranking for inflation in the Millennium Challenge Corporation's (MCC) category of economic freedom.

BUSINESS ENVIRONMENT

Most business environment indicators are good in Pakistan, reflecting several years of government and donor-supported improvements in the general environment and reforms in the trade and financial sectors. Pakistan scores 70.1 in the World Bank's Doing Business Composite Index, an average of various micro-level business environment measures.¹⁸ This is well above the average of 59.4 for low-income Asia, but below that of Thailand (79.7), something which holds true for most individual indicators in the composite (see Figure 3-2). In fact, Pakistan nears the low-income Asia average on most measures, scoring better on indicators that measure the amount of time required for various business activities and worse on those that measure the number of procedures necessary to enact a given transaction. The MCC has acknowledged Pakistan's relatively short time required for business transactions through a "green" ranking. Pakistan's score on the Corruption Perception Index of 2.1¹⁹ is poor, slightly lower than the low-income Asia average score of 2.6, and very poor on the absolute scale (scores of 3 and below indicate rampant corruption). Widespread corruption undermines Pakistan's efforts on micro-reforms as implementation of regulations is often arbitrary and inconsistent across regions (see Figure 3-3).

FINANCIAL SECTOR

A productive economy and sustainable, transformational growth require an efficient financial sector. Large interest rate spreads and high real interest rates impede private borrowing in general, and borrowing by SMEs in particular, leading to both underinvestment and a misallocation of investment.

The performance of Pakistan's financial sector is on par with or better than low-income Asia on most measures, but well behind that of comparator countries Indonesia and Thailand. This relatively good performance is a result of financial sector reforms in the first half of the 1990s and improvements in the governance of state-owned banks. More recently, in attempting to curb terrorist financing, the government has been able to drive private capital inflows and remittances to the formal financial sector. Interest rate spreads, an indicator of financial sector efficiency, have fluctuated between 6.5 and 8.2 percentage points. This is below the low-income Asia average of 10.9 percent, but much higher than the spreads in Indonesia (3.4) and Thailand (4.9) (see Figure 3-4). As opposed to good nominal performance, real interest rates have hovered near double-digit levels until recently. The declining trend can be interpreted as a function of

¹⁸ On a scale of 0 to 100 with the best score being 100.

¹⁹ The Corruption Perception Index uses a 1 to 10 scale from most perceived corruption to least perceived corruption.

Figure 3-2. Doing Business Composite

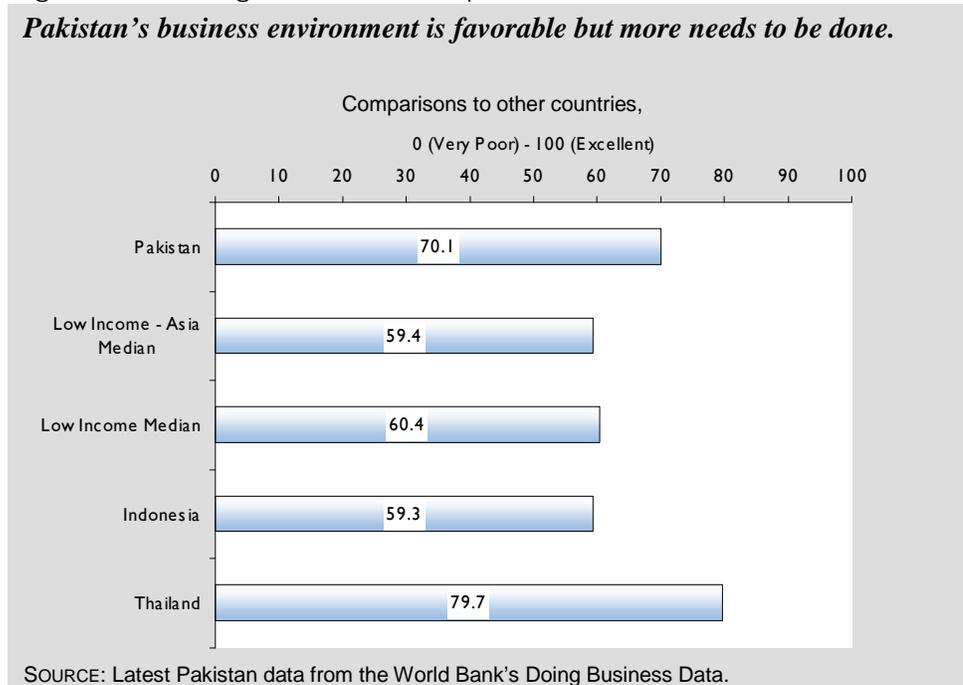


Figure 3-3. Corruption Perception Index

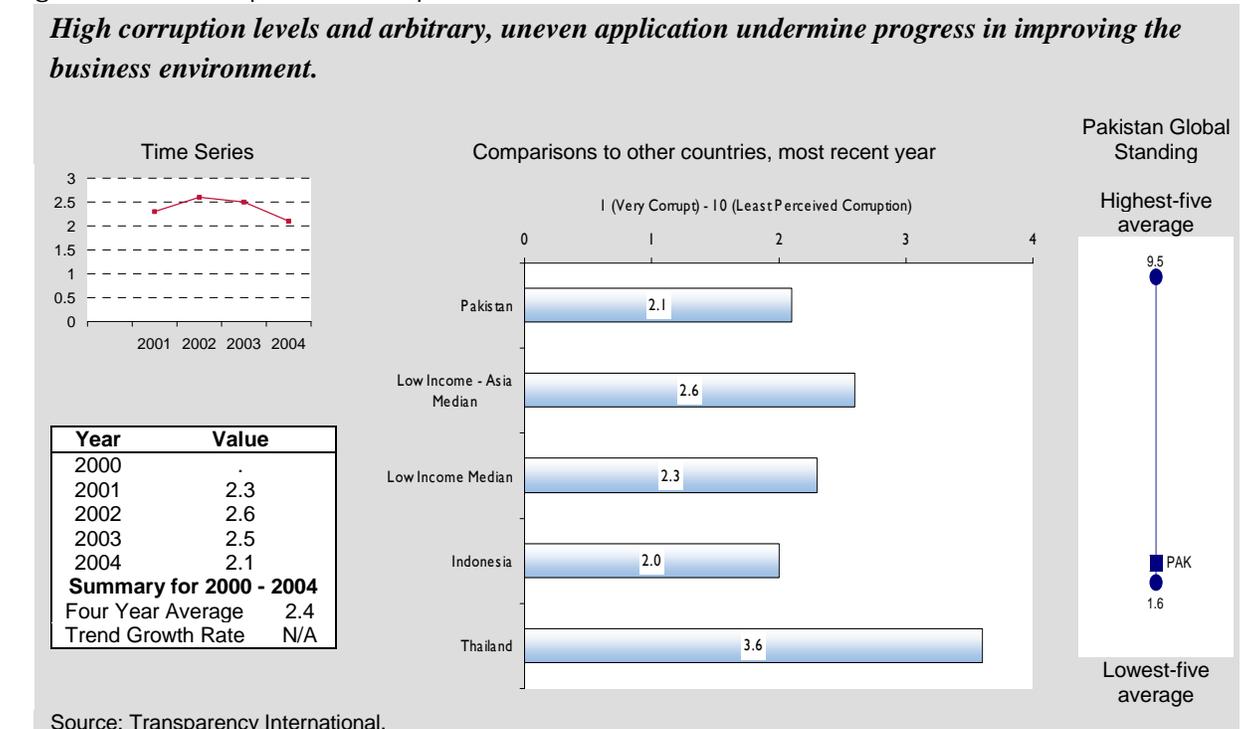
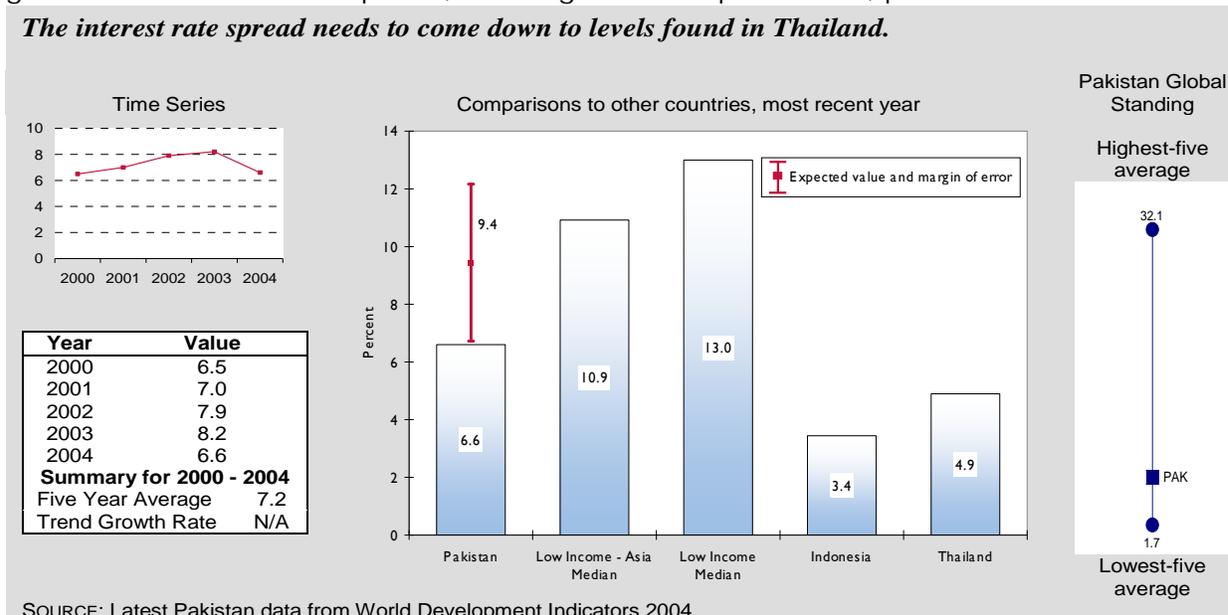


Figure 3-4. Interest Rate Spread, Lending Minus Deposit Rate, percent



expansionary monetary policy and the fact that nominal rates have not anticipated the acceleration in inflation, rather than as a sign of more efficiency or lower risk premiums. This is consistent with the high cost of collateral, which is 11.5 percent of per capita income, as compared with only 2.4 per cent in low-income Asia. Domestic credit to the private sector averaged around 28.3 percent of GDP between 1999 and 2003, well above the average of 16.3 percent for low-income Asia, but well below the regression benchmark of 35.9 percent or Thailand's 102.5 percent.

While financial sector efficiency has improved markedly, substantial gains can still be made. A major step will be taken when longstanding plans for privatization of the banking sector are implemented. Additional efforts in the way of increasing competition, improving supervision, and strengthening bank credit systems are also needed to reduce interest rate spreads as well as real interest rates.

EXTERNAL SECTOR

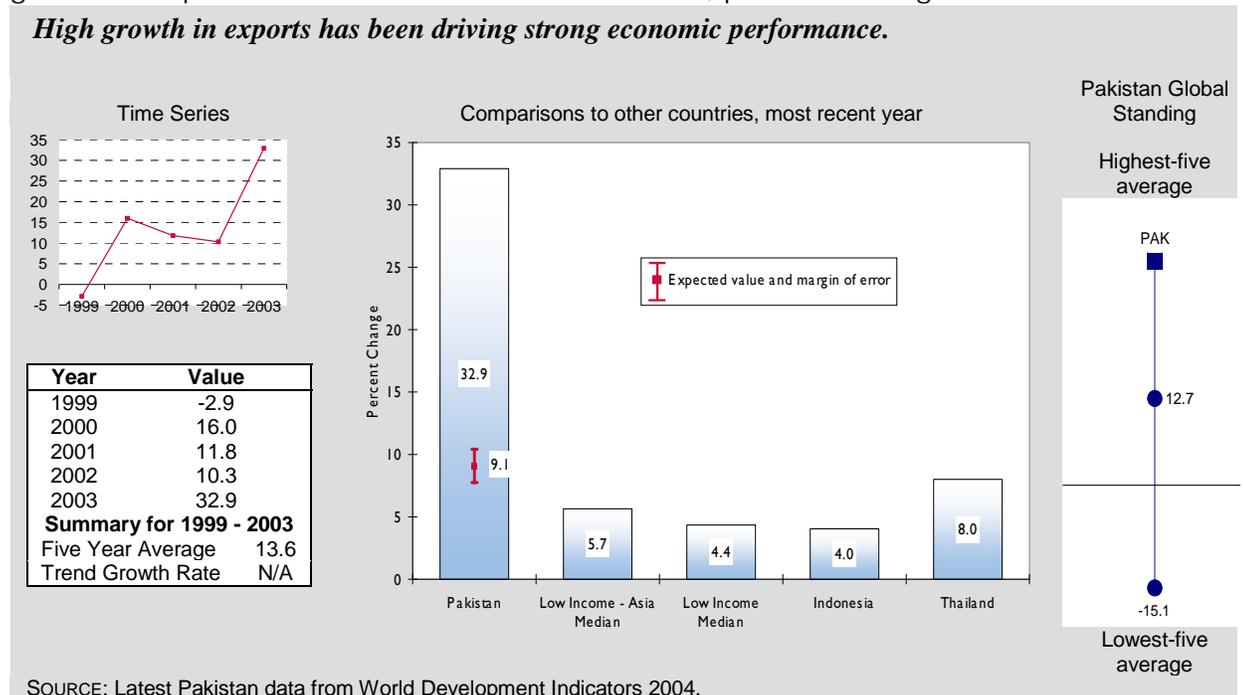
Fundamental changes in international commerce and finance, including reduced transport costs, advances in telecommunications, and lower policy barriers, have fueled a rapid increase in global integration over the past 25 years. In stimulating productivity and efficiency, providing access to new markets and ideas, and expanding the range of consumer choice, the international flow of goods and services, capital, technology, ideas, and people offers opportunities for Pakistan to boost growth and reduce poverty. Globalization also creates challenges by requiring that institutions take full advantage of international markets by developing sound policies and regulations, cost-effective approaches to adjustment, and systems for monitoring and mitigating risks.

As the following analysis shows, Pakistan's recent export performance has been good but a number of structural indicators of external performance show underlying weaknesses. With the ending of the Multi-Fibre agreement and China's emergence as a global force, Pakistan is likely be hard-pressed to maintain competitiveness in clothing and textiles and will need to diversify its export base and move into higher-value added sectors.²⁰ Similarly, while substantial inflows from Pakistani expatriates have been an important support for the domestic economy, they need to be leveraged into productive domestic investment that will translate into long-term competitiveness and growth.

International Trade and the Current Account

Pakistan's promising growth in trade performance underscores the need to improve its trade regime. Recent Pakistani export growth has been quite strong, with the dollar value of exports rising by 55 percent between 1999 and 2003, according to IMF figures (see Figure 3-5). A number of factors are at play, including liberalization of trade barriers and a depreciating currency. Pakistan has done much to liberalize trade, eliminating import licensing, import and export registration, and discrimination between commercial and industrial imports, while simplifying tariff schemes and reducing tariff rates. Major trading partners rewarded Pakistan's antiterrorism policing activities by increasing quotas for key Pakistani exports.

Figure 3-5. Exports Growth of Goods and Services, percent change

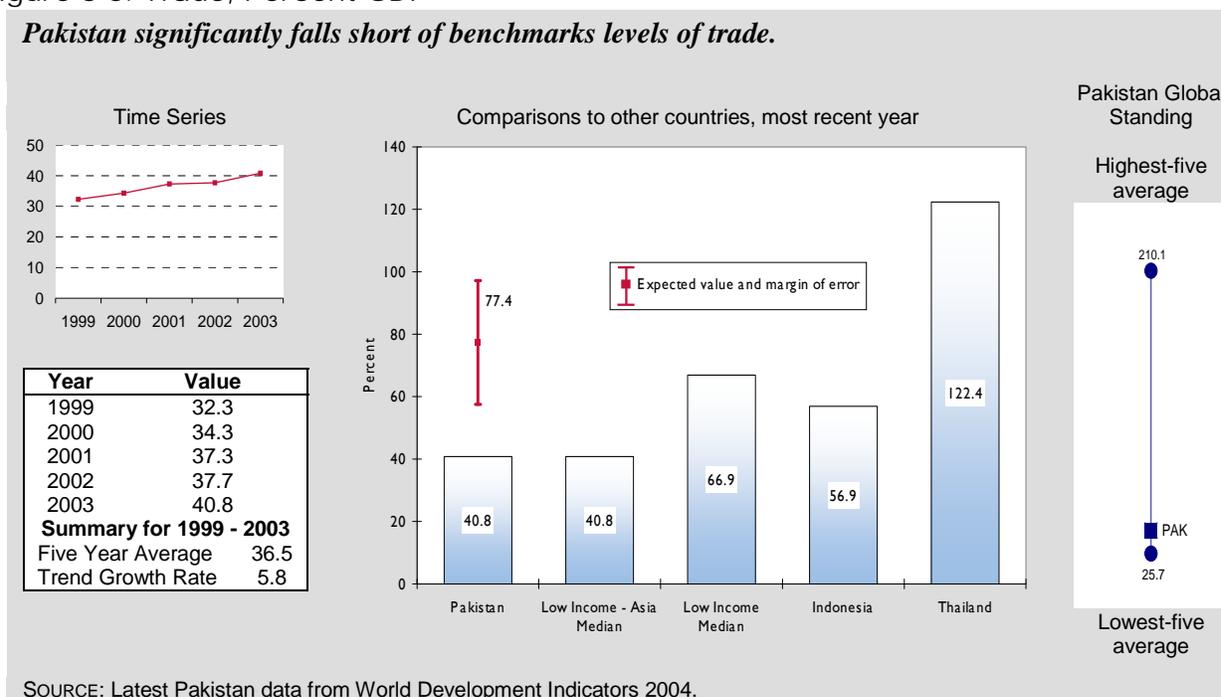


²⁰ See, for example, the analysis in ADBI Institute's "Benchmarking Pakistan's Clothing and Textile Industry," available at <http://www.adbi.org/book/2004/11/24/806.industrial.competitiveness.pakistan/benchmarking.pakistans.textile.and.clothing.exports/>

Pakistan's strong export performance, however, conceals weaknesses in external performance. Despite its efforts at trade liberalization, Pakistan's score on the Trade Policy Index from The Heritage Foundation is 5.0, the lowest rating. This poor ranking is mirrored by the MCC's "red" ranking for trade policy. Factors contributing to this score include a high weighted average tariff rate of 15.2 percent for 2002; a ban on imports of certain products on religious, environmental, security and health grounds; and local content requirements that act as non-tariff barriers. Further progress in trade liberalization is needed.

