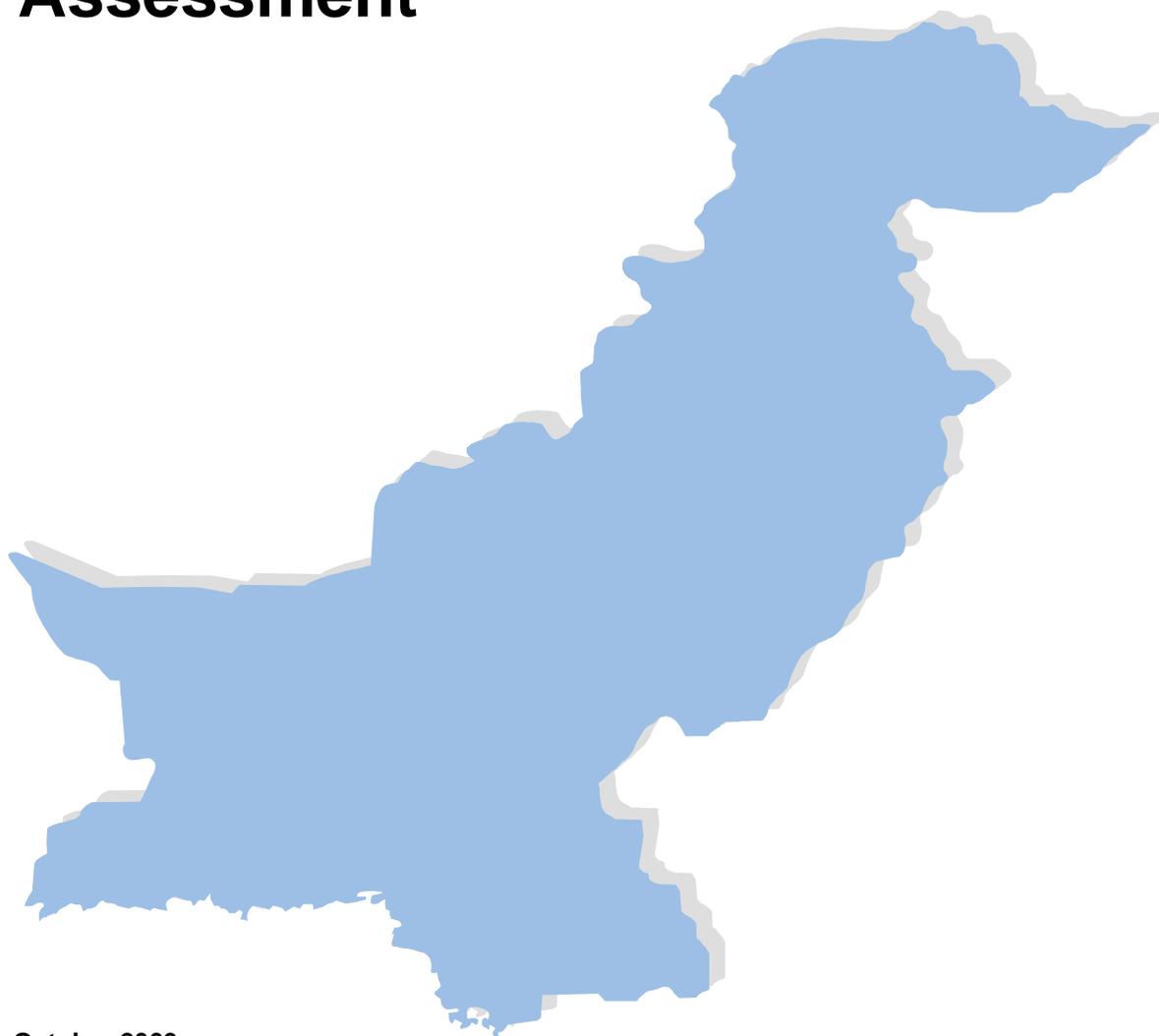




**USAID**  
FROM THE AMERICAN PEOPLE

# Pakistan

## Economic Performance Assessment



**October 2009**

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## Economic Performance Assessment

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Nathan Associates Inc., under the Country Analytical Support (CAS) project (2004–2006), developed a standard methodology for producing economic performance assessments to provide USAID missions with assistance in identifying future programming priorities in designated host countries. For the CAS II project (contract no. GEG-I-00-04-00002-00, task order 004, 2006–2010), Nathan Associates continues to produce economic performance assessments of designated host countries.

These reports contain

- A synthesis of data from numerous sources
- International benchmarking to assess performance in comparison to the performance of similar countries and groups of countries; and
- An analytical narrative that highlights areas in which a country's performance is particularly strong or weak.

Nathan Associates has also developed a template for evaluating countries that are engaged in internal conflict, have recently ended such conflict, or are susceptible to falling into such conflict. These reports, economic recovery assessments, rely on concise set of widely available indicators to evaluate these countries.

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## HIGHLIGHTS OF PAKISTAN'S PERFORMANCE

Conflict Profile	Pakistan faces a rising threat, including frequent terrorist attacks, from militants. Pakistan now ranks among the world's most unstable states. Strengthening security and government legitimacy are top priorities in stabilizing the country.
Economic Growth	In the past two years, economic growth slowed to 2 percent as a result of unsustainable economic policies, contagion effects of the global crisis, and the worsening law and order situation in the country.
Poverty and Inequality	The poverty headcount was 22.3 percent in 2006, though it has almost certainly risen since then because of the weak economy. On broader poverty measures, including literacy and health, Pakistan performs poorly.
Economic Structure	Agriculture's share of GDP is slowly declining, while the services share increases, driven by a financial sector growth. The labor force share in agriculture, however, rose to 44 percent in 2007/8. The GDP and labor force shares indicate that value added per worker is three times higher in services than in agriculture.
Demography and Environment	With a young population that is growing by 2.2 percent per year, demographic pressures are increasing the strain on an already stressed rural environment, and creating an urgent need for rapid job creation.
Gender and Children	There is a large gender gap in labor force participation, exacerbated by lower access to education among women. Recent investment in expanding schooling for girls are raising enrollment rates for both sexes but have little effect on closing the gender gap.
Economic Stabilization and Government Capacity	Faced with high inflation and a balance-of-payments crisis, the government has made a concerted effort to improve fiscal and monetary policy management, despite challenging economic and political conditions. The revenue yield, however, is extremely low. Government effectiveness, overall, is very weak.
Business Environment	Pakistan ranks well on the World Bank's Ease of Doing Business Index, at 85th place, compared to India's rank of 133 <sup>rd</sup> and the LMI median of 123 <sup>rd</sup> . But Pakistan has a dismal record on rule of law, corruption and judicial inefficiencies.
Financial Sector	Banks still dominate the financial system, yet credit to the private sector amounted to just 29 percent of GDP in 2008, and bank outreach is poor. The stock market has been extremely volatile, while bond markets provide little support for the private sector.
External Sector	Pakistan's trade ratio is low, and both exports and imports have been declining during the current crisis. FDI and portfolio investment also dropped precipitously last year. Donor support has held off a balance-of-payments crisis for now, but the trends reveal structural problems and weak competitiveness.
Economic Infrastructure	Infrastructure development has been lopsided, with impressive performance in communications and transportation alongside power and water crises. Power shortages have contributed to the economic slump and to domestic unrest, while water shortages have the potential to constrain agriculture and spark regional tensions.
Science and Technology	Pakistan lags behind India in all science and technology indicators. The decline in Global Competitiveness Report ratings in this area reflect the impact of domestic instability and the global financial crisis, plus a scarcity of science and technology workers, including critical fields such as agronomy and water management.

Health	Government spending on health is extremely low, at 0.6 percent of GDP. A lack of resources, inefficient management, and cultural norms restrict women's access to health services and have resulted in poor health coverage and high rates of child and maternal mortality. Access to water and sanitation, however, is reasonably good.
Education	Access to education at all levels is significantly below the norm for lower-middle-income countries, especially for women. Greater investment, both in coverage and quality, is imperative to serve the rapidly growing youth population
Employment and Workforce	Labor force participation rates are low, though the labor force is growing rapidly. The youth unemployment rate is low, largely because of farm work and informal sector activity. Job creation in the modern sector is hindered by regulatory rigidity in the labor market.
Agriculture	Crop production grew by 2.4 percent per year between 2000 and 2007, mainly through an increase in area cultivated through irrigation. But productivity growth was weak, and there is little scope left for expansion of area. Government policies have distorted the market.

## PAKISTAN RELATIVE STRENGTHS AND WEAKNESSES— SELECTED INDICATORS

Selected Indicators, by Topic	Notable Strengths	Notable Weaknesses
<b>Conflict profile</b>		
Failed States Index		X
<b>Economic Growth</b>		
Real GDP growth		X
Investment productivity—incremental capital-output ratio (ICOR)	X	
<b>Poverty and Inequality</b>		
Income share, poorest 10 percent	X	
Human Poverty Index		X
<b>Economic Structure</b>		
Labor force in agriculture		X
<b>Demography and Environment</b>		
Adult literacy rate		X
Population growth rate		X
<b>Gender and Children</b>		
Female gross enrollment rate, all levels of schooling		X
Female labor force participation rate		X
<b>Economic Stabilization and Government Capacity</b>		
Overall budget balance, percentage of GDP		X
Government revenue, percentage of GDP		X
Interest payments/total government expenditure, percent		X
Government effectiveness index		X
<b>Business Environment</b>		
Rule of law index		X
Ease of Doing Business ranking	X	
Time to enforce a contract		X
Voice and accountability index		X
<b>Financial Sector</b>		
Domestic credit to the private sector, percentage of GDP		X
Nonperforming loan value as percentage of total loans		X
Real interest rate	X	
<b>External Sector</b>		
Current account balance		X
Concentration of exports		X
Debt service ratio	X	

Selected Indicators, by Topic	Notable Strengths	Notable Weaknesses
Gross international reserves, months of imports		<b>X</b>
<b>Economic Infrastructure</b>		
Quality of infrastructure, electricity		<b>X</b>
Quality of infrastructure, ports and air transport	<b>X</b>	
Internet use	<b>X</b>	
Telephone density	<b>X</b>	
<b>Science and Technology</b>		
FDI Technology Transfer Index		<b>X</b>
Availability of scientists and engineers		<b>X</b>
Science and technology journal articles, per million people		<b>X</b>
<b>Health</b>		
Access to improved water	<b>X</b>	
Child mortality rate		<b>X</b>
Maternal mortality rate		<b>X</b>
<b>Education</b>		
Youth literacy rate		<b>X</b>
Primary completion rate		<b>X</b>
Tertiary enrollment rate		<b>X</b>
<b>Employment and Workforce</b>		
Labor force participation rate, total		<b>X</b>
Rigidity of Employment Index		<b>X</b>
<b>Agriculture</b>		
Crop production index	<b>X</b>	
Agricultural value added per worker	<b>X</b>	

*Note: This chart identifies selective indicators for which Pakistan's performance is particularly strong or weak relative to benchmark standards ( as explained in Appendix A). Details of the assessment are discussed in the text. The data supplement presented in Appendix B provides a full tabulation of the standard CAS indicators and international benchmarks examined for this report, along with technical notes on data sources and definitions for the standard indicators.*

# 1. Introduction

This report 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 issues relating to economic growth performance in designated host countries, with particular attention to linkages between economic conditions and conflict-related instability. The report draws on a variety of international data sources<sup>1</sup> and uses international benchmarking against reference group averages, comparator countries, and statistical norms to identify constraints, trends, and opportunities for fostering rapid growth and reducing poverty. For Pakistan, the group benchmarks include the global median values for lower-middle-income (LMI) countries and the median values for lower-middle-income countries in Asia (LMI-Asia). The study uses India and Turkey as direct comparators. India is an obvious basis for reference, being a giant neighbor with a similar income level and a record of strong, sustained growth. Turkey provides an aspiration case as a large, Muslim-majority, upper-middle-income country that has achieved a higher level of prosperity despite internal-conflict problems and periods of political uncertainty.

## METHODOLOGY

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 determine the best course of action.<sup>2</sup> Similarly, this assessment is based on an examination of key economic, conflict, and social indicators, to see which ones are signaling problems. Some “blinking” indicators have clear implications, while others may require further study to investigate the problems more fully and identify appropriate courses for programmatic action.

The economic analysis is organized around two mutually supportive goals: sustainable growth and poverty reduction.<sup>3</sup> It also uses a template that has been adapted to the circumstances of a

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<sup>1</sup> Sources include the World Bank, the International Monetary Fund, the Millennium Challenge Corporation, United Nations agencies (including the Millennium Development Goals database), the World Economic Forum, and host-country documents and data sources. The report reflects data available as of early October 2009.

<sup>2</sup> Sometimes, too, the problem is faulty wiring to the indicator—analogous here to faulty data.

<sup>3</sup> In USAID’s white paper *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

country coping with conflict. This introduces a third basic goal: achieving sustained peace.<sup>4</sup> In countries affected by conflict or insurgency, progress toward these ends is often hampered by weak government capacity, difficulty in stimulating private sector activity, weak or damaged infrastructure, and large segments of the population who live in uncertainty, often after fleeing conflict-ridden regions.

Transformational growth generally requires a high level of investment and rising productivity, which are 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; 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*. Here, too, many elements are involved, including effective education and health systems, policies facilitating job creation, agricultural development (in countries where the poor depend predominantly on farming), dismantling barriers to micro and small enterprise development, and progress toward gender equity.

In countries that have experienced conflict and instability, the interaction between security conditions and economic performance must also be taken into consideration. Overt conflict, terrorist attacks or insurgencies, or even the risk of violence and instability can adversely affect growth; conversely, an end to conflict conditions can deliver a stability dividend and a boost to economic growth and development. Not only can security problems affect the economy, but economic conditions can in turn exacerbate or ameliorate security problems. Thus, it is essential to view economic performance in Pakistan through a conflict lens.

The two summary tables preceding this introduction provide a concise summary of the main findings, in lieu of a traditional executive summary. The first table presents an overview of Pakistan's performance for each topic covered in the report, while the second identifies indicators signaling particular strengths and weaknesses, by topic.

The remainder of the report presents the most important results of the diagnostic analysis, in three sections: Economy and Conflict Recovery Overview; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topical coverage. Appendix A provides a brief explanation of the criteria used for selecting indicators and the benchmarking methodology, along with a table showing the full set of standard indicators that have been examined for this report.

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development goal and because growth is the most powerful engine for poverty reduction. See also USAID, *Economic Growth Strategy: Securing the Future*, April 2008.

<sup>4</sup> This is consistent with lessons identified in USAID's *Guide to Economic Growth in Post-Conflict Countries* (draft) October 4, 2007. Available online at: [pdf.usaid.gov/pdf\\_docs/PNADL494.pdf](http://pdf.usaid.gov/pdf_docs/PNADL494.pdf).

Table 1-1.  
*Topic Coverage*

Economic and Conflict Recovery Overview	Private Sector Enabling Environment	Pro-Poor Growth Environment
<ul style="list-style-type: none"> <li>• Conflict Conditions and Political Instability</li> <li>• Economic Growth</li> <li>• Poverty and Inequality</li> <li>• Economic Structure</li> <li>• Demography and Environment</li> <li>• Gender and Children</li> </ul>	<ul style="list-style-type: none"> <li>• Economic Stabilization and Government Capacity</li> <li>• Business Environment</li> <li>• Financial Sector</li> <li>• External Sector</li> <li>• Infrastructure</li> <li>• Science and Technology</li> </ul>	<ul style="list-style-type: none"> <li>• Health</li> <li>• Education</li> <li>• Employment and Workforce</li> <li>• Agriculture</li> </ul>

The present evaluation must be interpreted with care. A concise analysis of selected indicators cannot provide a definitive diagnosis of economic performance problems or simple answers to questions about programmatic priorities. Instead, the aim of the analysis is to spot signs of serious problems that affect economic growth (subject to limits of data availability and quality) and offer insight into potential paths for USAID intervention, to complement on-the-ground knowledge. Nonetheless, many USAID missions have reported that the type of analysis provided here can be a valuable aid in the development of strategic plans, the design of new programs, framing in-depth studies, and as a background resource for new staff, officers on temporary duty assignments, and consultants.

## GLOBAL ECONOMIC CRISIS

This report is written as the world economy is beginning to recover from the most severe economic crisis in more than half a century. The past two years have been characterized by a deep contraction in major economies, extreme volatility in world commodity prices, a sharp decline in the volume of global trade, and heightened risk aversion in financial markets that has impaired international capital flow and trade financing to developing and emerging market economies. At the same time, Pakistan has been coping with a balance-of-payments crisis resulting from shortcomings in macroeconomic policy management and domestic political turmoil. In short, crisis management has been the order of the day. As short-term shocks are overcome, however, the structural conditions highlighted in this report will remain major determinants of growth and poverty reduction.

## DATA QUALITY

The analysis here reflects data available as of early October 2009. The breadth and quality of economic data for Pakistan have earned a score of 83 (out of 100) on the World Bank's 2008 Statistical Capacity Indicator. This is a major improvement over the score of 69 just four years earlier and well above the LMI-Asia median of 71. The Bank's data assessment cites several statistical problems, including weak coverage of the vital records system for births and deaths and low periodicity of data on child malnutrition and primary completion rates. The government recently published results from the 2007-08 Pakistan Social and Living Standards Measurement Survey, however, providing relatively recent data on education, health, and access to water and sanitation. The most recent labor force data also date from 2007-08.



## 2. Profile of Conflict Conditions and the Economy

This section begins with a profile of the risks of conflict and political instability in Pakistan and then provides an overview of growth performance and conditions regarding poverty and inequality, the economic structure, demographic and environmental conditions, and gender equity. Some of the indicators cited here are descriptive rather than analytical and are included to provide context for the performance analysis.

### **CONFLICT CONDITIONS AND POLITICAL INSTABILITY**

Pakistan has faced a rising threat from extremist groups over the past several years, including suicide bombings and other terrorist attacks (see Exhibit 2-1). It has also been rocked by political turmoil, including the controversy over the President Pervez Musharraf's dismissal of judges in 2007, Musharraf's resignation as president, and the assassination of former prime minister and presidential candidate Benazir Bhutto. Despite subsequent elections and reinstatement of the judges, law and order has deteriorated, and attacks by militant groups have continued to rise. According to some estimates, the government fully controls less than 40 percent of the northwestern regions of the country.<sup>5</sup> The situation has potentially dangerous implications, both domestically and internationally, as Pakistan has become one of the most unstable nuclear states in the world.

The risk of instability is reflected in Pakistan's scores on the Failed States Index (FSI). Developed by the Fund for Peace and presented annually in *Foreign Policy*, the index ranks countries according to their vulnerability to violent internal conflict and societal deterioration on 12 social, economic, and political-military indicators. Each indicator is rated from 1 (best) to 10 (worst), based on a combination of media content analysis and quantitative data. A score of 90 or higher (out of a maximum of 120) signals "critical" risk. For 2009, Pakistan received a score of 104.1, worse than in 2008 (Table 2-1). Pakistan now ranks as the 10th-most unstable state in the world. By comparison, India's FSI score is 77.8 and Turkey's is 78.2.

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<sup>5</sup> "Pakistan Conflict Map." BBC News, available at [http://news.bbc.co.uk/2/hi/south\\_asia/8046577.stm](http://news.bbc.co.uk/2/hi/south_asia/8046577.stm). Accessed 9/24/09

## Exhibit 2-1.

*Pakistan: A Chronology of Long-term Political Strife and Instability*

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**1947.** Pakistan gains independence from Britain as India is divided into two countries. Communal violence kills hundreds of thousands and displaces millions. The new nation is divided between East and West Pakistan.

**1948.** India and Pakistan fight a war over the disputed territory of Kashmir.

**1956.** Pakistan is declared a republic, with Izkandar Mirza as president.

**1965.** A second war with India breaks out over Kashmir.

**1970.** The Awami League, a Bengali nationalist group, wins election in East Pakistan, raising tension between East and West Pakistan.

**1971.** East Pakistan attempts to secede and civil war breaks out. India intervenes on the side of East Pakistan, which becomes Bangladesh.

**1973.** Zulfikar Ali Bhutto becomes prime minister of Pakistan and nationalizes many institutions, including banks and schools.

**1977.** General Zia ul-Haq takes power in a military coup and reverses many of Bhutto's policies.

**1979.** Zulfikar Ali Bhutto is executed.

**1977–1985.** General Zia presides over Islamization, including support for religious parties and the creation of Islamist groups to fight the Soviets in Afghanistan.

**1985.** Martial law and a ban on political parties are lifted, but military rule continues.

**1988.** General Zia dies in a plane crash. Benazir Bhutto, the daughter of Zulfikar Ali Bhutto, returns from exile, and leading the Pakistan People's Party (PPP), is elected prime minister.

**1990.** Benazir Bhutto is dismissed on corruption charges.

**1993.** Benazir Bhutto and the PPP again win general elections.

**1996.** Bhutto's government is again dismissed over corruption charges.

**1999.** In October, Prime Minister Nawaz Sharif is ousted by General Pervez Musharraf in another military coup.

**2001.** On June 20, Musharraf names himself president but remains head of the army.

**2002.** In January, Musharraf announces plans for presidential elections to end military rule in October, but in April he is awarded five more years in office in a referendum criticized as flawed and unconstitutional. In August, Musharraf grants himself increased powers, including the right to dismiss an elected parliament.

**2003.** In November, Pakistan declares a ceasefire in Kashmir and India follows suit. The two countries resume direct air links in December.

**2005.** October 8, an earthquake centered in Kashmir kills tens of thousands and displaces millions.

**2007.** October–December, Musharraf is reelected but imposes martial law to prevent the Supreme Court from challenging his dual role as president and head of the army. He dismisses more than 50 superior court judges and detains thousands of judges, lawyers, and politicians. Domestic and international pressure forces Musharraf to resign as army chief in November and schedule elections. Benazir Bhutto, returned from exile again and running as opposition, is assassinated at a campaign rally.

**2008.** Parliamentary elections take place on February 18. The two main opposition parties gain a majority and form a coalition. President Musharraf resigns in August, and Asif Ali Zardari, widower of Benazir Bhutto, is elected president in September.

**2009.** February–April, the government agrees to implement sharia law in the Swat valley in an attempt to reach a ceasefire with Islamic militants, but the ceasefire breaks down in April, prompting the government to launch a massive offensive against the militants.

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Table 2-1  
*Pakistan's Scores on Failed States Index Indicators, 2008 and 2009*

Indicator of Instability	2008	2009
<b>SOCIAL</b>		
Mounting demographic pressures	8.0	8.3
Massive movement of refugees or internally displaced persons	8.6	8.6
Legacy of vengeance-seeking group grievance or group paranoia	9.5	9.6
Chronic and sustained human flight	8.1	8.3
<b>ECONOMIC</b>		
Uneven economic development along group lines	8.8	8.8
Sharp and/or severe economic decline	6.2	6.4
<b>POLITICAL/MILITARY</b>		
Criminalization and/or delegitimization of the state	9.5	9.1
Progressive deterioration of public services	7.1	7.5
Suspension or arbitrary application of human rights	9.5	8.9
Security apparatus operates as a state within a state	9.6	9.5
Rise of factionalized elites	9.8	9.6
Intervention of other states or external political actors	9.1	9.5
Total FSI Score	103.8	104.1

*Note: Scale of 1 for best to 10 for worst*

The FSI indicators that worsened most between 2008 and 2009 relate to the deterioration of public services and external intervention. The public services indicator worsened, from 7.1 to 7.5, as violence in remote regions weakened the ability of the government to deliver basic services and sometimes interrupted humanitarian supplies of food and medicines. Jihadi groups have been providing services in some areas,<sup>6</sup> which raises concern about the social contract between the people and the government. United Nations sources estimated that violence displaced almost 850,000 families—nearly 6 million people—as of June 2009, though 100,000 families returned home in the Swat, Buner, and Dir districts of North-West Frontier Province in July 2009.<sup>7</sup> This illustrates the magnitude of displacement from the government's offensive in the Swat Valley and the associated strain on public services.

The need for rebuilding and humanitarian relief in areas affected by conflict and natural disaster, as well as development programs in conflict-risk areas—not counting the more recent temporary support for the macroeconomic stabilization program (see *Economic Stabilization and Government Capacity*, p. 21)—are factors contributing to a high degree of external intervention in Pakistan. The FSI rating of 9.5 for external intervention reflects the fact that Pakistan's dependency on international support has been a source of rising discontent with the government.

<sup>6</sup> "Pakistan: Political Impact of the Earthquake," International Crisis Group, Asia Briefing No. 46, March 15, 2006.

<sup>7</sup> Jason H. Campbell and Michael O'Hanlon, "Pakistan Index: Tracking Variables of Reconstruction and Security," Brookings Institute, October 5, 2009, p. 9.

Pakistan also scores in the critical range in other categories. The worst score is for group grievances, at 9.6. The most obvious evidence of grievance is seen in the scale and frequency of terrorist attacks, particularly since the truck bombing at the Marriott Hotel in Islamabad in September 2008, which left 50 people dead. Conflicts between the army and militants in Balochistan and the North-West Frontier Province also worsened in 2008 and have continued in 2009. In the Swat Valley in February 2009, the government attempted to placate Islamist militants as part of a ceasefire by agreeing to implement sharia. But after militants with links to the Taliban attempted to expand their power base, the army took back the area by force, regaining control in June. By late September, courts were back in session in an attempt to implement sharia and reform the corrupt judicial system that encouraged popular support for the Taliban in the first place.<sup>8</sup> In August 2009, Pakistani Taliban leader Baitullah Mehsud was killed by a U.S. drone attack; the Taliban have vowed to avenge his death through more bomb attacks.<sup>9</sup> Terrorist bombings continue, including attacks on a U. N. agency and army headquarters in Islamabad in October.<sup>10</sup> These conflicts also contributed to the very high score of 9.5 relating to concern about state control of the security apparatus.

Two FSI indicators have improved significantly over the past year. First, the score on delegitimization of the state dropped from 9.5 in 2008 to a still very high 9.1 in 2009, after Musharraf's resignation in August 2008 and the election of Asif Zardari a month later. Although presidents in Pakistan are not elected directly and Zardari is controversial, his election nonetheless represented a shift to more legitimate governance and signaled a major break from Musharraf's increasingly authoritarian rule.

The political transition was also accompanied by the lifting of restrictions on the media and trade unions.<sup>11</sup> As a result the FSI score for human rights improved from 9.5 in 2008 to 8.9 in 2009. In the turmoil leading up to the 2008 elections, politically motivated violence such as Bhutto's assassination increased dramatically, leading Musharraf to tighten censorship of the press. These controls were largely reversed after Musharraf's resignation. Other events that improved the human rights score include the return to civilian rule and reinstatement of the judges sacked by Musharraf under emergency rule.

In addition to the drivers of conflict shown in Table 2-1, the Fund for Peace conflict assessment also considers the state's institutional capacity to cope with pressure and maintain stability. This analysis scores five aspects of core institutional capacity—leadership, military, police, judiciary, and civil service—on a scale of 5 (worst) to 25 (best). For 2009, Pakistan received a score of 14.0 for institutional capacity, compared to 16.0 for India and 18.0 for Turkey. Although Pakistan has one of the strongest militaries in the region, the capacity of the leadership scored low because of uncertainty about the transition to civilian government. The score for police capacity was also

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<sup>8</sup> <http://www.npr.org/templates/story/story.php?storyId=113350234>.

<sup>9</sup> <http://www.nytimes.com/2009/10/07/world/asia/07pstan.html>

<sup>10</sup> <http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/pakistan/rehman-malik-fears-more-attacks-05-sal-02>

<sup>11</sup> U.S. Department of State, 2008 Human Rights Report: Pakistan, February 25, 2009 (<http://www.state.gov/g/drl/rls/hrrpt/2008/sca/119139.htm>).

low because of corruption and human rights abuses. The civil service also lacks the capacity to address many of the concerns and needs of the citizens, particularly in remote areas.