Exports are also highly concentrated in cotton, yarn, textiles, and clothing. According to government figures, the textile industry accounted for 66.1 percent of exports in 2003, with only three product lines²¹ accounting for 42 percent of those exports. As of 2002, manufactured goods represented 86 percent of exports, but predominantly in low technology sectors. Though this shift from resource-based primary products is welcome, local manufacturers are only beginning to move into medium and high technology sectors. Product diversification should aim to reduce dependence on textiles and clothing, while moving into higher valued-added areas in both sectors and more generally.

Figure 3-6. Trade, Percent GDP



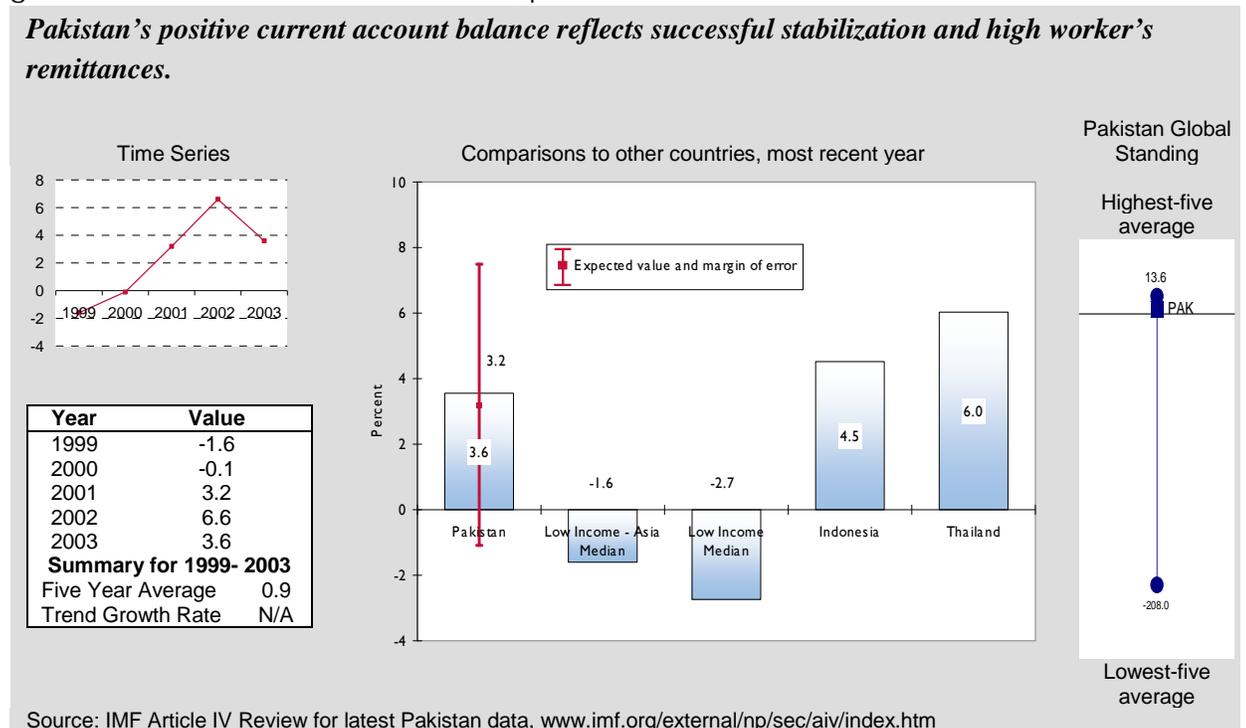
The ratio of trade to GDP in 2003 was 40.8 percent, nearly identical to the average for low-income Asia, but far below the regression benchmark of 77.4 percent for a country with Pakistan's characteristics (see Figure 3-6). This is in part explained by political differences with India that reduce trade, and by regional instability heightened by Pakistan's sharing a border with

²¹ At the 3-digit SITC level.

both Afghanistan and Iran. Taking into consideration the correlation between trade and growth, Pakistan needs to make special efforts to overcome those obstacles and raise its trade to GDP ratio to levels akin to Indonesia (57 percent) and Thailand (122 percent).

Pakistan continues to run a trade deficit, which reflects the weakness of domestic manufacturing, in addition to the doubling of capital goods imports (in value) over the last four years. The trade deficit is offset by a large inflow of remittances from Pakistanis working in the Persian Gulf, the United States, and the United Kingdom. As a result, the current account maintained a surplus from 2001 to 2003, a welcome change from the balance-of-payments crisis of the late 1990s (see Figure 3-7). With accelerating growth and rising oil payments, however, the current account surplus has declined and the IMF and private forecasters have projected that the current account slipped into a deficit in 2004 that will likely widen in 2005 and 2006.²²

Figure 3-7. Current Account Balance, percent GDP



Balance of payments problems in the 1990s led to rapid growth in debt and a rise in the debt service ratio. Bilateral and multilateral lenders extended credit to Pakistan because of the country's strategic importance. According to World Bank figures, external debt peaked at 58 percent of GDP in 1999, and has declined steadily with implementation of a structural adjustment package and with general economic growth. This growth has been fueled by current account

²² For example, the Economist Intelligence Unit forecast as of June 24 2005 is that "The current-account deficit will widen to 2.7% of GDP in 2005 and will stand at 2.8% of GDP in 2006, in line with the rising trade deficit." <http://www.economist.com/countries/Pakistan/profile.cfm?folder=Profile-Forecast>

surpluses and generous aid inflows from the United States and other donors; Pakistan received official grants of nearly \$2.5 billion in 2002 and 2003 combined. Pakistan has also benefited from debt rescheduling with official creditors, who account for about 90 percent of the country's foreign debt. Thus, debt service declined to 28.1 percent of exports in 2003. In comparison, the debt service ratio is below 25 percent in Thailand and Indonesia, with a median of just 7 percent for low-income Asia. Current account surpluses have enabled Pakistan to meet debt servicing requirements and accumulate international reserves, which currently stand at a comfortable six months of imports. As a result, in February 2004 Pakistan was able to re-enter international private capital markets with the issuance of a \$500 million Eurobond (a good sign of international confidence) and expects further borrowings of a similar size in 2005.

International Financing

The role of private foreign capital has been increasing in Pakistan in the last few years. Foreign direct and portfolio investment flows, which were negative five years ago, have become positive as foreign direct investment (FDI) inflows have increased. FDI flows have been averaging just under one percent of GDP over the last five years, slightly below the average for low-income Asia (1.3 percent). Many barriers to FDI inflows remain, however, including poor quality infrastructure, delays in the privatization of state-owned enterprises, corruption, and regional security concerns. While the government has adopted many more liberal policies for the business environment and for regulations affecting FDI, several sources report that application can often be arbitrary, lacking in transparency, and complicated by overlapping layers of national and regional governments.²³

Pakistan's laudable improvement in external performance from 1999 to 2003/2004 resulted from sound macroeconomic policies, structural reforms, and favorable external conditions. The ability to borrow on international capital markets signals rising investor confidence. But the return of current account deficits, while appropriate to a rapidly growing economy experiencing large import volumes of capital goods, needs to be monitored closely. Pakistani authorities must pay close attention to the size and financing of current account deficits to ensure that debt service ratios remain proportional to export growth and payment capacity. The government needs to make a special effort to further encourage FDI to shift the burdens of financing from foreign grants and borrowing on international capital markets. The monetary authorities should continue to monitor external balances as well as growth and inflation when setting monetary targets.

ECONOMIC INFRASTRUCTURE

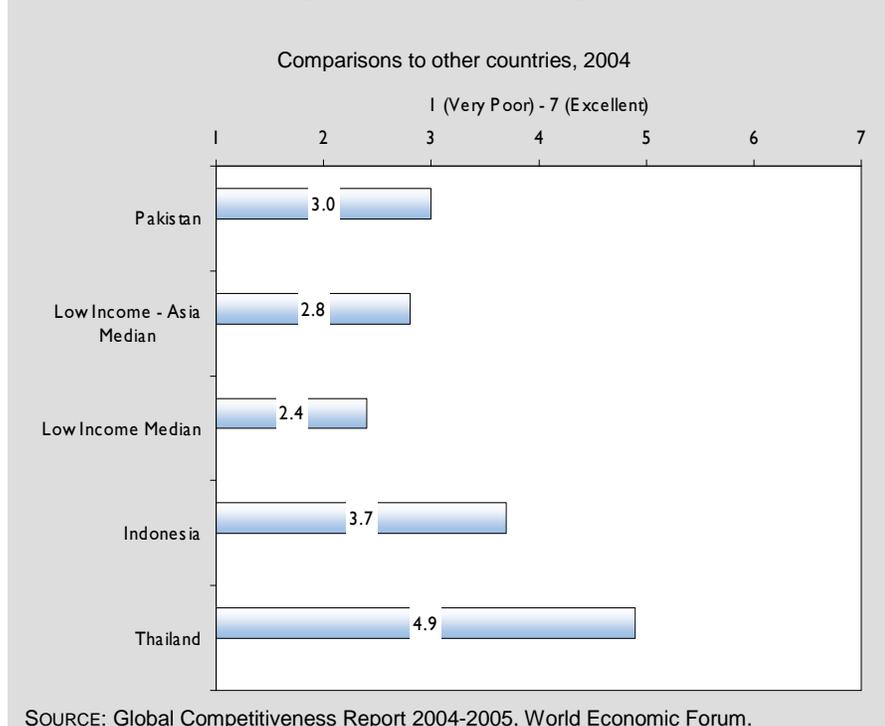
A country's physical infrastructure—for transportation, communications, power, and information technology—is the backbone for improving competitiveness and expanding productive capacity. Pakistan's performance on infrastructure indicators is average for a low-income country, but poor

²³ For example, the one article quotes local sources to the effect that: "However, the common complaints, i.e., inconsistency, adhocism, [sic] poor implementation, etc, continue to be the biggest irritants." See Shabbir H. Khazmi, *The Investment Climate in Pakistan*.
<http://www.pakistaneconomist.com/database1/cover/c2003-53.asp>.

for a country with aspirations for high growth and international competitiveness. Pakistan received a 3 on the Global Competitiveness Report's index of Overall Infrastructure Quality, which rates countries on a scale of 1 to 7, with 7 being the best. This is slightly better than the low-income Asia average, but again well below scores for Thailand and Indonesia (see Figure 3-8.)

Figure 3-8. Overall Infrastructure Quality Perception Index

Infrastructure is comparatively average but needs to improve to Southeast Asian levels if Pakistan is to be competitive

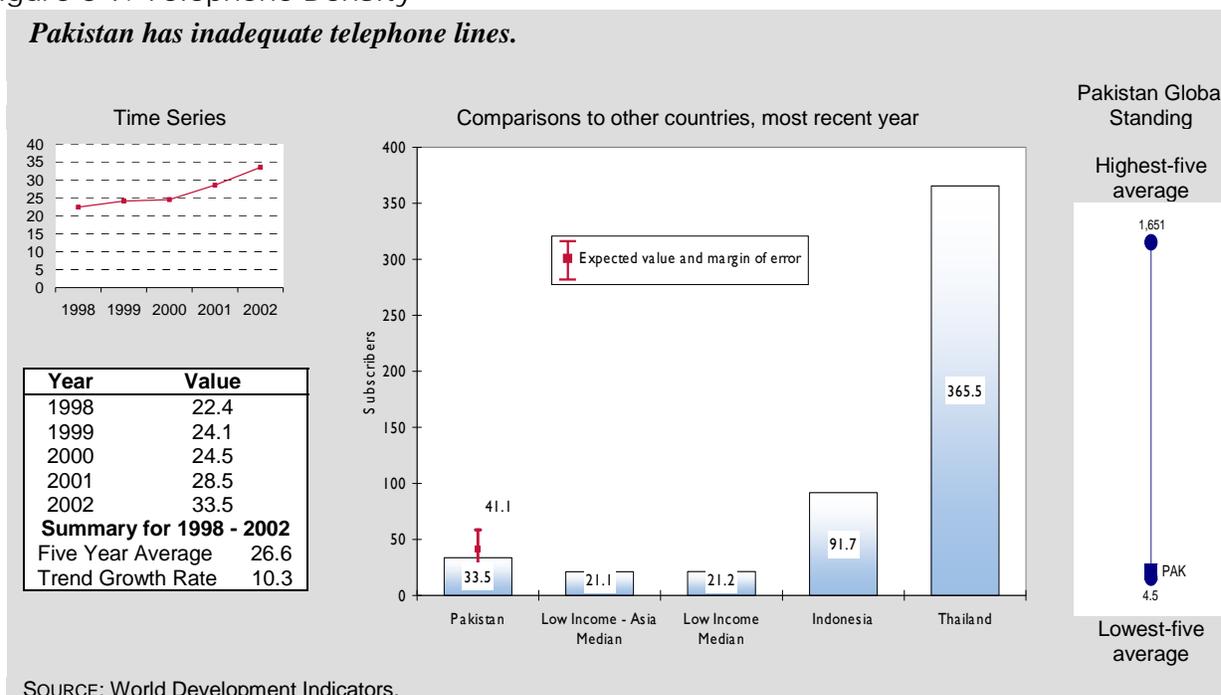


When infrastructure is examined on a more disaggregated basis, transportation performance varies widely: air transport is relatively good, port transport average, and road infrastructure poor. The number of cars in Pakistan has roughly doubled since 1990, and development of road infrastructure has not kept pace as attempts to allow for private sector development of toll roads have been problematic. Electricity supply is also poor; Pakistan's score on the electricity sub-index of infrastructure quality was 2.6, below the low-income Asia average of 2.8. Electricity privatization should press forward, accompanied by appropriate regulatory and pricing frameworks and governance mechanisms. Constraints on electricity privatization are symptomatic of larger problems with appropriate governance structures, a complex web of political impediments, and implementation difficulties that impair market solutions to many of Pakistan's problems.

These disparities are even more apparent in telecommunications infrastructure. Pakistan's performance on the number of Internet users and the density of telephone coverage (both per 1,000), at 10.3 and 33.5 respectively, is nearly 50 percent above the averages for low-income

Asia (7.6 and 21.1, respectively). Yet Internet usage scores in Thailand (37.7) and Indonesia (96.5), show that Pakistan needs to make great strides in communications infrastructure to reach middle income status. Quality telecommunications infrastructure complements and augments growing productive sectors. For instance, moving up the textiles and clothing value chain while keeping pace with global apparel markets requires the ability to place orders and communicate design changes very quickly through adequate telecommunications. Since two more cellular licenses were issued in 2004, the number of cell phone subscribers in Pakistan has risen rapidly, indicating the pent-up potential of the economy, a potential that could be released with additional infrastructure investment, reform, and privatization (see Figure 3-9). In sum, as the ADB's resident country director said in a recent speech: "The most important infrastructure needs are in the roads and highways, power, and the telecommunication and information technology sectors."²⁴ Pakistan needs to move forward in these areas.

Figure 3-9. Telephone Density



SCIENCE AND TECHNOLOGY

Science and technology are central to a dynamic business environment, and technical knowledge is a driving force behind increased productivity and competitiveness. Even for low-income countries, transformational development increasingly depends on acquiring technology from the global economy, adapting it, and applying it in ways appropriate to the level of development. A lack of capacity to acquire and use technology prevents an economy from benefiting fully from globalization.

²⁴ M. Ali Shah, "Attracting Investment in Pakistan: Challenges and Issues," March 24, 2005, Islamabad, Pakistan, <http://www.adb.org/Documents/Speeches/2005/sp2005018.asp>

The number of patent applications filed by residents in Pakistan is identical to that of the low-income Asia average—58 per year—but a fraction of the number filed in Thailand—more than 1,000 per year. The FDI Technology Transfer Index of the World Economic Forum²⁵ scores Pakistan at 3.8 versus 4.3 for low-income Asia, 4.2 for Indonesia, and 5.4 for Thailand. While this performance is related to a variety of factors affecting FDI flows overall, such as regional instability, the government needs to do more to integrate FDI with higher technology content into its plans for industrial growth and cluster promotion.

²⁵ On a scale from 1 to 7, with 7 indicating an important source of new technology.

4. Pro-poor Growth Environment

Rapid growth is the most powerful and dependable means for reducing poverty, but the link between growth and poverty reduction is not mechanical. Under some conditions income growth for poor households may exceed a general rise in per capita income, while under other conditions growth benefits others far more than the poor. A pro-poor growth environment stems from policies and institutions that improve opportunities and capabilities for the poor while reducing vulnerabilities. Pro-poor growth is associated with improvements in primary health and education, the creation of jobs and income opportunities, the development of skills, micro-financing, agricultural development (for countries like Pakistan with large populations of rural poor), and gender equality.²⁶ This section focuses on health, education, employment and the workforce, and agricultural development.

HEALTH

The provision of basic health services is a major form of human capital investment, and a significant determinant of growth and poverty reduction. Although the EGAT bureau does not have health programs, an understanding of health conditions can influence the design of EG interventions.

Pakistan's performance on health indicators is mixed. In access to sanitation and water, Pakistan is doing better than other low-income Asian countries and approaches or exceeds the performance of Thailand and Indonesia.²⁷ In other areas its performance is average for its income level, but below that of Thailand and Indonesia. Life expectancy in Pakistan is 63.8 years, the same as the regression benchmark but behind the comparator countries of Indonesia (66.7) and Thailand (69.2). In several areas of maternal and child health Pakistan does poorly, reflecting the general problem with gender-sensitive areas noted earlier. Levels of maternal mortality and child malnutrition are unacceptably high. Estimates of maternal mortality rates are notoriously unreliable for Pakistan with wide confidence intervals;²⁸ however, WHO estimates show an increase from 350 to 500 per 100,000 births between 1990 and 2000. This is roughly similar to

²⁶ For purposes of economic growth programming, the template does not cover emergency relief.