Continued investment in developing the capacity of the state to deliver services and maintain the peace is therefore a high priority for achieving the inter-related goals of political stability, internal security, and economic development. Although immediate needs may require extensive support from international partners, the national and local governments must uphold their obligations and build a stronger social contract with the people. Otherwise, nonstate actors will use weaknesses in the social contract as opportunities to bolster their own legitimacy and support, leading to further deterioration in security, which will hamper economic activity in the affected areas. The focus on institution building in the government should be coupled with strengthening of the capacity of responsible civil society organizations to hold the government accountable for improving human rights, physical security, and livelihoods.

## ECONOMIC GROWTH

Domestic conflict, terrorism, and political instability adversely affect the prospects for economic growth by increasing investment risk, disrupting business operations, diverting resources to security activities at the expense of productive investment in physical and human capital, impairing the delivery of essential public services in affected regions, and straining the government budget.<sup>12</sup> Progress toward political and military stabilization in Pakistan is therefore intimately tied to progress in revitalizing the economy, creating jobs for the youthful workforce, and improving standards of living in all regions of the country. But the relationship between conflict and growth also works in the opposite direction, because weak economic performance, nationally or regionally, accentuates the risk of violence and complicates efforts to achieve political stability.<sup>13</sup>

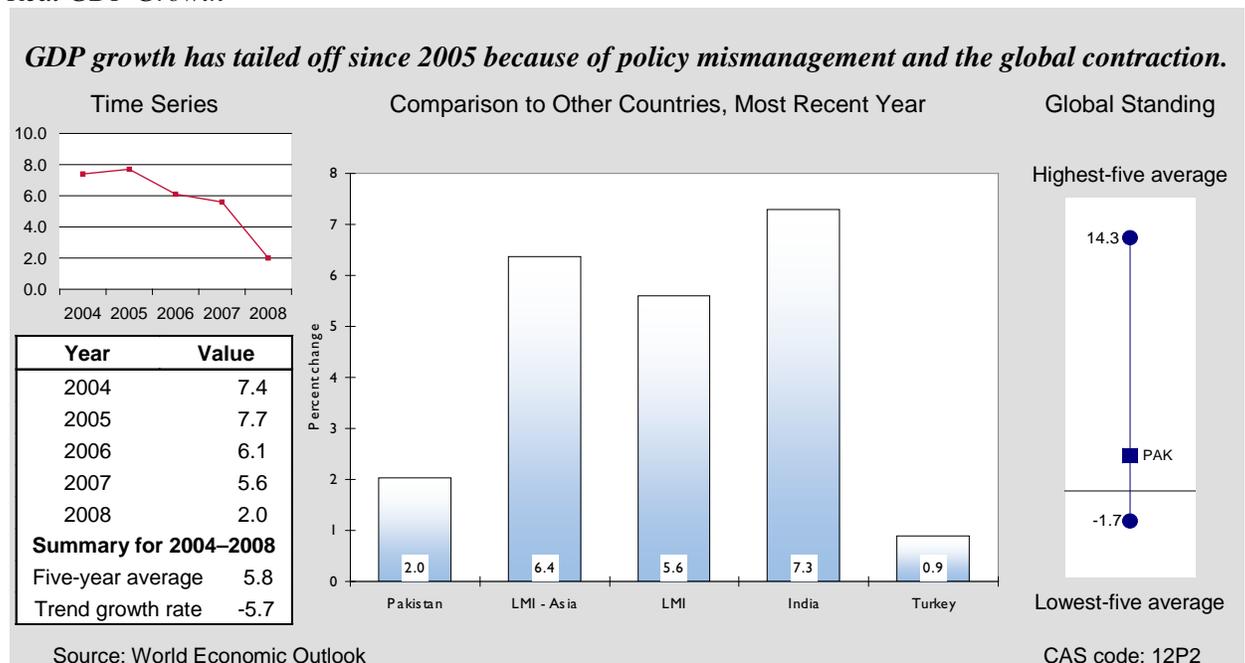
Despite major security problems in the western and northern parts of the country, real GDP growth in Pakistan averaged nearly 6 percent per annum between 2004 and 2007 (Figure 2-1). This robust performance was driven by favorable global economic and financial conditions, stable political conditions in Pakistan, and reforms to improve the business environment. For FY 2007/2008 (prior to the global economic contraction), the GDP growth rate of 6.1 percent nearly matched the LMI-Asia median of 6.4 percent, though it was well below India's growth rate of 7.3 percent. The robust growth for much of this decade, along with a slight deceleration in population growth (see Demography and Environment, p. 16) boosted per capita GDP from \$1,949 in 2003 to \$2,624 in 2008, in terms of purchasing power parity (PPP). This figure exceeds the LMI-Asia median of \$2,313 for 2007 and nearly matches India's per capita GDP of \$2,780 that year. Turkey is far more affluent, with a per capita GDP (PPP) of \$13,139 in 2008.

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<sup>12</sup> Daniel Mejia, *Conflict and Economic Growth: A Survey of the Theoretical Links*, Webpondo, September 2004. [http://www.webpondo.org/filesoctdic2004/conflict\\_growth.pdf](http://www.webpondo.org/filesoctdic2004/conflict_growth.pdf).

<sup>13</sup> Paul Collier, *The Bottom Billion, Why the Poorest Countries are Failing and What Can Be Done About It*, London: Oxford University Press, 2007, 32–36.

Figure 2-1  
Real GDP Growth



In 2008 the growth rate dropped to 2.0 percent as a result of rolling blackouts from domestic energy shortages and tighter fiscal and monetary policies to combat inflation and balance-of-payments problems (see *Macroeconomic Stability*, p.21), compounded by contagion effects from the global financial and economic crisis, which particularly affected textile and garment exports. Political instability surrounding the change in government was another contributing factor, along with escalating tension in Afghanistan, which resulted in Pakistan's becoming the frontline in the U.S. war on terror.

The IMF's growth projection for 2009 for Pakistan was recently downgraded from 3.5 percent to just 2.0 percent. The fund anticipates that the growth rate will accelerate in 2010 only to 3 percent, assuming increased development expenditure and policy reform to improve energy supplies.<sup>14</sup> Even with the recent growth slump, Pakistan's economy has been more insulated from the global shock than many countries that suffered contractions in GDP, including Turkey, where the IMF projects a growth rate of *negative* 6.5 percent in 2009. Even so, the IMF projects that Pakistan's growth rate will remain below 5 percent for several years. In contrast, India's growth remained over 5 percent even in 2009, a year of economic crisis.

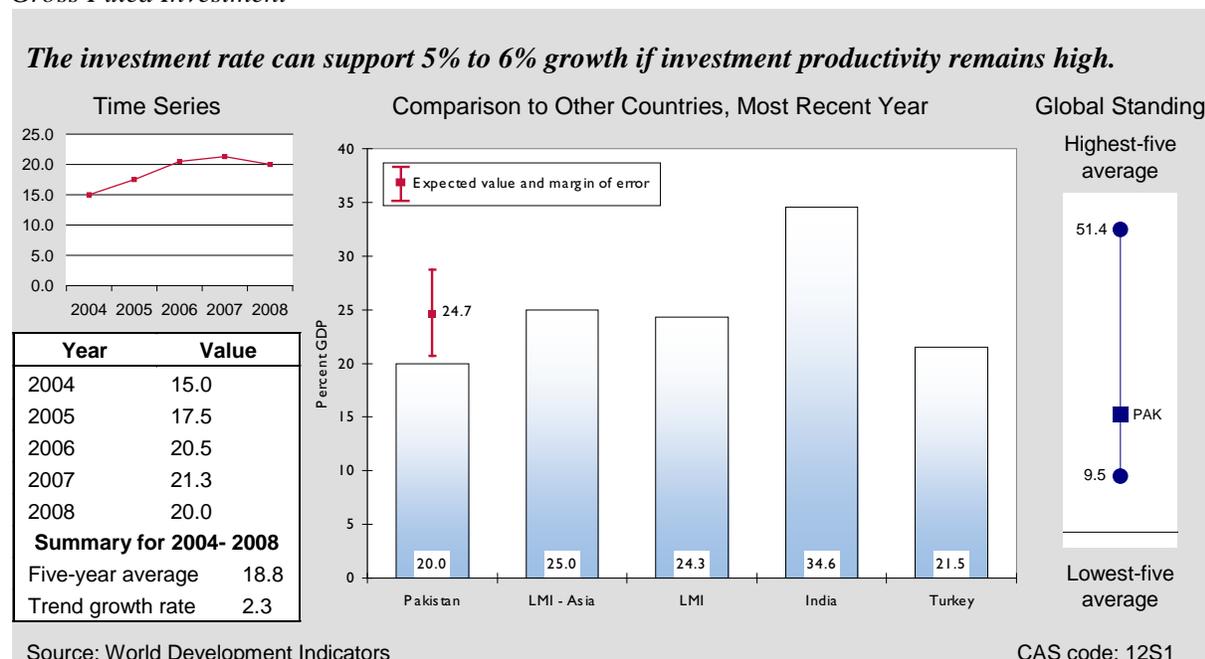
Gross fixed investment, a building block for growth, amounted to 20 percent of GDP in 2008 and averaged 18.8 percent over the past five years (Figure 2-2). This is significantly below the LMI median of 24.3 percent of GDP and the predicted value of 24.7 percent for a country with Pakistan's structural characteristics. It is also far less than India's 35 percent, though not far from Turkey's 21.5 percent. About three-fourths of the investment was by the private sector, the

<sup>14</sup> These GDP growth projections are from the World Economic Outlook, October 2009, online database. The policy assumptions are from the IMF, Pakistan: Article IV Second Review, Report No. 09/265, Washington DC, August 2009, p. 11.

remainder being government capital expenditure,<sup>15</sup> including investment in infrastructure (see Infrastructure, p. 35).

Another building block of growth, productivity of investment, can be gauged roughly by looking at the incremental capital-output ratio (ICOR), which is the amount of investment per dollar of extra GDP. A low ICOR value suggests that capital is efficient in creating growth. The ICOR for Pakistan, averaged for the past five years, has been remarkably low at 3.0, compared to the LMI median of 4.7 and the ICORs of 4.0 and 3.5 for India and Turkey, respectively. The low ICOR could be considered to be associated with labor-intensive production resulting from relatively low labor cost, but this logic cannot explain why Pakistan has a much better ratio than LMI countries in general. An alternative explanation is that investors in Pakistan demand a higher hurdle rate, so that risk considerations screen out investments that are less efficient. In any case, the high rate of investment productivity observed over the past five years, if sustained, would support a medium-term growth rate of 6 percent without requiring a higher investment rate. But if the ICOR reverts to a level more typical of LMI countries globally, then even 5 percent growth will require a higher level of investment relative to GDP.

Figure 2-2  
Gross Fixed Investment



To summarize, Pakistan registered strong growth in the five years to 2008, but over the past two years the economy has been adversely affected by a combination of poor domestic policies, worsening security conditions, and contagion effects of the global crisis. Considering Pakistan’s internal security problems and the high rate of population growth (see Demography and Environment, p. 16), a slow and tepid recovery could complicate efforts to achieve peace and

<sup>15</sup> Government of Pakistan, 2009. Poverty Reduction Strategy Paper. Pg 60

stability. The need for a rapid return to high growth underscores the importance of strong reforms to reduce barriers to efficient investment and growth in productivity.

## POVERTY AND INEQUALITY

Widespread poverty and income inequality are multidimensional conditions related to a lack of income, security, education, health, employment opportunities, and voice in public affairs. Poverty takes on an added dimension in Pakistan because of the vulnerability of the poor to conflict. Moreover, economic hardship, inequality, and lack of opportunity can sharpen sectarian grievances and fuel political instability and civil strife.<sup>16</sup>

During the first half of this decade, the poverty headcount in Pakistan, using a national definition of the poverty line, exhibited an impressive decline from 34.5 percent in 2001-02 to 22.3 percent in 2005-06 (latest year). For comparison, the predicted value of the poverty headcount for a country with characteristics of Pakistan is 24 percent. Because of the variance in national poverty lines, comparisons are often made using the international benchmark of \$1.25 per day in PPP.<sup>17</sup> On this basis, the poverty rate in Pakistan was 22.6 percent in 2005, much lower than the figure of 41.6 percent in India. The corresponding headcount for Turkey is just 2.7 percent (Figure 2-3).

Pakistan's poverty data for 2005 reveal the expected inter-regional variations. The World Bank calculates a poverty rate of 27 percent in rural areas, double the urban rate of 13.1 percent; the poverty headcount is much higher in North-West Frontier Province (38 percent) than in Balochistan (32 percent) and Punjab (29 percent), and especially Sindh (22 percent).<sup>18</sup> In assessing vulnerability, one must also consider that almost 21 percent of households were near-poor in 2005, with incomes no more than 25 percent above the poverty line. These households are easily pushed back into poverty by income or price shocks.<sup>19</sup> The sharp increase in food and fuel prices in 2007-2008 is a prime example, as wheat prices rose by 150 percent and palm oil prices by 200 percent. Recent official poverty estimates suggest that the poverty rate jumped by 6 percentage points in fiscal 2007-08,<sup>20</sup> and the World Food Program (WFP) estimated that nearly half of the population was food insecure by mid-2008.<sup>21</sup> In the past year inflation has come down (see Economic Stabilization and Government Capacity, p. 21), with food inflation falling to 10.6

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<sup>16</sup> Paul Collier, *The Bottom Billion Why The Poorest Countries Are Failing And What Can be Done About It*, London: Oxford University Press, 2007, 19.

<sup>17</sup> Even PPP figures are not problem-free, due to methodology issues in estimating conversion factors.

<sup>18</sup> The rural-urban difference is from The World Bank, 2006, 'Can South Asia End Poverty in a Generation?' p.9. Provincial differences are reported in The Brookings Institution, *op. cit.*, p. 18.

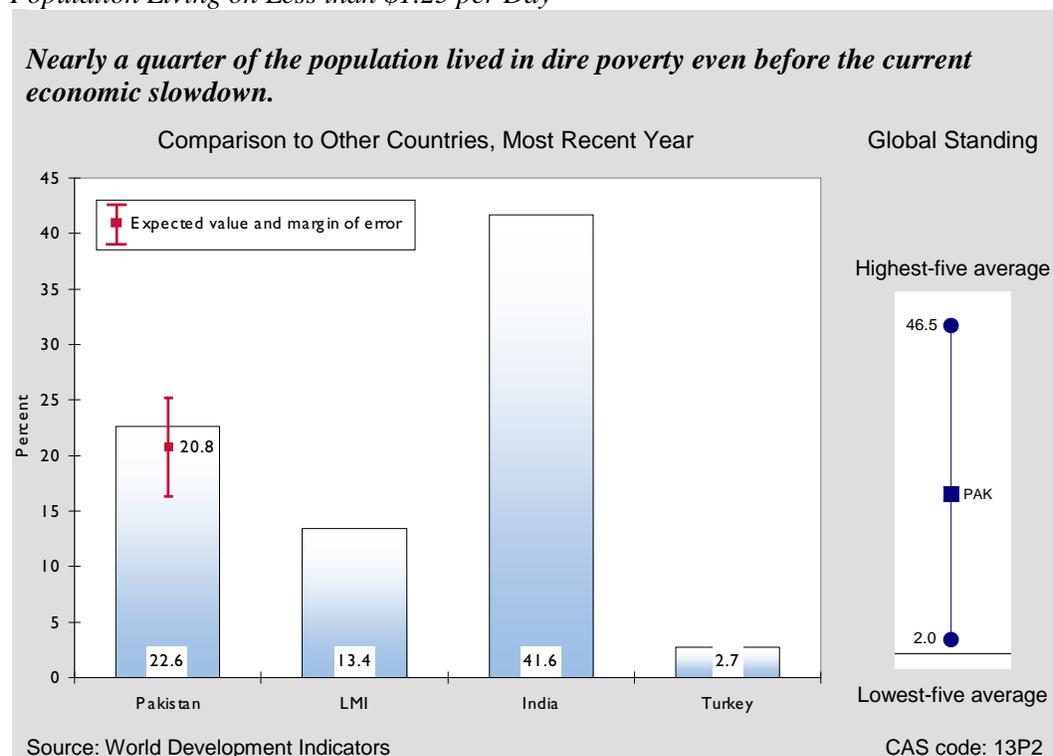
<sup>19</sup> Government of Pakistan, 2009. Poverty Reduction Strategy Paper II, p. 44. India's vulnerability rate was about the same (20%), but this figure dates from 1999-2000. Source: N.S. Sastry, 2006. Links Among Employment In Informal Sector, Poverty, Vulnerability and Gender, NCAER, New Delhi, p. 9.

<sup>20</sup> Government of Pakistan, 2009. Poverty Reduction Strategy Paper II, p. 43.

<sup>21</sup> "Half of Pakistan's population is 'food insecure'": WFP, The International News, April 23, 2008, ([http://www.thenews.com.pk/daily\\_detail.asp?id=108337](http://www.thenews.com.pk/daily_detail.asp?id=108337)). Using the FAO definition, food security exists when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life.

percent from 34.1 percent.<sup>22</sup> But this is still a high rate of increase, warranting policy intervention to stabilize prices and ensure the adequacy of food supplies.

Figure 2-3  
Population Living on Less than \$1.25 per Day



Moving people out of poverty is the primary concern, but the World Development Report 2006 emphasizes that the degree of income inequality influences both the prospects for growth and the impact of growth on poverty reduction.<sup>23</sup> It is estimated that the impact of the same amount of growth on poverty reduction is higher when the initial income inequality is lower. In Pakistan, the poorest 20 percent of households obtained 9 percent of total incomes in 2005, up from 6.6 percent in 2001-02.<sup>24</sup> The income distribution was therefore more equitable than in India, where the poorest quintile had an 8.1 percent income share, and in Turkey, where the figure was 5.2 percent for the same period. The global median for LMI countries was 6.1 percent.

Broader measures of human development, such as UNDP’s Human Poverty Index, paint a less favorable picture. This index measures the extent of deprivation in health and education as well as

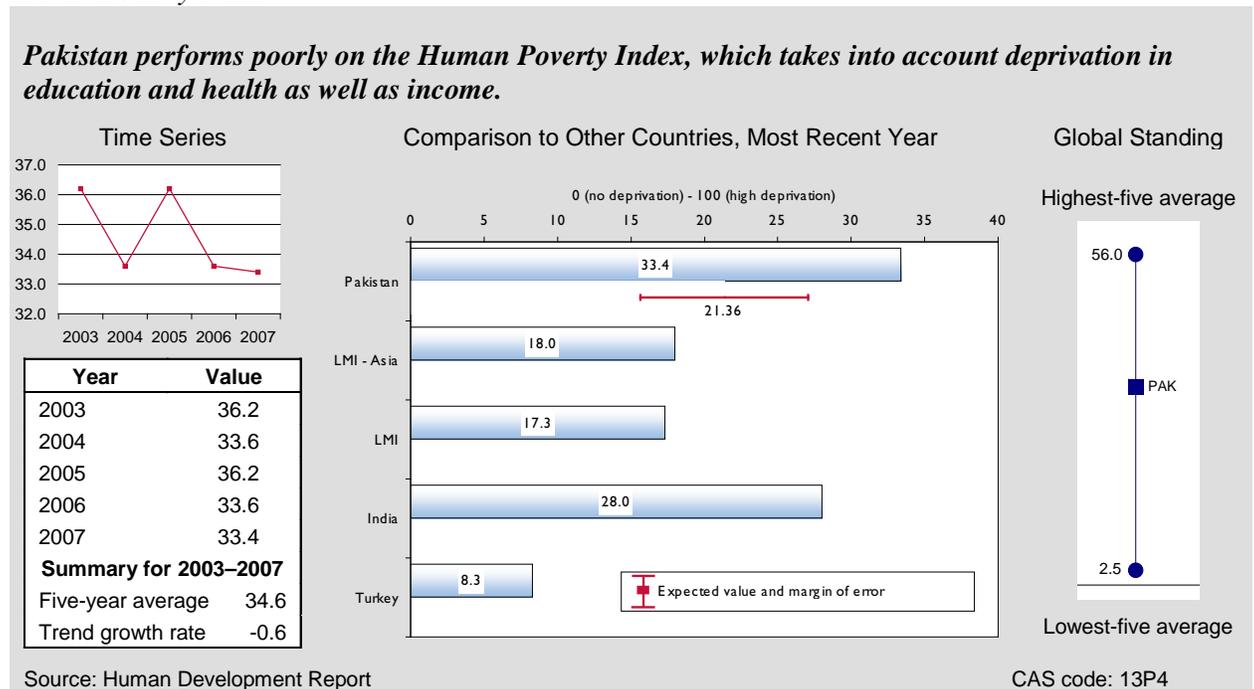
<sup>22</sup> State Bank of Pakistan, Inflation Monitor, August 2009, p. 1 ([www.sbp.org.pk](http://www.sbp.org.pk))

<sup>23</sup> World Development Report 2006: Equity and Development, p. 9. The bank estimates that 1 percent growth in mean income leads to about a 4 percent reduction in the incidence of a dollar-a-day poverty in a country with low income inequality but close to a zero effect for highly unequal countries.

<sup>24</sup> Income Inequalities in Pakistan and a Strategy to Reduce Income Inequalities, A.R. Kemal, Ministry of Finance, Pakistan ([www.finance.gov.pk](http://www.finance.gov.pk)).

income.<sup>25</sup> On this index for 2009 (based on data through 2007), Pakistan's score of 33.4 ranked it 101 among 135 countries (with Afghanistan last). In comparison, India ranked 88th and Turkey 40th (Figure 2-4). Pakistan's deprivation rating was well above the predicted value of 21.4 and the LMI median of 17.3. This poor performance was driven primarily by the country's high illiteracy rate (see Education, p. 44).

Figure 2-4  
*Human Poverty Index*



Overall, Pakistan has tackled income poverty reasonably well for its level of income, though recent price shocks have set it back. The government has been responding by establishing social protection schemes targeting the urban poor in lieu of the previous emphasis on untargeted price interventions for basic goods and services. The Benazir Income Support Program (BISP), launched in September 2008, is the flagship initiative, providing monthly cash transfer grants to poor families.<sup>26</sup> The effectiveness of the scheme remains to be seen, however, in terms of coverage, leakage, and governance. Besides addressing these problems, the government also has to pursue development programs addressing inter-regional inequality and poverty, in the interest of national security.

## ECONOMIC STRUCTURE

The structure of the economy is slowly transforming in a direction broadly in line with normal patterns of development—agriculture's share of GDP (in current prices each year) has been

<sup>25</sup> The indicators are probability at birth of not surviving to age 40; adult illiteracy rate; percent of the population without an improved water source; and percent of children underweight for age.

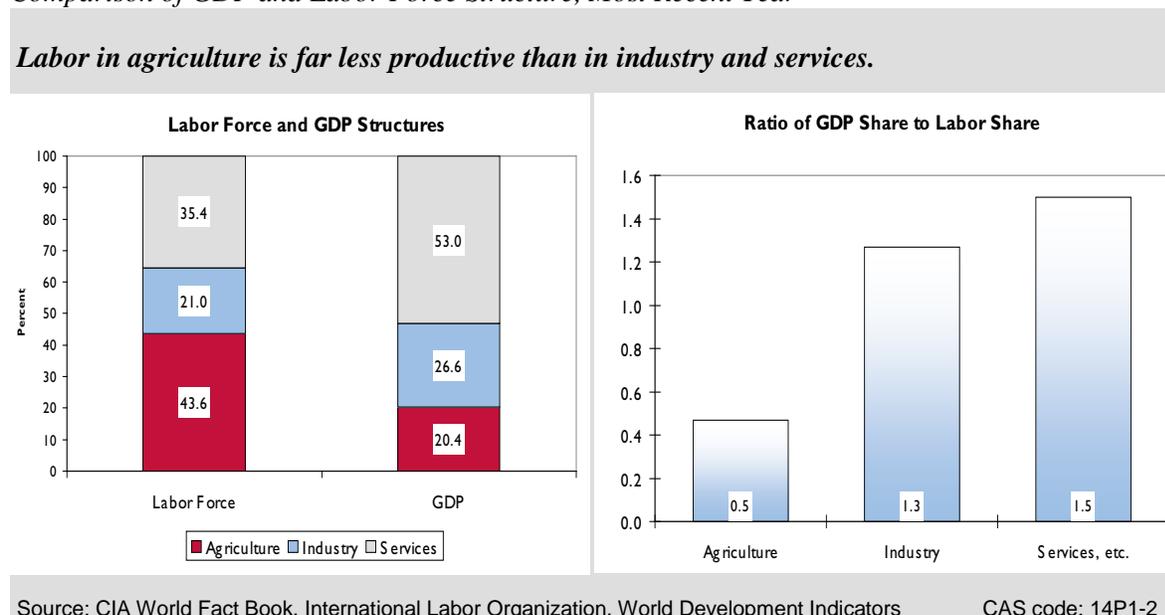
<sup>26</sup> IMF, April 2009. Pakistan: 2009 Article IV Consultation, p. 12. Two other cash transfer programs are the Bait-ul-Mal and Zakat.

gradually declining, to 20.4 percent in 2008, while the services share has been rising, to 53.0 percent in 2008. The expansion in services has been driven primarily by rapid growth in the financial sector, which accounted for 6.2 percent of GDP in 2008-09,<sup>27</sup> following sweeping reforms since 2000 to liberalize financial markets and strengthen the regulatory framework (see Financial Sector, p. 28). The services sector accounted for 60 percent of the overall expansion in GDP in the past five years. The growth in Pakistan’s services sector shows the positive effects of the financial reforms initiated in the 1990s and accelerated in this decade.

Meanwhile, industry’s share has hovered around 27 percent of GDP, though there have been significant shifts within the sector. In particular, large-scale manufacturing expanded to 12.1 percent of GDP in 2008-09, while the share for electricity and gas distribution declined to 1.5 percent of GDP, reflecting severe problems with power supplies. Pakistan has historically been troubled by power shortages, and these have gotten worse in recent years as outages have become more frequent. These problems have contributed to a contraction in manufacturing, which indicates the urgency of the need for reform in the energy sector (see Infrastructure).

Although the share of agriculture in GDP has been declining, the labor force share actually rose from 42.1 percent in 2003 to 43.6 percent in 2007. These contrary trends indicate that labor productivity in agriculture has been falling relative to productivity in other sectors. The opposite is seen in services, where the labor force share declined from 37.1 percent to 35.4 percent, while the GDP share rose. In industry the labor force share has been stable, at 20–21 percent. The labor force shares are very close to the predicted values for a country with Pakistan’s structural features (Figure 2-5).

Figure 2-5.  
*Comparison of GDP and Labor Force Structure, Most Recent Year*



<sup>27</sup> Economic Survey of Pakistan 2009, Chapter 1, Table 1.2

A comparison of the GDP and labor force shares shows large differentials in labor productivity among sectors. In particular, an average worker in services produces three times as much value as an average worker in agriculture, whereas an average worker in the industrial sector produced 2.5 times as much value as a worker in agriculture. These productivity differentials indicate the extent of rigidity in the labor markets and the potential for boosting growth by expanding opportunities for labor to shift into occupations with higher productivity. But labor productivity differentials are even starker in India, where agriculture employs 60 percent of the workers to produce just 17.6 percent of GDP, and labor produces 6.5 times as much value in the service sector as in agriculture. In Turkey productivity differentials are smaller but still notable, with the average worker in services producing 2.5 times as much value as the average farm worker.

Although agriculture's share of GDP has declined, the sector is still a dominant source of employment and livelihood for a large part of the population and a major determinant of GDP growth. Policy efforts therefore should focus on increasing labor productivity in this sector, which has been neglected in recent years, by adopting new processes and technology and by investing in critical infrastructure. The development of rural infrastructure can also be a prime factor in boosting rural labor productivity.

Far-reaching reforms in the power and water sectors are needed to unleash growth in all sectors of the economy. In the industrial sector, the growing importance of light manufacturing highlights the need for urgency in resolving the power crisis to unleash this subsector's potential.

## DEMOGRAPHY AND ENVIRONMENT

Pakistan faces serious demographic pressure, compounded by environmental stress and susceptibility to natural disasters, primarily earthquakes. Its population growth rate of 2.2 percent is higher than the LMI and LMI-Asia medians, both 1.7 percent, and the growth rates of India and Turkey—1.3 percent and 1.2 percent, respectively. The high population growth rate reflects a total fertility rate averaging 3.5 lifetime births per woman.<sup>28</sup> One consequence of the high fertility rate is a large youth bulge, with 22.7 percent of the population between the ages of 15 and 24, compared to 18.5 percent in India and 18.1 percent in Turkey. Pakistan also has 63.5 dependents under age 15 for every 100 working-age adults, well above the LMI-Asia median of 52.1 and the youth dependency ratios in India and Turkey of 50 and 41, respectively (Figure 2-6). The high youth dependency rate and rapid population growth create a rapidly growing need for already strained social services. These conditions also yield a high entry rate of job seekers in the labor market, contributing to youth unemployment, which can cause disaffected young men to join militias or radical groups (see *Employment and Workforce*, p. 45).

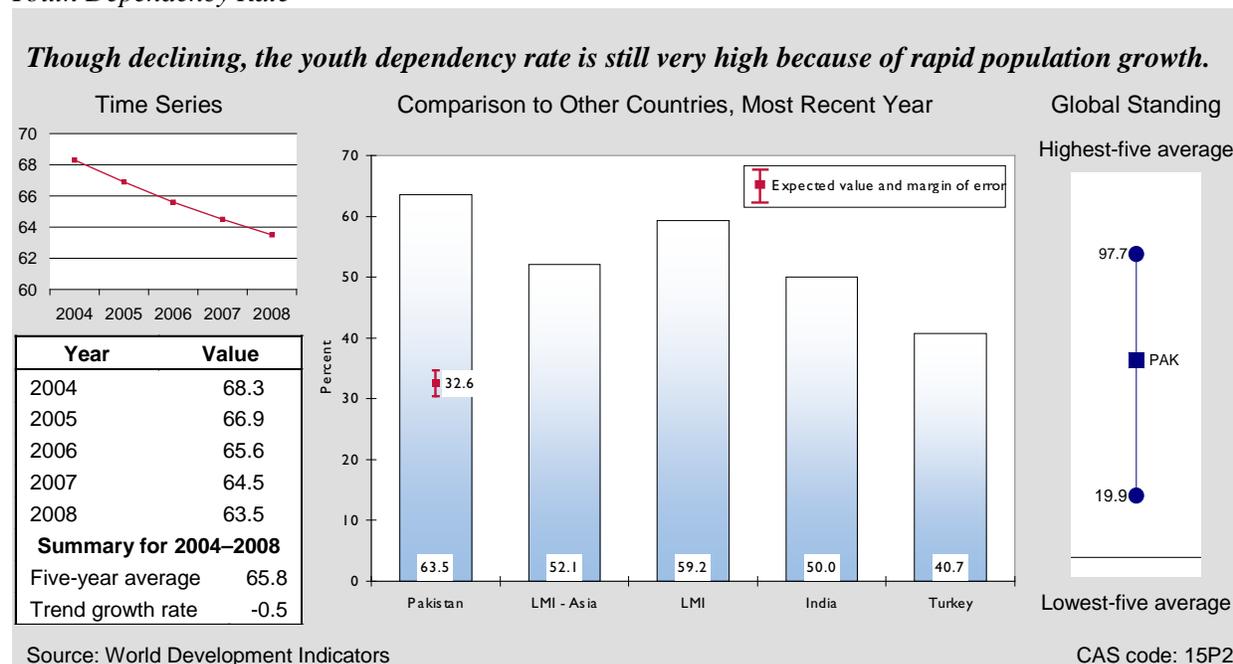
Pakistan's population distribution follows a pattern similar to those of other Asian countries, with a high population density overall and a significant percentage of the population living in rural areas. Just over one-third of the population (36 percent) lived in urban areas as of 2008, exceeding the predicted value of 32 percent for a country with Pakistan's characteristics. In India, just 29 percent of the population lives in urban areas, while in Turkey 69 percent of the population is urban. The rural population density in Pakistan is 485.6 persons per square

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<sup>28</sup> [www.unicef.org/infobycountry/pakistan\\_pakistan\\_statistics.html](http://www.unicef.org/infobycountry/pakistan_pakistan_statistics.html). Accessed 9/15/2009.

kilometer of arable land, somewhat less than the median of 552.3 persons for LMI-Asia but far higher than the global LMI median of 293.4 persons. The aggregate statistics, however, mask wide disparities in population density within the country, as well as variations in terrain that make the population pressure more significant than the raw numbers suggest, because many parts of the country are arid, semiarid, or mountainous, and water resources are scarce.<sup>29</sup>

Figure 2-6  
*Youth Dependency Rate*



Population pressures in Pakistan are closely linked to environmental concerns. One important gauge is the Environmental Performance Index (EPI) compiled by Yale and Columbia Universities. This index tracks environmental health, air quality, water resources, biodiversity and habitat, productive natural resources, and sustainable energy. For 2008, Pakistan received a score of 58.7 of 100 points on the EPI. This is below the LMI and LMI-Asia medians of 64.8 and 60.4, respectively, as well as the scores for India and Turkey, at 60.3 and 75.9, respectively. Problems contributing to the low score include poor water quality, lack of sufficient sanitation, intensive cultivation of cropland, and lack of pesticide regulations.<sup>30</sup> The EPI score highlights the enormous threat to water supplies in Pakistan, which can be expected to worsen as the result of the melting of the Himalayan glaciers that feed Pakistan’s rivers, as well as competition with India over water from the Indus River and unsustainable rates of groundwater depletion (see Infrastructure and Agriculture).

The population is also highly exposed to natural disasters, such as the devastating earthquakes of 2005 and 2008. The humanitarian impacts of these quakes were magnified by the remoteness of

<sup>29</sup> International Fund for Agricultural Development, Rural Poverty in Pakistan (<http://www.ruralpovertyportal.org/web/guest/country/home/tags/pakistan>).

<sup>30</sup> Environmental Performance Index 2008 (<http://epi.yale.edu/Pakistan>).

the affected areas in Pakistani-controlled Kashmir (2005) and Balochistan (2008), which made it difficult for relief to reach those in need, and by the fact that many buildings could not withstand the shock. The earthquakes had both economic and security implications, particularly the 2005 quake, because the emergency response was poorly planned and implemented, further undermining government legitimacy in the affected areas. Jihadi groups were also active in relief work, bolstering their popular support and allowing them to expand their sphere of influence.<sup>31</sup> The affected areas were devastated economically, and reconstruction efforts have been slow, contributing to dissatisfaction with the government. With major earthquakes, droughts, and floods common, it is important for the government, assisted by the international community, to build up its capacity to conduct relief and reconstruction rapidly and efficiently to avoid further alienation of disaffected populations.

## GENDER AND CHILDREN

Gender equity promotes economic growth by ensuring that all citizens have the opportunity to develop and apply their full productive capacities. Gender equity can be assessed in terms of economic participation, access to education and health care, women's legal rights, and public participation and representation. In many countries of South Asia, traditional values limit opportunities for women to pursue livelihoods outside the home; these limitations are severe in Pakistan, creating considerable disparity in access to education and a large gap between men and women in labor force participation. And a high proportion of children are economically active.

Starting with education, the gross enrollment ratio at all levels of schooling was just 37.6 percent for women compared to 46.9 percent for men in 2007. Enrollment rates for both sexes improved noticeably in the past five years, by 5.7 percentage points for men and 7 points for women, because the international donor community has invested heavily in reducing gender disparity in schooling and ensuring access to education for girls. But the gender disparity has narrowed only slightly. Data on primary school completion tell a similar story: completion rates improved for boys from 47.2 percent in 2004 to 55.3 percent in 2007, and for girls from 33.2 percent to 41.6 percent, yet the gap by gender remains virtually unchanged. Furthermore, the primary completion rates remain low compared to the LMI and LMI Asia medians, all of which were over 90 percent for both boys and girls.

The government has pledged to achieve the Millennium Development Goals (MDGs) by 2015, including the target of full parity between girls' and boys' enrollment in primary school. In 2001, however, this gender ratio was only 74 percent, and judging from progress so far, Pakistan is not on track to meet the goal by 2015.<sup>32</sup> Investments in education by the government and international partners have had a clear impact, but a sustained, concerted effort is needed to bring about a lasting improvement in gender equality.

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<sup>31</sup> "Pakistan: Political Impact of the Earthquake," International Crisis Group, Asia Briefing No. 46, March 15, 2006.

<sup>32</sup> "Chapter 1: Improving Gender Equality in Pakistan." *Bridging the Gender Gap: Opportunities and Challenges*. Pakistan Country Gender Assessment 2005, The World Bank Group. p. 3.

The gender disparity in labor force participation is more striking than the gap in access to education. In 2008, the labor force participation rate was 69.5 percent for men, but only 19.6 percent for women. The female participation rate improved from 18.9 percent in 2006, while the male rate declined from 72.0 percent that year. But Pakistan has a long way to go to even approximate gender equality in the workforce. The aggregate data also mask large disparities between provinces; participation rates for women range from 22.8 percent in Punjab to 10.3 percent in Balochistan, and just 8.4 percent for rural households.<sup>33</sup> Female participation rates are also low in India (34.2 percent) and Turkey (25.5 percent), but not as low as in Pakistan. The issue of women in the workforce is extremely contentious in Pakistan and many other Islamic countries, and women have even been murdered for working outside the home.<sup>34</sup> In this context, simply improving access to education or job training will not be enough to bring substantially more women into the workforce. Cultural factors must be addressed sensitively as well.

In addition to economic factors, the protection of legal rights for women remains uneven. On the one hand, some female politicians have achieved high positions in government; Benazir Bhutto was the first woman to lead an Islamic country when she became Pakistan's prime minister in 1988. Quotas, or representations, require that women hold one-third of all local legislative seats and 10 percent of government offices, but female politicians have been targeted by religious extremists for failing to conform to conservative practices. Cabinet minister Zilla Huma Usman was assassinated while addressing a public meeting without a veil. Legal protections for women have improved. The Protection of Women Act, passed in 2006, allows rape cases to be tried in civil rather than sharia courts. But rape, domestic violence, and other abuses against women often go unpunished.<sup>35</sup> In addition, the incidence of domestic abuse remains high. At least 565 "target killings" occurred in 2006, in which women are murdered by close relatives for bringing dishonor to the family.<sup>36</sup>

Child labor is also a problem, with 13.7 percent of children between the ages of 10 and 14 employed in 2007-2008. This is only slightly higher than the predicted value of 12.4 percent for a country with Pakistan's characteristics and a decrease from the 15.2 percent in 2006. Pakistan also has some protection, at least on paper, for child workers, limiting jobs to seven hours a day, requiring that they receive one day off per week, and prohibiting child labor in hazardous

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<sup>33</sup> Federal Bureau of Statistics, Labor Force Survey 2007-2008: Results, paragraph 8. The labor force participation data include the 10-14 age group, which distorts the figures downward relative to most other countries. The Labor Force Survey also reports an "augmented" participation rate for women, at 36.7 percent, nearly twice the base figure. The augmented rate is estimated from "additional probing questions" about women's activities.

<sup>34</sup> David Montero, "Violent Debate on Women's Rights in Pakistan," *Christian Science Monitor*, March 6, 2007.

<sup>35</sup> U.S. Department of State, 2008 Human Rights Report: Pakistan, February 25, 2009. (<http://www.state.gov/g/drl/rls/hrrpt/2008/sca/119139.htm>).

<sup>36</sup> Carin Zissis, "Pakistan's Uneven Push for Women," Council on Foreign Relations, March 1, 2007 ([http://www.cfr.org/publication/12702/pakistans\\_uneven\\_push\\_for\\_women.html](http://www.cfr.org/publication/12702/pakistans_uneven_push_for_women.html)).

industries. In practice, enforcement is deficient, with most child labor taking place in small workshops that the government lacks the capacity to inspect.<sup>37</sup>

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<sup>37</sup> “2008 Human Rights Report: Pakistan,” US Department of State, 25 February 2009. <http://www.state.gov/g/drl/rls/hrrpt/2008/sca/119139.htm>. Accessed 9/24/09

# 3. Private Sector Enabling Environment

This section examines indicators of the enabling environment for encouraging rapid and efficient growth of the private sector, including the fiscal and monetary policy framework, the institutional environment for doing business, development of the financial sector, global integration, and economic infrastructure. Private sector development is essential for encouraging and supporting rapid and efficient growth. In conflict and postconflict economies, enabling environments tend to be weak and are often characterized by rigid and outdated institutions, policies, and practices. In all such countries, carefully sequenced reforms to the private sector enabling environment can be essential to stimulate economic growth and reduce the risk of further violence.

## **ECONOMIC STABILIZATION AND GOVERNMENT CAPACITY**

Fiscal and monetary policies are the primary instruments for creating a stable macroeconomic environment for private sector development, while also laying the foundation for rapid growth and poverty reduction. One of the main concerns in a fragile state is to ensure that the government maintains a sustainable fiscal balance and pursues prudent monetary policies to maintain low inflation. But in Pakistan, errant fiscal policies have instead been a major source of instability. In the past five years, the budget deficit (inclusive of grants) averaged 4.5 percent of GDP. This is less than the deficit in India of 5.8 percent of GDP and within the expected range for a country with Pakistan's characteristics, but larger than the other benchmarks (Figure 3-1).

The main problem, however, is that the deficit soared to an unsustainable 7.0 percent of GDP in 2007/08 as a result of rising expenditures and weak revenue collection stemming from an inelastic tax system riddled with exemptions. In addition, much of the deficit was financed by borrowing from the central bank, which helped to fuel inflation just when global commodity prices were soaring. As a result, the annual inflation rate climbed to a peak of 25.0 percent in October 2008. Many other countries faced the same external price shocks without letting inflation get so badly out of control. In India, for example, the inflation rate for 2008 was 8.4 percent, and in Turkey 10.4 percent, while the global LMI median was 8.3 percent.

The large fiscal deficit and high inflation led to a rapid and unsustainable drop in foreign exchange reserves, triggering a balance-of-payments crisis that necessitated fiscal and monetary tightening supported by an IMF standby arrangement (Exhibit 3-1) just as the global economic contraction occurred—a time when fiscal stimulus would have been preferable. In the past year, the policy corrections have shown positive results as the deficit narrowed to an estimated

5.0 percent of GDP in 2008/09 and headline inflation subsided to an annual rate of 10.7 percent in August 2009.<sup>38</sup>

Figure 3-1  
Overall Budget Balance, Including Grants

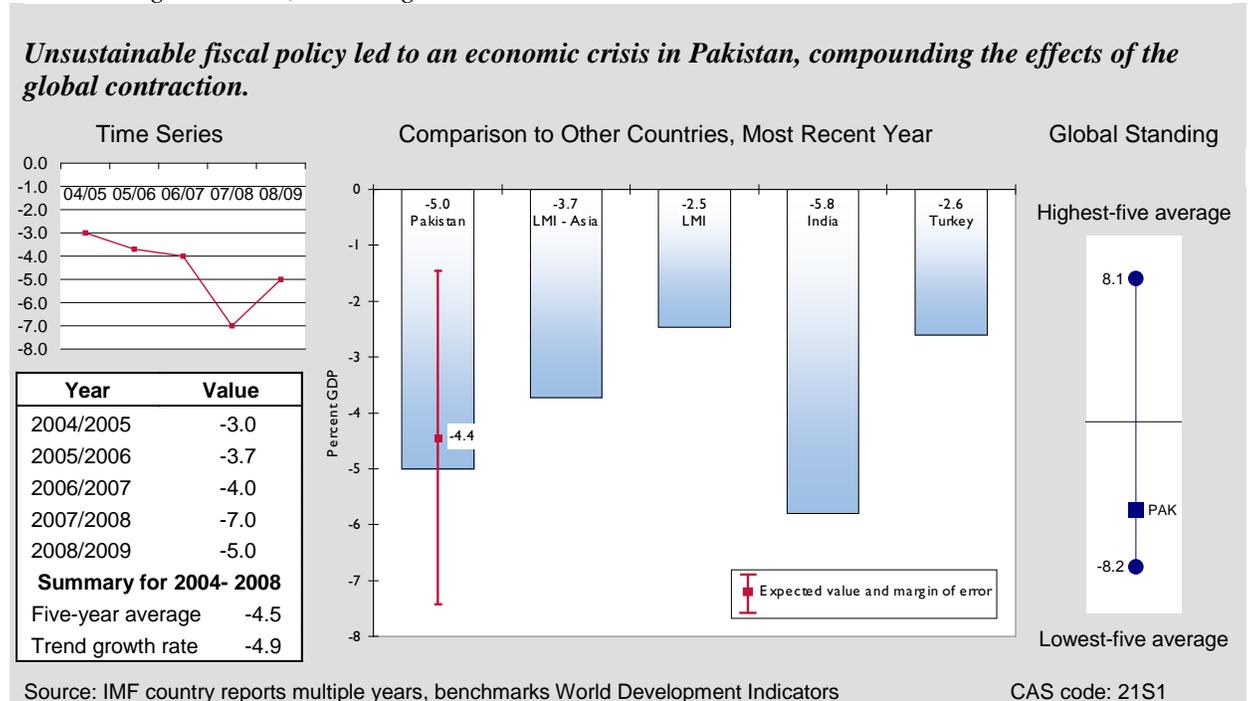


Exhibit 3-1  
*Pakistan and the IMF*

On November 24, 2008, the IMF Executive Board approved a 23-month standby arrangement for SDR 5.169 billion (US\$8.199 billion) to support Pakistan's economic stabilization and reform program.

The funds are to be used to provide assistance in restoring macroeconomic stability by reducing the budget deficit and inflation, while ensuring social stability and adequate support for the poor.

In 2009 the government has been successful in achieving the program's quantitative performance

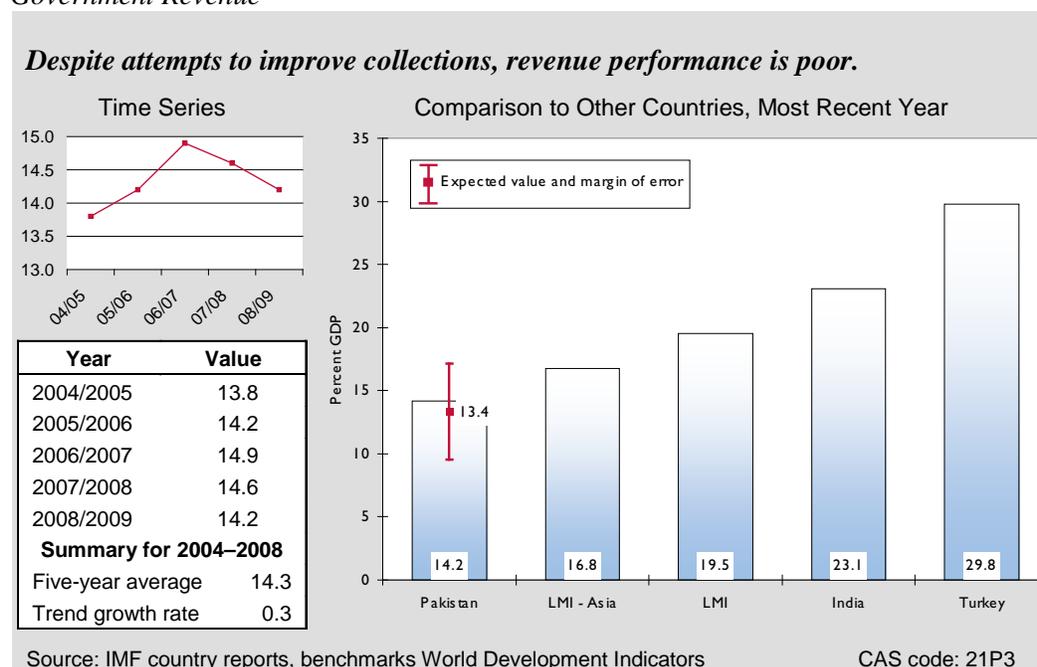
targets, although progress in implementing politically difficult structural reforms, especially sustainable pricing of electricity, has been slow. In July 2009, the IMF approved an increase of access to standby arrangement funds by SDR 2.0674 billion (US\$3.2 billion) on the grounds of exceptional balance-of-payments pressure, strong policy reforms, sustainable public debt, and prospects for regaining access to private capital markets.<sup>39</sup>

<sup>38</sup> State Bank of Pakistan (<http://www.sbp.org.pk/Ecodata/index2.asp>).

<sup>39</sup> IMF, Pakistan, Second Review and Request for the Augmentation of Access Under the Stand-By Arrangement, July 2009

A detailed examination of the fiscal picture shows that government expenditures rose steadily from 18.4 percent of GDP in 2003/04 to 22.2 percent in 2007/08 before getting compressed to 19.4 percent of estimated GDP in 2008/09 under the stabilization program. The ratio of government expenditure to GDP in Pakistan has been far below the corresponding figures for India (28.2 percent in 2008/09) and Turkey (32.4 percent in 2007). In Pakistan, however, revenue has been consistently under 15 percent of GDP (14.2 percent for 2008/09). This revenue yield is extremely low in comparison to that of India (23.1 percent in 2008/09) and Turkey (29.8 percent in 2007), as well as the LMI median of 19.5 percent (Figure 3-2). The revenue figure for Pakistan includes nontax revenue averaging 4 percent of GDP in the past two fiscal years. The tax system has been an exceedingly weak, yielding less than 11 percent of GDP.<sup>40</sup>

Figure 3-2  
Government Revenue



The fiscal retrenchment in 2008/09 has entailed cuts in development spending and curtailed energy subsidies. Strong financial support from the IMF and other international partners has helped the government avoid an even more wrenching budget contraction in the short term, in order to fund vital social, development, and security expenditures. A more sustainable resolution of the budget problem requires serious steps to boost domestic revenue and improve the composition of expenditures. On the revenue side, the government plans to introduce a broad-based value-added tax (VAT) to replace the current sales tax, and to replace the petroleum levy with a carbon surcharge, while reducing tax exemptions and strengthening tax administration to widen the tax base and improve compliance.<sup>41</sup>

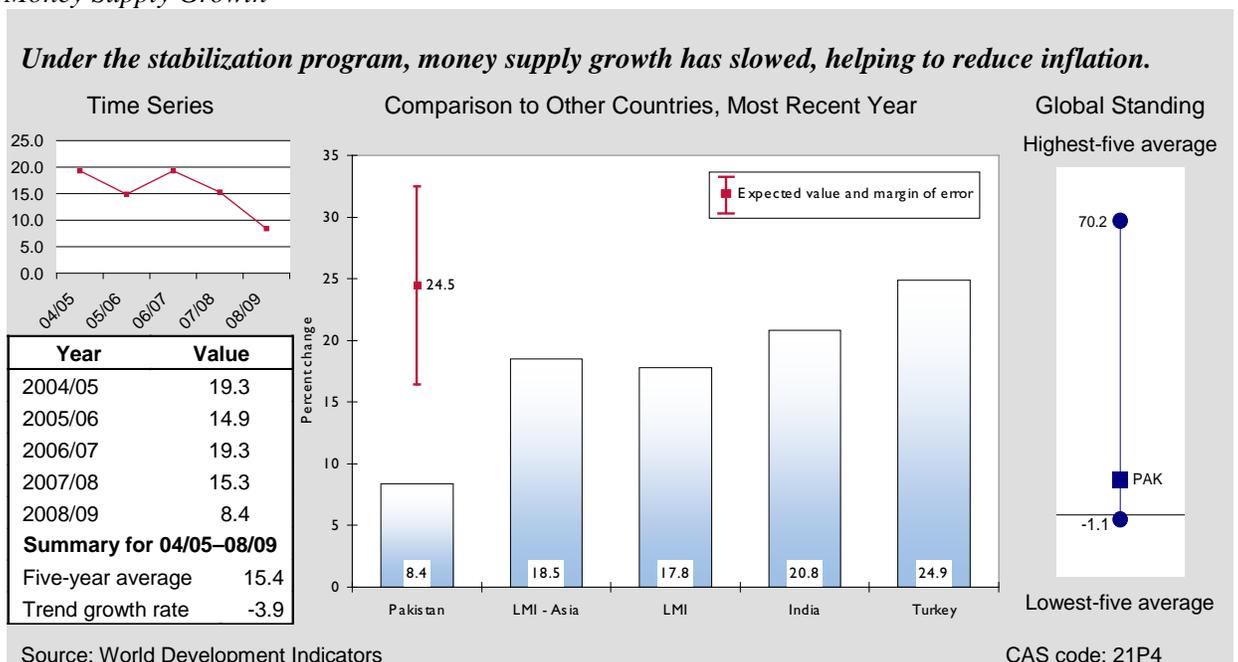
<sup>40</sup> IMF Pakistan, Second Review and Request for the Augmentation of Access under the Stand-By Arrangement, July 2009, page 30.

<sup>41</sup> IMF, Pakistan: Staff Report for the 2009 Article IV Consultation, March 2009.

On the expenditure side, the government is moving away from social programs involving costly and poorly targeted subsidies to more efficient programs of direct transfers targeted to poor households, notably through the Benazir Income Support Programme (BISP) that was launched in 2008. Subsidies and other current transfers accounted for 16.9 percent of total expenditure in 2008/09. Another major problem is that high interest costs have been crowding out funding for essential public services, social welfare programs, and capital spending on infrastructure. Interest on government debt absorbed 25.2 percent of total expenditures in 2008/09—even higher than the onerous interest costs in India (21.0 percent of expenditure for 2008/09) and Turkey (23.9 percent in 2007). To reduce the burden of interest payments, the government must control the budget deficits and reduce inflation (which will lower interest rates).

To combat inflation, the State Bank of Pakistan has tightened monetary policy since 2008. Money supply growth decelerated from an inflationary 19.3 percent in 2006/07 to 8.4 percent in 2008/09, assisted by the government’s fiscal adjustment and weak demand for credit by the private sector because of the economic slowdown (Figure 3-3). As noted, the headline inflation rate had tailed off to 10.7 percent (year-on-year) by August 2009. The core inflation rate, which strips out volatile food and energy prices, remains a bit higher at 12.6 percent, while the government’s Sensitive Price Index, which focuses on basic goods and services consumed by the poor, is slightly lower, at 9.0 percent.<sup>42</sup>

Figure 3-3  
*Money Supply Growth*



The recent macroeconomic problems point to more fundamental problems in governance. This proposition is supported by the World Bank’s Government Effectiveness Index, which rates the quality of public and civil services, policy formation and implementation, and credibility of

<sup>42</sup> Latest inflation data from the SBP website: <http://www.sbp.org.pk/Ecodata/index2.asp>.

government commitment on a scale ranging from -2.5 (worst) to +2.5 (best), with a global mean of zero. Over the past five years, Pakistan's score slid from -0.58 to -0.73. This is below the predicted range for a country with Pakistan's characteristics, as well as the global LMI median of -0.6, and much worse than the scores for India (0.0) and Turkey (0.2). Given the pervasive effects of weak governance, programs to improve public sector capacity and effectiveness should rank as a high priority for the Pakistani authorities and international partners.

## BUSINESS ENVIRONMENT

Prospects for economic growth and job creation in the medium to long term hinge on broad-based private sector development, which requires market-supporting institutions and regulations. In many respects, Pakistan's business environment has held up well in the light of security threats and political turmoil over the past few years. But the country also registers dismal performance on indices of corruption and institutional efficiency, hindering growth.

In the World Bank's Doing Business Report for 2010, Pakistan retains its previous ranking on the overall Ease of Doing Business Index, at 85th of 183 countries.<sup>43</sup> This performance is noteworthy compared to India's ranking of 133 and the LMI median of 123; indeed, Pakistan is not far behind Turkey, which ranks 73rd (Figure 3-4).

Figure 3-4  
*Ease of Doing Business Index*



<sup>43</sup> The index covers 10 indicators that measure business regulation and the protection of property rights in an economy based on quantitative and qualitative data gathered from local experts administering or advising on legal or regulatory requirements.