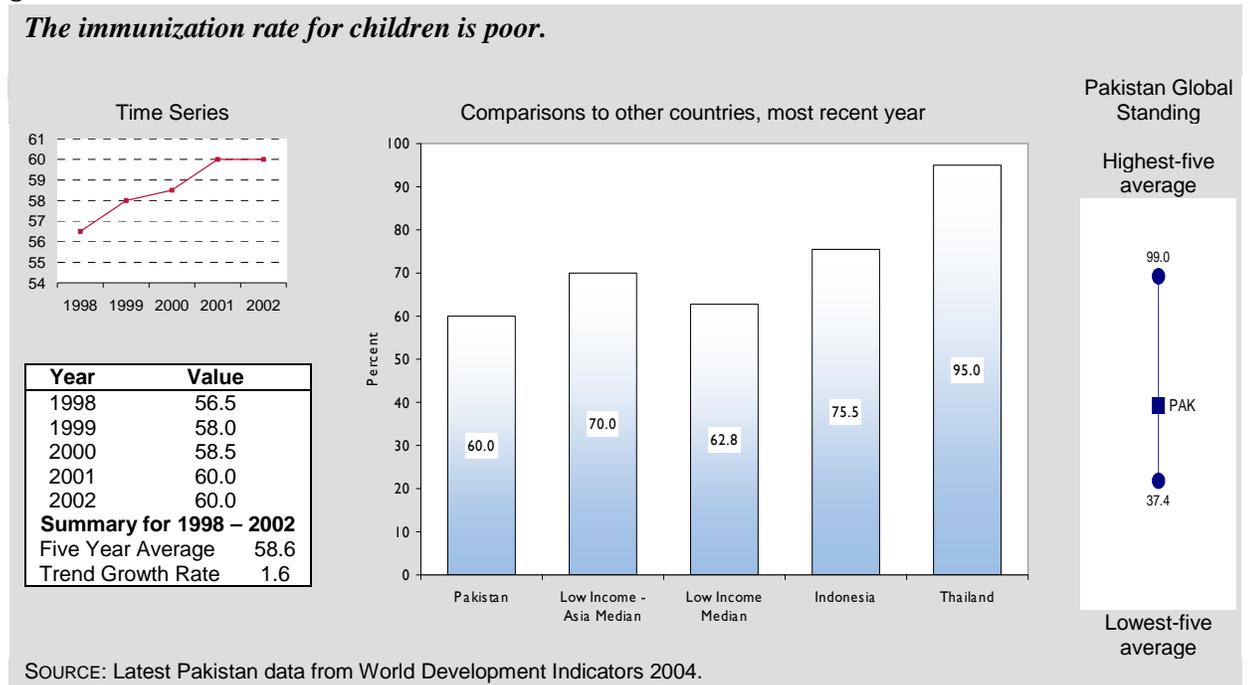
²⁷ World Bank data for 2000 show that 62 percent of the population had access to improved sanitation, and 86 percent to clean water. This compares to 41 and 72, respectively, for low-income Asia; 55 and 78 for Indonesia; and 96 and 84 for Thailand.

²⁸ The point estimate of 500 for 2000 has a lower and upper bound of 130 and 940, respectively; see "Maternal Mortality in 2000: estimates developed by WHO, UNICEF and UNFPA." The boundary around the figure for South Asia of 560 is 370 and 760 and Indonesia's 230 is 58 and 440.

levels for South Asia as a whole (560) but far worse than for Indonesia (230) and Thailand (44), as reported in the UNDP Human Development Report.

Pakistan's child immunization rates are low both absolutely and relatively. Sixty percent of children are immunized against childhood diseases compared to 70 percent for low-income Asia and 75 and 95 percent for Indonesia and Thailand, respectively (see Figure 4-1.) Hunger and childhood disease inhibit children's capacity to learn as well as their performance later in life. Recognizing this, the government has set ambitious goals for improving public health and the expenditures needed to reach them in its PRSP.

Figure 4-1. Child Immunization Rate



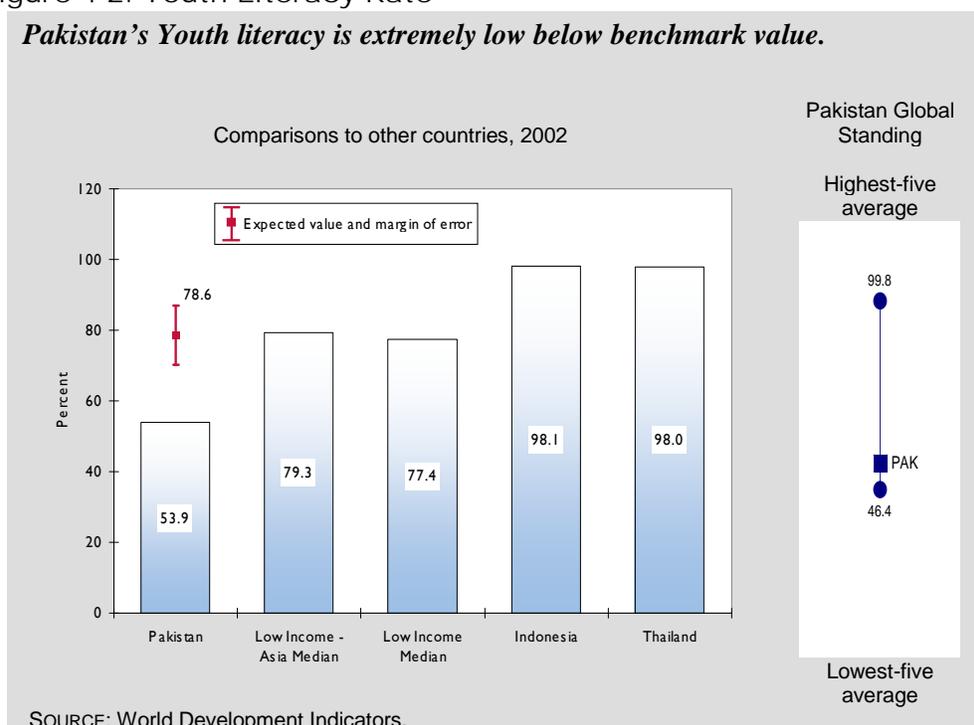
EDUCATION

Pakistan's very poor performance on education indicators is due largely to low values for measures of girl's education. Net primary enrollment in Pakistan is 66.9 percent,²⁹ far below the regression benchmark value of 83.7. This low rate is primarily a result of the gender differences in enrollment; 76.5 percent for boys versus 56.7 for girls. By comparison, more than 86 percent of children in Indonesia and Thailand are enrolled in primary school. Low enrollment rates result in low literacy levels. Youth literacy in Pakistan is only 53.9 percent, while nearly 80 percent in low-income Asia and nearly 100 percent in Indonesia and Thailand (Figure 4-2). The government has targeted improving performance as part of its PRSP and MDG goals. Government expenditure on education has already increased from 1.4 to 1.8 percent of GDP over the last four

²⁹ In Pakistan's PRSP the net primary enrollment rate is listed as 42 percent for FY 2001/02; see page 115 table "Education Sector Final Outcome Targets."

budget cycles, and further increases are built into medium-term budget plans. Pakistan needs to address the gender gap in education and sustain increased education spending if it is to have the high-quality workforce and increased labor productivity that enables a rise to middle-income status. This includes sustaining the increase in spending on education, shifting spending from higher education to primary and secondary education, and increasing enrollment rates for girls.

Figure 4-2. Youth Literacy Rate



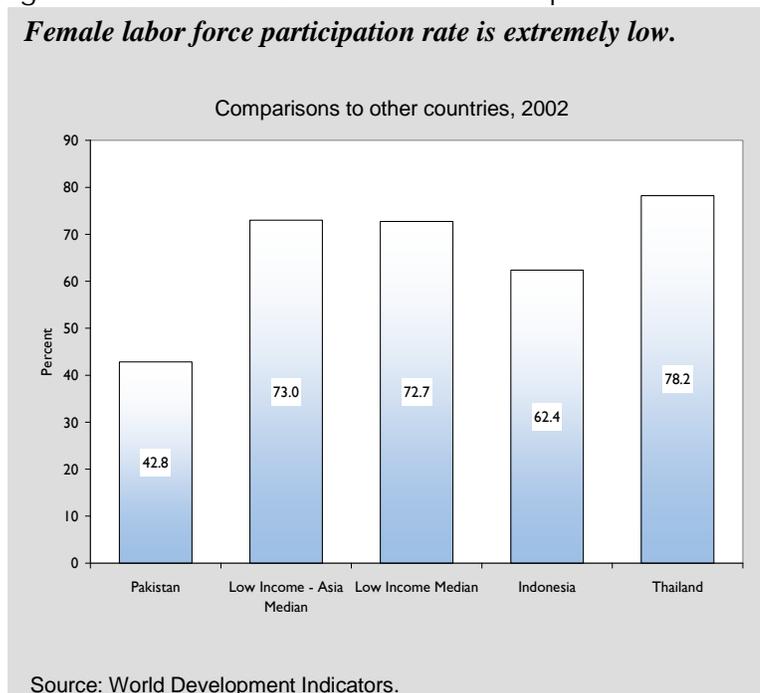
EMPLOYMENT AND WORKFORCE

Despite high growth rates, problems with unemployment, underemployment, and outward migration persist in Pakistan. Unemployment for 2003/2004 was 7.7 percent, nearly unchanged from 3 years earlier despite accelerating growth. This stagnation is attributable to very high labor force growth rates. The labor force has grown by an average of 3.3 percent over the last five years, well above the rate of population growth; by comparison the labor force growth rate for low-income Asia was 2.4 percent. Poor labor market performance is even more troubling given low labor force participation rates. The overall labor force participation rate of 68 percent is lower than the regional average of 84.2. This disparity is due to women's lower participation rate, 42.8 percent, compared to men's rate of 91.1. Women's labor force participation rate for low-income Asia averaged 73 percent.³⁰ Figure 4-3 Women's Labor Force Participation Rates. The Pakistan

³⁰ Pakistan's Labour Force Survey calculates labor force participation rates (LFPR) for the population over 10. On this basis, the 2003/04 survey finds the total rate to be 43.7 percent, 70.6 and 16.0 percent for men and women, respectively. Looking at the age breakdown by five-year increments shows there is no women's LFPR greater than 23 percent for any age group, whereas the male rates between 20 and 60 are no

Labour Force Survey for 2003/2004 reports unemployment rates for women nearly double that for men (12.8 vs. 6.6 percent), even though few women are in the labor force. To keep the annual economic growth rate (real GDP growth) between the desired 7–8 percent, Pakistan will need to create productive jobs and income-generating activities. And to tap a greatly underused resource, those jobs and activities should present opportunities for women to join the labor force.

Figure 4-3. Female Labor Force Participation Rate



AGRICULTURE

Performance in the agricultural sector is mixed. Value-added per agricultural worker in Pakistan, at \$698, is more than 50 percent greater than the median of \$416 for low-income Asia, and well above the regression benchmark of \$576. But growth in agriculture value-added is poor and has a high variance; the average growth rate of 1.9 percent over the five years to 2002 is half the average rate for low-income Asia, and well below rates achieved in Indonesia (2.5) and Thailand (3.5). These statistics are reinforced by data showing that cereal yields grew by just 0.1 percent per year, on average, from 1998 to 2002, and overall crop production actually declined. Poor growth in agriculture is due in part to frequent rainfall deficiency. In addition, large landowners dominate the system, but are less efficient than small producers who have less access to irrigation. As noted earlier, the land tenure systems and water mispricing have led to ecological problems. Addressing this problem will require major changes in water policy, the irrigation

less than 85 percent. This suggests that the gender differential is in fact wider than suggested by the international data.

system, micro credit, and land tenure if the government is to have any chance of achieving its stated goal of a sustainable 4-5 percent annual growth in agriculture.³¹

³¹ "Leveraging Agriculture for Poverty Reduction." Sikandar Hayat Bosan, Minister for Food, Agriculture and Livestock, at the Pakistan Development Forum 2005: April 25-26. "Sustaining Growth and Improving Quality of Life." Available at <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/293051-1114424648263/Session-VIII-Bosan.pdf>

Appendix. Indicator Criteria and Benchmarking

CRITERIA FOR SELECTING INDICATORS

The scope of the paper is constrained by the availability of suitable indicators. Indicators have been chosen to balance the need for broad coverage and diagnostic value, on the one hand, and the need of brevity and clarity, on the other. The analysis covers 15 EG-related topics, and just more than 100 variables. For the sake of brevity, the main text highlights issues for which the “dashboard lights” appear to be signaling problems and that imply possible priorities for USAID intervention. The accompanying table provides a full list of the indicators examined for this report. A separate Data Supplement contains the complete data set for Pakistan, including data for the benchmark comparisons, and technical notes for every indicator.

For each topic, the analysis begins with a screening of *primary performance indicators*. These “level I” indicators are selected to answer the question: Is the country performing well or not in this area? These primary indicators include descriptive variables such as per capita income, the poverty head count, and the age dependency rate.

In areas of weak performance, the analysis proceeds to review a limited set of *diagnostic supporting indicators*. These “level II” indicators provide more details about the problem or shed light on *why* the primary indicators may be weak. For example, if economic growth is poor, one can examine data on investment and productivity as diagnostic indicators. If a country performs poorly on educational achievement, as measured by the youth literacy rate, one can examine determinants such as expenditure on primary education and the pupil-teacher ratio.¹

The indicators have been selected on the basis of several criteria. Each one must be accessible through USAID’s Economic and Social Database or convenient public sources, particularly on the Internet. The indicators must be available for a large number of countries, including most USAID client states. The data must be sufficiently timely to support an assessment of country performance that is suitable for strategic planning. Data quality is another consideration. For example, subjective survey responses are used only when actual measurements are not available. Aside from a few descriptive variables, the indicators must also be useful for diagnostic purposes.

¹ Deeper analysis of the topic using more detailed data (level III) is beyond the scope of papers in this series.

Preference is given to measures that are widely used, such as Millennium Development Goal indicators, or evaluation data used by the Millennium Challenge Corporation. Finally, an effort has been made to minimize redundancy. If different indicators provide similar information, preference is given to one that is simpler. For example, both the Gini coefficient and the share of income accruing to the poorest 20 percent of households can be used to gauge income inequality. We use the income share because it is simpler and more sensitive to changes.

BENCHMARKING METHODOLOGY

Comparative benchmarking is the main tool used to evaluate each indicator. The analysis draws on several criteria, rather than a single mechanical rule. The starting point is a comparison of performance in Pakistan relative to the average for countries in the same income group and region—in this case, low-income countries in Asia (hereafter “LIC-Asia”).² For added perspective, three other comparisons are examined: (1) the global average for this income group; (2) respective values for two comparator countries selected by the Pakistan mission (Indonesia and Thailand); and (3) the average for the five best and five worst performing countries globally. Most comparisons are framed in terms of values for the latest year of data from available sources. Five-year trends are also taken into account if they shed light on the performance assessment.³

For selected variables, a second source of benchmark values uses statistical regression analysis to establish an expected value for the indicator, controlling for income and regional effects.⁴ This approach has three advantages. First, the benchmark is customized to Pakistan’s level of income. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology allows one to quantify the margin of error and establish a “normal band” for a country with Pakistan’s characteristics. An observed value falling outside this band on the side of poor performance signals a serious problem.⁵

Finally, where relevant, Pakistan’s performance is weighed against absolute standards. For example, the corruption perception index for Pakistan was 3.2 in 2004. Regardless of the regional comparisons or regression results, this is a sign of serious problems in economic governance.

² Income groups as defined by the World Bank for 2004. For this study, the average is defined in terms of the mean; future studies will use the median instead because outliers do not distort the values.

³ The five-year trends are computed by fitting a log-linear regression line through the data points. The alternative of computing average growth from the end points produces aberrant results when one or both of those points diverges from the underlying trend.

⁴ This is a cross-sectional OLS regression using data for all developing countries. For any indicator, Y , the regression equation takes the form: Y (or $\ln Y$, as relevant) = $a + b * \ln \text{PCI} + c * \text{Region} + \text{error}$ – where PCI is per capita income in PPP\$, and Region is a set of 0-1 dummy variables indicating the region in which each country is located. Once estimates are obtained for the parameters a , b and c , the predicted value for Pakistan is computed by plugging in Pakistan-specific values for PCI and Region. Where applicable, the regression also controls for population size and petroleum exports (as a percentage of GDP).

⁵ This report uses a margin of error of 0.66 times the standard error of estimate (adjusted for heteroskedasticity, where appropriate). With this value, 25% of the observations should fall outside the normal range on the side of poor performance (and 25% on the side of good performance). Some regressions produce a very large standard error, giving a “normal band” that is too wide to provide a discerning test of good or bad performance.