The favorable position on this index is driven mainly by the ease of starting a business, where Pakistan's rank improved from 80 to 63 in the past year. The estimated number of days required to start a simple business in the main city dropped from 24 to 20, while the number of procedures went down from 11 to 10. In addition, the cost of starting a business (as a percentage of gross national income per capita) dropped by more than half in the past year, from 12.6 percent to 5.8 percent and by more than 75 percent in the past five years, from 23.9 percent, partly because of the introduction of online tax registration.<sup>44</sup> India performs particularly badly on this set of indicators, with the prototype firm needing 30 days and 13 procedures to start a business, at a cost of 66 percent of GNI per capita. Turkey, however, is well ahead, requiring 6 days and 6 procedures at a cost of 14.2 percent of GNI per capita for a business to commence operations.

Although it may be relatively easy to start a business in Pakistan, businesses face a tough environment in enforcing contracts and registering property—factors that are critical to attracting investment and strengthening the private sector. Small entrepreneurs are the worst hit by these problems, because their only recourse in disputes is the judiciary, which is slow, costly, inefficient, and rife with corruption. The World Bank's prototype business requires 50 days to register property in Pakistan, compared to 6 days in Turkey and 44 days in India. Apart from cumbersome and lengthy procedures, there is a lack of clarity around land rights and land ownership which not only delays the registering of property, but also clogs the judicial system with land disputes.<sup>45</sup>

Pakistan's performance is even worse in enforcing contracts—it takes 976 days and 47 procedures to complete the World Bank's standardized case, compared to 420 days and 35 procedures in Turkey and an LMI median of 591 days and 40 procedures. The fact that contract enforcement is worse yet in India—requiring 1,420 days for 46 procedures—is no consolation for businesses in Pakistan. The lack of enforceability is a reflection of staggering inefficiency and a tremendous backlog of cases in the judicial system, over half of which are commercial disputes. More than 100,000 cases are pending in the provincial high courts and more than a million in the lower courts.<sup>46</sup>

Pakistan also scores very poorly on the World Bank's Rule of Law Index, which measures perceptions of the legal system, as gauged by various surveys, on a scale ranging from -2.5 (worst) to +2.5 (best). Pakistan's score of -0.95 is far below the scores for India (+0.12) or Turkey (+0.09) and well below the weak median LMI score of -0.69. Equally important, Pakistan's score has been deteriorating over the past five years (Figure 3-5).

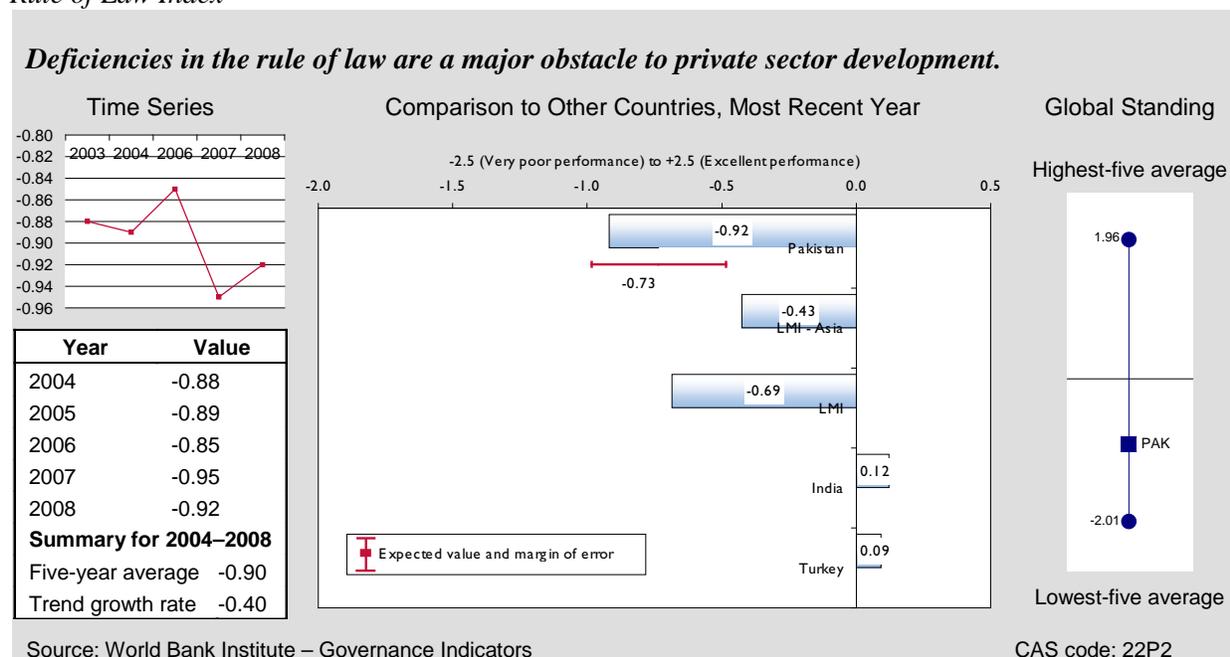
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<sup>44</sup> Doing Business 2008, The World Bank, p. 12.

<sup>45</sup> Doing Business in South Asia 2007, The World Bank, p. 48

<sup>46</sup> One reason for delay is that litigants bribe clerks to impede resolution. See Masood Rehman, "Measures suggested to prevent delay in murder cases," May 5, 2009, *Daily Times* ([http://www.dailytimes.com.pk/default.asp?page=2009%5C05%5C05%5Cstory\\_5-5-2009\\_pg7\\_16](http://www.dailytimes.com.pk/default.asp?page=2009%5C05%5C05%5Cstory_5-5-2009_pg7_16)).

Figure 3-5  
Rule of Law Index



Another reason for the high cost of doing business in Pakistan is the high level of corruption. The World Bank's Control of Corruption Index (CCI) measures the extent to which public power is used for private gain, both for petty and grand corruption, using the same scoring system as the Rule of Law Index. By this measure, Pakistan's score of -0.77 is far worse than that of Turkey (+0.10) or India (-0.37), and well below the LMI median (-0.65) (Figure 3-6). Executives surveyed by the World Economic Forum for the Global Competitiveness Report for 2008-09 view corruption in Pakistan as the most problematic factor in doing business there, after government and political instability.<sup>47</sup>

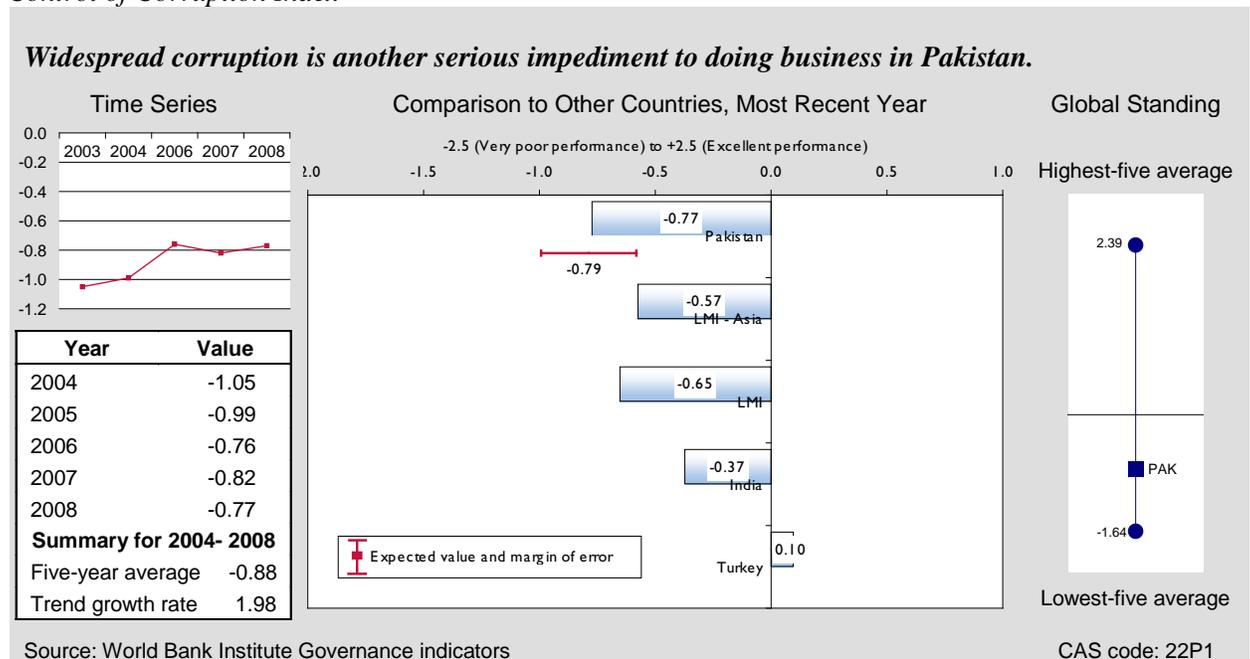
Although the country rates badly in these critical dimensions of the business environment, the World Bank data show improvement in both rule of law and control of corruption in 2008 from 2007, which was a year of judicial crises and political upheaval surrounding elections and the assassination of Benazir Bhutto. In addition, Pakistan has made progress in reforming other aspects of the business environment. Over the last six years of Doing Business reports, the World Bank found 10 positive measures adopted in Pakistan, placing it among the top 30 percent of countries in terms of number of reforms. India, though, made even faster progress in the same period by introducing 16 reforms.<sup>48</sup> Furthermore, there are large regional variations in the quality of the business environment within Pakistan. The World Bank notes that Pakistan's ranking would jump by 18 places if best practices among the regions were adopted by the whole country.<sup>49</sup>

<sup>47</sup> Global Competitiveness Report 2008-09, World Economic Forum, p. 248.

<sup>48</sup> Doing Business database (<http://www.doingbusiness.org/Reformers/>).

<sup>49</sup> World Bank, Pakistan: Poverty Reduction Strategy Paper II, 2009, p. 136.

Figure 3-6  
Control of Corruption Index



On balance, the data indicate that some aspects of the institutional environment for doing business in Pakistan perform reasonably well for an LMI country, but other critical institutions hinder private sector development. Vital areas for reform include judicial inefficiency and corruption. Until these problems are fixed, domestic and foreign investors will continue to require a high risk premium for investing in Pakistan.

## FINANCIAL SECTOR

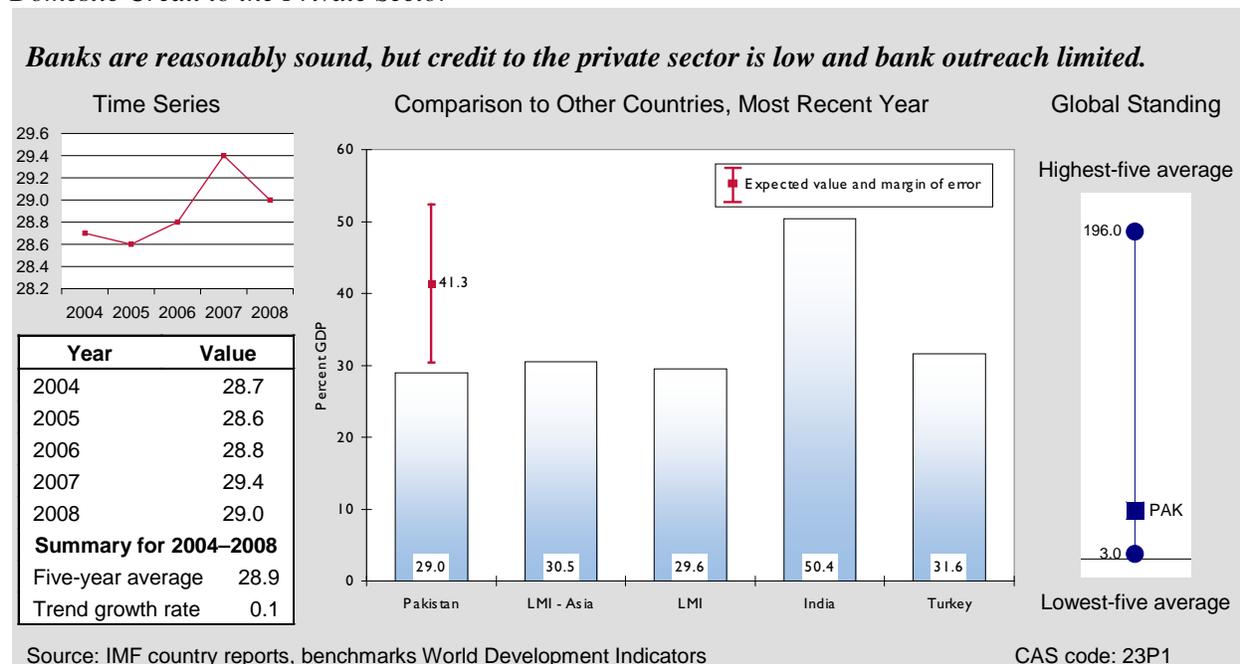
Financial sector development is another cornerstone for rapid and broad-based growth. A well-functioning financial system supports the payments system, mobilizes savings, channels financial resources to productive investment, promotes entrepreneurship, and creates important tools for risk management.

As in many LMI economies, banks dominate the financial system in Pakistan. A basic gauge of banking sector development is the ratio of broad money (currency plus bank deposits) to GDP. The monetization ratio has been relatively stable in Pakistan over the past five years, at 44–46 percent. This is well below the ratio in India of 64.1 percent, where the financial system is well developed, but slightly higher than the predicted value of 41 percent for a country with Pakistan's characteristics and than the global LMI median of 39.5 percent. In Turkey, the monetization ratio is virtually the same as in Pakistan, at 45.9 percent, but, savers in Turkey have access to a wider menu of other liquid financial instruments. Still, Turkey is a laggard among emerging economies in bank development, not least because of a major financial crisis in 2001.

Another primary indicator of financial development is bank credit to the private sector as a percentage of GDP. For Pakistan, the credit ratio has been stable over the past five years at around 29.0 percent (the figure for 2008), nearly matching the global LMI median of 29.6 percent and not far from Turkey's 31.6 percent. Yet bank lending remains far below the predicted value

for Pakistan, 41.3 percent of GDP, and even further behind the regional leader, India, with a ratio of 50.4 percent (Figure 3-7). The credit ratio in Pakistan will dip in 2009 because of weak demand for credit, tighter monetary policy (though real interest rates remain low), and heightened risk aversion by the banks, all stemming from the current economic crisis. Data from the State Bank of Pakistan show that credit to the private sector fell by 4.6 percent in the first half of 2009 in nominal terms, implying a real reduction of more than 10 percent. Real interest rates on loans have been low but positive, as appropriate to ensure an efficient allocation of financial resources.

Figure 3-7  
*Domestic Credit to the Private Sector*



Outreach of the banking system has been very limited. Only 9 percent of firms covered by a World Bank enterprise survey in 2007 had bank loans or lines of credit, compared to 36 percent in India and 57 percent in Turkey.<sup>50</sup> Surprisingly, the percentage of firms identifying access to finance as a major constraint was similar in the three countries: 18 percent for Pakistan; 16 percent for India; and 14 percent for Turkey. This result suggests that Pakistani firms regard problems other than credit access as being more important impediments. Nonetheless, the State Bank of Pakistan (SBP) has initiated a concerted effort to extend the geographic and economic outreach of the banking system, including an expansion of microfinance techniques, Islamic financing, broader coverage of the SBP's electronic Credit Information Bureau, and plans for using mobile phone technology to provide convenient and low-cost services to the poor.<sup>51</sup>

<sup>50</sup> World Bank Group, Enterprise Surveys database, accessed on September 29, 2009 at <http://www.enterprisesurveys.org/ExploreTopics/?topicid=7>.

<sup>51</sup> Government of Pakistan (2009), Poverty Reduction Strategy Paper-II, Chapter 11, Pillar VIII: Capital and Finance for Development.

Rapid growth in bank lending prior to 2008 raised warning flags about a possible deterioration in portfolio quality. This concern has been heightened by the recent economic crisis. SBP data show that non-performing loans (NPL) climbed from under 6 percent of total loans at the end of 2006 to 11.1 percent in June 2009.<sup>52</sup> Fortunately, the banking system entered this period with firm fundamentals, including strong earnings, high capital adequacy ratios, and ample provisions for bad debts. The latest IMF review indicates that the financial system remains sound despite serious credit risks, and that the SBP has intensified its monitoring of the banks.<sup>53</sup> Yet Fitch recently withdrew its credit rating from four major banks, citing “challenges” with asset quality.<sup>54</sup>

While banks dominate the financial system, the stock market has been growing in importance. Over 650 firms are listed now on Pakistani exchanges. Market capitalization has been extremely volatile, soaring from 7 percent of GDP in 2001 to 49 percent in 2007, before plunging to 14 percent at the end of 2008 due to the economic crisis, followed by a 60 percent rebound through September 2009. These erratic figures are remarkably similar to those in Turkey, where capitalization ratio reached 44 percent in 2007, fell to 15 percent in 2008, and rebounded by 77 percent through September 2009. Stock markets in India are far more advanced, as capitalization soared to 155 percent of GDP in 2007 and then fell to 53 percent in 2008, followed by a 73 percent increase through September 2009.<sup>55</sup> Bond markets in Pakistan are not an important source of financing for the private sector, being dominated by government securities.

The recent decline in bank credit and volatility in the stock markets should not obscure the fact that the underlying trends have been very favorable, though from a very low base. Consequently, the financial system is still very underdeveloped. As noted, the SBP is pursuing a variety of initiatives to accelerate development of the system. Donor support may be warranted in the areas of expanding access to finance through innovative technologies, and developing non-bank financial institutions and bond markets to expand the supply of long-term finance. Financial market development also requires the restoration of macroeconomic and political stability to stimulate investment and reduce lending risks, as well as legal and judicial reforms to strengthen the institutional framework for enforcing contracts.

## EXTERNAL SECTOR

Fundamental changes in international commerce and finance over the past 30 years, including reduced transport costs, advances in telecommunications technology, and lower policy barriers, have fueled a rapid increase in global integration. In evaluating economic performance in a fragile state, the most important external sector indicators are the growth and diversity of exports,

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<sup>52</sup> SBP Economic Data online, Nonperforming Loans, accessed September 29, 2009 at <http://www.sbp.org.pk/ecodata/index2.asp>.

<sup>53</sup> World Bank (2009), *Getting Finance in South Asia*, pp. 33-34, and IMF (2009), *Pakistan: Second Review and Request for the Augmentation of Access Under the Stand-By Arrangement*, pp. 54–55.

<sup>54</sup> [www.geo.tv/9-8-2009/48886.htm](http://www.geo.tv/9-8-2009/48886.htm), accessed September 30, 2009.

<sup>55</sup> Data on market capitalization and number of listed firms comes from the World Bank, *World Development Indicators On-Line*, accessed September 29, 2009. Figures on the stock market rebound in 2009 are from the *Economist Weekly Indicators: Markets*, September 24, 2009.

and the country's ability to attract foreign investment, ensure debt sustainability, and expand international reserves to instill confidence and establish a cushion against external shocks.

## International Trade and the Current Account

Over the past five years the ratio of trade to GDP (including exports and imports) increased by an average of 1.2 percent per annum, to reach 41.7 percent of GDP in 2008. The trade ratio was slightly above that of India, at 38.2 percent of GDP, and somewhat lower than Turkey's ratio of 45.7 percent, but far below the LMI median of 90.8 percent. This reference group, however, includes a large number of small countries that typically have a high ratio of trade to GDP. Taking into account Pakistan's population size and income level, the trade ratio is still very low compared to the expected value of 75 percent. This indicates that the economy has not taken full advantage of long-term opportunities to gain from trade.

Through 2005/06, a strong domestic economy and conducive international trading environment supported rapid growth in both exports and imports. In 2007 and 2008, the steep rise in world prices for fuel and other commodities led to a rapid acceleration in import growth, by dollar value, precipitating a balance-of-payments crisis in 2008 (discussed below). The subsequent global economic contraction and domestic economic slowdown led to double-digit declines in both imports and exports in 2008/09 and an improvement in the overall trade balance; the government projects that total trade will continue to decline in 2009/10.<sup>56</sup>

The volatility of trade flows has exposed the weakness in Pakistan's concentration of exports in cotton, textiles and garments, which accounted for 51.3 percent of exports in 2006. In comparison, India's export concentration ratio<sup>57</sup> is just 32.2 percent, while the LMI average is 48.6 percent.<sup>58</sup> The decline in exports was also partly attributable to structural constraints, particularly energy shortages, as well as domestic security problems that have adversely affected production.<sup>59</sup> Nontraditional exports, though a small share of the total, have grown, even as textile and apparel exports have fallen. A new trade policy for fiscal 2009–2012, announced in July 2009, aims to enhance incentives for nontraditional exports by funding research and development and upgrading technology, skills, and fiscal incentives.<sup>60</sup>

Not only are Pakistan's exports concentrated in terms of product, they are also geographically concentrated, with the United States accounting for close to 20 percent of the total.<sup>61</sup> In comparison, approximately 45 percent of Turkish exports are destined for EU countries, with the largest share going to Germany (Foreign Trade Statistics Bulletin, August 2009, Turkish

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<sup>56</sup> Government of Pakistan, Economic Survey of Pakistan, 2008-09, p. 119

<sup>57</sup> The export concentration ratio is the percentage of merchandise exports consisting of the top three product groups (using three-digit SITC codes).

<sup>58</sup> Turkey's export concentration ratio is an extremely high 62.5 percent, but this is a statistical aberration caused by a large amount of exports being registered as "not elsewhere classified."

<sup>59</sup> Government of Pakistan, Economic Survey of Pakistan 2007-08, p. 134

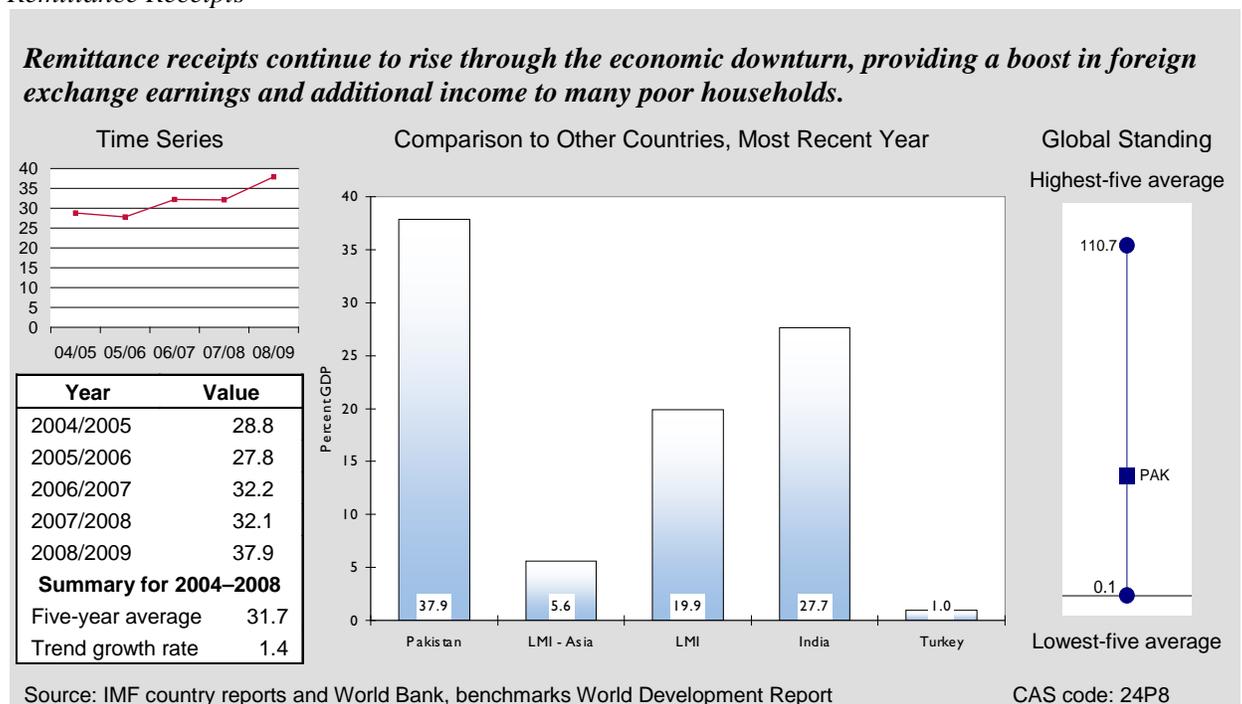
<sup>60</sup> M.A. Fahim speech on Trade Policy, 2009-10, Islamabad, July 27, 2009, p. 21.

<sup>61</sup> Government of Pakistan, Economic Survey of Pakistan, 2008-09, p. 124

Statistical Institute). For Indian exports, in fiscal 2009, the largest share, 13 percent, went to the United Arab Emirates, and the next-largest share, 10 percent, went to the United States.<sup>62</sup> Concentration of export destination to this extent ties export performance closely to market conditions in developed countries, which have long been growing more slowly than emerging economies. In particular, Pakistan has done little to exploit the potential benefits of trade with India and other countries in the region.

Worker remittances have become a very important source of foreign exchange inflows. In addition, remittances have remained remarkably buoyant despite the severe economic conditions. In fiscal 2008-09, recorded remittances increased by 21 percent and now equal 37.9 percent of export earnings. This was partly due to the initiatives taken by the government to boost remittances. The government and the State Bank have been trying to boost remittance flows, not only to bolster the balance of payments but also to provide a vital income supplement to many poor families. In August 2009, the government launched a special initiative to simplify procedures for sending remittances through formal channels and announced incentives for expatriates to invest at home.<sup>63</sup> Compared to India's figure of 27.7 percent of exports in India, and just 1 percent for Turkey, this performance is impressive. The LMI average is 19.9 percent. For the first two months of fiscal 2009/10, the year-on-year growth rate was even higher—31.8 percent (Figure 3-8).

Figure 3-8  
*Remittance Receipts*

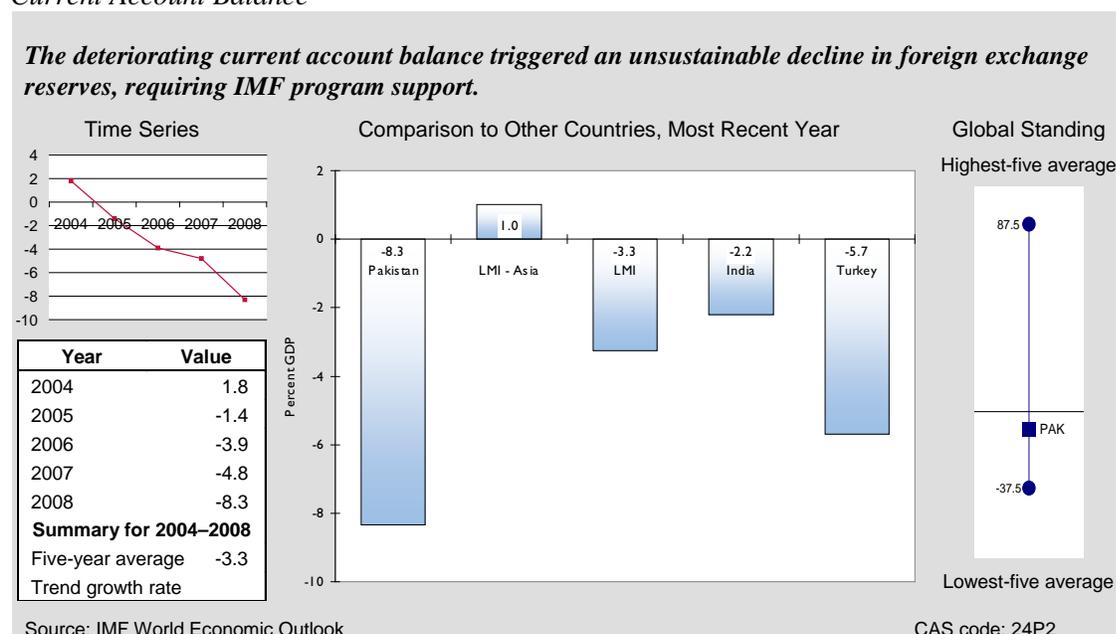


<sup>62</sup> Gayatri Nayak, *Economic Times* (<http://economictimes.indiatimes.com/articleshow/5140229.cms>).

<sup>63</sup> Country Report, Economic Intelligence Unit, London, September 2009, p. 15.

These remittance flows helped narrow the current account deficit, which had been widening between 2004 and 2008 because of rapid import growth. The deficit mushroomed in fiscal 2007-08 to 8.3 percent of GDP, driven primarily by a doubling of the world price of fuel. In fiscal 2008/09 the current account balance improved, to -5.9 percent of GDP, as a result of declining fuel prices, contracting domestic demand for imports, including raw materials for the shrinking manufacturing sector, and the strength of remittances (Figure 3-9).<sup>64</sup> But the current account deficit is still too large and requires further policy measures and institutional reforms to stimulate net exports and maintain substantial net inflows of financing from both official and private sources.

Figure 3-9  
Current Account Balance



## External Financing and International Reserves

The financial account in the balance of payments encompasses net flows of foreign direct investment, net flows of foreign portfolio investment, and net inflows or repayments of foreign debt. When these capital flows are insufficient to cover the current account deficit, the only recourse to finance the gap in the overall balance of payments is to draw down foreign exchange reserves. In fiscal 2004/05 and 2005/06 the State Bank of Pakistan held a thin cushion of foreign exchange reserves averaging 3.6 months of import payments. The reserve position improved to 4.5 months of import cover in 2006/07, but the deteriorating current account deficit led to a rapid drain in reserves—to 2.7 months of import cover in 2007/08 and barely two months of cover by October 2008. At that point the government reached agreement with the IMF on a large standby arrangement to prevent an economic collapse and finance a stabilization program (see Economic Stabilization and Government Capacity, p. 21).

<sup>64</sup> Government of Pakistan, Economic Survey of Pakistan, 2008-09, Chapter 9, p.126.

With IMF financing and donor pledges to mobilize \$5.7 billion over the next three years, international reserves more than doubled to \$14.5 billion by the end of September 2009.<sup>65</sup> In addition, that month the U.S. Congress approved \$1.5 billion in aid per year through 2014 to support democracy and governance, economic development, and human capital development. Much of the extraordinary financing, however, is intended as temporary support to cushion the macroeconomic adjustment to lower inflation and a more sustainable balance of payments. In addition, domestic political reactions have been critical of the government's reliance on foreign aid. Hence, it is essential for the government to pursue policies that attract foreign capital and foster private sector development.

Foreign direct investment (FDI) averaged 2.6 percent of GDP over the past five years, though it dropped to 2.1 percent of GDP in fiscal 2008/09. The five-year average ratio of FDI to GDP is well below the global LMI median of 3.7 percent; India's five-year average was boosted to 9.9 percent of GDP by a surge in FDI (Figure 3-10). In absolute terms, FDI inflows to Pakistan fell by US\$1.7 billion, or 31 percent, between fiscal 2007/08 and fiscal 2008/09. In the first two months of fiscal 2010, FDI was 57 percent lower than in the same period a year earlier,<sup>66</sup> showing that conditions are not yet conducive for FDI. Private portfolio investment was also hard hit by the economic crisis, as confidence evaporated, and a net inflow of \$1.8 billion in fiscal 2007/08 turned into a net outflow of \$0.5 billion in fiscal 2008/09 from Pakistan's capital markets. Portfolio investment, however, turned positive again in the first two months of fiscal 2009/2010, registering an inflow of \$61 million.<sup>67</sup>

Another important consideration for the financial account is the sustainability of Pakistan's external debt. The debt levels are reasonable both in terms of absolute value and in comparison to regional benchmarks. The present value of Pakistan's debt as of 2008/09 amounted to 26.0 percent of GDP, virtually identical to the average of 26.7 for the past five years. This is lower than the LMI median of 35.0 percent but higher than India's 2008/09 debt ratio of 19.5 percent. In the near term, the debt load is set to rise as a result of the recent IMF financing package. But before approving this arrangement, the IMF carefully examined debt projections and concluded that external debt would rise to a still-manageable 35.5 percent of GDP, barring new shocks to current account, economic growth, FDI inflows, and interest rates.<sup>68</sup>

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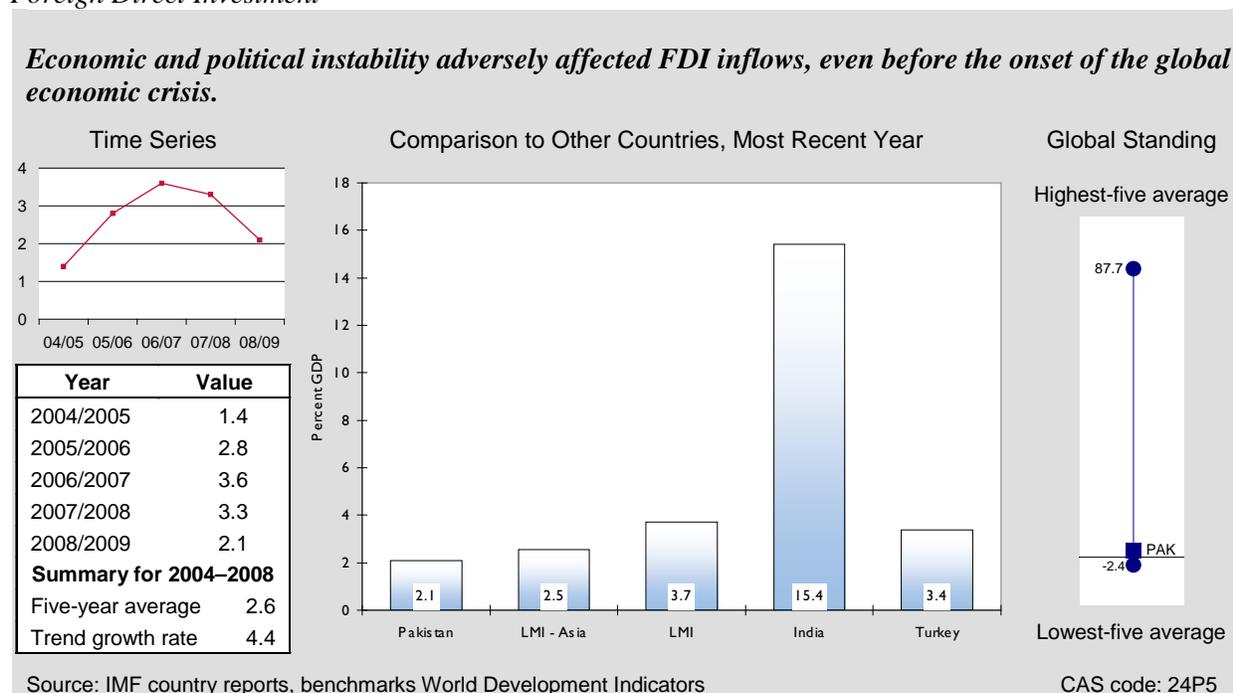
<sup>65</sup> Foreign Exchange Reserves table (<http://www.sbp.org.pk/ecodata/index2.asp>).

<sup>66</sup> Net Inflow of Foreign Investment table (<http://www.sbp.org.pk/ecodata/index2.asp>), accessed October 13, 2009.

<sup>67</sup> Ibid.

<sup>68</sup> IMF Pakistan, Second Review and Request for the Augmentation of Access under the Stand-By Arrangement, July 2009

Figure 3-10  
Foreign Direct Investment



To summarize, the recent trends in the external sector bring out clearly the impact of both the global economic crisis and home-grown problems relating to macroeconomic management and conflict. The structural problems with Pakistan's trade sector, together with the lack of business confidence caused by concerns about security and stability, have led to a sharp fall in trade flows and FDI. For the moment, donor support is filling the balance-of-payments gap, but in the medium term the underlying concerns must be addressed. Pakistan's new trade policy maps out ways to overcome the lack of competitiveness of Pakistan's exports, setting a target of 25 percent growth in regional trade, which is appropriate, especially given the potential of cross-border trade with India. But for these goals to materialize, the government must maintain a commitment to macroeconomic stability while striving to overcome the country's acute security problems.

## INFRASTRUCTURE

Efficient and dependable physical infrastructure—for transportation, communications, energy, and water—is the backbone for sustained economic growth. Conversely, inadequate infrastructure raises the cost of production and distribution while diminishing productivity and competitiveness. Pakistan is faced with severe infrastructure problems, particularly in energy and water. These problems are already constraining growth, and if left unaddressed, have the potential to spark domestic and regional conflict. In other areas, such as transportation and communications infrastructure, the country performs much better.

According to the World Economic Forum's Global Competitiveness Report (GCR) for 2009,<sup>69</sup> the overall quality of infrastructure in Pakistan is rated 3.2 on a scale of 1 to 7 (with 7 being

<sup>69</sup> The GCR measures qualitative and quantitative data for indicators in 11 areas that affect economic competitiveness.

excellent), just above the global LMI median of 3.0. The GCR infrastructure score for India is also 3.2, and for Turkey, 4.2. But the overall indicator masks the crises in power and water. The power sector is riddled with problems stemming from the government policy holding down electricity tariffs, leading to inefficient use of scarce power resources, fiscal pressure on the budget, mounting losses for power distributors, and insufficient resources for efficient operation and maintenance of power grids. The suppressed tariffs have also created a severe problem of circular debt incurred at every step of the power-sector value chain to tide over cash constraints caused by insufficient revenue. The surge in oil prices in 2008 compounded the problem by increasing the cost of electricity generation.

As a result of the counterproductive energy policies, Pakistan is suffering from severe power shortages, with an average of 34.1 electrical outages per month, on par with the average of 34.6 for the five worst performers in the world. The high frequency of power shortages is indicative of the large gap between demand and supply; the Pakistan Electric Power Company estimates that monthly power generation falls short of demand by 20 percent.<sup>70</sup> In comparison Turkey has one electrical outage per month (data are lacking for India). Among the qualitative measures of infrastructure quality in the GCR, on the index for quality of electricity supply, Pakistan has by far the lowest score, of 2.2 (on an ascending scale of 1 to 7). This compares poorly to scores of 3.2 for India and 4.1 for Turkey, as well as the LMI average of 3.9. Moreover, the electricity index for Pakistan has fallen from 3.5 in 2006, reflecting its rapidly deteriorating supply situation (Figure 3-11).

Power subsidies, including the petroleum subsidy and cover for electricity tariff differentials, amounted to about 1 percent of GDP in 2007-2008.<sup>71</sup> In addition, controlled prices for electricity created critical financial problems for power companies, which built up huge circular debts. In the standby arrangement with the IMF in November 2008, the government agreed to phase out the subsidies and regularize electricity sector debts by June 2009. Political reality, however, prompted a delay in the subsidy removal to 2010-11, though tariffs are scheduled to increase gradually in fiscal 2009-10. Whether the new deadline will be met remains to be seen. The government has, however, addressed the circular debt problem by issuing government certificates to cover the debt of over Rs 100 billion, thereby injecting much-needed cash into the electricity production network.<sup>72</sup>

Water stress poses another severe infrastructure challenge. As one of the most arid countries in the world, with a rapidly growing population, Pakistan has faced an increasingly adverse demand-supply balance over the past few decades (see Demography and Environment, p. 16). Water availability per capita has declined drastically—from 5,650 cubic meters in 1951 to about 1,200 cubic meters in 2003—and is projected fall to 800 in 2025.<sup>73</sup> Moreover, the available water

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<sup>70</sup> Kalbe Ali, Electricity Shortfall exceeds 3000 MW, *Dawn*, July 14, 2009 (<http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/pakistan/12-electricity+shortfall+exceeds+3000mw--bi-14>)

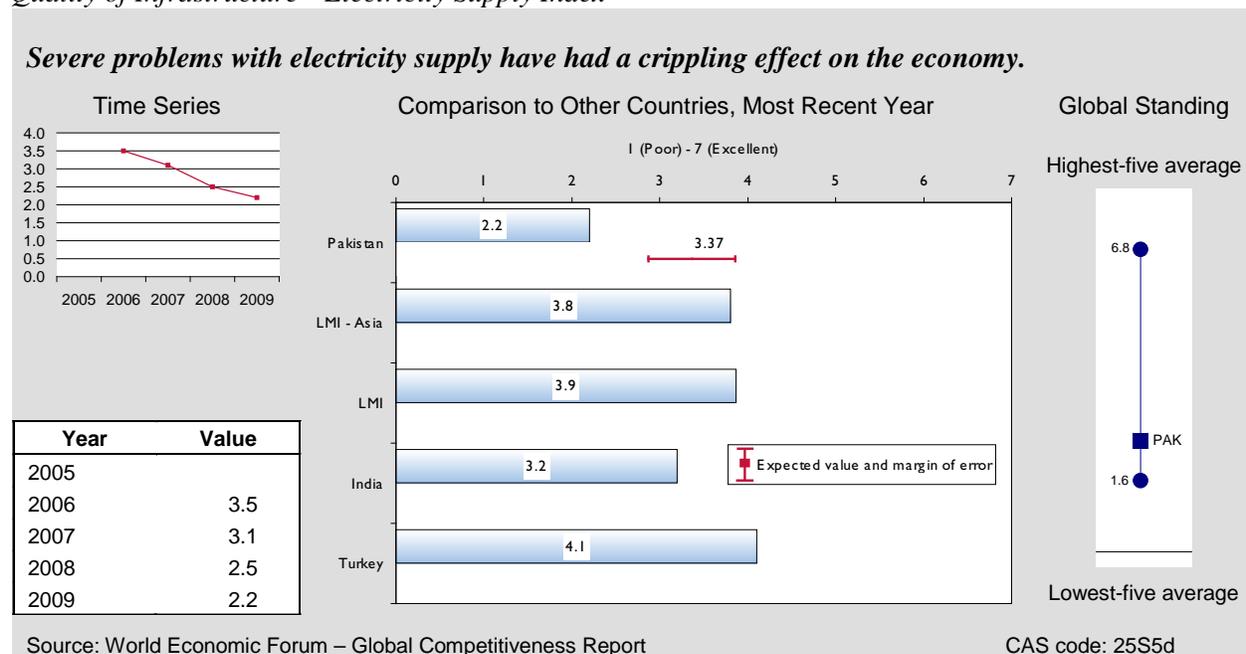
<sup>71</sup> Government of Pakistan, Poverty Reduction Strategy Paper II, p. 125

<sup>72</sup> [http://dailytimes.com.pk/default.asp?page=2009\09\20\story\\_20-9-2009\\_pg7\\_1](http://dailytimes.com.pk/default.asp?page=2009\09\20\story_20-9-2009_pg7_1)

<sup>73</sup> Government of Pakistan, Poverty Reduction Strategy Paper II, 2009, p.204.

supplies are inefficiently allocated and poorly managed on account of deteriorating water and irrigation infrastructure, along with market price distortions and poor irrigation practices and crop choices (see Agriculture), weaknesses whose consequences are likely to be exacerbated by global climate change.<sup>74</sup>

Figure 3-11

*Quality of Infrastructure—Electricity Supply Index*

On the positive side, several indicators show that Pakistan's transportation system is reasonably well developed for a lower-middle-income country. For example, 65.4 percent of the roads are paved, compared to 47.4 percent in India (though the data years differ) and the LMI median of 59.5 percent. Pakistan also performs moderately well on the WEF's index of road quality, based on a survey of executive perceptions, with a score of 3.7 (on an ascending scale from 1 to 7). This score is well above all of the international benchmarks other than Turkey's score of 3.9. By comparison, India's score on the road quality index is just 2.9. These indicators do not say much about the quality of road connectivity for Pakistan's rural population, though. A World Bank study found that only one-third of the rural population has access to paved roads.<sup>75</sup> Furthermore, there is a great deal of interprovincial variation, with Punjab most accessible and North-West Frontier Province the least accessible.

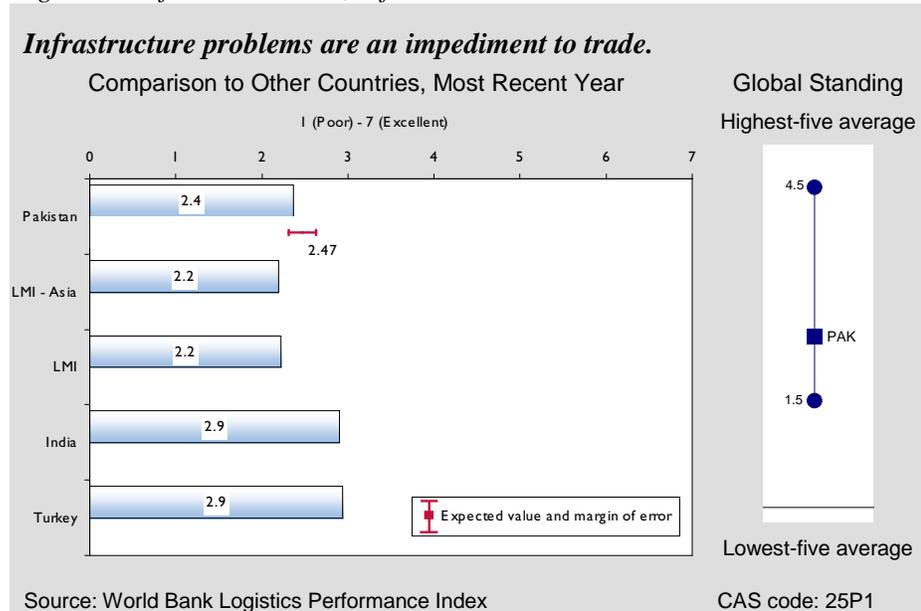
Other WEF infrastructure scores for Pakistan, covering the quality of ports (4.0) and air transport systems (4.5) are also very favorable by nearly all benchmark standards. The score for rail quality, however, is weak, at 3.1. One must bear in mind that these WEF scores are derived from surveys of business executives. An alternative view of the transportation system is provided by

<sup>74</sup> 'Pakistan's Food And Agricultural System', USAID, Washington DC, November 2008

<sup>75</sup> M.D. Essakali, Rural Access and Mobility in Pakistan: A Policy Note, Transport Notes, World Bank, December 2005, p. 3.

the infrastructure score from the World Bank's Logistics Performance Index (LPI).<sup>76</sup> On a five-point scale (with 5 the best), Pakistan's score is 2.4, compared to 2.9 in both India and Turkey. Pakistan does score slightly better than the LMI median of 2.2. Of 150 countries covered by the index, Pakistan ranks 71st, with India ranking 42nd and Turkey 39th (Figure 3-12).

Figure 3-12  
*Logistics Performance Index, Infrastructure*



The government has embarked on initiatives to address the trade logistics problems. The National Trade Corridor Investment Program (NTCIP) initiated in 2005 in partnership with the World Bank and the ADB is aimed at improving the trade and transport logistics chain along the country's north-south corridor. Early benefits from this program have already emerged as port dwell times and customs clearance times have decreased, and inventory management has become more effective.<sup>77</sup>

Finally, key indicators show that Pakistan is relatively well connected in telephone and Internet usage, compared to benchmark standards. Telephone density has mushroomed from 6.3 fixed and mobile lines per 100 people in 2004 to 55.7 lines in 2008, because of the rapid spread of cellular systems. Pakistan is now well ahead of India, which has a phone density of 33.8 lines per 100 people, and is far above the LMI-Asia average of 25.5 lines, as well as the expected value of 32.7 lines. In addition to stimulating communications and information flows, mobile phone penetration also creates a platform for reducing the cost of remittances from abroad, which have been growing rapidly (see External Sector) and expanding access to financial services for the poor (see Financial Sector). Internet use has also expanded rapidly, from 6.6 users per 100 people in 2004 to 11.1 users in 2008. Surprisingly, Pakistan is well ahead of India (7.2 users per 100 people) in

<sup>76</sup> The overall LPI is a composite of ratings for seven attributes of the logistics network for trade and transport ([www.worldbank.org/lpi](http://www.worldbank.org/lpi)).

<sup>77</sup> Government of Pakistan, 2009. Poverty Reduction Strategy Paper II, p. 212.

this respect, as well. The Internet score is also well above the LMI median of 8.6 users and the expected value of 6.6 users. Turkey, however, has a far more developed communications system, with 112.7 telephone lines and 33.1 Internet users per 100 people.

To summarize, the country's infrastructure development is markedly lopsided, with transportation systems performing reasonably well and communications showing impressive growth, alongside a state of crisis for the power and water infrastructure. The government needs to continue its good work in the first two areas while focusing on the politically difficult but unavoidable task of reforming tariffs and subsidies in the power sector and pursuing structural reforms and massive physical and human capital investments in the water sector, in tactful cooperation with its Indus River basin partner, India.

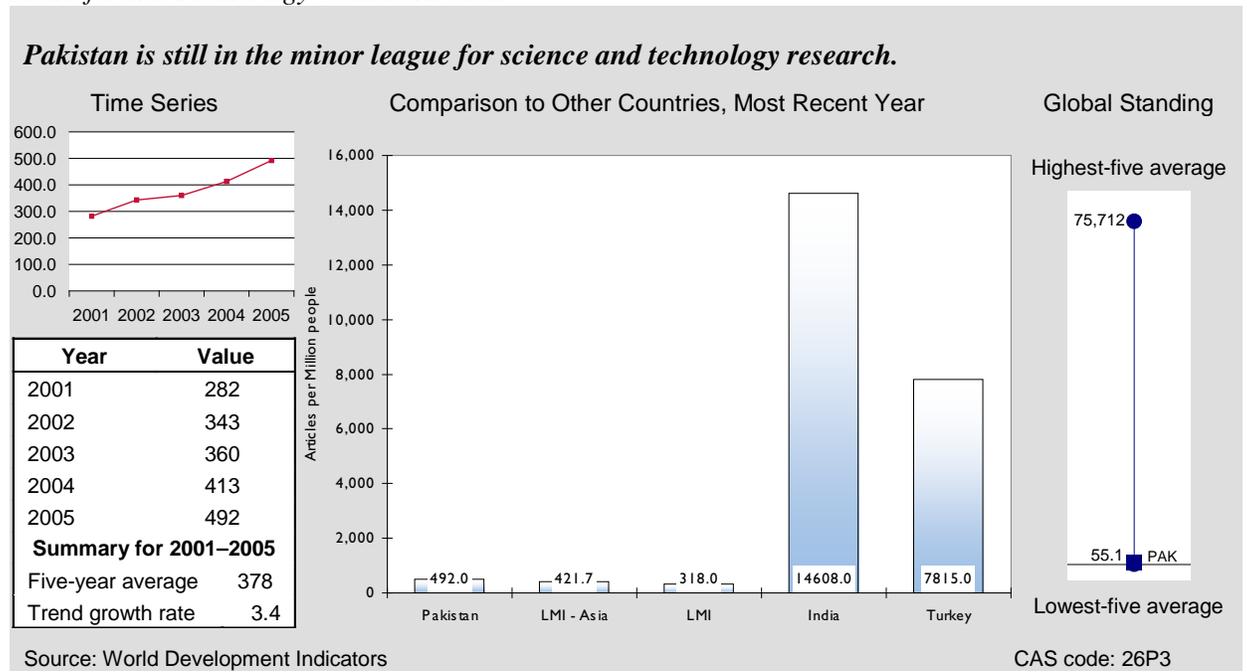
## SCIENCE AND TECHNOLOGY

Technical knowledge is a driving force for increasing productivity and improving competitiveness. Even for lower-income countries like Pakistan, successful development increasingly depends on acquiring technology through the global economy and adapting it to local needs. The ability to access and use technology helps an economy benefit fully from globalization. Unfortunately, few international indicators of any substance are available for low-income or lower-middle-income countries. Hence, it is necessary for this report to draw inferences from a limited set of proxies.

The available data suggest that Pakistan has relatively good capacity for innovation, for a country of its level of development, though the political and security environment impose obstacles to attracting technology-intensive investments. The GCR Technology Transfer Index gauges the degree to which FDI brings new technology into an economy, on a scale of 1 (poor) to 7 (excellent). Pakistan had a very strong score of 5.0 in 2007, but it dropped to 4.4 in 2009. This is undoubtedly related to the sharp decrease in FDI in 2009. Pakistan's performance on the availability of scientists and engineers indicator has also declined, from 4.3 in 2006 to 3.9 for 2009. The latter value is lower than the LMI and LMI-Asia benchmarks of 4.3 and India's score of 5.6. Turkey has a surprisingly low score of 4.4 on this indicator, evidently because executives doing business in Turkey have European standards in mind.

A third GCR rating, for intellectual property rights protection, tells a similar story, with Pakistan's score declining from a high of 3.6 in 2007 to just 3.0 for 2009, lower than all benchmarks except for Turkey's value of 2.7 (again, presumably driven by comparison to EU standards). The combination of domestic economic turmoil and global economic downturn, with its associated reduction in FDI flows to developing countries, has clearly had a negative effect on the science and technology indicators for Pakistan. If the recent rebound in FDI inflows is sustained, the opportunities for importing scientific and technological innovation should recover as well. The absorption of technology, however, may be limited, as indicated by the production of science and technology journal articles per million population. Pakistan's score of 492 for this indicator (for 2005, latest data) exceeds the global LMI median of 318, but that is a very low standard. India, by comparison, produced more than 14,000 such technical articles per million people, while Turkish science and technology researchers produced nearly 8,000 technical articles per million people (Figure 3-13). Pakistan's weak standing in science and technology is also suggested by the low tertiary enrollment rate (see Education, p. 44).

Figure 3-13  
*Scientific and Technology Journal Articles*



# 4. Pro-Poor Growth Environment

This section reviews the conditions and performance in areas that are especially important for poverty reduction. Rapid growth itself can be powerful instrument for reducing poverty and strengthening political stability, but growth without broad-based development can intensify inequality and breed political fractures. A pro-poor growth environment stems from policies and institutions that improve opportunities and capabilities for the poor while reducing their vulnerability by improving livelihoods, building assets, and enhancing mechanisms to cope with shocks. To achieve these objectives, effective programs are needed to improve primary health and education, stimulate job creation, upgrade labor market skills, and promote agriculture and rural development.

## HEALTH

The provision of basic health services is a major form of human capital investment and a significant determinant of economic growth performance and poverty reduction. On some important health indicators, Pakistan's performance is extremely low relative to regional and international benchmarks.