LIST OF INDICATORS

	Level	MDG/MCA/EcGov ^a	CAS Indicator Code
OVERVIEW OF THE ECONOMY			
Growth Performance			
Per capita GDP, \$PPP	I		11P1
Per capita GDP, current US\$	I		11P2
Real GDP growth	I		11P3
Growth of labor productivity	II		11S1
Investment Productivity - Incremental Capital-Output Ratio (ICOR)	II		11S2
Gross fixed investment, % GDP	II		11S3
Gross fixed private investment, % GDP	II		11S4
Poverty and Inequality			
Human poverty index	I		12P1
Income-share, poorest 20%	I		12P2
Population living on less than \$1 PPP per day	I	MDG	12P3
Poverty headcount, by national poverty line	I	MDG	12P4
PRSP Status	I	EcGov	12P5
Population below minimum dietary energy consumption	II	MDG	12S1
Poverty gap at \$1 PPP a day	II		12S2
Economic Structure			
Labor force structure	I		13P1
Output structure	I		13P2
Demography and Environment			
Adult literacy rate	I		14P1
Age dependency rate	I		14P2
Environmental sustainable index	I		14P3
Population size and growth	I		14P4
Urbanization rate	I		14P5
Gender			
Adult literacy rate, ratio of male to female	I	MDG	15P1
Gross enrollment rate, all levels, ratio of male to female,	I	MDG	15P2
Life expectancy at birth, ratio of male to female	I		15P3
PRIVATE SECTOR ENABLING ENVIRONMENT			
Fiscal and Monetary Policy			
Govt. expenditure, % GDP	I	EcGov	21P1
Govt. revenue, % GDP	I	EcGov	21P2
Growth in the money supply	I	EcGov	21P3
Inflation rate	I	MCA	21P4
Overall govt. budget balance, including grants, % GDP	I	EcGov	21P5
Composition of govt. expenditure	II		21S1
Composition of govt. revenue	II		21S2
Composition of money supply growth	II		21S3

	Level	MDG/MCA/EcGov ^a	CAS Indicator Code
Business Environment			
Corruption perception index	I	EcGov	22P1
Doing business composite index	I	EcGov	22P2
Rule of law index	I	MCA / EcGov	22P3
Cost of starting a business, % GNI per capita	II	EcGov	22S1
Procedures to enforce contract	II	EcGov	22S2
Procedures to register property	II	EcGov	22S3
Procedures to start a business	II	EcGov	22S4
Time to enforce a contract	II	EcGov	22S5
Time to register property	II	EcGov	22S6
Time to start a business	II	EcGov	22S7
Financial Sector			
Domestic credit to private sector, % GDP	I		23P1
Interest rate spread	I		23P2
Money supply, % GDP	I		23P3
Stock market capitalization rate, % of GDP	I		23P4
Cost to create collateral	II		23S1
Country credit rating	II	MCA	23S2
Legal rights of borrowers and lenders index	II		23S3
Real Interest rate	I		23S4
External Sector			
Aid , % GNI	I		24P1
Current account balance, % GDP	I		24P2
Debt service ratio, % exports	I	MDG	24P3
Export growth of goods and services	I		24P4
Foreign direct investment, % GDP	I		24P5
Gross international reserves, months of imports	I	EcGov	24P6
Gross Private capital inflows, % GDP	I		24P7
Present value of debt, % GNI	I		24P8
Remittance receipts, % exports	I		24P9
Trade, % GDP	I		24P10
Concentration of Exports	II		24S1
Inward FDI Potential Index	II		24S2
Net barter terms of trade	II		24S3
Real effective exchange rate (REER)	II	EcGov	24S4
Structure of merchandise exports	II		24S5
Trade policy index	II	MCA / EcGov	24S6
Economic Infrastructure			
Internet users per 1000 people	I	MDG	25P1
Overall infrastructure quality	I	EcGov	25P2
Telephone density, fixed line and mobile	I	MDG	25P3
Quality of infrastructure – railroads, ports, air Transport, and electricity	II		25S1
Telephone cost, average local call	II		25S2

	Level	MDG/MCA/EcGov ^a	CAS Indicator Code
Science and Technology			
Expenditure for R&D, % GNI	I		26P1
FDI and technology transfer index	I		26P2
Patent applications filed by residents	I		26P3
PRO-POOR GROWTH ENVIRONMENT			
Health			
HIV prevalence	I		31P1
Life expectancy at birth	I		31P2
Maternal mortality rate	I	MDG	31P3
Access to improved sanitation	II	MDG	31S1
Access to improved water source	II	MDG	31S2
Births attended by skilled health personnel	II	MDG	31S3
Child immunization rate	II		31S4
Prevalence of child malnutrition (weight for age)	II		31S5
Public health expenditure, % GDP	II	EcGov	31S6
Education			
Net primary enrollment rate	I	MDG	32P1
Persistence in school to grade 5	I	MDG	32P2
Youth literacy rate	I		32P3
Education expenditure, primary, % GDP	II	MCA/ EcGov	32S1
Expenditure per student, % GDP per capita – primary, secondary, and tertiary	II	EcGov	32S2
Pupil-teacher ratio, primary school	II		32S3
Employment & Workforce			
Labor force participation rate, females, males, total	I		33P1
Rigidity of employment index	I	EcGov	33P2
Size and growth of the labor force	I		33P3
Unemployment rate	I		33P4
Agriculture			
Agriculture value added per worker	I		34P1
Cereal yield	I		34P2
Growth in agricultural value-added	I		34P3
Agricultural policy costs index	II	EcGov	34S1
Crop production index	II		34S2
Livestock production index	II		34S3

^a Level I = primary performance indicators, Level II = supporting diagnostic indicators

MDG = Millennium Development Goal indicator

MCA = Millennium Challenge Account indicator

EcGov = Major indicators of *Economic Governance*, which is defined in USAID's *Strategic Management Interim Guidance* to include "microeconomic and macroeconomic policy and institutional frameworks and operations for economic stability, efficiency, and growth." The term therefore encompasses indicators of fiscal and monetary management, trade and exchange rate policy, legal and regulatory systems affecting the business environment, infrastructure quality, and budget allocations.

Pakistan

Data Supplement

Dataset	1
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Indicator Number	Growth Performance							Poverty and Inequality						
	Per capita GDP, purchasing power parity Dollars	Per capita GDP, current U.S. Dollars	Real GDP growth	Growth of labor productivity	Investment productivity - incremental capital-output ratio (ICOR)	Share of gross fixed investment in GDP, current prices	Share of gross fixed investment in private investment in GDP, current prices	Human poverty index	Income share accruing to poorest 20%	Population (%) living on less than \$1 PPP per day	Poverty incidence (%), by national poverty line	PRSP Status	Population (%) below minimum dietary energy consumption	Poverty gap at \$1 PPP a day
	11P1	11P2	11P3	11S1	11S2	11S3	11S4	12P1	12P2	12P3	12P4	12P5	12S1	12S2
Pakistan Data														
<i>Latest Year (T)</i>	2004	2004	2003/04	2003	2002	2003/04	2003/04	2002	2001	2001	2001	2004	2001	2001
Value Year T	2,265	538	6.4	1.8	4.4	16.4	11.7	41.9	8.8	13.0	32.1	.	19.0	6.8
Value Year T-1	2,174	493	5.1	-0.5	5.2	14.8	11.2	40.2	.	.	.	.	.	6.4
Value Year T-2	2,074	440	3.1	-0.8	4.7	15.5	11.3	.	.	.	30.6	.	.	4.1
Value Year T-3	2,008	400	1.8	1.3	4.7	15.8	10.2	.	.	.	.	.	.	5.1
Value Year T-4	1,952	437	3.9	0.7	.	16.0	10.4	.	.	.	.	.	.	4.2
Average Value, 5 year	2,095	462	4.1	0.1	.	14.1	15.6	.	.	.	.	.	.	.
Growth Trend	3.8	6.4	.	.	.	1.4	-2.3	.	.	.	.	.	.	.
Benchmark Data														
Regression Benchmark	.	.	6.1	.	.	.	.	30.4	7.2	20.6	33.0	.	.	.
Lower Bound	.	.	4.8	.	.	.	.	24.7	6.4	13.2	23.1	.	.	.
Upper Bound	.	.	7.4	.	.	.	.	36.0	8.0	27.9	43.0	.	.	.
<i>Latest Year Indonesia</i>	2004	2004	2004	2002	2002	2002	1999	2002	2002	2002	1999	2003	2001	2002
Indonesia Value Latest Year	3,473	1,003	4.8	2.0	-337.2	20.2	15.1	17.8	8.4	7.5	27.1	.	6.0	0.9
<i>Latest Year Thailand</i>	2004	2004	2004	2002	2002	2002	2001	2002	2000	2000	.	.	2001	2000
Thailand Value Latest Year	7,444	2,556	6.2	4.4	17.8	22.9	18.6	13.1	6.1	2.0	.	.	19.0	0.5
Low Income Asia Avg.	1,864	494	5.4	1.5	4.4	22.6	21.0	38.7	9.0	35.4	39.2	.	21.0	8.2
Low Income Avg.	1,545	412	4.8	1.2	5.1	18.8	14.5	41.9	5.6	19.6	44.2	.	28.0	4.9
High Five Avg.	41,480	50,878	16.1	11.4	283.3	46.6	24.1	58.7	8.8	23.1	46.8	.	66.0	7.2
Low Five Avg.	633	121	-2.4	-14.8	-92.3	6.9	7.4	3.9	3.7	2.7	26.7	.	3.0	0.7

Indicator Number	Economic Structure						Demography and Environment					
	Labor force in agriculture, % total employment	Labor force in industry, % total employment	Labor force in services, % total employment	Output structure (agriculture, value added, % GDP)	Output structure (industry, value added, % GDP)	Output structure (services, etc., value added, % GDP)	Adult literacy rate	Age dependency rate	Environmental sustainability index	Population size (millions)	Population growth rate	Urbanization rate
	13P1a	13P1b	13P1c	13P2a	13P2b	13P2c	14P1	14P2	14P3	14P4a	14P4b	14P5
Pakistan Data												
Latest Year (T)	2003	2003	2003	2003	2003	2003	2001	2003	2005	2003	2003	2003
Value Year T	42.1	20.8	37.1	23.3	23.5	53.2	48.0	0.77	39.9	145.6	1.9	34.1
Value Year T-1	42.1	20.8	37.1	23.2	23.3	53.5	.	0.78	.	143.2	2.0	33.8
Value Year T-2	48.4	18.0	33.6	25.3	22.8	51.9	.	0.80	.	140.4	2.1	33.4
Value Year T-3	48.4	18.0	33.6	26.7	23.2	50.2	.	0.82	.	135.9	2.2	33.1
Value Year T-4	47.3	17.1	35.6	27.0	23.7	49.2	.	0.83	.	133.0	2.3	32.8
Average Value, 5 year	46.8	17.9	35.2	25.1	23.3	51.6	.	0.80	.	141.5	2.1	33.5
Growth Trend	1.4	-1.5	-1.0	-4.3	-0.1	2.2	.	-1.86	.	2.3	0.0	1.0
Benchmark Data												
Regression Benchmark	.	.	.	.	.	.	.	.	44.1	.	.	26.0
Lower Bound	.	.	.	.	.	.	.	.	40.4	.	.	16.8
Upper Bound	.	.	.	.	.	.	.	.	47.7	.	.	35.2
Latest Year Indonesia	2001	2001	2001	2003	2003	2003	2002	2003	2005	2003	2003	2003
Indonesia Value Latest Year	43.8	17.0	37.5	16.6	43.6	39.9	87.9	0.52	48.8	214.5	1.3	45.5
Latest Year Thailand	2002	2002	2002	2003	2003	2003	2000	2003	2005	2003	2003	2003
Thailand Value Latest Year	46.2	21.1	32.7	8.8	41.4	49.8	92.7	0.42	49.8	62.0	0.7	32.0
Low Income Asia Avg.	55.5	12.2	21.6	24.5	24.6	51.7	66.4	0.71	.	22.6	2.0	23.3
Low Income Avg.	47.2	14.3	36.7	28.6	21.8	45.4	59.9	0.85	.	10.0	2.1	34.1
High Five Avg.	42.2	37.1	69.1	55.2	69.3	76.0	99.7	1.03	.	607.0	3.4	100.0
Low Five Avg.	0.3	11.8	31.5	1.8	12.4	15.5	35.7	0.38	.	0.0	-1.0	10.3

Indicator Number	Gender			Fiscal and Monetary Policy								
	Ratio of male to female - adult literacy rate	Ratio of male to female - gross enrollment rate, all levels	Ratio of male to female - life expectancy at birth	Government expenditure, % GDP	Government revenue, % GDP	Growth in the broad money supply	Inflation rate	Overall government budget balance, incl. grants, % GDP	Compositio n of government expenditure (wages and salaries)	Compositio n of government expenditure (interest payments)	Compositio n of government expenditure (goods and services)	Compositio n of government expenditure (subsidies and other current transfers)
	15P1	15P2	15P3	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d
Pakistan Data												
Latest Year (T)	2002	2002	2002	2003/04	2003/04	2003/04	2003/04	2003/04	2002	2002	2002	2002
Value Year T	1.87	1.39	1.00	17.5	14.3	19.6	4.6	-1.8	3.6	38.0	23.3	28.5
Value Year T-1	.	.	.	18.8	15.0	18.3	3.1	-1.4	3.9	42.3	23.2	27.1
Value Year T-2	.	.	.	19.7	14.2	15.4	3.5	-3.6	3.6	32.6	47.0	11.1
Value Year T-3	.	.	.	17.6	13.3	9.0	4.4	-3.3	4.0	31.9	49.3	7.8
Value Year T-4	.	.	.	18.7	13.5	9.4	3.6	-4.6	4.0	31.3	48.2	8.6
Average Value, 5 year	.	.	.	18.5	16.4	14.3	3.8	-2.9	3.8	35.2	38.2	16.6
Growth Trend	.	.	.	1.4	1.4	36.8	0.2	.	-2.5	6.9	-19.8	44.0
Benchmark Data												
Regression Benchmark	.	.	.	19.8	15.0	17.2	7.1	-4.3	.	.	.	.
Lower Bound	.	.	.	15.8	11.0	10.2	3.8	-6.6	.	.	.	.
Upper Bound	.	.	.	23.9	19.0	24.3	10.5	-2.1	.	.	.	.
Latest Year Indonesia	2002	2002	2002	2001	2001	2003	2004	2001	1999	1999	1999	1999
Indonesia Value Latest Year	1.11	1.03	0.94	24.8	21.2	8.1	6.5	-1.2	8.5	19.0	17.5	39.1
Latest Year Thailand	2002	2002	2002	2001	2001	2003	2004	2001	2001	2001	2001	2001
Thailand Value Latest Year	1.05	1.03	0.89	19.7	17.5	6.6	2.7	-2.8	29.8	6.3	54.8	16.7
Low Income Asia Avg.	1.38	1.15	0.96	22.9	17.7	14.0	5.0	-4.4	10.4	8.2	33.3	15.7
Low Income Avg.	1.36	1.19	0.95	21.6	17.0	16.0	6.4	-2.2	14.8	6.4	35.0	24.4
High Five Avg.	2.40	1.69	1.01	45.3	38.3	134.4	103.5	1.9	38.8	17.5	61.4	62.7
Low Five Avg.	0.92	0.84	0.85	8.0	6.9	-19.2	-1.1	-10.5	6.9	0.6	16.9	4.0

Fiscal and Monetary Policy (cont'd)

Indicator Number	21S1e	21S2a	21S2b	21S2c	21S2d	21S2e	21S2f	21S3a	21S3b	21S3c	21S3d	21S3e
Pakistan Data												
<i>Latest Year (T)</i>	2002	2002	2002	2002	2002	2004	2002	2004	2004	2004	2004	2004
Value Year T	10.2	34.3	23.0	0.0	8.0	14.3	26.0	2.8	14.3	-0.1	2.1	0.5
Value Year T-1	7.5	37.9	22.9	0.0	12.2	14.9	21.0	-1.4	9.1	-0.7	18.9	-3.4
Value Year T-2	9.4	32.5	20.4	0.0	11.6	14.2	27.4	1.5	2.5	-1.3	13.4	-4.2
Value Year T-3	11.0	28.6	22.7	0.0	14.1	13.3	16.7	-3.3	3.5	0.8	5.1	2.9
Value Year T-4	11.9	26.7	22.6	0.0	17.2	.	20.8	3.1	1.4	0.6	1.5	0.3
Average Value, 5 year	10.0	32.0	22.3	0.0	12.6	.	22.4	.	.	.	.	.
Growth Trend	-6.7	8.1	0.4	.	-15.5	.	7.0	.	.	.	.	.
Benchmark Data												
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.	.	.
<i>Latest Year Indonesia</i>	1999	2001	2001	2001	2001	.	2001	.	.	.	.	.
Indonesia Value Latest Year	24.4	25.4	30.7	2.0	3.1	.	36.1	.	.	.	.	.
<i>Latest Year Thailand</i>	2001	2001	2001	2001	2001	.	2001	.	.	.	.	.
Thailand Value Latest Year	22.2	40.5	28.3	3.0	10.4	.	17.5	.	.	.	.	.
Low Income Asia Avg.	34.6	34.3	23.6	0.0	13.8	.	21.2	.	.	.	.	.
Low Income Avg.	17.5	33.8	18.5	0.0	15.9	.	15.8	.	.	.	.	.
High Five Avg.	41.9	48.5	34.8	39.7	44.9	.	66.5	.	.	.	.	.
Low Five Avg.	2.4	3.1	2.3	0.0	0.5	.	3.6	.	.	.	.	.