On the supply side, health services are insufficient, inefficient, and inequitable. Pakistan has just 8 doctors and 12 hospital beds per 10,000 people.<sup>78</sup> This is below the LMI average of 10 doctors and 15 hospital beds per 10,000 people.<sup>79</sup> Inefficiencies stem from a scarcity of nurses, paramedics, and skilled birth attendants; unmotivated health workers; weak governance; and poor implementation of regulations.<sup>80</sup> Inequality of services is prevalent across regions, gender, and income strata. For example, Sindh and Punjab have markedly better health services than the North-West Frontier Province and Balochistan. Infant mortality (deaths before the age of 1 per 1,000 live births) is 79 in rural Pakistan, compared to 45 in urban areas.<sup>81</sup>

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<sup>78</sup> Health statistics available at [www.who.int](http://www.who.int)

<sup>79</sup> World Health Statistics 2009, Geneva, p. 104

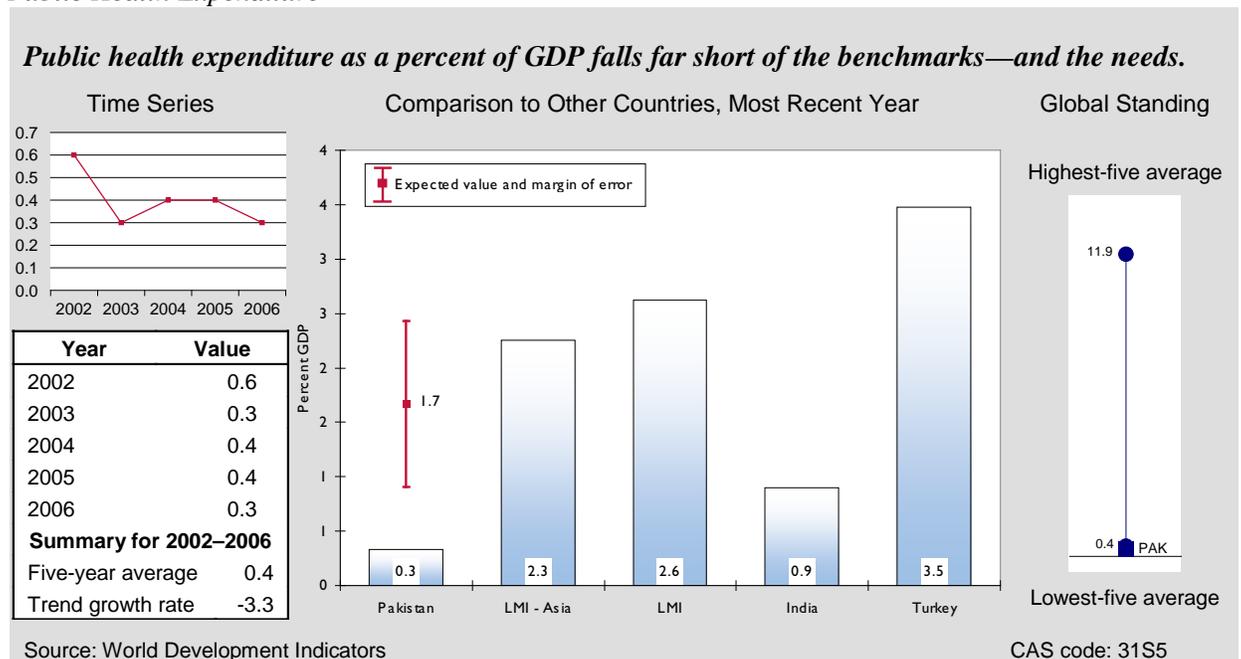
<sup>80</sup> Government of Pakistan, 2009. Poverty Reduction Strategy Paper II, World Bank. p.170.

<sup>81</sup> Government of Pakistan, Pakistan Social and Living Standards Measurement Survey 2007-08, Federal Bureau of Statistics,

On the demand side, cultural norms and social attitudes prevent many people, especially women, from seeking health solutions when they need them, or lead them to unqualified providers. Poor education for women contributes to poor health for the women and their children. And of course, life in poverty is directly detrimental to health, because the poor lack resources to spend on health care or proper sanitation.

Pakistan has one of the lowest levels of expenditure on health in the region. Total health expenditure is about 2 percent of GDP, out of which the government's share is about one-third, or 0.6 percent of GDP.<sup>82</sup> This is below India's remarkably low figure of 0.9 percent and far less than the global LMI median of 2.6 percent of GDP. The figure for Turkey is 3.5 percent, on a much higher level of GDP. For countries like Pakistan, the WHO recommends that government should spend 1.4 percent of GDP on health care, more than double Pakistan's current amount.<sup>83</sup> The remaining two-thirds of health spending in Pakistan comes from private sector sources as an out-of-pocket cost to the patient, imposing a high burden for the poor (Figure 4-1).

Figure 4-1  
*Public Health Expenditure*

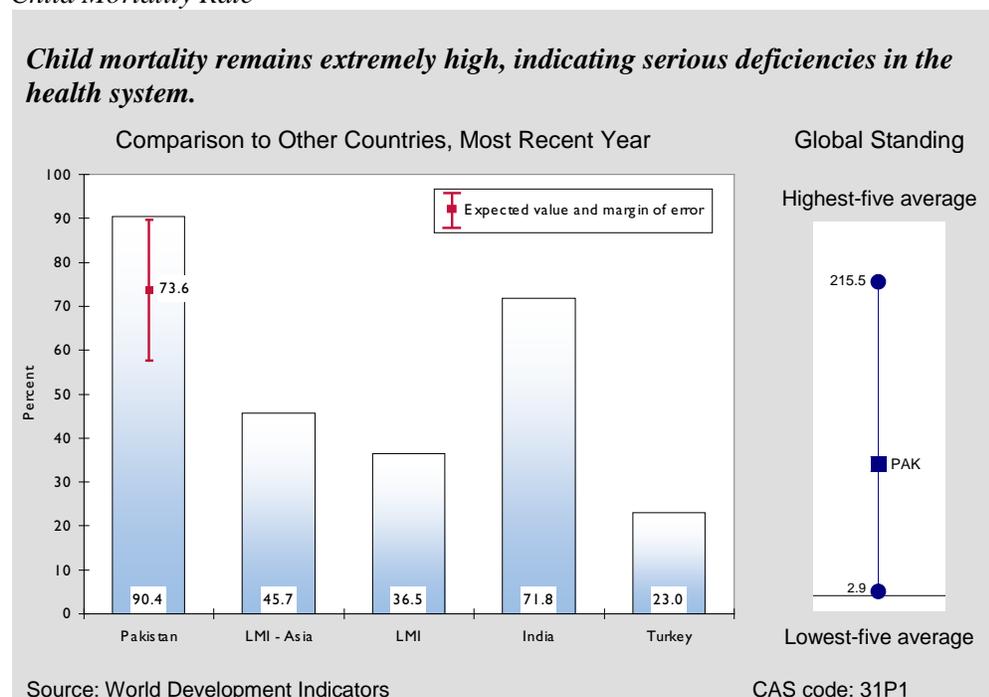


Together, these factors contribute to poor performance on all indicators for child and maternal health and communicable and noncommunicable diseases. The infant mortality rate was cited above; Pakistan's child mortality rate (referring to deaths among children under five) is 90.4 per 1,000 live births, compared to India's rate of 71.8 deaths per 1,000 live births and a global average of 36.5 deaths for LMI countries (Figure 4-2).

<sup>82</sup> Ministry of Health, Government of Pakistan, Final Draft: National Health Policy, 2009, available at [www.moh.gov.pk](http://www.moh.gov.pk)

<sup>83</sup> Ibid., p.15.

Figure 4-2  
*Child Mortality Rate*



The maternal mortality rate (per 100,000 live births) is 320 in Pakistan, where only about half of births are attended by skilled health practitioners, partly because of social strictures against such a practice.<sup>84</sup> As a result, 62 percent of babies are delivered at home, where the attendance of trained health workers and good hygiene is problematic. Prenatal and postnatal care of women is also weak in Pakistan, with only about 56 percent of pregnant women receiving prenatal consultation.<sup>85</sup> Women in India, though, suffer an even higher mortality rate at childbirth, of 450. Both countries perform far worse in this respect than the global average of 215 for LMI countries. In Turkey, health conditions are far superior, with a child mortality rate of 23 and a maternal mortality rate of 44.

Two common sources of ill health outcomes are poor sanitary conditions and unclean water. Pakistan has been improving its performance on these two counts. With 58 percent of the people having access to improved sanitation, Pakistan has done surprisingly well compared to most international benchmarks for countries at a similar income level. The corresponding figure for India is 28 percent, and the LMI-Asia median is 52 percent. Turkey, again, is far ahead with an access rate of 88 percent. Pakistan has performed especially well in providing 90 percent of its population with access to cleaner water, compared to 89 percent in India, 97 percent in Turkey, and an LMI median of 84 percent. The government has clearly been serious about providing water for household use, through a strategy of community-owned and locally driven management and maintenance of water supply systems.

<sup>84</sup> World Health Organization, Pakistan: Country Cooperation Strategy, April 2006,

<sup>85</sup> Pakistan Social and Living Standards Measurement Survey 2007-08, Federal Bureau of Statistics, Government of Pakistan

Faced with glaring deficiencies in health outcomes, the Pakistani government has expressed a serious commitment to tackling health problems through a variety of approaches such as the Lady Health Worker (LHW) program, a model in which local community workers provide health assistance to a group of villages. There are over 95,000 LHWs, including 75,000 in remote rural areas.<sup>86</sup> The country still requires a more comprehensive health strategy, however, along with a substantial increase in the budget allocation for basic health services. Another requirement for improving health outcomes is a coordinated approach to reducing illiteracy, especially among women. Ultimately, of course, improvement in health is linked to economic growth and poverty reduction, as shown by Turkey's example.

## EDUCATION

Along with health, education is a fundamental investment in human capital and a vital input for achieving pro-poor growth. This investment is especially important for a country like Pakistan, where rapid expansion of the education system is needed just to accommodate the young and rapidly growing population (see Demography and Environment, p. 16).

In recent years the government has met with some success in improving access to education, particularly for girls. The net primary enrollment rate, a key indicator, increased in just three years from 58.5 percent in 2003 to 65.6 percent in 2006 (latest data). Despite the gains, overall primary enrollment rates remain very low relative to all the international benchmarks, including the LMI median of 88.7 percent, India's enrollment rate of 88.7 percent, and Turkey's 92.3 percent. India and Turkey also have all but eliminated the gender gap in primary enrollment, with disparities of less than 4 percent. One troubling result of low enrollment is that only 69.7 percent of youths (age 15 to 24) are literate, compared to an expected value 84.8 percent and youth literacy rates of 82.1 percent for India and 96.4 percent for Turkey (Figure 4-3). Widespread youth illiteracy hinders efforts to reduce poverty; for men, in particular, it may also contribute to militancy and insurgency.

Pakistan's secondary and tertiary enrollment rates have also been improving markedly, from very low levels. The net secondary enrollment rate increased from 26.2 percent in 2003 to 32.2 percent in 2007, and the gross tertiary enrollment rate doubled from 2.5 percent in 2003 to 5.1 percent in 2007. But Pakistan still lags behind the expected values for secondary and tertiary enrollment of 43.0 percent and 11.2 percent, respectively, as well as the corresponding LMI median values of 51.4 percent and 16.0 percent. India's tertiary enrollment rate of 11.8 percent is also below the median, but still more than double Pakistan's rate.<sup>87</sup> As an upper-middle-income country, Turkey has achieved far superior results, with a secondary enrollment rate of 69.5 percent and a tertiary enrollment rate of 34.6 percent.

By focusing on Millennium Development Indicators, the world community has emphasized the need to improve access to schooling. But the quality of education is at least as important to successful economic performance in the modern world. Unfortunately measuring the quality of

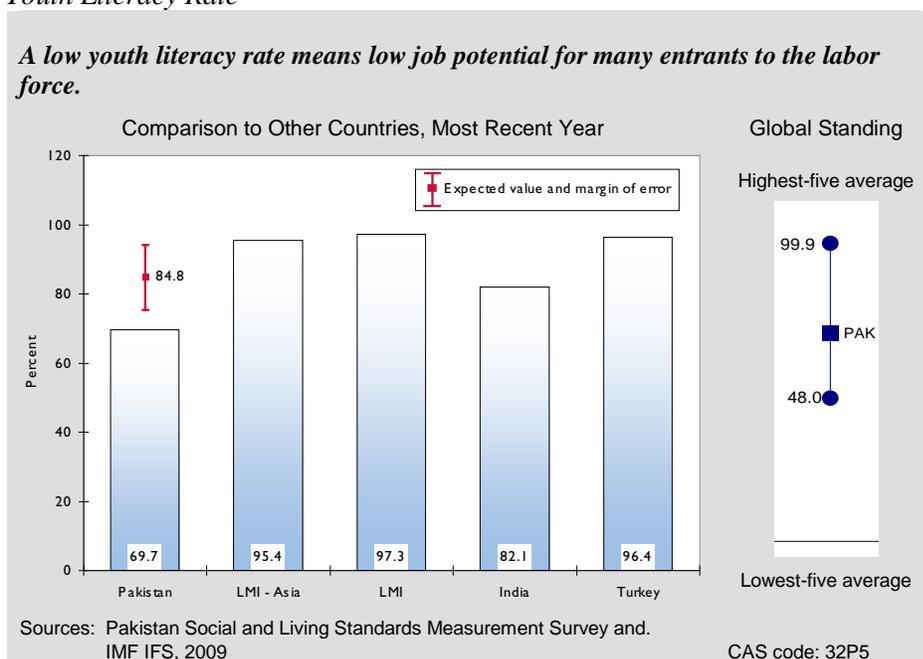
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<sup>86</sup> Annual Report of Department for International Development, 2009, p.2

<sup>87</sup> International data sources do not report net secondary enrollment rates for India.

education in Pakistan is difficult, because the government of Pakistan does not participate in international standardized exams. One rough indicator of quality is the share of government expenditure for education. Between 2000/01 and 2006/07, Pakistan increased spending on education substantially, from 1.8 percent of GDP to 2.5 percent, but the budget allocation for education declined to 2.1 percent of GDP in 2008/09. Even this figure is well above the LMI median of 1.6 percent, however, and much higher than India’s 1.2 percent. Given the effort to expand access to education, however, this investment has not been sufficient to prevent a rise in the pupil-teacher ratio in primary schools to 39.0 in 2006 (latest data), which may be an indication that quality is declining. The number of pupils per teacher is well above the expected value of 32.1 for Pakistan, though similar to India’s 40.2 pupils per teacher.

Figure 4-3  
Youth Literacy Rate



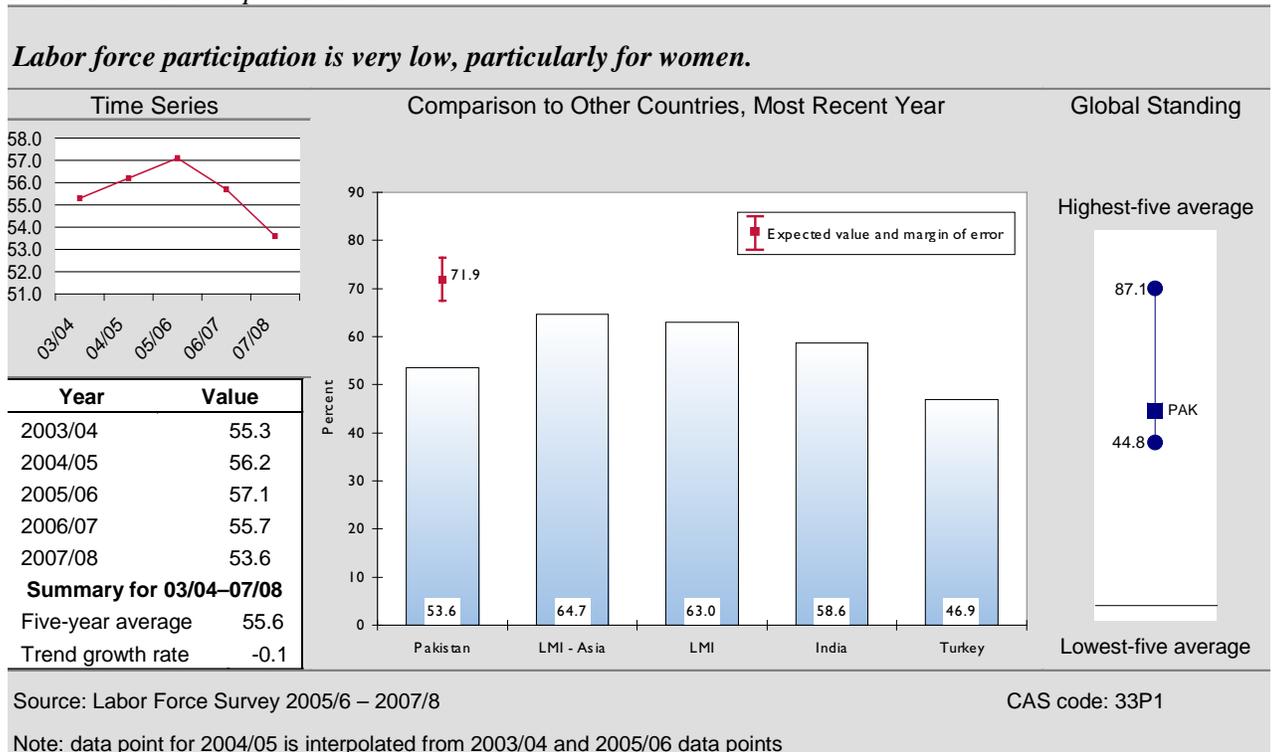
In summary, these figures indicate that Pakistan has made impressive recent progress in raising enrollment rates for basic schooling, yet more resources are needed throughout the system to improve education opportunities for the growing labor force. Educating girls and women is particularly important, as is ensuring persistence in school for all children to increase literacy rates among the next generation and thus reduce the potentially destabilizing effects of high unemployment among uneducated youths. As the government expands access to education, however, it must also pursue measures to maintain and improve quality.

## EMPLOYMENT AND WORKFORCE

The most important mechanism for delivering economic benefits broadly in a fragile or conflict-prone state is to provide earning opportunities, whether through formal jobs, informal activities, or self-employment. Job creation is thus a paramount concern for short-term stability and long-term development.

In Pakistan, the overall labor force participation rate of 53.6 percent for 2007/8 is very low compared to most international benchmarks, including the LMI-Asia median of 64.7 percent.<sup>88</sup> As discussed in Gender and Children (p. 18), the female participation rate, at 19.6 percent in 2007/8, is less than one-third the 69.5 percent rate for males (Figure 4-4).<sup>89</sup> Labor force participation is also very low in India, at 58.6 percent (2007) and especially in Turkey, at 46.9 percent (2008); here too, the main reason is the extremely low presence of women in the labor force. Improved access to education and job opportunities for women would expand the supply of labor and increase the potential for growth and poverty reduction, in combination with other measures to foster private sector development, as discussed in other sections of this report.

Figure 4-4  
*Labor Force Participation Rate*



According to the most recent labor force survey, for 2007/08, the official unemployment rate for young workers (age 15 to 24) has been remarkably low, at just 6.9 percent for males and 7.6 percent total.<sup>90</sup> The low unemployment rate may be partially explained by the low level of labor

<sup>88</sup> Differences in included ages make international comparisons difficult. Pakistan's labor force participation rates are based on population aged 10 and up, while Turkey's and international benchmarks are based on population aged 15 up.

<sup>89</sup> Labor Force Survey 2007 – 2008, Federal Bureau of Statistics, Statistics Division, Government of Pakistan, December 2008

<sup>90</sup> Unemployment rates (age 15-24) are estimated from data for age groups 15-19 and 20-24, reported in the Economic Survey – Population, Labor Force and Employment 2008-09, Ministry of Finance, [http://www.finance.gov.pk/finance\\_survey\\_chapter.aspx?id=21](http://www.finance.gov.pk/finance_survey_chapter.aspx?id=21). No recent data on the unemployment rate is available for India.

force participation, particularly for women, but also by the fact that many workers are engaged in low-productivity farming (see Agriculture) or informal sector activities. Indeed, the 2007/08 labor force survey found that the nonagricultural informal sector accounted for 40.3 percent of total employment. This figure represents 71.5 percent of the nonagricultural labor force (see Economic Structure), implying that only 28.5 percent of nonagricultural workers have formal-sector jobs. Another reason for the low unemployment rate is the simple fact that when folks are very poor they must find something to do to put food on the table; even if these are part-time activities with very low wages and productivity, the workers show up in the statistics as employed.

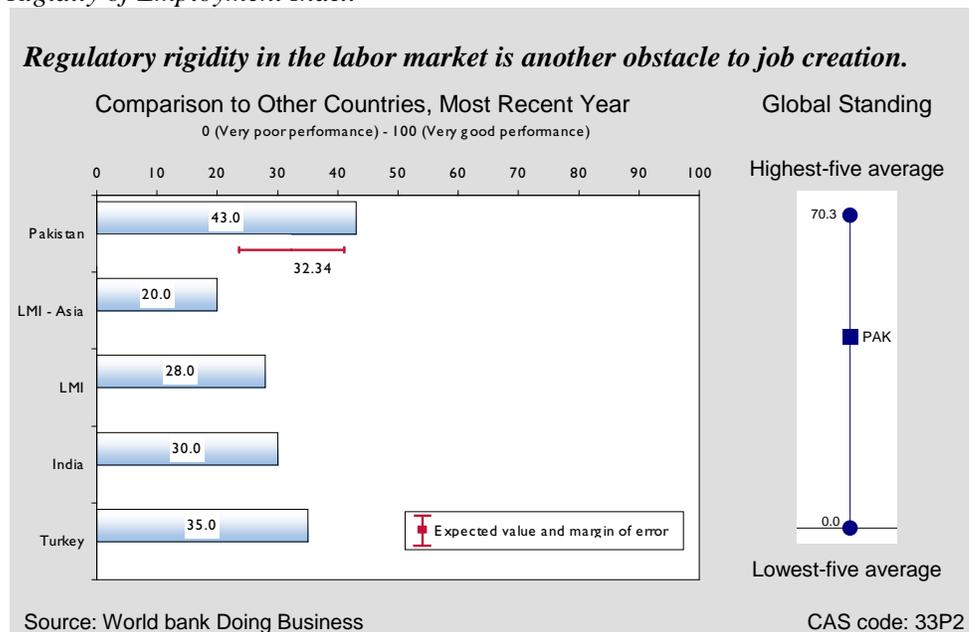
Over the five-year period ending with fiscal 2007/08, labor force growth averaged 3.4 percent per year.<sup>91</sup> The fact that GDP growth averaged 5.8 percent for the period indicates strong growth in labor force productivity—2.4 percent per year. The labor force growth rate fell to 2.8 percent in 2007/08, but the underlying demographic conditions ensure a rapid influx of new job seekers for the foreseeable future, particularly if there is an improvement in labor force participation. Taking into consideration the growth in both demographics and productivity, strong GDP growth is clearly essential to create enough new jobs to keep unemployment rates low.

As in many other countries, regulatory rigidity in the labor market in Pakistan impedes job creation. A fluid workforce is essential for economic growth by allowing workers to move into jobs with higher productivity (see Economic Structure) and employers to react to changing business conditions. The World Bank's Doing Business index for Rigidity of Employment scores each country on the ease with which employers can engage and release workers, on a scale of 0 to 100, with 100 representing maximum rigidity. Pakistan's rigidity index of 43 (from the 2010 Doing Business report) is higher (worse) than all the benchmarks (Figure 4-5). The main reasons for Pakistan's poor score are the high cost of redundancy (85.7 weeks of salary) and regulatory impediments to hiring new workers. India and Turkey have better rankings, of 30 and 35 respectively, while the LMI median is lower still at 28. Legal and regulatory reforms to reduce barriers to hiring and firing are therefore an important element in stimulating job creation in the modern sector and facilitating a more productive reallocation of labor resources.

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<sup>91</sup> Labor force growth rates estimated from Labor Force Survey 2001-02, 2003-04, 2005-06, 2006-07 and 2007-08, Federal Bureau of Statistics, Statistics Division, Government of Pakistan

Figure 4-5  
*Rigidity of Employment Index*



## AGRICULTURE

Agriculture is key to a healthy Pakistani economy. The sector accounts for 21 percent of GDP, 44 percent of the labor force, and 70 percent of exports (directly or indirectly, after transformation into textiles and garments). Pakistan's large agricultural sector has generally performed well in providing food and fiber for the expanding population, with just 106 hectares of cropland per 1,000 people, compared to 132 hectares for India and 167 hectares for Turkey.<sup>92</sup>

According to the Census of Agriculture 2000 (latest data), the total number of farms (by ownership holding) is about 6.3 million, with an average farm size of 3.2 hectares. Small farms (under 5 hectares) account for 86.2 percent of the holdings and cover 38.5 percent of the area, while 7.8 percent of the holdings are of medium size (between 5 and 10 hectares), covering 16.2 percent of the area. About 6 percent of the farms are larger operations, covering 45.3 percent of the farm area. The major crops are wheat, rice, and cotton, though their relative share of value added is declining in favor of livestock and higher-value crops such as fruits, vegetables, oilseeds, and sugar cane. Contract farming, a relatively recent innovation, is more important in maize than other grains. Sophisticated private agribusiness firms have grown in recent years to provide inputs to the farm sector and to process and distribute the output.<sup>93</sup>

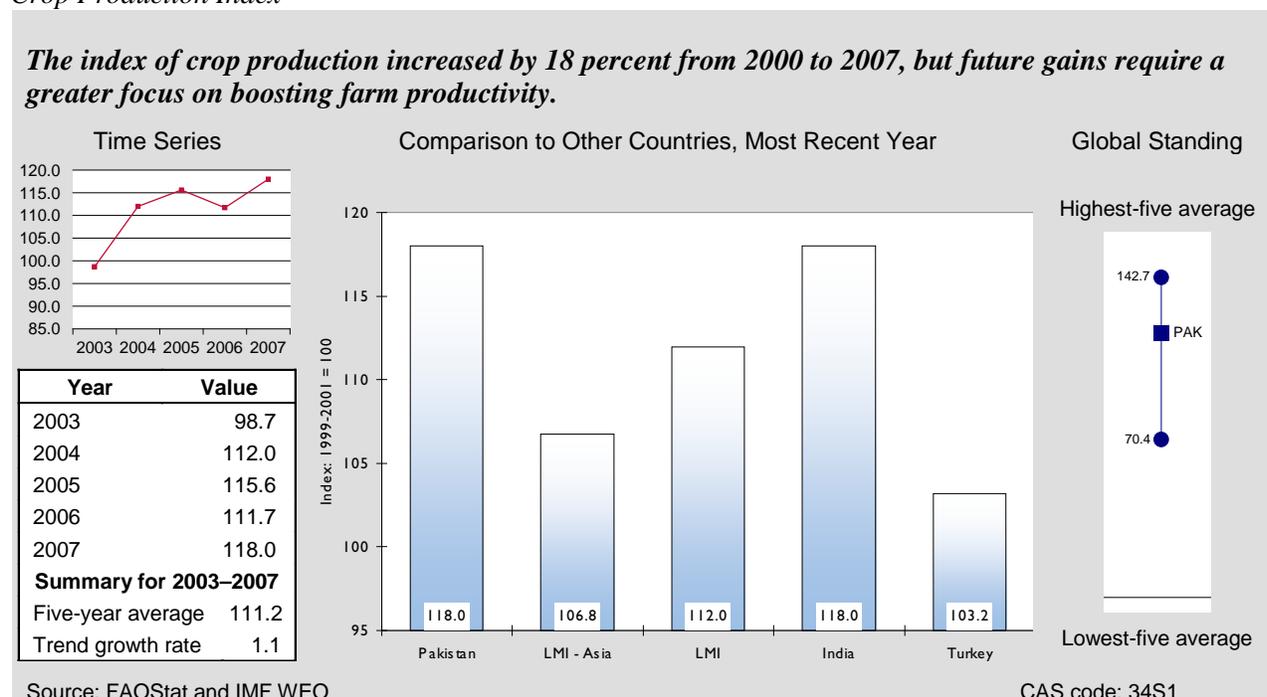
Between 2003 and 2007 (latest aggregate data), the FAO index of crop production increased at an average rate of 4.5 percent per year (at constant international prices), reflecting the shift to higher-value crops as well as changes in output. Most of the increase, however, occurred as a

<sup>92</sup> Cropland data from: <http://www.iwmigiam.org/stats/> .

<sup>93</sup> Much of the information and data in this section is drawn from Nathan Associates' report to USAID on Pakistan's Food and Agriculture Systems, November 2008.

jump in 2004, so the underlying trend rate of growth is just 1.1 percent per year over this period (Figure 4-6). The index value of 118 for 2007 shows that output was 18 percent higher than the three-year average for 1999 to 2001. This increase represents an average growth rate of 2.4 percent per year—slightly above the rate of population growth. The increase in crop output over this period equals that in India, while both countries have done better than the LMI median increase of just 12 percent since 1999-2001.

Figure 4-6  
Crop Production Index



This growth has come mainly from an increase in the cultivated area rather than from rising productivity. As one of the most arid and populous countries in the world, with an average of about 11 inches of rain per year, Pakistan relies on the world’s largest contiguous irrigation system to water over 85 percent of the crop area. The spread of tube wells, particularly in Punjab province, has supported an increase in crop area and output. Between 1990/91 and 2006/07 (latest data), the area under food crops increased from 11.9 million hectares to 13.1 million hectares, an increase of 9 percent, while the (smaller) area devoted to oilseeds, vegetables, and fruits expanded by 60 percent.<sup>94</sup> Pumping, however, has led to falling water tables and increasing salinity of some aquifers (which are recharged principally through losses from the canal system, not rainfall), raising concerns about the sustainability of current levels of groundwater extraction (see Demography and Environment).