Business Environment											
	Corruption perception index	Doing business composite index	Rule of law index	Regulatory quality index	Cost of starting a business, % GNI per capita	Procedures to enforce a contract	Procedures to register property	Procedures to start a business	Time to enforce a contract	Time to register property	Time to start a business
Indicator Number	22P1	22P2	22P3	22P4	22S1	22S2	22S3	22S4	22S5	22S6	22S7
Pakistan Data											
<i>Latest Year (T)</i>	2004	2004	2002	2004	2004	2004	2004	2004	2004	2004	2004
Value Year T	2.1	70.1	-0.7	67.4	36	46	5	11.0	395.0	49.0	24.0
Value Year T-1	2.5	.	.	.	.	.	.	.	.	.	.
Value Year T-2	2.6	.	-0.6	.	.	.	.	.	.	.	.
Value Year T-3	2.3	.	.	.	.	.	.	.	.	.	.
Value Year T-4	.	.	-0.7	.	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.	.	.	.
Benchmark Data											
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.	.
<i>Latest Year Indonesia</i>	2004	2004	2002	2004	2004	2004	2004	2004	2004	2004	2004
Indonesia Value Latest Year	2.0	59.3	-0.8	41.5	126	34	6	12.0	570.0	33.0	151.0
<i>Latest Year Thailand</i>	2004	2004	2002	2004	2004	2004	2004	2004	2004	2004	2004
Thailand Value Latest Year	3.6	79.7	0.3	94.8	0	26	2	8.0	390.0	2.0	33.0
Low Income Asia Avg.	2.6	59.4	-0.8	.	45	29	5	9.0	395.0	61.5	56.0
Low Income Avg.	2.3	60.4	-0.8	.	31	35	6	11.0	395.0	70.0	45.0
High Five Avg.	9.5	82.5	2.0	121.6	2,227	55	16	17.2	1,178.2	484.6	172.2
Low Five Avg.	1.6	41.8	-1.8	21.3	0	13	2	2.4	50.8	2.0	4.2

Financial Sector								
	Domestic credit to private sector, % GDP	Interest rate spread, lending rate minus deposit rate	Money supply (M2), % GDP	Stock market capitalization, % GDP	Cost to create collateral	Country credit rating	Legal rights of borrowers and lenders index	Real interest rate
Indicator Number	23P1	23P2	23P3	23P4	23S1	23S2	23S3	23S4
Pakistan Data								
<i>Latest Year (T)</i>	2003	2004	2003	2003	2004	2005	2004	2004
Value Year T	24.6	6.6	47.4	24.1	11.5	28.8	4.0	3.8
Value Year T-1	27.9	8.2	49.3	17.2	.	.	.	9.9
Value Year T-2	28.3	7.9	45.7	8.4	.	.	.	10.3
Value Year T-3	29.8	7.0	44.4	10.8	.	.	.	10.5
Value Year T-4	28.0	6.5	43.9	11.9	.	.	.	9.6
Average Value, 5 year	28.3	7.2	45.7	14.5	.	.	.	.
Growth Trend	0.4	.	2.1	20.7	.	.	.	.
Benchmark Data								
Regression Benchmark	35.9	9.4	48.5	25.6	.	.	.	.
Lower Bound	20.2	6.7	33.1	8.3	.	.	.	.
Upper Bound	51.5	12.2	63.9	42.9	.	.	.	.
<i>Latest Year Indonesia</i>	2002	2002	2002	2003	2004	2005	2004	2002
Indonesia Value Latest Year	22.3	3.4	53.7	26.2	2.5	33.6	5.0	11.0
<i>Latest Year Thailand</i>	2002	2002	2002	2003	2004	.	2004	2002
Thailand Value Latest Year	102.5	4.9	98.2	84.4	1.1	.	5.0	6.1
Low Income Asia Avg.	16.3	10.9	35.3	24.1	2.4	25.6	4.0	10.6
Low Income Avg.	10.8	13.0	24.6	18.9	13.7	19.7	4.0	13.8
High Five Avg.	156.0	32.1	192.0	134.0	121.6	51.5	9.6	46.7
Low Five Avg.	2.4	1.7	6.0	6.0	0.0	9.4	1.2	-11.5

External Sector											
	Aid, % GNI	Current account balance, % GDP	Debt service ratio, % exports	Export growth, goods and services	Foreign direct investment, % GDP	Gross international reserves, months of imports	Gross private capital inflows, %GDP	Present value of debt, % GNI	Remittance receipts, % exports	Trade, % GDP	Concentration of Exports
Indicator Number	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24P10	24S1
Pakistan Data											
<i>Latest Year (T)</i>	2002	2003	2003	2003	2003	2003	2002	2002	2003	2003	2003
Value Year T	3.6	3.6	28.1	32.9	0.8	6.2	5.3	44.4	26.7	40.84	42.4
Value Year T-1	3.4	6.6	17.8	10.3	1.4	7.1	2.8	.	29.0	37.73	40.4
Value Year T-2	1.2	3.2	24.7	11.8	0.7	3.6	2.5	.	13.8	37.29	39.7
Value Year T-3	1.3	-0.1	25.2	16.0	0.5	1.7	5.2	.	10.6	34.30	39.6
Value Year T-4	1.7	-1.6	28.9	-2.9	0.9	1.9	3.1	.	11.0	32.32	41.8
Average Value, 5 year	2.2	0.9	23.7	13.6	0.9	3.1	3.8	.	18.2	36.50	.
Growth Trend	28.1	.	-5.5	.	7.8	48.3	4.6	.	32.0	5.79	.
Benchmark Data											
Regression Benchmark	5.9	3.2	13.2	9.1	1.7	5.9	.	43.3	.	77.4	.
Lower Bound	1.4	-1.1	5.9	3.6	-2.0	4.7	.	19.9	.	57.5	.
Upper Bound	10.5	7.5	20.6	14.6	5.3	7.2	.	66.8	.	97.2	.
<i>Latest Year Indonesia</i>	2002	2002	2002	2003	2002	2002	2002	2002	2003	2003	.
Indonesia Value Latest Year	0.8	4.5	24.8	4.0	-0.9	6.3	5.4	79.5	2.0	56.94	.
<i>Latest Year Thailand</i>	2002	2002	2002	2003	2002	2002	2002	2002	.	2003	.
Thailand Value Latest Year	0.2	6.0	23.1	8.0	0.7	6.0	13.6	46.6	.	122.35	.
Low Income Asia Avg.	9.2	-1.6	7.0	5.7	1.3	6.0	5.4	54.1	21.8	40.84	.
Low Income Avg.	11.8	-2.7	9.7	4.4	1.2	4.5	5.3	63.9	9.9	66.90	.
High Five Avg.	53.1	13.6	53.2	12.7	145.9	15.6	752.1	273.8	52.4	210.09	.
Low Five Avg.	0.0	-208.0	1.0	-15.1	-3.1	0.3	2.0	9.1	0.0	25.72	.

External Sector (cont'd)									
	Inward FDI potential index	Net barter terms of trade	Real effective exchange rate index (1995 = 100)	Structure of merchandise exports (agricultural raw materials exports)	Structure of merchandise exports (fuel exports)	Structure of merchandise exports (manufactured goods)	Structure of merchandise exports (ores and metals)	Structure of merchandise exports (food)	Trade policy index
Indicator Number	24S2	24S3	24S4	24S5a	24S5b	24S5c	24S5d	24S5e	24S6
Pakistan Data									
<i>Latest Year (T)</i>	.	2001	2004	2002	2002	2002	2002	2002	2004
Value Year T	.	83.0	-3.4	1.5	1.9	85.5	0.2	10.8	5.0
Value Year T-1	.	84.0	-1.5	1.7	2.1	84.9	0.2	10.9	5.0
Value Year T-2	.	99.0	-1.1	3.0	1.4	84.7	0.2	10.5	4.0
Value Year T-3	.	114.0	-2.5	1.4	0.9	84.2	0.3	13.1	5.0
Value Year T-4	.	100.0	.	1.9	0.3	83.9	0.2	13.5	5.0
Average Value, 5 year	.	96.0	.	1.9	1.3	84.6	0.2	11.8	4.8
Growth Trend	.	-6.6	.	-3.4	56.6	0.5	-1.9	-6.2	.
Benchmark Data									
Regression Benchmark
Lower Bound
Upper Bound
<i>Latest Year Indonesia</i>	.	.	.	2001	2002	2002	2002	2002	2004
Indonesia Value Latest Year	.	.	.	3.6	24.4	54.4	5.3	11.5	3.0
<i>Latest Year Thailand</i>	.	2001	2004	2001	2001	2001	2001	2001	2004
Thailand Value Latest Year	.	78.0	.	3.1	2.5	74.5	1.1	15.4	4.0
Low Income Asia Avg.	.	87.0	.	1.4	1.9	75.2	4.0	10.8	5.0
Low Income Avg.	.	95.0	.	8.1	3.5	24.0	4.0	23.2	4.0
High Five Avg.	.	143.5	.	19.4	88.4	94.4	42.1	83.2	5.0
Low Five Avg.	.	57.6	.	0.0	0.0	3.4	0.0	0.5	1.4

Economic Infrastructure								
	Internet users per 1000 people	Overall infrastructure quality index	Telephone density, fixed line and mobile, per 1000 people	Quality of Infrastructure Index - air transport	Quality of Infrastructure Index - ports	Quality of Infrastructure Index - railroad	Quality of Infrastructure Index - electricity	Telephone cost, average local call
Indicator Number	25P1	25P2	25P3	25S1a	25S1b	25S1c	25S1d	25S2
Pakistan Data								
<i>Latest Year (T)</i>	2003	2004	2002	2004	2004	2004	2004	2002
Value Year T	10.3	3.0	33.5	4.7	3.5	3.000	2.6	0.02
Value Year T-1	3.5	.	28.5	.	.	.	.	0.02
Value Year T-2	3.5	.	24.5	.	.	.	.	0.02
Value Year T-3	2.1	.	24.1	.	.	.	.	0.02
Value Year T-4	.	.	22.4	.	.	.	.	0.03
Average Value, 5 year	.	.	26.6	.	.	.	.	0.02
Growth Trend	.	.	10.3	.	.	.	.	-10.3
Benchmark Data								
Regression Benchmark	6.5	.	41.1	.	.	.	.	.
Lower Bound	-22.5	.	23.9	.	.	.	.	.
Upper Bound	35.4	.	58.3	.	.	.	.	.
<i>Latest Year Indonesia</i>	2003	2004	2002	2004	2004	2004	2004	2002
Indonesia Value Latest Year	37.7	3.7	91.7	4.1	3.7	3.200	3.6	0.03
<i>Latest Year Thailand</i>	2003	2004	2002	2004	2004	2004	2004	2002
Thailand Value Latest Year	96.5	4.9	365.5	5.6	4.5	3.700	5.3	0.07
Low Income Asia Avg.	7.6	2.8	21.1	4.3	3.2	2.900	2.8	0.02
Low Income Avg.	5.2	2.4	21.2	3.4	2.1	1.700	2.6	0.07
High Five Avg.	585.8	6.7	1,651.0	6.7	6.6	6.480	6.9	0.29
Low Five Avg.	0.9	1.5	4.5	2.4	1.3	1.1	1.4	0.00

Indicator Number	Science and Technology			Health								
	Expenditure for R&D, % GDP	FDI and technology transfer Index	Patent applications filed by residents	HIV prevalence	Life expectancy at birth	Maternal mortality rate	Access to improved sanitation	Access to improved water source	Births attended by skilled health personnel	Child immunization rate	Prevalence of child malnutrition (weight for age)	Public health expenditure, % GDP
	26P1	26P2	26P3	31P1	31P2	31P3	31S1	31S2	31S3	31S4	31S5	31S6
Pakistan Data												
Latest Year (T)	.	2004	2001	2003	2002	2000	2000	2001	2002	2002	2002	2001
Value Year T	.	3.8	58.0	0.1	63.8	500.0	62.0	86.0	13.0	60.0	38.0	1.0
Value Year T-1	.	.	.	.	.	.	.	.	.	60.0	.	1.0
Value Year T-2	.	.	.	0.1	63.0	.	.	.	.	58.5	.	1.0
Value Year T-3	.	.	.	.	.	.	.	.	.	58.0	.	1.1
Value Year T-4	.	.	.	0.1	.	.	.	.	.	56.5	.	1.0
Average Value, 5 year	.	.	.	.	.	.	.	.	.	58.6	.	1.0
Growth Trend	.	.	.	.	.	.	.	.	.	1.6	.	.
Benchmark Data												
Regression Benchmark	.	.	.	.	62.7	390.0	.	.	.	.	.	.
Lower Bound	.	.	.	.	59.0	250.0	.	.	.	.	.	.
Upper Bound	.	.	.	.	66.4	530.0	.	.	.	.	.	.
Latest Year Indonesia	.	2004	2001	2003	2002	2000	2000	2000	2001	2002	2000	2001
Indonesia Value Latest Year	.	4.2	0.0	0.1	66.7	230.0	55.0	78.0	64.2	75.5	24.6	0.6
Latest Year Thailand	.	2004	2000	2003	2002	2000	2000	2000	2000	2002	.	2001
Thailand Value Latest Year	.	5.4	1,117.0	1.5	69.2	44.0	96.0	84.0	99.3	95.0	.	2.1
Low Income Asia Avg.	.	4.3	58.0	0.5	62.3	420.0	40.5	71.5	11.6	70.0	40.0	1.7
Low Income Avg.	0.4	4.4	2.0	3.1	51.3	690.0	52.5	62.0	42.7	62.8	30.5	2.0
High Five Avg.	3.0	5.9	153,604.0	30.2	80.3	170.0	100.0	100.0	70.6	99.0	45.0	8.0
Low Five Avg.	0.2	3.3	0.0	0.1	37.6	0.0	12.4	26.2	11.5	37.4	3.2	0.7

Education												
	Net primary enrollment rate (total)	Net primary enrollment rate (female)	Net primary enrollment rate (male)	Persistence in school to grade 5 (total)	Persistence in school to grade 5 (female)	Persistence in school to grade 5 (male)	Youth literacy rate	Education expenditure, primary, %GDP	Expenditure per student, % GDP per capita, primary	Expenditure per student, % GDP per capita, secondary	Expenditure per student, % GDP per capita, tertiary	Pupil-teacher ratio, primary school
Indicator Number	32P1a	32P1b	32P1c	32P2a	32P2b	32P2c	32P3	32S1	32S2a	32S2b	32S2c	32S3
Pakistan Data												
<i>Latest Year (T)</i>	2000	2000	2000	.	.	.	2002	2005	.	.	.	2000
Value Year T	66.9	56.7	76.5	.	.	.	53.9	0.65	.	.	.	44.2
Value Year T-1	65.0	48.3	80.8	.	.	.	.	.	.	.	.	42.1
Value Year T-2	.	.	.	.	.	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.	.	.	.	.	40.4
Average Value, 5 year	.	.	.	.	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.	.	.	.	.
Benchmark Data												
Regression Benchmark	83.7	.	.	74.3	.	.	78.6	.	.	.	.	.
Lower Bound	76.8	.	.	66.1	.	.	70.2	.	.	.	.	.
Upper Bound	90.6	.	.	82.4	.	.	86.9	.	.	.	.	.
<i>Latest Year Indonesia</i>	2001	2001	2001	2000	2000	2000	2002	2005	2001	2001	2001	2001
Indonesia Value Latest Year	92.1	91.7	92.6	89.3	92.2	86.6	98.1	0.56	3.72	7.3	21	20.9
<i>Latest Year Thailand</i>	2001	2001	2001	.	.	.	2000	.	2001	2000	2001	2001
Thailand Value Latest Year	86.3	85.1	87.5	.	.	.	98.0	.	15.93	13.0	31	19.1
Low Income Asia Avg.	86.2	82.6	85.5	65.5	67.8	63.4	79.3	1.07	8.72	11.0	62	37.7
Low Income Avg.	77.5	71.8	77.4	63.7	63.7	63.0	77.4	1.81	10.88	15.9	88	40.6
High Five Avg.	108.7	107.5	109.7	100.1	100.7	100.4	99.8	5.54	17.36	40.8	152	63.5
Low Five Avg.	38.4	33.2	43.5	42.5	41.4	42.0	46.4	0.17	6.52	6.3	13	12.2

Indicator Number	Employment and Workforce							Agriculture					
	Labor force participation rate (total)	Labor force participation rate (male)	Labor force participation rate (female)	Rigidity of employment index	Size of labor force	Labor force growth rate	Unemployment rate	Agriculture value added per worker	Cereal yield	Growth in agricultural value-added	Agricultural policy costs index	Crop production index (1989-91 = 100)	Livestock production index (1989-91 = 100)
	33P1a	33P1b	33P1c	33P2	33P3a	33P3b	33P4	34P1	34P2	34P3	34S1	34S2	34S3
Pakistan Data													
Latest Year (T)	2003	2003	2003	2004	2003	2003	2003	2001	2002	2002	2004	2002	2002
Value Year T	68.1	91.1	42.8	49.0	57,149,020	3.4	7.7	698	2,302	4.2	3.1	118.2	176.7
Value Year T-1	68.1	91.5	42.2	.	55,280,110	3.4	8.3	733	2,264	-0.1	.	120.7	171.8
Value Year T-2	68.1	92.0	41.7	.	53,482,240	3.4	7.8	704	2,231	-2.8	.	129.4	167.2
Value Year T-3	68.1	92.4	41.1	.	51,724,770	3.1	7.8	704	2,408	6.1	.	127.7	162.7
Value Year T-4	68.0	93.2	40.2	.	50,182,320	3.1	.	687	2,218	2.0	.	121.1	157.0
Average Value, 5 year	.	92.1	41.6	.	53,563,692	3.3	6.2	705	2,284	1.9	.	123.4	167.1
Growth Trend	0.0	-0.6	1.6	.	3.3	3.0	7.3	0.7	0.1	.	.	-1.0	3.0
Benchmark Data													
Regression Benchmark	.	.	.	43.1	.	.	.	567.2	.	.	.	.	.
Lower Bound	.	.	.	31.8	.	.	.	337.2	.	.	.	.	.
Upper Bound	.	.	.	54.4	.	.	.	797.1	.	.	.	.	.
Latest Year Indonesia	2003	2003	2003	2004	2003	2003	2000	2001	2002	2002	2004	2002	2002
Indonesia Value Latest Year	75.6	89.0	62.4	57.0	106,377,600	2.1	6.1	749	4,206	2.5	4.2	122.2	128.4
Latest Year Thailand	2003	2003	2003	2004	2003	2003	2002	2001	2002	2002	2004	2002	2002
Thailand Value Latest Year	86.5	95.0	78.2	42.0	37,766,530	0.8	1.8	878	2,566	3.5	4.5	123.3	139.9
Low Income Asia Avg.	84.2	97.1	73.0	48.0	11,702,390	2.4	1.8	416	2,840	3.7	3.9	139.0	151.4
Low Income Avg.	84.7	97.5	72.7	50.0	4,513,562	2.4	7.6	362	1,263	3.8	3.6	136.7	128.9
High Five Avg.	102.4	113.1	96.5	84.6	318,835,664	3.9	21.2	59,160	7,448	24.3	5.3	290.1	265.6
Low Five Avg.	49.0	68.5	23.4	1.2	121,599	-0.5	2.6	127	314	-12.4	2.4	49.7	33.9

Technical Notes

The following technical notes provide a concise definition for each indicator together with information about the source, gaps in USAID countries coverage, and notes on data quality, where pertinent. The CAS Code number for each indicator is also noted. In most cases, information about the indicator is taken directly from the original source as cited.

GROWTH PERFORMANCE

Per capita GDP, current US dollars

Source: IMF World Economic Outlook database

<http://www.imf.org/external/pubs/ft/weo/2004/02/data/index.htm>

Definition: GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers plus any product taxes, less any subsidies not included in the value of the products.

Coverage: Available for most USAID countries.

CAS Code #11P2

Per capita GDP, purchasing power parity dollars

Source: IMF World Economic Outlook database

<http://www.imf.org/external/pubs/ft/weo/2004/02/data/index.htm>

Definition: This indicator adjusts per capita GDP measured in current U.S. dollars for differences in purchasing power across countries, by using an estimated exchange rate derived from the perceived purchasing power of the currency.

Coverage: Available for most USAID countries.

CAS Code #11P1

Real GDP growth

Source: World Development Indicators (NY.GDP.MKTP.KD.ZG) for benchmark data; latest country data from IMF Article IV Review Reports available at www.imf.org/external/np/sec/aiv/index.htm

Definition: Annual percentage growth rate of GDP at constant local currency prices. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

Coverage: Available for most USAID countries.

CAS Code #11P3

Growth of labor productivity

Source: World Development Indicators. Estimated by calculating annual percentage change of the ratio of GDP (constant 1995 US\$) (NY.GDP.MKTP.KD) to the total population ages 15-64, (SP.POP.1564.TO).

Definition: Labor productivity is defined here as the ratio of GDP in constant prices to the size of the working age population (defined as the population between ages 15 and 64 years by the World Bank). The more familiar calculation, based on employment, labor force, or work hours, is not used here because low participation or employment rates are themselves a structural productivity problem.

Coverage: Data available for most USAID countries.

CAS Code # 11S1

Investment productivity --incremental capital-output ratio (ICOR)

Source: International benchmark data computed from the World Development Indicators, based on the five-year average of the share of fixed investment (NE.GDI.FTOT.ZS) and the five-year average of GDP growth (NY.GDP.MKTP.KD.ZG). Updated figures for the target country are computed from IMF article IV Consultation Reports.

Definition: The ICOR shows the amount of capital investment needed per unit of extra output. A high value represents low investment productivity.

Coverage: Available for most USAID countries

CAS Code #11S2

Gross fixed investment, percentage of GDP

Source: IMF article IV Consultation Reports for latest country data; international benchmark from the World Development Indicators. (NE.GDI.FTOT.ZS)

Definition: Gross fixed investment is spending on replacing or adding to fixed assets (buildings, machinery, equipment and similar goods)

Coverage: Available for most USAID countries.

CAS Code # 11S3

Gross fixed private investment, percentage of GDP

Source: IMF Article IV Consultation Reports, for latest country data: World Development Indicators, for international comparison data. Estimating this indicator involves two steps: first, the product of Capital expenditure (% of total expenditure) (GB.XPK.TOTL.ZS) and Expenditure, total (% of GDP) (GB.XPD.TOTL.GD.ZS) will estimate the share of government fixed investment in GDP. Next, subtracting this figure from Gross fixed capital formation (% of GDP) (NE.GDI.FTOT.ZS) will estimate the share of private gross fixed investment in GDP.

Coverage: Available for most USAID countries.

Data Quality: National statistics offices may have different methodologies for breaking down government budget expenditures into current and capital.

CAS Code #11S4

POVERTY AND INEQUALITY

Human poverty index

Source: UNDP- Human Development Report.

http://hdr.undp.org/reports/global/2004/pdf/hdr04_HDI.pdf for 2004 edition; updates may be found at

http://hdr.undp.org/reports/view_reports.cfm?type=1

Definition: The index measures the incidence of deprivation in terms of not meeting target levels for specified economic and quality of life indicators: (1) Percentage of people not

expected to survive to age 40. (2) Percentage of adults who are illiterate. (3) Percentage of people who fail to attain a 'decent living standard' is subdivided into three (equally weighted) separate items: (a) Percentage of people without access to safe water, (b) Percentage of people without access to health services, and (c) Percentage of underweight children. Index ranges in value from 0 (for zero deprivation incidence) to 100 (for high deprivation incidence).

Coverage: Available for the majority USAID countries.

CAS Code #12P1

Income share held by lowest 20%

Source: World Development Indicators (SI.DST.FRST.20), World Bank staff estimates based on primary household survey data obtained from government statistical agencies and World Bank country departments. Alternate source for target countries: Country Poverty Reduction Strategy Paper <http://www.imf.org/external/np/prsp/prsp.asp>

Definition: Share of total income or consumption accruing to the poorest quintile of the population.

Coverage: Available for most USAID countries, although much of the data is several years old.

CAS Code # 12P2

Percentage of population living on less than \$1 PPP per day

Source: World Development Indicators, (SI.POV.DDAY), original data from National Surveys. Alternate source for target countries: Country Poverty Reduction Strategy Paper. <http://www.imf.org/external/np/prsp/prsp.asp>

Definition: Population below \$1 a day is the percentage of the population living on less than \$1.08 a day at 1993 international prices.

Coverage: Not available for about 21 USAID countries.

Data Quality: As a result of revisions in PPP exchange rates, poverty rates cannot be compared with poverty rates reported previously for individual countries. Poverty data originate from household survey questionnaires which can differ widely; even similar surveys may not be strictly comparable because of difference in quality.

CAS Code #12P3

Population below minimum dietary energy consumption

Source: UN Millennium Indicators Database at http://millenniumindicators.un.org/unsd/mi/mi_series_results.asp?rowId=566, based on FAO estimates.

Definition: Proportion of the population unable to obtain a level of dietary energy consumption needed to survive.

Coverage: Available for the majority of USAID countries.

CAS Code # 12S1

Poverty headcount, national poverty line

Source: World Development Indicators, (SI.POV.NAHC), original data from national surveys. Alternate source: Country Poverty Reduction Strategy Paper. <http://www.imf.org/external/np/prsp/prsp.asp>

Definition: The percentage of the population living below the national poverty line.

Coverage: Data unavailable for 55 USAID countries.

Data Quality: Measuring the percentage of people below the "national poverty line" has the disadvantage of limiting international comparisons. In some countries, the poverty line may be drawn at levels of income required to have only sufficient food or food plus other necessities.

CAS Code #12P4

PRSP Status

Source: World Bank/IMF. A list of countries with a Poverty Reduction Strategy Paper (PRSP) can be found at <http://www.imf.org/external/np/prsp/prsp.asp>

Definition: Yes or no variable showing whether a country has (or not) completed a PRSP (introduced by the WB and IMF to ensure host country ownership of poverty reduction programs).

Coverage: All countries having PRSPs are so indicated.

CAS Code #12P5

Poverty gap at \$1 PPP a day

Source: World Development Indicators, (SI.POV.GAPS), original data from national surveys. Alternate source: Country Poverty Reduction Strategy Paper. <http://www.imf.org/external/np/prsp/prsp.asp>

Definition: Poverty gap is the mean shortfall from the poverty line (counting the non-poor as having zero shortfall), expressed as a percentage of the poverty line. This measure reflects the depth of poverty as well as its incidence.

Coverage: Data not available for about 24 USAID countries.

CAS Code #12S2

ECONOMIC STRUCTURE

Labor force structure

Source: World Development Indicators (SL.AGR.EMPL.ZS), (SL.IND.EMPL.ZS), and (SL.SRV.EMPL.ZS). Alternate source: CIA World Fact Book <http://www.cia.gov/cia/publications/factbook/>.

Definition: The labor force structure measures recorded employment by major economic activity (agriculture, industry and services), as a percentage of total employment.

Coverage: Unavailable for 58 USAID countries.

Data Quality: Employment data are compiled from different sources and are therefore not fully comparable across countries. National practices vary considerably.

CAS Code #13P1

Output structure

Source: World Development Indicators (NV.AGR.TOTL.ZS), (NV.IND.TOTL.ZS), and (NV.SRV.TETC.ZS).

Definition: The output structure is comprised of value added by major sectors of the economy (agriculture, industry, and services) as percentages of GDP. Value added is defined as the value of the gross output of producers less the value of intermediate goods and services consumed in production, before taking account of the consumption of fixed capital in the production process.

Coverage: Unavailable for about 12 USAID countries.

Data Quality: Among the difficulties faced by compilers of national accounts is the extent of unreported economic activity in the informal or secondary economy. In developing countries a large share of agricultural output is either not exchanged (because it is consumed within the household) or not exchanged for money. This production is estimated indirectly, using a combination of methods involving estimates of inputs, yields, and area under cultivation. This approach sometimes leads to crude approximations that can differ from the true values over time and across crops for reasons other than climatic conditions or farming techniques.

Ideally, industrial output should be measured through regular censuses and surveys of firms. But in most developing countries such surveys are infrequent, so earlier survey results must be extrapolated using an appropriate indicator.

CAS Code #13P2

DEMOGRAPHY AND ENVIRONMENT

Adult literacy rate

Source: World Development Indicators; (SE.ADT.LITR.ZS) based on UNESCO calculations.

Definition: Percentage of people ages 15 and over who cannot, with understanding, read and write a short, simple statement about their daily life.

Coverage: Available for most USAID countries.

Data Quality: In practice, literacy is difficult to measure. A proper estimate requires census or survey measurements under controlled conditions. Many countries estimate the number of illiterate people from self-reported data, or by taking people with no schooling as illiterate.

CAS Code # 14P1

Age dependency rate

Source: World Development Indicators, (SP.POP.DPND).

Definition: The ratio of dependents (those younger than 15 and older than 64) to the working-age population, those ages 15-64.

Coverage: Available for most USAID countries.

CAS Code #14P2

Environmental sustainability index

Source: Center for International Earth Science Information Network (CIESIN) at Columbia University, and Yale Center for Environmental Law and Policy at Yale University. The 2005 index is at <http://www.yale.edu/esi/ESI2005.pdf>. For updates: <http://www.yale.edu/esi/>

Definition: The ESI is a composite index integrating 76 variables tracking natural resource endowments, past and present pollution levels, environmental management efforts, and the capacity of a society to improve its environmental performance, grouped into 21 indicators of environmental sustainability. The index quantifies the likelihood that a country will be able to preserve valuable environmental resources effectively. Values range from a low of 0 to a high of 100, with most scores clustered between 40 and 60.

Coverage: Available for most USAID countries.

CAS Code #14P3

Population size (in millions) and growth

Source: World Development Indicators (SP.POP.TOTL), and (SP.POP.GROW).

Definition: Total population counts all residents regardless of legal status or citizenship--except refugees not permanently settled in the country of asylum. Annual population growth rate is based on the de facto definition of population.

Coverage: Available for most USAID countries.

CAS Code # 14P4

Urbanization rate

Source: World Development Indicators, (SP.URB.TOTL.IN.ZS).

Definition: The midyear population of areas defined as urban in each country and reported to the United Nations as a percentage the total population of a country, including all residents regardless of legal status or citizenship.

Coverage: Available for most USAID countries.

Data Quality: The estimates are based on national definitions of what constitutes an urban area; cross-country comparisons should be made with caution.

CAS Code #14P5

GENDER

Adult literacy rate, ratio of male to female

Source: Estimated from UNDP Human Development Indicators <http://hdr.undp.org/statistics/data/>

Definition: The ratio of adult male literacy to adult female literacy.

Coverage: Unavailable for about 20 USAID countries

CAS Code #15P1

Gross enrollment rate, all levels of education, ratio of male to female

Source: Estimated from UNDP Human Development Indicators <http://hdr.undp.org/statistics/data/>

Definition: The ratio of the gross enrollment rate for males to that of females. The gross enrollment rate is the ratio of total enrollments in primary, secondary and tertiary education, to the total school age population for all three levels, assuming normal age of entry into the system and uninterrupted continuation to completion.

Coverage: Unavailable for about 20 USAID countries.

CAS Code # 15P2

Life expectancy, ratio of male to female

Source: Estimated from UNDP Human Development Indicators <http://hdr.undp.org/statistics/data/>

Definition: Ratio of Life expectancy at birth (years), male, divided by the Life expectancy at birth (years), Female.

Coverage: Unavailable for about 20 USAID countries.

CAS Code #15P3

FISCAL AND MONETARY POLICY

Composition of government expenditure

Source: Constructed with IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data, using WDI categories: (1) Subsidies and other current transfers (GB.XPC.TRFT.ZS), (2) Wages and salaries (GB.XPC.WAGE.ZS), (3) Interest payments (GB.XPC.INTP.ZS), (4) Goods and services expenditure (GB.XPC.GSRV.ZS), and (5) Capital expenditure (GB.XPK.TOTL.ZS), all as percentages of GDP. Original source of WDI data from International Monetary Fund, Government Finance Statistics Yearbook and data files.

Definition: The central governments' expenditure broken down by categories: subsidies and other current transfers, wages and salaries, interest payments, goods and services expenditure, and capital expenditure.

Coverage: Available for about 30 USAID countries.

Data Quality: Many countries report their revenue in non-comparable categories. Budget data are compiled on a fiscal

year basis. If the fiscal year differs from the calendar year, then the ratios to GDP may be calculated by interpolating budget data from two adjacent fiscal years.

CAS Code # 21S1

Composition of government revenue

Source: Constructed with IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data: categories are (1) Taxes on goods and services, (GB.TAX.GSRV.RV.ZS); (2) Taxes of income, profits and capital gains (GB.TAX.YPKG.RV.ZS); (3) Social security taxes, (GB.TAX.SSEC.RV.ZS); (4) Taxes in international trade, (GB.TAX.INTT.RV.ZS); and (5) Non-tax revenue, (GB.NTX.TOTL.RV.ZS).

www.imf.org/external/np/sec/aiv/index.htm can be used.

Definition: Breakdown of central government revenue sources per the following taxes on goods and services; taxes of income, profits and capital gains; social security taxes; taxes in international trade, non-tax revenue as a percentage of total revenue.

Coverage: Available for about 34 USAID countries.

Data Quality: Many countries report their revenue in non-comparable categories. If the fiscal year differs from the calendar year, then the ratios to GDP may be calculated by interpolating budget data from two adjacent fiscal years.

CAS Code # 21S2

Composition of money supply growth

Source: IMF Article IV Reviews, obtained from www.imf.org/external/np/sec/aiv/index.htm. Estimated, using the annual change of (1) credit to government, net (2) credit to the private sector, (3) credit to public enterprises, net (4) net foreign assets (reserves) and (5) other items, net; each divided by the annual change of the broad money supply (M2).

Definition: This calculation identifies the sources of the year to year change in the broad money supply (M2) disaggregated into the five categories indicated above.

Coverage: Data missing for about 6 USAID countries.

CAS Code # 21S3

Government expenditure, percentage of GDP

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; benchmarking data obtained from World Development Indicators (GB.XPD.TOTL.GD.ZS). Original source of WDI data is the International Monetary Fund, Government Finance Statistics Yearbook, and World Bank estimates.

Definition: Total expenditure of the central government, as a percent of GDP.

Coverage: Data available for about 70% of USAID countries.

CAS Code # 21P1

Government revenue, percentage of GDP

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; benchmarking data obtained from World Development Indicators (GB.RVC.TOTL.GD.ZS). Original source of WDI data is the International Monetary Fund, Government Finance Statistics Yearbook and data file, and World Bank estimates.

Definition: Government revenue includes all revenue to the central government from taxes and non-repayable receipts (other than grants), measured as a share of GDP. Grants

represent monetary aid going to the central government that has no repayment requirement.

Coverage: Data missing for about 24 USAID countries.

CAS Code # 21P2

Inflation rate

Source: IMF World Economic Outlook database <http://www.imf.org/external/pubs/ft/weo/2004/02/data/index.htm>

Definition: Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a fixed basket of goods and services that may be fixed or changed at specified intervals.

Coverage: Available for most USAID countries.

Data Quality: For many developing countries, figures for recent years are IMF staff estimates. Additionally, data for some countries are for fiscal years.

CAS Code #21P4

Money supply growth

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data (FM.LBL.MQMY.ZG). Original source of WDI data is International Monetary Fund, International Financial Statistics, and World Bank estimates.

Definition: Percent change in the broad money supply, M2 (money plus near-money).

Coverage: Data missing for about 8 USAID countries.

CAS Code #21P3

Overall budget balance, including grants, percentage of GDP

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data, (GB.BAL.OVRL.GD.ZS). Original source of WDI data is the International Monetary Fund, Government Finance Statistics Yearbook, and World Bank estimates.

Definition: The difference between central government's total revenue including official grants received, and total expenditure.

Coverage: Data missing for 23 USAID countries.

CAS Code # 21P5

BUSINESS ENVIRONMENT

Corruption perception index

Source: Transparency International

Definition: Composite measure of perceptions of corruption derived from surveys of business people and country analysts. Index ranges in value from 1 (for most perceived corruption) to 10 (for least perceived corruption). Values below 3.0 are considered to indicate rampant corruption. <http://www.transparency.org/cpi/2004/cpi2004.en.html>

Coverage: Data missing for about 11 USAID countries.

Data Quality: This indicator uses perception and opinions gathered from local businessmen as well as third-party experts and not hard empirical data; thus, the indicator is largely subjective. Also standard errors are large. For both reasons, international comparisons are difficult.

CAS Code # 22P1

Doing business composite index

Source: World Bank, Doing Business.
<http://rru.worldbank.org/DoingBusiness/>

Definition: Index measuring the quality of a country's business environment, composed of performance measures and indicators related to Starting a Business, Registering Property, Getting Credit; Protecting Investors; Enforcing Contracts and Closing a Business in a given country. The composite index has been estimated by scaling all the "Doing business" indicators from 0 (lowest in the world) to 100 (highest) and then taking a simple average of all the scaled indicators.

Coverage: Estimates missing for about 10 USAID Countries.

CAS Code # 22P2

Rule of law index

Source: World Bank Institute;
<http://www.worldbank.org/wbi/governance/govdata2002/index.html>

Definition: The Rule of Law Index is an aggregation of various indicators which measure the extent to which agents have confidence in and abide by the rules of society. This indicator is based on the measurement of perceptions of the legal system, drawn from 12 separate data sources. Index ranges in value from -2.5 (for very poor performance) to +2.5 (for excellent performance).