Although Pakistan benefited greatly from the “green revolution” of the 1980s, grain yields have grown only slowly in the past decade and are now below the region norms, and far below levels

<sup>94</sup> Agricultural Statistics of Pakistan 2006/07, Table 62.

achieved in developed countries.<sup>95</sup> Output per worker in the sector for 2005 (latest data) was the equivalent of US\$717. Although this exceeded the LMI-Asia median of \$595 as well as the output per worker of \$402 for India, this measure of productivity has grown very slowly, at 0.9 percent per annum over the last five years for which data are available. As seen earlier, labor productivity in agriculture is also very low relative to other sectors of the economy, though this trait is shared by most developing countries (see Economic Structure, p. 14).

The sharp run-up in international grain prices in 2008 cast into sharp relief serious flaws in Pakistan's agriculture sector policies. Historically, the wheat procurement price (at which the state purchases grain) has been held down to reduce the price of flour consumed by the large urban population. The discount has usually been 10–20 percent of import parity prices; in most years, though, imports have been minimal. In 2008 the government allowed the differential to rise to almost 50 percent at the height of the spike in grain prices, leading to a cascade of smuggled exports, dependence on costly imports to make up for smuggling, rising unofficial prices, and overall difficulty of the public sector to procure the required amounts of grain at the official procurement price. The market interventions also led to fertilizer shortages as farmers scrambled to increase output in response to the higher unofficial prices. The government response included bans on interprovincial shipments, arbitrary distribution of publicly procured wheat to flour mills, and rising flour prices notwithstanding attempts to control them.

The wheat crisis of 2008 was resolved by a combination of falling international grain prices and higher domestic procurement prices, but the prevailing wheat procurement policy clearly introduces distortions to the market. The ebbing of the crisis should not obscure the lingering threat and persistent disincentive to investment in wheat production. Nor should it distract attention from other long-term requirements to develop the sector, even if the pernicious intervention in wheat, seed, and fertilizer marketing were overcome. One requirement is to improve the capacity of Pakistan's public sector to devise more successful agricultural development policies and provide an appropriate regulatory and institutional environment for private investment and productivity growth. Many of the problems in agriculture can also be traced to low public investment in rural infrastructure, agricultural education, research, and knowledge dissemination. Rural roads are poor, facilities for land titling and transfer are weak, the introduction of new seeds and plant varieties has been sluggish, and investment in agricultural research in 2003 was just half the level achieved in the early 1990s.<sup>96</sup> The collection of agricultural data has also deteriorated, and the capacity to use data for sector planning is poor.

By far the biggest long-term challenge facing agriculture in Pakistan is water. Over 79 percent of Pakistan's cultivated land is irrigated, compared to 67 percent for India and only 14 percent for Turkey.<sup>97</sup> Underpricing of water and other distortionary policies have encouraged the growth of water-intensive crops such as sugar cane, to the detriment of sugar beet, grains, and oilseeds. Water storage, management, and use must be improved for the agriculture sector and the rural economy more broadly to continue expanding. The scope for increasing cropland by increasing

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<sup>95</sup> Nathan Associates, op. cit., p. 8.

<sup>96</sup> Op. cit., p. 81.

<sup>97</sup> <http://www.iwmigiam.org/stats/>

the irrigated area is coming to an end, because in the future withdrawing more water from the Indus system will be impossible. Global climate change will probably reduce the effective availability of the system's resources as glacier retreat and more uncertain rain and snowfall increase seasonality of flows, creating even greater need for the country's inadequate water storage systems.

In the face of these serious problems, Pakistan's international partners can play a useful role by assisting in the long-term development of agriculture in a number of ways. These include helping the government define market-supporting policies for sustainable agriculture and enhancing public awareness of the challenges facing the sector; supporting capacity building in agronomic research, knowledge dissemination, agricultural data collection and analysis, and education in agricultural economics; strengthening systems for weather forecasting, hydrology, and climate data collection, analysis, and modeling; developing and implementing sustainable water use policies, small hydrostorage systems, and feasibility studies for large-scale water management; and last but not least, investing in rural roads.



# Appendix A. CAS Methodology

## CRITERIA FOR SELECTING INDICATORS

The economic performance evaluation in this report is designed to balance the need for broad coverage and diagnostic value on the one hand and the requirement of brevity and clarity on the other. The analysis covers 15 economic growth–related topics and approximately 100 standard indicators, supplemented by additional country-specific data and information. For the sake of brevity, the write-up in the text highlights issues for which the “dashboard lights” appear to be signaling problems, which suggest possible priorities for USAID intervention. The accompanying table provides a full list of the standard indicators examined for this report. The Data Supplement (Appendix B) contains the complete data set for Pakistan, including data for the benchmark comparisons, and technical notes for every indicator.

The first level identifies critical constraints by examining a limited number of primary indicators that address the questions: Is the country performing well or not in each area? How do the conflict conditions create obstacles to economic growth? What are the economic performance obstacles to peace? In addition, some Level I indicators are descriptive variables such as per capita income, structure of the labor force, and the occurrence of youth bulge. When Level I indicators suggest weak performance, we review a limited set of diagnostic supporting indicators. Level II indicators reflect constraints or determinants of performance outcomes or provide additional detail to help diagnose the problems.<sup>98</sup>

The standard indicators have been selected on the basis of the following criteria. Each must be accessible through USAID’s Economic and Social Database or convenient public sources, particularly on the Internet. They should be available for a large number of countries, including most USAID client states, to support the benchmarking analysis. The data should be sufficiently timely to support an assessment of country performance that is suitable for strategic planning purposes. 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. 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 two indicators provide similar information, preference is given to one that is simplest to understand or most widely used. 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

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<sup>98</sup> The distinction between Level I and Level II indicators is not always clear-cut. In many cases, finding readily available discerning and broadly applicable diagnostic indicators is difficult.

the income share because it is simpler and more sensitive to changes. For some particularly important indicators, we apply these criteria loosely because of a lack of data on conflict and post-conflict countries.

## BENCHMARKING METHODOLOGY

Comparative benchmarking is the main tool used to evaluate each indicator. The benchmarking analysis draws on several criteria, all related to post-conflict and neighboring situations.

- **Income-region.** Variables are also examined against the median of countries in the same region and income group (using the World Bank's classification of income groups).
- **Regression benchmarks:** A second source of benchmark values uses statistical regression analysis to establish an expected value for the indicator, controlling for income and regional effects. 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 the quantification of the margin of error and establishment of 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.<sup>99</sup>

When possible, time-series data for the past five years are examined to get the values and the five-year average growth rate. In interpreting the indicators, the most recent value, the multiyear average, or growth rates can be examined. In most cases, however, this time analysis is not possible because of data limitations.

Finally, when relevant, Pakistan's performance is weighed against absolute standards. For example, a double-digit inflation rate is a sign of macroeconomic problems, regardless of the regional comparisons or other benchmark results.

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<sup>99</sup> 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 percent of the observations should fall outside the normal range on the side of poor performance (and 25 percent 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.

## CAS INDICATORS

Indicator	Level <sup>a</sup>	MDG, MCA, EcGov, CAS std <sup>b</sup>
<b>Conflict and Instability Risk</b>		
Failed State Index score	I	
Episode of significant violence, highest magnitude in previous 10 years	I	
Type of conflict, highest magnitude in previous 10 years	I	
Magnitude of societal-systemic impact, highest magnitude in previous 10 years	I	
Disarmament, demobilization and reintegration	II	
Human Rights Index	II	
Refugees and IDPs per capita	II	
<b>Economic Growth</b>		
Per capita GDP, \$PPP	I	CAS std, I
Real GDP growth	I	CAS std, I
Gross fixed investment, percent GDP	II	CAS std, II
<b>Poverty and Inequality</b>		
Income share, poorest 20 percent	I	CAS std, I
Population living on less than \$1 PPP per day	I	MDG CAS std, I
Population living below national poverty line	I	MDG CAS std, I
Human Poverty Index	I	
Population below minimum dietary energy consumption	II	MDG CAS std, II
<b>Economic Structure</b>		
Output structure	I	CAS std, I
Labor force structure	I	CAS std, I
Adjusted savings: energy depletion, percent GNI	II	
Adjusted savings: mineral depletion, percent GNI	II	
<b>Demography and Environment</b>		
Adult literacy rate	I	CAS std, I
Youth dependency rate	I	CAS std, I
Youth bulge	I	
Environmental performance index	I	CAS std, I
Population growth rate	I	CAS std, I
Rural population density	I	
Percentage of population living in urban areas	I	CAS std, I
Frequency and scope of natural disasters	II	
Net migration rate	II	
<b>Gender and Children</b>		
Gender empowerment measure	I	
Girls' primary completion rate	I	MCA CAS std, I
Gross enrollment rate, all levels of education, male and female	I	MDG CAS std, I
Life expectancy, male and female	I	CAS std, I
Labor force participation rate, male and female	I	CAS std, I
Internally displaced females, per capita	II	
Use of child soldiers, government and political groups	II	

Indicator	Level <sup>a</sup>	MDG, MCA, EcGov, CAS std <sup>b</sup>
<b>Macroeconomic Stability and Government Capacity</b>		
Govt. Effectiveness Index	I	
Govt. expenditure, percent non-oil GDP	I	EcGov CAS std, I
Govt. revenue, percent non-oil GDP	I	EcGov CAS std, I
Money supply growth	I	EcGov CAS std, I
Inflation rate	I	MCA CAS std, I
Overall govt. budget balance, including grants, percent non-oil GDP	II	MCA, EcGov CAS std, I
Interest payments and total govt. expenditure	II	CAS std, II
Subsidies and other current transfers and total govt. expenditure	II	CAS std, II
Institutional capacity	II	
<b>Business Environment</b>		
Control of corruption index	I	CAS std, I
Rule of law index	I	MCA, EcGov CAS std, I
Voice and accountability	I	
Ease of doing business index	I	EcGov CAS std, I
Time to start a business	II	MCA EcGov CAS std, II
Procedures to start a business	II	EcGov CAS std, II
Cost of starting a business	II	MCA EcGov CAS std, II
Time to enforce a contract	II	EcGov CAS std, II
Procedures to enforce a contract	II	EcGov CAS std, II
Cost to enforce a contract, percent claim	II	
Time to register property	II	EcGov CAS std, II
<b>Financial Sector</b>		
Domestic credit to private sector, percent GDP	I	CAS std, I
Interest rate spread	I	CAS std, I
Money supply, percent GDP	I	CAS std, I
Real Interest rate	II	CAS std, II
Banking sector default rates	II	
<b>External Sector</b>		
Aid , percent GNI	I	CAS std, I
Current account balance, percent GDP	I	CAS std, I
Debt service ratio, percent exports	I	MDG CAS std, I
Export growth of goods and services	I	CAS std, I
Foreign direct investment, percent GDP	I	CAS std, I
Gross international reserves, months of imports	I	EcGov CAS std, I
Present value of debt, percent GNI	I	CAS std, I
Remittance receipts, percent exports	I	CAS std, I
Concentration of exports	I	CAS std, II
Logistics Performance Index – customs	II	
Trade in goods and services, percent GDP	II	CAS std, I
Real effective exchange rate (REER)	II	EcGov CAS std, II
Country credit ranking	II	

Indicator	Level <sup>a</sup>	MDG, MCA, EcGov, CAS std <sup>b</sup>
<b>Economic Infrastructure</b>		
Logistics Performance Index – infrastructure	I	
Number of electrical outages (days)	I	
Telephone density, fixed line and mobile per 1000	I	CAS std, I
Internet users per 1000 people	II	MDG CAS std, I
Roads paved, percent total roads	II	CAS std, II
Percentage of households with access to electricity	II	
Overall infrastructure quality	II	EcGov CAS std, I
Quality of infrastructure— air, ports, railroads, electricity, and roads	II	CAS std, II
<b>Health</b>		
Child mortality rate (per 1000 live births)	I	
Maternal mortality rate	I	MDG CAS std, I
Life expectancy at birth	I	CAS std, I
HIV prevalence	II	CAS std, I
Access to improved sanitation	II	MDG CAS std, II
Access to improved water source	II	MDG CAS std, II
Prevalence of child malnutrition (weight for age)	II	CAS std, II
Public health expenditure, percent GDP	II	MCA, EcGov CAS std, II
<b>Education</b>		
Net primary enrollment rate	I	MDG CAS std, I
Net secondary enrollment rate	I	CAS std, I
Gross tertiary enrollment rate	I	CAS std, I
Primary completion rate	I	MDG CAS std, I
Youth literacy rate	I	CAS std, I
Education expenditure, primary, percent GDP	II	MCA, EcGov CAS std, II
Pupil-teacher ratio, primary school	II	CAS std, II
<b>Employment and Workforce</b>		
Labor force participation rate	I	CAS std, I
Rigidity of employment index	I	EcGov CAS std, I
Economically active children, percent children ages 7-14	I	CAS std, I
Unemployment rate, 15-24 year olds	I	
Informal sector employment, percent labor force	II	
<b>Agriculture</b>		
Agriculture value added per worker	I	CAS std, I
Crop production index	II	EcGov CAS, std, II
Agricultural export growth	II	CAS, std, II

<sup>a</sup> Level I = primary performance indicators, Level II = supporting diagnostic indicators.

<sup>b</sup> 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.;

CAS std –Standard CAS template indicator for template version, December 2006.



# Appendix B. Data Supplement

This supplement presents a full tabulation of the data and international benchmarks examined for this report, along with technical notes on the data sources and definitions.



	Conflict Conditions and Political Stability								
	Statistical Capacity Indicator, 0 (Doesn't meet criteria) - 100 (Meets all criteria)	Failed States Index Score	Episode of significant violence, highest magnitude in previous 10 years,	Type of conflict, highest magnitude in previous 10 years,	Magnitude of societal-systemic impact, highest magnitude in previous 10 years,	Disarmament, Demobilization and Reintegration,	Human Rights Index, 1 (best) - 5 (worst)	Refugee and IDPs per 100,000 population	Institutional Capacity, 5 (Worst) to 25 (Best)
Indicator Number	01P1	11P1	11P2	11P3	11P4	11S1	11S2	11S3	11S4
<i>Pakistan Data</i>									
Latest Year (T)	2008	2009	2008	2009	2009	2009	2008	2008	2009
Value Year T	83	104.1	1	EW	3	No	4.0	106	14
Value Year T-1	83	103.8	1	EW	3		4.0		14
Value Year T-2	78	100.1	1	EW	3		4.0		14
Value Year T-3	78	103.1	1	EW	3		4.0		16
Value Year T-4	69		1	EW	3		3.5		
Average Value, 5 year	78.2		1		3		3.9		
Growth Trend	1.3		0		0		0.9		
<i>Benchmark Data</i>									
Regression Benchmark	81.6								
Lower Bound	75.1								
Upper Bound	88.0								
Latest Year India	2008	2009	2008	2009	2009	2009	2008	2008	2009
India Value Latest Year	86	77.8	1	EW	3	No	4.0	1.7	16
Latest Year Turkey	2008	2009	2009	2009	2009	2009	2008	2008	2009
Turkey Value Latest Year	77	78.2	1	EV	1	No	3.5	336.0	18
LMI - Asia	70.7	84.1					3.2		
LMI	68.3	82.2					2.8		
High Five Avg.	91.1	111.7					4.9		
Low Five Avg.	24.6	19.4					1.0		

Indicator Number	Economic Growth				Poverty & Inequality				
	Per capita GDP (PPP), U.S. Dollars (PPP)	Real GDP Growth, Percent change	Gross Fixed Investment, Percent GDP	Investment Productivity, Incremental Capital-Output Ratio (ICOR), Ratio, Capital investment : GDP growth	Income Share, Poorest 20%, Percent	Population Living on Less Than \$1.25 PPP per Day, Percent	Poverty Headcount, National Poverty Line, Percent	Human Poverty Index, 0 (no deprivation) - 100 (high deprivation)	Population Below Minimum Dietary Energy Consumption, Percent
	12P1	12P2	12S1	12S2	13P1	13P2	13P3	13P4	13S1
<i>Pakistan Data</i>									
Latest Year (T)	2008	2008	2008	2008	2006/7	2005	2005/6	2007	2004
Value Year T	2,624	2.0	20.0	3.0	15.7	22.6	22.3	33.4	35.0
Value Year T-1	2,562	5.6	21.3	3.0	9.1			33.6	
Value Year T-2	2,401	6.1	20.5	3.0				36.2	23.0
Value Year T-3	2,231	7.7	17.5	3.3		35.9		33.6	
Value Year T-4	2,083	7.4	15.0	3.7	9.4			36.2	
Average Value, 5 year	2,380	5.8	18.8	3.2				34.6	
Growth Trend	1.6	-5.7	2.3					-0.6	
<i>Benchmark Data</i>									
Regression Benchmark		7.3	24.7		7.3	20.8	24.0	21.4	19.4
Lower Bound		5.7	20.7		6.6	16.3	18.1	15.7	13.4
Upper Bound		8.9	28.7		8.0	25.2	29.9	27.1	25.4
Latest Year India	2008	2008	2008	2008	2005	2005	2005	2007	2004/5
India Value Latest Year	2,780	7.3	34.6	4.0	8.1	41.6	21.8	28.0	27.5
Latest Year Turkey	2008	2008	2008	2008	2005	2005	2002	2007	2002
Turkey Value Latest Year	13,139	0.9	21.5	3.5	5.2	2.7	27.0	8.3	3.0
LMI - Asia	2,313	6.4	25.0	4.9				18.0	19.5
LMI	4,095	5.6	24.3	4.7	6.1	13.4		17.3	13.0
High Five Avg.	52,911	14.3	51.4	123.3	10.0	46.5	55.1	56.0	67.0
Low Five Avg.	493	-1.7	9.5	-72.1	2.7	2.0	15.2	2.5	2.5

Economic Structure						
Indicator Number	Output structure (Agriculture, value added), Percent GDP	Output structure (Industry, value added), Percent GDP	Output structure (Services, etc., value added), Percent GDP	Labor Force Structure (Employment in agriculture), Percent	Labor Force Structure (Employment in industry), Percent	Labor Force Structure (Employment in services), Percent
Indicator Number	14P1a	14P1b	14P1c	14P2a	14P2b	14P2c
<i>Pakistan Data</i>						
<i>Latest Year (T)</i>	2008	2008	2008	2007	2007	2007
Value Year T	20.4	26.6	53.0	43.6	21.0	35.4
Value Year T-1	20.6	26.6	52.8	43.4	20.7	35.9
Value Year T-2	20.4	26.9	52.8	43.0	20.3	36.6
Value Year T-3	21.5	27.1	51.4	43.0	20.3	36.6
Value Year T-4	22.2	27.0	50.8	42.1	20.8	37.1
Average Value, 5 year	21.0	26.8	52.2	43.0	20.6	36.3
Growth Trend	-0.6	-0.1	0.3	0.2	0.0	-0.3
<i>Benchmark Data</i>						
Regression Benchmark	21.2	34.4	44.4	49.5	16.8	34.3
Lower Bound	16.8	29.5	38.6	43.1	14.5	28.4
Upper Bound	25.6	39.4	50.2	55.9	19.1	40.1
<i>Latest Year India</i>	2008	2008	2008	2003	2003	2003
India Value Latest Year	17.6	29.0	53.4	60.0	12.0	28.0
<i>Latest Year Turkey</i>	2008	2008	2008	2008	2008	2008
Turkey Value Latest Year	9.5	28.1	62.4	20.1	26.8	53.1
LMI - Asia	18.4	39.3	45.1			
LMI	14.1	30.8	52.3	37.4	18.9	41.0
High Five Avg.	56.9	70.1	85.4			80.4
Low Five Avg.	0.3	9.3	18.0			24.2

Demography & Environment										
Indicator Number	Adult Literacy Rate, Percent	Youth Dependency Rate, Ratio Youth : Working Age Population	Youth Bulge, Percent 15-24 of total	Environmental Performance Index, 0 (Very poor performance) - 100 (Very good performance)	Population Size, Million	Population Growth, Annual percent change	Rural population density, Population per sq. km of arable land	Population Living in Urban Areas, Percent	Frequency of natural disasters, Disasters	Scope of natural disasters, People affected per 1,000 population
	15P1	15P2	15P3	15P4	15P5a	15P5b	15P6	15P7	15S1a	15S1b
<i>Pakistan Data</i>										
Latest Year (T)	2007/8	2008	2008	2008	2008	2008	2007	2008	2008	2008
Value Year T	56.2	63.5	22.7	58.7	166.0	2.2	485.6	36.0	2.0	164.4
Value Year T-1	55.0	64.5	21.3		162.5	2.2	483.9	35.7	1.0	953.0
Value Year T-2	53.1	65.6	21.1		159.0	2.1	476.9	35.3	1.0	
Value Year T-3		66.9	20.8		155.8	2.4	467.3	34.9	3.0	7,637.1
Value Year T-4		68.3	20.6		152.1	2.4	452.5	34.6		
Average Value, 5 year		65.8	20.8		159.1	2.2	473.2	35.3		
Growth Trend		-0.5	21.1			-0.8	0.5	0.3		
<i>Benchmark Data</i>										
Regression Benchmark	76.1	32.6				1.5	648.0	31.8		
Lower Bound	64.9	30.4				1.1	321.3	24.3		
Upper Bound	87.3	34.7				1.8	974.8	39.2		
Latest Year India	2007	2008	2008	2008	2008	2008	2007	2008	2007	2005
India Value Latest Year	66.0	50.0	18.5	60.3	1,140.0	1.3	501.5	29.0	5.0	2,619.5
Latest Year Turkey	2007	2008	2008	2008	2008	2008	2007	2008	2006	2006
Turkey Value Latest Year	88.7	40.7	18.1	75.9	73.9	1.2	107.8	69.0	1.0	87.5
LMI - Asia	93.4	52.1		60.4	19.9	1.7	552.3	32.6	0.5	8.2
LMI	93.3	59.2		64.8	6.9	1.7	293.4	50.0	0.8	33.9
High Five Avg.	99.8	97.7	22.7	89.1	626.4	5.0	5,681.4	100.0	16.3	22,027.8
Low Five Avg.	36.2	19.9	21.3	37.4	0.0	-0.9	3.4	12.4	0.0	0.0

Indicator Number	Demography and Environment...			Gender & Children						
	Net migration rate, Migrants per 100,000 population	Adjusted savings: Energy depletion, Percent GNI	Adjusted savings: Mineral depletion, Percent GNI	Gender Empowerment,	Primary Completion Rate, Male, Percent	Primary Completion Rate, Female, Percent	Gross Enrollment Ratio, All Levels of Education, Male, Percent	Gross Enrollment Ratio, All Levels of Education, Female, Percent	Life Expectancy, Male, Years	Life Expectancy, Female, Years
	15S2	15S3a	15S3b	16P1	16P2a	16P2b	16P3a	16P3b	16P4a	16P4b
<i>Pakistan Data</i>										
Latest Year (T)	2009	2007	2007		2007	2007	2007	2007	2006	2006
Value Year T	-0.5	3.3	0.0		55.3	41.6	46.9	37.6	64.7	65.2
Value Year T-1		4.0	0.0		54.2	41.3	43.9	34.4	64.3	64.8
Value Year T-2	-1.2	4.6	0.0		50.3	37.3	44.8	34.5	63.2	63.6
Value Year T-3		3.2	0.0		47.2	33.2	44.4	32.9		
Value Year T-4		2.9	0.0				41.2	30.6		
Average Value, 5 year		3.6	0.0				44.2	34.0		
Growth Trend		1.5	5.5				0.7	1.2		
<i>Benchmark Data</i>										
Regression Benchmark	0.4	3.9	0.2				65.0	62.0	64.1	67.7
Lower Bound	-7.9	-0.1	-2.0				59.8	55.5	61.0	64.7
Upper Bound	8.8	7.9	2.4				70.3	68.6	67.1	70.7
Latest Year India	2009	2007	2007		2006	2006	2006	2006	2006	2006
India Value Latest Year	-0.1	2.7	0.7		88.0	83.1	64.3	57.4	62.7	65.7
Latest Year Turkey	2009	2007	2007		2006	2006	2006	2006	2006	2006
Turkey Value Latest Year	0.6	0.2	0.1		100.6	91.1	75.7	66.3	69.2	74.1
LMI - Asia	0.0	2.3	0.0		94.6	99.3	67.4	65.7	64.1	67.5
LMI	-1.1	0.9	0.0		91.8	92.9	68.9	71.4	65.5	72.0
High Five Avg.	19.1	79.7	17.8	0.9			103.0	109.9	78.8	84.8
Low Five Avg.	-13.6	0.0	0.0	0.4			31.6	22.3	39.3	40.0

Gender & Children...						
	Labor Force Participation Rate, Male, Percent	Labor Force Participation Rate, Female, Percent	Economically Active Children, (Ages 7-14), Percent	Internally displaced females per capita,	Use of Child Soldiers - Government,	Use of Child Soldiers - Political,
Indicator Number	16P5a	16P5b	16P6	16S1	16S2a	16S2b
<i>Pakistan Data</i>						
<i>Latest Year (T)</i>	2007/8	2007/8	2007/8		2008	2008
Value Year T	69.5	19.6	13.7		Legal	Evidence
Value Year T-1	70.1	19.1	13.3			
Value Year T-2	72.0	18.9	15.2			
Value Year T-3						
Value Year T-4						
Average Value, 5 year						
Growth Trend						
<i>Benchmark Data</i>						
Regression Benchmark	82.9	56.0	12.4			
Lower Bound	80.1	48.5	4.3			
Upper Bound	85.7	63.5	20.4			
<i>Latest Year India</i>	2007	2007	2005		2008	2008
India Value Latest Year	81.5	34.2	4.2		Legal/Spies	Evidence
<i>Latest Year Turkey</i>	2008	2008	2002		2008	2008
Turkey Value Latest Year	70.5	25.5	4.2		No	Possible
LMI - Asia	80.7	52.7				
LMI	71.6	49.4				
High Five Avg.	91.3	85.9	52.5			
Low Five Avg.	56.7	17.8				

Economic Stabilization & Government Capacity								
Indicator Number	Government Effectiveness Index, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Government Expenditure, Percent GDP	Government Revenue, excluding grants, Percent GDP	Money Supply Growth, Percent change	Inflation Rate, Annual Percent	Overall Budget Balance, Including Grants, Percent GDP	Interest Payments/Total Government Expenditure, Percent	Subsidies and Other Current Transfers/Total Government Expenditure, Percent
	21P1	21P2	21P3	21P4	21P5	21S1	21S2	21S3
<b>Pakistan Data</b>								
<i>Latest Year (T)</i>	2008	2008/9	2008/9	2008/9	2008/9	2008/9	2008/9	2008/9
Value Year T	-0.73	19.4	14.2	8.4	20.8	-5.0	25.2	16.9
Value Year T-1	-0.60	22.2	14.6	15.3	12.0	-7.0	21.5	
Value Year T-2	-0.53	20.2	14.9	19.3	7.8	-4.0	20.1	
Value Year T-3	-0.55	18.7	14.2	14.9	7.9	-3.7	16.7	
Value Year T-4	-0.58	18.4	13.8	19.3	9.3	-3.0	17.6	
Average Value, 5 year	-0.60	19.8	14.3	15.4	11.5	-4.5	20.2	
Growth Trend	-1.00	0.9	0.3	-3.9	4.0	-4.9	2.0	
<b>Benchmark Data</b>								
Regression Benchmark	-0.45		13.4	24.5	61.3	-4.4		
Lower Bound	-0.69		9.6	16.4	-562.1	-7.4		
Upper Bound	-0.20		17.2	32.5	684.7	-1.5		
<i>Latest Year India</i>	2008	2008/9	2008/9	2007/8	2008	2008/9	2008/9	2008/9
India Value Latest Year	-0.03	28.2	23.1	20.8	8.3	-5.8	21.0	14.0
<i>Latest Year Turkey</i>	2008	2007	2007	2008	2008	2007	2007	2007
Turkey Value Latest Year	0.20	32.4	29.8	24.9	10.4	-2.6	23.9	22.7
LMI - Asia	-0.26		16.8	18.5	7.0	-3.7		
LMI	-0.58		19.5	17.8	8.3	-2.5		
High Five Avg.	2.20			70.2	28.6	8.1		
Low Five Avg.	-1.91			-1.1	1.4	-8.2		