Coverage: Available for most USAID countries

Data Quality: This index is best used for relative comparisons between countries in a single year. It is difficult to use the index to track a country's progress over time as the index does not compensate against a change in the world average and, as a result, changing world trends may skew results over time—for instance, if the world average decreases in a given year, a country whose score appears to increase may not actually have tangible improvements in their legal environment. Conditions could stay the same (or even worsen) yet the country would show an improvement in its score as a result of the world average falling. Even for cross-country comparisons, standard errors are large, so only large differences would be statistically significant.

CAS Code #22P3

Cost to start a business; % of GNI per capita

Source: World Bank, Doing Business. Indicator is found under the Starting a Business category

<http://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/CompareAll.aspx>

Definition: Legally required cost to starting a simple limited liability company expressed as percentage of GNI per capita

Coverage: Data missing for about 10 USAID countries.

CAS Code #22S1

Procedures to enforce a contract

Source: World Bank, Doing Business. The indicator is found under the "Enforcing Contracts" category-

<http://rru.worldbank.org/DoingBusiness/ExploreTopics/EnforcingContracts/CompareAll.aspx>

Definition: Number of procedures required to enforce recovery of a valid debt contract through the court system (excluding any possible appeals. A procedure is defined as any interactive step the company must undertake with external parties (government agencies, lawyers, notaries, etc.) to proceed with the enforcement action.

Coverage: Data missing for about 10 USAID Countries.

CAS Code # 22S2

Procedures to register property

Source: World Bank, Doing Business. The indicator is found under the "Registering Property" category-

<http://rru.worldbank.org/DoingBusiness/ExploreTopics/RegisteringProperty/CompareAll.aspx>

Definition: Number of procedures required to register the transfer of title for business property. A procedure is defined as any step involving interaction between a company/individual and a third party that is necessary to complete the property registration process.

Coverage: Data missing for about 10 USAID countries.

CAS Code #22S3

Procedures to start a business

Source: World Bank, Doing Business. Indicator is found under the Starting a Business category

<http://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/CompareAll.aspx>

Definition: Number of procedural steps required to legalize a simple limited liability company. Procedures are interactions of a company with external parties (government agencies, lawyers, auditors, notaries, and the like), including interactions required to obtain necessary permits and licenses and to complete all inscriptions, verifications, and notifications to start operations.

Coverage: Data missing for about 10 USAID Countries.

CAS Code # 22S4

Time to enforce a contract

Source: World Bank, Doing Business. The indicator is found under the "Enforcing Contracts" category-

<http://rru.worldbank.org/DoingBusiness/ExploreTopics/EnforcingContracts/CompareAll.aspx>

Definition: Minimum length of time, measured in days, required to enforce a contract through the court system of a given country.

Coverage: Data missing for about 10 USAID Countries.

CAS Code # 22S5

Time to register property

Source: World Bank, Doing Business. The indicator is found under the "Registering Property" category-

<http://rru.worldbank.org/DoingBusiness/ExploreTopics/RegisteringProperty/CompareAll.aspx>

Definition: The time to register property covers the time required to accomplish the full sequence of procedures necessary to transfer the property title from the seller to the buyer when a business purchases land and a building in a peri-urban area of the country's most populous city. Every required procedure is included whether it is the responsibility of the seller, the buyer, or where it is required to be completed by a third party on their behalf.

Coverage: Data missing for about 10 USAID countries.

CAS Code #22S6

Time to start a business

Source: World Bank, Doing Business. Indicator is found under the Starting a Business category

<http://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/CompareAll.aspx>

Definition: Time to start a business is the time, measured in calendar days, needed to complete the required procedures for legally operating a business. If a procedure can be speeded up at additional cost, the fastest procedure, independent of cost, is chosen.

Coverage: Data missing for about 10 USAID Countries.

CAS Code #22S7

FINANCIAL SECTOR

Cost to Create Collateral

Source: World Bank Doing Business. Indicator can be found under the “Getting Credit” category-

<http://rru.worldbank.org/DoingBusiness/ExploreTopics/GettingCredit/CompareAll.aspx>

Definition: The indicator assesses the cost of creating and registering collateral as a percentage of income per capita.

Coverage: Data missing for 10 USAID countries.

Data Quality: Countries without a collateral registry usually have lower costs, although the secured creditor is disadvantaged elsewhere because they are unable to notify other creditors of their right to the collateral through a registry.

CAS Code #23S1

Country credit rating

Source: Millennium Challenge Corporation. Original data comes from the Institutional Investor Magazine. <http://www.mca.gov/countries/rankings/index.shtml>

Definition: Bankers’ and fund managers’ perception of the country’s risk of default based on a semi-annual survey. Index ranges in value from 0 (for very poor performance) to 10 (for excellent performance).

Coverage: Data missing for 35 USAID countries.

Data Quality: The indicator is subjective as it is based on an opinion poll.

CAS Code # 23S2

Domestic credit to private sector, percent of GDP

Source: IMF Article IV Reviews for latest country data; World Development Indicators for benchmarking data (FS.AST.PRVT.GD.ZS). Original data comes from International Monetary Fund, International Financial Statistics and data files, and World Bank estimates.

Definition: Domestic credit to private sector refers to financial resources provided to the private sector, such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment. For some countries, these claims include credit to public enterprises.

Coverage: Data missing for about 6 USAID countries.

CAS Code # 23P1

Interest rate spread

Source: World Development Indicators (FR.INR.LNDP). Original data from International Monetary Fund, International Financial Statistics and data files.

Definition: The difference between the lending and borrowing interest rates charged by commercial or similar banks on domestic currency deposits.

Coverage: Data missing for 22 USAID countries.

CAS Code # 23P2

Legal rights of borrowers and lenders

Source: World Bank Doing Business. Indicator can be found under the “Getting Credit” category-

<http://rru.worldbank.org/DoingBusiness/ExploreTopics/GettingCredit/CompareAll.aspx>

Definition: The index measures the degree to which collateral and bankruptcy laws facilitate lending. It is based on data collected through research of collateral and insolvency laws supported by the responses to a survey on secured transactions laws. It includes three aspects related to legal rights in bankruptcy, and seven aspects found in collateral law. Index ranges in value from 0 (for very poor performance) to 10 (for excellent performance).

Coverage: About 10 USAID countries are not covered

CAS Code # 23S3

Money supply, percent of GDP

Source: World Development Indicators. FM.LBL.MOMY.GD.ZS Original data from International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates.

Definition: Money supply (M2), also called broad money, and is defined as non-bank private sector’s holdings of notes, coins and demand deposits plus savings deposits and foreign currency deposits.

Coverage: Data missing for 8 USAID countries

Data Quality: In some countries M2 includes Certificates of Deposits (CDs), money market instruments, and/or treasury bills.

CAS Code # 23P3

Real interest rate

Source: World Development Indicators (FR.INR.RINR)

Definition: Real interest rate is the lending interest rate adjusted for inflation as measured by the GDP deflator.

Coverage: Available for most USAID countries

CAS Code # 23S4

Stock Market Capitalization Rate, % of GDP

Source: World Development Indicators (CM.MKT.LCAP.GD.ZS)

Definition: Market capitalization (also known as market value) is the share price times the number of shares outstanding, of all the domestic shares listed on the country’s stock exchange, as a percentage of GDP.

Coverage: Available for less than twenty USAID countries.

CAS Code # 23P4

EXTERNAL SECTOR

Aid as a percentage of GNI

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm;

World Development Indicators for benchmarking data (DT.ODA.ALLD.GN.ZS)

Definition: Official Development Assistance and official aid from non-OECD countries as a percentage of Gross National Income.

Coverage: For 2002, the indicator was unavailable for 6 USAID countries.

Data Quality: The data does not include aid given by recipient countries to other recipient countries. Additionally,

the data may not always be consistent with individual country's balance sheets, as the data are collected from donors and not recipients.

CAS Code #24P1

Concentration of exports

Source: ITC COMTRADE.

<http://www.intracen.org/tradstat/sitc3-3d/indexre.htm>

The indicator is constructed by sorting a country's exports at the SITC (Rev. 3) 3-digit level, aggregating the value for the top 3 product groups, and dividing by the country's total exports.

Definition: The percentage that the top three products disaggregated at the SITC (Rev. 3) 3-digit-level represent of a country's merchandise exports.

Coverage: Available for most countries

Data Quality: Trade data are never complete. Smuggling and non-reporting represent a serious problem in a number of countries. In addition, trade statistics, like any source of information, are not free of mistakes and omissions. For countries that do not report trade data to the United Nations, ITC uses partner country data, an approach referred to as mirror statistics. Mirror statistics are a second-best solution being better than having no data at all. At the same time, they have a number of shortcomings: they do not cover trade with other non-reporting countries; there is the problem of transshipments, which may hide the actual source of supply. Third, mirror statistics invert the reporting standards by valuing exports in c.i.f. terms (i.e. including transport cost and insurance) and imports in f.o.b. terms (excluding these items).

CAS Code # 24S1

Current Account Balance, percent of GDP

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data (BN.CAB.XOKA.GD.ZS), based on International Monetary Fund, Balance of Payments Statistics Yearbook and data files, and World Bank staff estimates, and World Bank and OECD GDP estimates.

Definition: Current account balance is the sum of net exports of goods, services, net income, and net current transfers. It is presented here as a percentage of a country's gross domestic product.

Coverage: Available for most countries.

CAS Code # 24P2

Debt service ratio

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data (DT.TDS.DECT.EX.ZS), Global Development Finance.

Definition: Total debt service is the sum of principal repayments and interest actually paid in foreign currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF. Exports of goods and services include income and workers' remittances.

Coverage: Available for most USAID countries

Data Quality: See Data quality comments to the Present value of debt, percent of GNI regarding quality of debt data reported.

CAS Code # 24P3

Foreign Direct Investment, percent of GDP

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data (BX.KLT.DINV.DT.GD.ZS), based on International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, Global Development Finance, and World Bank and OECD GDP estimates.

Definition: Foreign direct investment is net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows in the reporting economy.

Coverage: Available for a majority of USAID countries

CAS Code #24P5

Gross international reserves, months of imports

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm;

World Development Indicators for benchmarking data, (FI.RES.TOTL.MO).

Definition: Gross international reserves comprise holdings of monetary gold, special drawing rights (SDRs), the reserve position of members in the International Monetary Fund (IMF), and holdings of foreign exchange under the control of monetary authorities. The indicator shows reserves expressed in terms of the number of months of imports of goods and services which could be paid for.

Coverage: Available for most USAID countries

CAS Code # 24P6

Gross Private Capital Flows, percent GDP

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data, (BG.KAC.FNEI.GD.ZS), based on International Monetary Fund, Balance of Payments database, and World Bank GDP estimates.

Definition: Gross private capital flows are the sum of the absolute values of direct, portfolio, and other investment inflows and outflows recorded in the balance of payments financial account, excluding changes in the assets and liabilities of monetary authorities and general government. The indicator is calculated as a ratio to GDP in U.S. dollars.

Coverage: Data missing for about 30 USAID countries.

Data Quality: The indicators on gross capital flows are calculated from detailed accounts, since higher-level aggregates would result in smaller totals by netting out credits and debits. The comparability of the data between countries and over time is affected by the accuracy and completeness of balance of payments records and by their level of detail. Capital flows are converted to U.S. dollars at the International Monetary Fund's average official exchange rate for the year shown.

CAS Code #24P7

Exports growth, goods and services

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data (NE.EXP.GNFS.KD.ZG) based on World Bank national accounts data, and OECD National Accounts data files.

Definitions: Annual growth rate of exports of goods and services based on constant local currency. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude labor and property income (formerly called factor services) as well as transfer payments.

Coverage: Available for most countries.

CAS Code # 24P4

Inward FDI Potential Index

Source: UNCTAD. This indicator is available online at <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=2471&lang=1>

Definition: The Inward FDI Potential Index captures several factors (apart from market size) expected to affect an economy's attractiveness to foreign investors. It is an average of the values (normalized to yield a score between zero, for the lowest scoring country, to one, for the highest) of 12 variables with no particular weights. Index ranges in value from 0 (for very poor performance) to 1 (for excellent performance).

Coverage: Available for most USAID countries

CAS Code # 24S2

Net barter terms of trade

Source: World Development Indicators; TT.PRI.MRCH.XD.WD

Definition: Net barter terms of trade are calculated as the ratio of the export price index to the corresponding import price index measured relative to the base year 1995.

Coverage: Available for more than half of USAID countries

CAS Code # 24S3

Present value of debt, percent of GNI

Source: World Development Indicators, (DT.DOD.PVLX.GN.ZS), Global Development Finance.

Definition: Present value of debt is the sum of short-term external debt plus the discounted sum of total debt service payments due on public, publicly guaranteed, and private non-guaranteed long-term external debt over the life of existing loans.

Coverage: Available for a majority of USAID countries

Data Quality: The coverage, quality, and timeliness of debt data vary across countries. Coverage varies for both debt instruments and borrowers. With the widening spectrum of debt instruments and investors and the expansion of private non-guaranteed borrowing, comprehensive coverage of long-term external debt becomes more complex. Reporting countries differ in their capacity to monitor debt, especially private non-guaranteed debt. Even data on public and publicly guaranteed debt are affected by coverage and accuracy in reporting--again because of monitoring capacity and sometimes because of unwillingness to provide information. A key part often underreported is military debt. Because flow data are converted at annual average exchange rates and stock data at end-of-period exchange rates, year-to-year changes in debt outstanding and disbursed are sometimes not equal to net flows (disbursements less principal repayments); similarly, changes in debt outstanding, including un-disbursed debt, differ from commitments less repayments. Discrepancies are particularly significant when exchange rates have moved sharply during the year. Cancellations and re-scheduling of other liabilities into long-term public debt also contribute to the differences. Variations

in reporting rescheduled debt also affect cross-country comparability. For example, rescheduling under the auspices of the Paris Club of official creditors may be subject to lags between the completion of the general rescheduling agreement and the completion of the specific, bilateral agreements that define the terms of the rescheduled debt.

CAS Code # 24P8

Real effective exchange rate (REER)

Source: IMF Article IV Reviews www.imf.org/external/np/sec/aiv/index.htm;

Definition: Index number with base 1995=100, it is the nominal effective exchange rate (a measure of the value of a currency against a weighted average of several foreign currencies) divided by a price deflator or index of costs. The IMF defines the relative currency values such that an increase in the REER represents a real appreciation of the home currency, and a decrease represents a real depreciation.

Coverage: Available for about 28 USAID countries only

Data Quality: Because of conceptual and data limitations, changes in real effective exchange rates should be interpreted with caution. Real effective exchange rates are derived by deflating a trade-weighted average of the nominal exchange rates that apply between trading partners. For most high-income countries the weights are based on trade in manufactured goods with other high-income countries in 1989-91, and an index of relative, normalized unit labor costs is used as the deflator. (Normalization smoothes a time series by removing short-term fluctuations while retaining changes of a large amplitude over the longer economic cycle.) For other countries the weights before 1990 take into account trade in manufactured and primary products in 1980-82, the weights from January 1990 onward take into account trade in 1988-90, and an index of relative changes in consumer prices is used as the deflator.

CAS Code # 24S4

Remittances receipts, percent of exports

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data. This indicator needs to be constructed from two data series, Worker's Remittances (receipts) (BX.TRF.PWKR.CD) divided by Exports of Goods and Services ((BX.GSR.GNFS.CD)

Definition: Workers' remittances are current transfers by migrants who are employed or intend to remain employed for more than a year in another economy in which they are considered residents.

Coverage: Available for more than half of USAID countries.

CAS Code # 24P9

Structure of merchandise exports

Source: World Development Indicators. Five data series are used: Food exports (TX.VAL.FOOD.ZS.UN); Agricultural raw materials exports (TX.VAL.AGRI.ZS.UN); Manufactures exports (TX.VAL.MANF.ZS.UN); Ores and metals exports (TX.VAL.MMTL.ZS.UN); and Fuel exports (TX.VAL.FUEL.ZS.UN).

Definition: This indicator reflects the composition of merchandise exports by major commodity group- food; agricultural raw materials; fuels; ores and metals; and manufactures.

Coverage: Available for most countries

Data Quality: The classification of commodity groups is based on the Standard International Trade Classification

(SITC) revision 1. Most countries now report using later revisions of the SITC or the Harmonized System. Concordance tables are used to convert data reported in one system of nomenclature to another. The conversion process may introduce some errors of classification, but conversions from later to early systems are generally reliable. Shares may not sum to 100 percent because of unclassified trade.

CAS Code # 24S5

Trade in goods and services, as a percentage of GDP

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data (NE.TRD.GNFS.ZS)

Definition: The sum of exports and imports of goods and services divided by the value of GDP in current U.S. dollars.

Coverage: Data for 8 USAID countries missing.

CAS Code # 24P10

Trade Policy Index

Source: Index of Economic Freedom, Heritage Foundation. The Trade Policy Score is one of the components of the Index of Economic Freedom. Both indicators can be found on-line at <http://www.heritage.org/research/features/index/downloads.cfm>

Definition: The trade policy score is given by the index authors based on a country's weighted average tariff rate (weighted by imports from the country's trading partners), with adjustments for non-tariff barriers and corruption in the custom service. It measures the degree to which government hinders the free flow of foreign commerce. Index ranges in value from 1 (excellent) to 5 (very poor).

Coverage: Available for most countries

Data Quality: The trade policy score is subjective, since Heritage professionals assign scores to each country. Further, they do not always grade trade policy based on consistent, comparable data for each country (for example, when a country's average tariff rate is not available, their authors based their grading on the revenue raised from tariffs and duties as a percentage of total imports of goods). Indeed, countries do not report simple or weighted average tariff rates every year.

CAS Code # 24S6

ECONOMIC INFRASTRUCTURE

Internet users per 1000 people

Source: World Development Indicators (IT.NET.USER.P3), derived from International Telecommunication Union - ITU report and database.

Definition: Internet users are defined as those with access to the world-wide network

Coverage: Available for most USAID countries.

CAS Code # 25P1

Overall Infrastructure Quality

Source: Global Competitiveness Report 2004-2005, World Economic Forum. The indicator can be found in the Data Tables, Section V. General Infrastructure; 5.01.

Definition: Executive's perceptions of general infrastructure in their respective country. Executives grade, on a scale from 1 to 7, whether general infrastructure in their country is (1) poorly developed, or (7) among the best in the world.

Coverage: The GCR includes about 50 USAID countries

Data Quality: Comparisons between countries are difficult, since the data is based on executive perceptions.

CAS Code # 25P2

Telephone density, fixed line and mobile

Source: World Development Indicators (IT.TEL.TOTL.P3)

Definition: Sum of telephone mainlines and mobile phones per 1000 people and mobile phones per 1000 people fixed lines represent telephone mainlines connected to the public switched telephone network. Mobile phone subscribers refer to users of cellular based technology with access to the public switched telephone network.

Coverage: Available for most USAID countries.

CAS Code #25P3

Quality of infrastructure - railroads, ports, air transport and electricity

Source: Global Competitiveness Report 2004-2005, World Economic Forum. The indicators can be found in the Data Tables, Section V. General Infrastructure; 5.02, 5.03, 5.04, and 5.05 for Railroad, Port; Air Transport, and Electricity, respectively.

Definitions: Executive's perceptions of whether Executive's perceptions of whether: infrastructure in their country is 1 as underdeveloped or 7 as extensive and efficient as the world's best.

Coverage: Approximately, 40 USAID countries are missing in the GCR Executive Opinion Survey.

Data Quality: Comparisons between countries are difficult, since the data is based on executive perceptions.

CAS Code #25S1

Telephone cost, average local call

Source: World Development Indicators (IT.MLT.CLCL.CD)

Definition: Cost of local call is the cost of a three-minute, peak rate, fixed line call within the same exchange area using the subscriber's equipment (that is, not from a public phone).

Coverage: Data missing for 4 USAID countries.

CAS Code #25S2

SCIENCE AND TECHNOLOGY

Expenditure in Research and Development, percent of GNI

Source: World Development Indicators; Estimated by multiplying Expenditure in Research and Development as a percent of GDP (GB.XPD.RSDV.GD.ZS) times GDP (current LCU) (NY.GDP.MKTP.CN) and then dividing by GNI (current LCU) (NY.GNP.MKTP.CN).

Definition: Expenditures for research and development are current and capital expenditures (both public and private) on creative, systematic activity that increases the stock of knowledge. Included are fundamental and applied research and experimental development work leading to new devices, products, or processes.

Coverage: Available for approximately 50% of USAID countries

CAS Code #26P1

FDI technology transfer index

Source: Global Competitiveness Report 2004-2005, World Economic Forum. The indicator can be found in the Data Tables, Section III. Technology: Innovation and Diffusion; 3.04.

Definition: Executive's perceptions of FDI as a source of new technology for the country. Executives grade, on a scale from 1 to 7, whether foreign direct investment in their country (1) brings little new technology, or (7) is an important source of new technology.

Coverage: Approximately, 40 USAID countries are missing in the GCR Executive Opinion Survey.

Data Quality: Comparisons between countries are difficult, since the data is based on executive perceptions.

CAS Code # 26P2

Patent applications filed, residents

Source: World Development Indicators (IP.PAT.RESD) based on WIPO

Definition: Applications filed by host-country residents with the national patent office for exclusive rights for an invention--a product or process that provides a new way of doing something or offers a new technical solution to a problem.

Coverage: About 80% coverage

CAS Code #26P3

HEALTH

HIV prevalence rate

Source: UNAIDS
<http://www.unaids.org/Unaid/EN/Resources/epidemiology.asp> for most recent country data, World Development Indicators for group benchmark data.

Definition: Percentage of people ages 15-49 who are infected with HIV.

Coverage: Available for most USAID countries

Data Quality: UNAIDS/WHO estimates are based on all available data, including surveys of pregnant women, population-based surveys such as household surveys conducted by Kenya, Mali, Zambia and Zimbabwe, as well as other surveillance information. UNAIDS views such information as complementary and useful in helping to estimate the number of people living with HIV in a country. HIV estimates - whether they are based on household surveys or surveys of pregnant women - need to be assessed critically as the epidemic evolves. Achieving 100% certainty about the numbers of people living with HIV globally, for example, would require repeatedly testing every person in the world for HIV—which is logistically impossible.

CAS Code # 31P1

Life expectancy at birth

Source: World Development Indicators, (SP.DYN.LE00.IN)

Definition: Life expectancy at birth indicates the number of years a newborn infant would live on average if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.

Coverage: Available for most USAID countries.

Data Quality: Life expectancy at birth are general estimates based on vital registration or the most recent census or survey available, extrapolations based on outdated surveys may not be reliable for monitoring changes in health status or for comparative analytical work.

CAS Code # 31P2

Maternal mortality rate

Source: UN Millennium Indicators Database, http://millenniumindicators.un.org/unsd/mi/mi_series_results.asp?rowId=553 based on WHO, UNICEF and UNFPA.

Definition: The number of women who die during pregnancy and childbirth, per 1,000 live births.

Coverage: Available for most USAID countries.

Data Quality: Maternal mortality ratios are generally of unknown reliability. Household surveys attempt to measure maternal mortality by asking respondents about survivorships of sisters. The estimates that are produced pertain to 12 years or so before the survey, making them unsuitable for monitoring recent changes or observing the impact of observations. Additionally, measurement of maternal mortality is subject to many types of error.

CAS Code # 31P3

Access to improved sanitation

Source: World Development Indicators, (SH.STA.ACSN)

Definition: Percentage of population with at least adequate excreta disposal facilities (private or shared, but not public) that can effectively prevent human, animal, and insect contact with excreta.

Coverage: Available for most USAID countries

Data Quality: The coverage rates are based on service users on the facilities their households use, rather than on information service providers who may include nonfunctioning systems—therefore somewhat reliable.

CAS Code #31S1

Access to improved water source

Source: World Bank, World Development Indicators, (SH.H2O.SAFE.ZS)

Definition: Percentage of population with reasonable access to an adequate amount of water from an improved source, such as a household connection, public standpipe, borehole, protected well or spring, or rain water collection.

Coverage: Available for most USAID countries

Data Quality: Access to drinking water from an improved source does not ensure that the water is adequate or safe, as these characteristic are not tested at the time of the surveys.

CAS Code # 31S2

Births attended by skilled health personnel

Source: World Development Indicators, (SH.STA.BRTC.ZS)

Definition: Percentage of deliveries attended by personnel trained to give the necessary supervision, care, and advice to women during pregnancy, labor, and the postpartum period, to conduct interviews on their own, and to care for newborns.

Coverage: Available for most USAID countries

Data Quality: Data may not reflect improvements in maternal health because information systems are often weak, maternal deaths are underreported and rates of maternal mortality are difficult to measure.

CAS Code # 31S3

Child immunization rate

Source: World Development Indicators, estimated by averaging two data series: Immunization, DPT (% of children ages 12-23 months) (SH.IMM.IDPT) and Immunization,

measles (% of children ages 12-23 months) (SH.IMM.MEAS)

Definition: Percentage of children under one year receiving vaccination coverage for four diseases—measles and diphtheria, pertussis (whooping cough), and tetanus (DDPT).

Coverage: Available for most USAID countries.

CAS Code #31S4

Prevalence of child malnutrition, weight for age

Source: World Development Indicators, (SH.STA.MALN.ZS)

Definition: Percentage of children under five whose weight for age is more than minus two standard deviations below the median for the international reference population ages 0-59 months.

Coverage: Available for most USAID countries

CAS Code #31S5

Public health expenditure, percent of GDP

Source: International benchmarking data from World Development Indicators, (SH.XPD.PUBL.ZS), based on World Health Organization, World Health Report and updates and from the OECD, supplemented by World Bank poverty assessments and country and sector studies. Latest data for host country is obtained from the MCC <http://www.mca.gov/countries/rankings/index.shtml>.

Definition: Public health expenditure consists of recurrent and capital spending from government (central and local) budgets, external borrowings and grants (including donations from international agencies and nongovernmental organizations), and social (or compulsory) health insurance funds.

Coverage: Available for most USAID countries.

CAS Code #31S6

EDUCATION

Net primary enrollment rate - female, male and total

Source: UNESCO Institute for Statistics, <http://stats.uis.unesco.org/ReportFolders/reportfolders.aspx>

Definition: The proportion of the population of the official age for primary, secondary or tertiary education according to national regulations who are enrolled in primary schools. Primary education provides children with basic reading, writing, and mathematics skills along with an elementary understanding of such subjects as history, geography, natural science, social science, art, and music.

Coverage: Full coverage.

Data Quality: Enrollment ratios are a useful measure of participation in education, but they may also have significant limitations—being based in date collected during annual school surveys, which are typically conducted at the beginning of the school year, do not reflect actual rates of attendance or dropouts during the school year. And school administrators may report exaggerated enrollments as often the number of teachers paid by the government is related to the number of pupils enrolled. Net enrollment ratios provide a better indicator of a school system's efficiency, but does not measure the quality of the education provided. Net enrolment ratio is more precise than gross enrollment ratio for assessing the level of participation in primary education. If data on enrolment and population by single years of age are available, the concept can be extended to derive age-specific enrolment ratios and school life expectancy.

CAS Code #32P1

Persistence to grade 5 - female, male, and total

Source: World Development Indicators, (SE.PRM.PRS5.FE.ZS); (SE.PRM.PRS5.MA.ZS); and (SE.PRM.PRS5.ZS).

Definition: The estimated female, male and total proportion of the population entering primary school who reach grade 5

Coverage: Available for most USAID countries

CAS Code #32P2

Youth literacy rate

Source: World Development Indicators, SE.ADT.1524.LT.ZS)

Definition: The percent of people ages 15-24 who can, with understanding, read and write a short, simple statement on their everyday life.

Coverage: Available for about half of USAID countries.

Data Quality: Statistics are out of date 2-3 years.

CAS Code #32P3

Expenditure on primary education, percent GDP

Source: Millennium Challenge Corporation <http://www.mca.gov/countries/rankings/index.shtml>

Definition: Total expenditures on education by all levels of government.

Coverage: Available for about 70% of USAID countries.

Data Quality: The MCC obtains the data from national sources via US embassies, because the figures are not readily available from standard international statistical resources.

CAS Code #32S1

Educational expenditure per student, percentage GDP per capita -Primary, Secondary and Tertiary

Source: World Development Indicators, (SE.XPD.PRIM.PC.ZS); (SE.XPD.SECCO.PC.ZS); (SE.XPD.TERT.PC.ZS)

Definition: Public expenditure per student (primary, secondary or tertiary) is the public current spending on education divided by the total number of students by level, as a percentage of GDP per capita.

Coverage: Available for most USAID countries

Data Quality: For a variety of reasons, education statistics generally fail to provide a complete and accurate picture of a country's education system and should be interpreted with caution. Statistics are out of date by two or three years. The data on education spending in the table refer solely to public spending—government spending on public spending generally excludes spending by religious schools, and spending by religious schools, which play a significant role in many developing countries. Data for some countries and for some years refer to spending by the ministry of education only.

CAS Code #32S2

Pupil-teacher ratio, primary school

Source: World Development Indicators; SE.PRM.ENRL.TC.ZS)

Definition: Primary school pupil-teacher ratio is the number of pupils enrolled in primary school divided by the number of primary school teachers (regardless of their teaching assignment).

Coverage: Available for most USAID countries

Data Quality: The comparability of pupil-teacher ratios across countries is affected by the definition of teachers, by whether teachers are assigned non-teaching duties, and by differences in class size by grade and in the number of hours taught. The indicator does not take into account differences in teachers' academic qualifications, pedagogical training, professional experience and status, teaching methods, teaching materials and variations in classroom conditions -- all factors that could also affect the quality of teaching/learning and pupil performance.

CAS Code # 32S3

EMPLOYMENT AND WORKFORCE

Labor force participation rate – total, male, female

Source: Derived from World Development Indicators. For the female labor force participation rate: Population ages 15-64, female (SP.POP.1564.FE.IN) is the denominator; the numerator is calculated by multiplying Labor force, female (% of total labor force) (SL.TLF.TOTL.FE.ZS), times Labor force, total (SL.TLF.TOTL.IN). For the male labor force participation rate: Population ages 15-64, male (SP.POP.1564.MA.IN) serves as the denominator. The numerator is calculated by subtracting the female labor force, as derived above, from the total labor force (SL.TLF.TOTL.IN). For the total labor force participation rate: The denominator is Population ages 15-64, total (SP.POP.1564.TO). The numerator is Labor force, total (SL.TLF.TOTL.IN).

Definition: The percentage of the working age population that is in the labor force. The labor force comprises people who meet the International Labour Organization definition of the economically active population: all people who supply labor for the production of goods and services during a specified period. It includes both the employed and the unemployed.

Coverage: Available for most USAID countries

CAS Code #33P1

Rigidity of employment index

Source: World Bank, Doing Business in 2005, under the Hiring and Firing Category, <http://rru.worldbank.org/DoingBusiness/ExploreTopics/HiringFiringWorkers/CompareAll.aspx>

Definition: A measure of labor market rigidity index constructed as the average of the Difficulty of Hiring Index, Rigidity of Hours Index and a Difficulty of firing Index. Index ranges in value from 0 (minimum rigidity) to 100 (maximum rigidity).

Coverage: Unavailable for about 10 USAID countries

Data Quality: Sub-indices are compiled by the World Bank from survey responses by in-country specialists.

CAS Code # 33P2

Size and growth of the labor force

Source: Size of labor force from World Bank Development Indicators (SL.TLF.TOTL.IN); annual percentage change calculated from size data.

Definition: Magnitude of the labor supply, and annual percent change. Labor force comprises people who meet the International Labour Organization definition of the economically active population: all people who supply labor for the production of goods and services during a specified period. It includes both the employed and the unemployed.

While national practices vary in the treatment of such groups as the armed forces and seasonal or part-time workers, in general the labor force includes the armed forces, the unemployed, and first-time job-seekers, but excludes homemakers and other unpaid caregivers and workers in the informal sector.

Coverage: Available for most USAID countries.

CAS Code #33P3

Unemployment rate

Source: World Development Indicators, (SL.UEM.TOTL.ZS)

Definition: Percentage of labor force that is currently unemployed

Coverage: Gaps in data in 26 USAID countries.

Data Quality: Technical details are country specific- making international comparisons impossible.

CAS Code # 33P4

AGRICULTURE

Agriculture value added per worker

Source: World Development Indicators (EA.PRD.AGRI.KD) derived from World Bank national accounts files and Food and Agriculture Organization, Production Yearbook and data files.

Definition: Agriculture value added per worker is a measure of agricultural productivity. Value added in agriculture measures the output of the agricultural sector (ISIC divisions 1-5) less the value of intermediate inputs. Agriculture comprises value added from forestry, hunting, and fishing as well as cultivation of crops and livestock production. Data are in constant 1995 U.S. dollars.

Coverage: Measure available for most USAID countries

CAS Code # 34P1

Cereal yield

Source: World Development Indicators (EA.PRD.AGRI.KD) based on Food and Agriculture Organization (FAO), Production Yearbook and data files.

Definition: Cereal yield, measured as kilograms per hectare of harvested land, includes wheat, rice, maize, barley, oats, rye, millet, sorghum, buckwheat, and mixed grains. Production data on cereals relate to crops harvested for dry grain only. Cereal crops harvested for hay or harvested green for food, feed, or silage and those used for grazing are excluded.

Coverage: Most USAID countries covered

Data Quality: Data on cereal yield may be affected by a variety of reporting and timing differences. The FAO allocates production data to the calendar year in which the bulk of the harvest took place. But most of a crop harvested near the end of a year will be used in the following year. Cereal crops harvested for hay or harvested green for food, feed, or silage, and those used for grazing, are generally excluded. But millet and sorghum, which are grown as feed for livestock and poultry in Europe and North America, are used as food in Africa, Asia, and countries of the former Soviet Union. So some cereal crops are excluded from the data for some countries and included elsewhere, depending on their use.

CAS Code # 34P2

Growth in agricultural value added

Source: IMF Article IV Reviews for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators for benchmarking data (NV.AGR.TOTL.KD.ZG)

Definition: Annual growth rate for agricultural value added based on constant local currency. Aggregates are based on constant 1995 U.S. dollars. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources.

Coverage: Most USAID countries covered.

CAS Code # 34P3

Agricultural policy costs index

Source: Global Competitiveness Report 2004-2005, World Economic Forum. The indicator can be found in the Data Tables, Section II. Macroeconomic Environment; 2.20.

Definition: Executive's perceptions of whether the cost of agricultural policy in a given country is 1= excessively burdensome or 7= balances all economic agents' interests.

Coverage: Approximately, 50 USAID countries are covered in the GCR Executives Opinion Survey.

Data Quality: Comparisons between countries are difficult, since the data is based on executive perceptions.

CAS Code # 34S1

Crop production index

Source: World Development Indicators (AG.PRD.CROP.XD) based on FAO

Definition: Crop production index shows agricultural production for each year relative to the base period 1989-91. It includes all crops except fodder crops.

Coverage: Most USAID countries covered

Data Quality: Regional and income group aggregates for the FAO's production indexes are calculated from the underlying values in international dollars, normalized to the base period 1989-91. The FAO obtains data from official and semiofficial reports of crop yields, area under production, and livestock numbers. If data are not available, the FAO makes estimates. The FAO's indexes may differ from other sources because of differences in coverage, weights, concepts, time periods, calculation methods, and use of international prices. To ease cross-country comparisons, the FAO uses international commodity prices to value production. These prices, expressed in international dollars (equivalent in purchasing power to the U.S. dollar), are derived using a Geary-Khamis formula applied to agricultural outputs. This method assigns a single price to each commodity so that, for example, one metric ton of wheat has the same price regardless of where it was produced. The use of international prices eliminates fluctuations in the value of output due to transitory movements of nominal exchange rates unrelated to the purchasing power of the domestic currency.

Coverage: Most USAID countries covered.

CAS Code # 34S2

Livestock Production index

Source: World Development Indicators (AG.PRD.LVSK.XD) based on FAO

Definition: Livestock production index shows livestock production for each year relative to the base period 1989-91. It includes meat and milk from all sources, dairy products such as cheese, and eggs, honey, raw silk, wool, and hides and skins.

Coverage: Most USAID countries covered.

Data Quality: See comments on Crop Production Index

CAS Code # 34S3