Business Environment											
Indicator Number	Control of Corruption Index, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Rule of Law Index, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Voice and Accountability, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Ease of Doing Business Index, Index Rank (1 - 183)	Time to Start a Business, Days	Procedures to Start a Business, Procedures	Cost of Starting a Business % GNI per Capita, Percent GNI per Capita	Time to Enforce a Contract, Days	Procedures to Enforce a Contract, Procedures	Cost to Enforce a Contract, Percent of claim	Time to Register Property, Days
Indicator Number	22P1	22P2	22P3	22P4	22S1	22S2	22S3	22S4	22S5	22S6	22S7
<i>Pakistan Data</i>											
<i>Latest Year (T)</i>	2008	2008	2008	2010	2010	2010	2010	2010	2010	2010	2010
Value Year T	-0.77	-0.92	-1.01	85	20	10	5.8	976	47	23.8	50
Value Year T-1	-0.82	-0.95	-1.06	85	24	11	12.6	976	47	23.8	50
Value Year T-2	-0.76	-0.85	-0.98		24	11	14.0	880	47	23.8	50
Value Year T-3	-0.99	-0.89	-1.05		24	11	21.3	880	47	23.8	50
Value Year T-4	-1.05	-0.88	-1.20		24	11	23.9	880	47	23.8	50
Average Value, 5 year	-0.88	-0.90	-1.06		23.2	10.8	15.5	918.4	47.0	23.8	50.0
Growth Trend	1.98	-0.40	1.02		-0.7	-0.3	-7.4	0.8	0.0	0.0	0.0
<i>Benchmark Data</i>											
Regression Benchmark	-0.79	-0.73	-0.89	97.3	38.2	9.7	31.3	509.6	38.5	34.5	82.1
Lower Bound	-0.99	-0.98	-1.24	76.8	15.1	8.1	-3.1	354.0	35.3	23.5	39.3
Upper Bound	-0.58	-0.49	-0.54	117.7	61.4	11.2	65.8	665.2	41.7	45.6	124.9
<i>Latest Year India</i>	2008	2008	2008	2010	2010	2010	2010	2010	2010	2010	2010
India Value Latest Year	-0.37	0.12	0.45	133	30	13	66.1	1,420	46	39.6	44
<i>Latest Year Turkey</i>	2008	2008	2008	2010	2010	2010	2010	2010	2010	2010	2010
Turkey Value Latest Year	0.10	0.09	-0.19	73	6	6	14.2	420	35	18.8	6
LMI - Asia	-0.57	-0.43	-0.16	100.0	38.3	8.0	10.8	591	40	26.0	50
LMI	-0.65	-0.69	-0.55	123.0	37.0	9.0	35.1	591	40	27.2	42
High Five Avg.	2.39	1.96	1.52	181.0	283.4	18.5	931.1	1,611.6	54.0	149.9	427.5
Low Five Avg.	-1.64	-2.01	-2.12	3.0	4.3	2.3	0.4	192.4	22.8	6.1	2.3

Indicator Number	Financial Sector					External Sector				
	Domestic Credit to Private Sector, Percent GDP	Interest Rate Spread, Percent	Money Supply (M2), Percent GDP	Real Interest Rate, Percent	Banking Sector Default Rates, Nonperforming Loan Value : Total Loan Value	External Aid, Percent GNI	Current Account Balance, Percent GDP	Debt Service Ratio, Percent Exports	Exports Growth, Goods and Services, Percent Change	Foreign Direct Investment, Percent GDP
	23P1	23P2	23P3	23S1	23S2	24P1	24P2	24P3	24P4	24P5
<i>Pakistan Data</i>										
<i>Latest Year (T)</i>	2008	2008	2008	2008	2008	2007	2008	2007	2008	2008/9
Value Year T	29.0	5.9	44.9	1.3	10.5	1.5	-8.3	8.9	-8.9	2.1
Value Year T-1	29.4	6.2	50.0	3.5	9.2	1.7	-4.8	8.6	2.3	3.3
Value Year T-2	28.8	6.6	47.8	1.0	6.9	1.5	-3.9	10.1	9.9	3.6
Value Year T-3	28.6	6.8	49.0	3.2	8.3	1.4	-1.4	21.1	9.6	2.8
Value Year T-4	28.7	5.5	48.4	-0.5	11.6	1.2	1.8	16.2	-1.5	1.4
Average Value, 5 year	28.9	6.2	48.0	1.7	9.3	1.5	-3.3	13.0	2.3	2.6
Growth Trend	0.1	0.6	-0.2		-1.1	1.7		-4.5		4.4
<i>Benchmark Data</i>										
Regression Benchmark	41.3	5.7	40.9	4.2		1.0		6.2	18.7	1.0
Lower Bound	30.4	3.6	27.7	0.3		-3.9		0.6	9.4	-1.7
Upper Bound	52.3	7.8	54.1	8.2		6.0		11.8	28.0	3.6
<i>Latest Year India</i>	2008		2008	2007		2007	2008	2008/9	2008	2007/8
India Value Latest Year	50.4		64.1	7.8		0.1	-2.2	6.6	0.0	15.4
<i>Latest Year Turkey</i>	2008		2008			2007	2008	2007	2008	2007
Turkey Value Latest Year	31.6		45.9			0.1	-5.7	32.1	4.8	3.4
LMI - Asia	30.5	6.5	45.4	2.4		3.2	1.0	13.2	6.5	2.5
LMI	29.6	7.5	39.5	4.5		3.2	-3.3	7.0	7.2	3.7
High Five Avg.	196.0	30.5	200.2	35.4		47.0	87.5			87.7
Low Five Avg.	3.0	1.6	8.4	-20.7		0.0	-35.7			-2.4

External Sector...								
Indicator Number	Gross International Reserves, Months of Imports	Present Value of Debt, Percent GNI	Remittance Receipts, Percent Exports	Concentration of Exports, Percent	Trade Logistics Performance Index - Customs,	Total Trade, Percent GDP	Real Effective Exchange Rate (REER), Index: 2000 = 100	Country Credit Rating, Rating
	24P6	24P7	24P8	24P9	24S1	24S2	24S3	24S4
<i>Pakistan Data</i>								
<i>Latest Year (T)</i>	2008/9	2008/9	2008/9	2006	2007	2008	2008	2008
Value Year T	3.0	26.0	37.9	51.6	2.4	41.7	93.4	34.3
Value Year T-1	2.7	26.7	32.1	50.8		35.1	95.6	37.5
Value Year T-2	4.5	24.6	32.2	52.3		37.0	95.9	
Value Year T-3	3.7	26.6	27.8	51.9		37.9	92.9	
Value Year T-4	3.5	29.4	28.8			32.4	90.1	
Average Value, 5 year	3.5	26.7	31.7			36.8	93.6	
Growth Trend	-1.6	-0.8	1.4			1.2	0.3	
<i>Benchmark Data</i>								
Regression Benchmark	5.5	25.6	6.5	32.7	2.4	75.3		45.5
Lower Bound	4.0	1.4	-19.3	22.7	2.3	58.2		40.1
Upper Bound	7.0	49.8	32.3	42.8	2.6	92.4		50.8
<i>Latest Year India</i>	2008/9	2008/9	2008	2006	2007	2008		2008
India Value Latest Year	9.1	19.5	27.7	32.2	2.7	38.2		62.7
<i>Latest Year Turkey</i>	2007	2007	2008	2006	2007	2008		2008
Turkey Value Latest Year	4.8	46.7	1.0	62.5	3.0	45.7		52.0
LMI - Asia	4.3	41.6	5.6	31.8	2.3	78.1		38.9
LMI	3.5	35.0	19.9	48.6	2.2	90.8	100.8	30.1
High Five Avg.	16.8		110.7	97.5	3.9	310.4		95.7
Low Five Avg.	0.3		0.1	7.3	1.6	30.1		8.5

Economic Infrastructure										
Indicator Number	Logistics Performance Index - Infrastructure, 1 (Poor)–5 (Excellent)	Number of Electrical Outages, Average Outages per Month	Telephone Density, Fixed Line and Mobile, Telephones per 100 people	Internet Users, Users per 100 people	Roads, Paved, Percent	Households with Access to Electricity, Percent	Overall Infrastructure Quality, 1 (Poor)–7 (Excellent)	Quality of Infrastructure, Air Transport Infrastructure Index, 1 (Poor)–7 (Excellent)	Quality of Infrastructure, Port Infrastructure Quality Index, 1 (Poor)–7 (Excellent)	Quality of Infrastructure, Rail Development Index, 1 (Poor)–7 (Excellent)
Indicator Number	25P1	25P2	25P3	25S1	25S2	25S3	25S4	25S5a	25S5b	25S5c
<i>Pakistan Data</i>										
Latest Year (T)	2007	2007	2008	2008	2006		2009	2009	2009	2009
Value Year T	2.4	34.1	55.7	11.1	65.4		3.2	4.5	4.0	3.1
Value Year T-1			41.7	10.8			3.1	4.2	3.7	3.0
Value Year T-2			25.0	7.5	64.7		3.4	4.2	3.7	3.2
Value Year T-3			11.6	6.7	60.0		3.2	4.6	3.6	3.3
Value Year T-4			6.3	6.6						
Average Value, 5 year			28.0	8.5						
Growth Trend			14.7	3.7						
<i>Benchmark Data</i>										
Regression Benchmark	2.5	22.0	32.7	6.6	48.3		2.9	4.1	3.1	2.8
Lower Bound	2.3	7.2	20.9	0.9	33.3		2.4	3.6	2.6	2.5
Upper Bound	2.6	36.7	44.5	12.3	63.4		3.3	4.6	3.6	3.2
Latest Year India	2007	n/a	2008	2007	2002		2009	2009	2009	2009
India Value Latest Year	2.9		33.8	7.2	47.4		3.2	4.7	3.5	4.5
Latest Year Turkey	2007	2008	2008	2008	2001		2009	2009	2009	2009
Turkey Value Latest Year	2.9	5.7	112.7	33.1	35.5		4.2	5.1	3.7	2.5
LMI - Asia	2.2		25.5	4.6			3.0	4.2	3.4	2.8
LMI	2.2		44.2	8.6	59.5		3.0	4.1	3.3	1.9
High Five Avg.	4.2	34.6	176.6	82.6	100.0		6.6	6.7	6.6	6.5
Low Five Avg.	1.5	1.0	3.4	0.2	9.4		1.8	2.5	1.6	1.1

Indicator Number	Economic Infrastructure...		Science and Technology			
	Quality of Infrastructure - Electricity Supply Index, 1 (Poor)–7 (Excellent)	Quality of Infrastructure, Roads, 1 (Poor)–7 (Excellent)	FDI Technology Transfer Index, 1 (Poor)–7 (Excellent)	Availability of Scientists and Engineers, 1 (Nonexistent)–7 (Widely available)	Scientific and Technology Journal Articles, Articles per Million people	IPR Protection, 1 (Poorly enforced)–7 (Among the best)
	25S5d	25S5e	26P1	26P2	26P3	26P4
<b>Pakistan Data</b>						
<i>Latest Year (T)</i>	2009	2009	2009	2009	2005	2009
Value Year T	2.2	3.7	4.4	3.9	492	3.0
Value Year T-1	2.5	3.5	4.7	3.9	413	3.2
Value Year T-2	3.1	3.6	5.0	4.0	360	3.6
Value Year T-3	3.5		4.9	4.3	343	3.0
Value Year T-4					282	
Average Value, 5 year					378.0	
Growth Trend					3.4	
<b>Benchmark Data</b>						
Regression Benchmark	3.4	3.0	5.1	4.5	536.5	3.0
Lower Bound	2.9	2.6	4.9	4.2	-709.2	2.7
Upper Bound	3.9	3.5	5.4	4.9	1,782.2	3.4
<i>Latest Year India</i>	2009	2009	2009	2009	2005	2009
India Value Latest Year	3.2	3.1	5.4	5.6	14,608	3.6
<i>Latest Year Turkey</i>	2009	2009	2009	2009	2005	2009
Turkey Value Latest Year	4.1	4.3	4.9	4.4	7,815	2.7
LMI - Asia	3.8	3.0	5.1	4.3	421.7	3.3
LMI	3.9	3.2	4.6	4.3	318.0	3.1
High Five Avg.	6.8	6.6	6.0	5.8	75,711.9	6.1
Low Five Avg.	1.6	1.6	3.3	2.8	55.1	2.0

Health								
	Child Mortality Rate, Deaths per 1,000 Live Births	Maternal Mortality Rate, Deaths per 100,000 live births	Life Expectancy at Birth, Years	HIV Prevalence, Percent	Access to Improved Sanitation, Percent	Access to Improved Water Source, Percent	Prevalence of Child Malnutrition, Weight for Age, Percent	Public Health Expenditure, Percent GDP
Indicator Number	31P1	31P2	31P3	31S1	31S2	31S3	31S4	31S5
<i>Pakistan Data</i>								
Latest Year (T)	2007	2005	2007	2007	2006	2006	2006	2006
Value Year T	90.4	320.0	65.5	0.1	58.0	90.0	38.0	0.3
Value Year T-1				0.1				0.4
Value Year T-2	94.6		64.7	0.1				0.4
Value Year T-3				0.1				0.3
Value Year T-4				0.1				0.6
Average Value, 5 year				0.1				0.4
Growth Trend				0.0				-3.3
<i>Benchmark Data</i>								
Regression Benchmark	73.6	381.3	66.0	0.2	51.5	77.3	29.6	1.7
Lower Bound	57.6	254.7	63.2	-1.3	42.4	70.4	25.0	0.9
Upper Bound	89.6	507.8	68.9	1.8	60.7	84.1	34.3	2.4
Latest Year India	2007	2005	2007	2007	2006	2006	2006	2006
India Value Latest Year	71.8	450.0	64.7	0.3	28.0	89.0	43.5	0.9
Latest Year Turkey	2007	2005	2008		2007	2007	2004	2006
Turkey Value Latest Year	23.0	44.0	72.0		88.0	97.0	3.5	3.5
LMI - Asia	45.7	230.0	66.5	0.2	52.0	82.0		2.3
LMI	36.5	215.0	69.2	0.6	66.0	84.0	12.0	2.6
High Five Avg.	215.5	1,720.0	81.6	21.8	100.0	100.0		11.9
Low Five Avg.	2.9	2.6	41.8	0.1	8.4	39.0		0.4

Education									
	Net Primary Enrollment Rate, Total, Percent	Net Primary Enrollment Rate, Female, Percent	Net Primary Enrollment Rate, Male, Percent	Net Secondary Enrollment Rate, Total, Percent	Gross Tertiary Enrollment Rate, Total, Percent	Primary Completion Rate, Total, Percent	Youth Literacy Rate, Percent	Expenditure on Primary Education, Percent GDP	Pupil-teacher Ratio, Primary School, Pupils per Teacher
Indicator Number	32P1a	32P1b	32P1c	32P2	32P3	32P4	32P5	32S1	32S2
<i>Pakistan Data</i>									
<i>Latest Year (T)</i>	2006	2006	2006	2007	2007	2007	2007/8	2008/9	2006
Value Year T	65.6	57.3	73.5	32.2	5.1	48.6	69.7	2.1	39.0
Value Year T-1	67.2	57.8	76.1	29.7	4.5	47.9		2.5	38.3
Value Year T-2	64.5	54.0	74.3	28.3	4.5	44.0	67.4	2.5	37.5
Value Year T-3	58.5	48.8	67.6	28.3	3.1	40.4		2.2	34.8
Value Year T-4				26.2	2.5			2.2	35.0
Average Value, 5 year				28.9	3.9			2.3	36.9
Growth Trend				1.2	4.6			0.4	0.7
<i>Benchmark Data</i>									
Regression Benchmark	86.2	86.1	86.7	43.0	11.2		84.8	0.0	32.1
Lower Bound	79.7	79.4	80.6	34.8	4.4		75.4	0.0	27.8
Upper Bound	92.6	92.9	92.7	51.3	18.0		94.1	0.0	36.5
<i>Latest Year India</i>	2006	2006	2006	n/a	2006	2006	2007	2006	2004
India Value Latest Year	88.7	86.8	90.4		11.8	85.7	82.1	1.2	40.2
<i>Latest Year Turkey</i>	2007	2007	2007	2007	2006	2006	2007		
Turkey Value Latest Year	92.3	90.8	93.9	69.5	34.6	95.9	96.4		
LMI - Asia	83.9	84.7	83.2	60.5	19.2	97.0	95.4	1.6	33.2
LMI	88.7	86.7	89.6	51.4	16.0	95.3	97.3	1.6	29.2
High Five Avg.	99.4	99.2	99.4		79.6		99.9	6.5	63.3
Low Five Avg.	41.4	36.0	46.7		0.6		48.0	0.2	9.9

	Employment & Workforce						Agriculture		
	Labor Force Participation Rate, Total, Percent	Rigidity of Employment Index, 0 (Minimum rigidity)–100 (Maximum rigidity)	Growth of the Labor Force, Annual percent change	Unemployment Rate, (Ages 15-24), Total, Percent	Unemployment Rate, (Ages 15-24), Male, Percent	Informal Sector Employment, Percent	Agriculture Value Added per Worker, US Dollars, Constant 2000	Crop Production Index, Index: 1999-2001 = 100	Agricultural Export Growth, Percent change
Indicator Number	33P1	33P2	33P3	33P4a	33P4b	33S1	34P1	34S1	34S2
<i>Pakistan Data</i>									
Latest Year (T)	2007/8	2010	2007/8	2007/8	2007/8	2007/8	2005	2007	2007
Value Year T	53.6	43	2.8	7.6	6.9	40.3	716.9	118.0	4.1
Value Year T-1	55.7	43	0.6			40.5	686.8	111.7	-12.7
Value Year T-2	57.1	43	4.9		12.0	41.3	683.8	115.6	-6.0
Value Year T-3	56.2		4.9				669.7	112.0	34.9
Value Year T-4	55.3		3.6		11.0		694.0	98.7	29.7
Average Value, 5 year	55.6		3.4				690.2	111.2	10.0
Growth Trend	-0.1		-7.6				0.1	1.1	
<i>Benchmark Data</i>									
Regression Benchmark	71.9	32.3			10.6				
Lower Bound	67.4	23.6			4.8				
Upper Bound	76.5	41.1			16.5				
Latest Year India	2007	2010	2007		2004		2005	2007	2007
India Value Latest Year	58.6	30	1.7		10.4		402.3	118.0	19.8
Latest Year Turkey	2008	2010	2007	2008	2008		2005	2007	2007
Turkey Value Latest Year	46.9	35	0.6	20.5	20.1		1,945.9	103.2	11.1
LMI - Asia	64.7	20.0	2.2				594.9	106.8	19.1
LMI	63.0	28.0	2.4				1,237.0	112.0	14.8
High Five Avg.	87.1	70.3	5.6		46.5		50,342.2	142.7	
Low Five Avg.	44.8	0.0	-1.0		5.2		75.8	70.4	



# Technical Notes

The following technical notes identify the source for each indicator, provide a concise definition, indicate the coverage of USAID countries, and comment on data quality when pertinent. For reference purposes, a CAS code is also given for each indicator. In many cases, the descriptive information is taken directly from the original sources, as cited.

## STATISTICAL CAPACITY

### Statistical Capacity Indicator

**Source:** World Bank, updated annually:

<http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20541648~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html>

*Definition:* This indicator provides an evaluation of a country's statistical practice, data collection activities, and key indicator availability against criteria consistent with international recommendations. The score ranges from 0 to 100, with a score of 100 indicating that the country meets all criteria.

*Coverage:* Data are available for the majority of USAID countries.

*CAS Code:* 01P1

## CONFLICT CONDITIONS AND POLITICAL STABILITY

### Failed States Index Score

**Source:** Fund for Peace, Failed States Index,

[www.fundforpeace.org/web/index.php?option=com\\_content&task=view&id=99&Itemid=140](http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=99&Itemid=140)

*Definition:* The Failed States Index assesses violent internal conflicts and measures the impact of mitigating strategies. Published annually by Fund for Peace, the index rates 12 social, economic, and political or military indicators, including mounting demographic pressures, massive movement of refugees or internally displaced persons, legacy of vengeance-seeking group grievance or group paranoia, chronic and sustained human flight, uneven economic development along group lines, sharp and/or severe economic decline, criminalization and/or delegitimization of the state, progressive deterioration of public services, suspension or arbitrary application of the rule of law and widespread violation of human rights; security apparatus operates as a "state within a state;" rise of factionalized elites; and intervention of other states or external political actors. Each indicator is ranked on a scale of 1 (low) to 10 (high). A high ranking reflects high intensity or pressure on the state (more likely to foster conflict), whereas a low ranking reflects lower intensity or pressure on the state (less likely to foster conflict). The rankings for the 12 indicators are combined to determine the country's overall score.

*Coverage:* Data are available for all USAID countries.

*CAS Code:* 11P1

### Episode of Significant Violence, Highest Magnitude in Previous 10 years

**Source:** Center for Systemic Peace, "Major Episodes of Political Violence 1946-2008," compiled by Monty G. Marshall, latest update available at [www.systemicpeace.org/warlist.htm](http://www.systemicpeace.org/warlist.htm).

*Definition:* The variable tells the date and duration of the conflict episode with the highest magnitude in the past 10 years. At times delineating the exact beginning or end of a conflict is difficult, so the years presented are considered most likely to capture the transformative periods of the episodes.

*Coverage:* Data available for all USAID countries.

*CAS Code:* 11P2

### Type of Conflict, Highest Magnitude in Previous 10 years

**Source:** Center for Systemic Peace, "Major Episodes of Political Violence 1946-2008," compiled by Monty G. Marshall, latest update available at: [www.systemicpeace.org/warlist.htm](http://www.systemicpeace.org/warlist.htm).

*Definition:* This indicator tries to capture the characteristics of the conflict episode. Episode type is listed according to two character codes. The first character denotes whether the conflict is (C)ivil-intrastate involving rival political groups; (E)thnic-intrastate involving the state agent and a distinct ethnic group; or (I)nternational event-interstate, usually two or more states but may denote a distinct polity resisting foreign domination (colonialism). The second character connotes either an episode of (V)iolence used as an instrument without necessarily exclusive goals; (W)ar-violence between distinct, exclusive groups with the intent to impose a unilateral result to the contention; or i(N)dependence attempts to forcibly remove an existing foreign domination.

*CAS Code:* 11P3

### Magnitude of Societal-Systemic Impact, Highest Magnitude in Previous 10 years

**Source:** Center for Systemic Peace, "Major Episodes of Political Violence 1946-2008," compiled by Monty G. Marshall, latest update available at

[www.systemicpeace.org/warlist.htm](http://www.systemicpeace.org/warlist.htm).

*Definition:* This variable captures the highest magnitude of conflict episode in the last 10 years. Each episode is ranked on a scale impact of 1 (smallest) to 10 (greatest). Magnitude scores reflect multiple factors including state capabilities, interactive intensity (means and goals), area and scope of death and destruction, population displacement, and episode duration.

*Coverage:* Data available for all USAID countries.

*CAS Code:* 11P4

### Disarmament, Demobilization, and Reintegration

**Source:** Graduate Institute of International Studies in Geneva, Switzerland, Small Arms Survey, Cumulative Index 2001–2006, Search for “Where are DDR programmes currently being implemented?”

[www.unddr.org/whatisddr.php#11](http://www.unddr.org/whatisddr.php#11)

Data are also available from the UN DDR Resource Centre [www.unddr.org/](http://www.unddr.org/).

*Definition:* This indicator is a yes/no indicator that shows whether the military powers that perpetuated conflict are reforming through a formal UN-led Disarmament, Demobilization and Reintegration program.

*Coverage:* Data available for only UN-sponsored DDR programs, covering about 13 countries.

*CAS Code:* 11S1

### Human Rights Index

**Source:** Gibney, M., Cornett L., and Wood, R. (2007), “Political Terror Scale 1976–2007,”

[www.politicalterrorsscale.org/](http://www.politicalterrorsscale.org/)

*Definition:* This variable shows the degree to which countries experience government-induced violence against their own population (1 is best and 5 is worst). The scores range from countries under secure rule of law with no imprisonment for their views, to violence in the form of assassinations and torture extended to the whole population. State-sponsored political terror (defined here as coercion directed at personal security) targets predominantly groups opposed to the state. It could lead eventually to the escalation of violence by pushing moderates to espouse radical ideas (after becoming less convinced that peaceful resolution is possible), or by increasing the cost of collective action, thus making resorting to violent means more attractive or economically viable. The “data” for the PTS is provided by the annual reports on human rights practices that are published by Amnesty International (A) and the U.S. State Department (S). Scores based on the U.S. State Department annual report are used in the Economic Recovery Report.

*Coverage:* Data are available for 188 countries.

*CAS Code:* 11S2

### Refugees and IDPs per Capita

**Source:** United Nations High Commissioner for Refugees, [www.unhcr.org/statistics.html](http://www.unhcr.org/statistics.html) and World Development Indicators.

*Definition:* Number of refugees and IDPs divided by total population. Refugees include persons recognized under the 1951 Convention relating to the Status of Refugees, its 1967 Protocol, the 1969 OAU Convention Governing the Specific Aspects of Refugee Problems in Africa, those recognized in accordance with the UNHCR Statute, persons granted a complementary form of protection, and persons granted temporary protection. Internally displaced persons (IDPs) are defined as “persons or groups of persons who have been forced or obligated to flee or leave their homes or places of habitual residence, in particular as a result of avoiding or in order to avoid the effect of armed conflict, situations of generalized violence, violations of human rights, or natural or manmade disasters, and who have not crossed an internationally recognized state border.” (Guiding Principles on Internal Displacement, Introduction, para. 2). Unlike refugees, who have been deprived of the protection of their

state of origin, IDPs remain legally under the protection of national authorities of their country of habitual residence. Internally displaced persons are those forced to flee their homes because their lives were at danger, but unlike refugees, they did not cross international borders. Estimates come from various sources, including the Internal Displacement Monitoring Center, United Nations High Commission for Human Rights, and United Nations Office for the Coordination of Humanitarian Affairs. Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship—except for refugees not permanently settled in the country of asylum, which are generally considered part of the population of their country of origin.

*Coverage:* 75 USAID countries

*CAS Code:* 11S3

### Institutional Capacity

**Source:** Fund for Peace, content analysis

[www.fundforpeace.org/web/index.php?option=com\\_content&task=view&id=99&Itemid=140](http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=99&Itemid=140)

*Definition:* Fund for Peace computes this index by analyzing leadership, police, military, civil service, and judiciary capacity, applying a rating to each element on a 1 (worst) to 5 (best) scale and summing the result.

*Coverage:* Data are available for all USAID countries.

*CAS Code:* 11S4

## ECONOMIC GROWTH

### Per capita GDP, \$PPP

**Source:** International Monetary Fund (IMF) World Economic Outlook database, updated every 6 months:

[www.imf.org/external/ns/cs.aspx?id=28](http://www.imf.org/external/ns/cs.aspx?id=28)

*Definition:* This indicator adjusts per capita GDP measured in current U.S. dollars for differences in purchasing power, using an estimated exchange rate reflecting the purchasing power of the various local currencies.

*Coverage:* Data are available for about 65 USAID countries.

*CAS Code:* 12P1

### Real GDP Growth

**Source:** IMF World Economic Outlook database, updated every six months

[www.imf.org/external/ns/cs.aspx?id=28](http://www.imf.org/external/ns/cs.aspx?id=28); latest country data from IMF Article IV Consultation Report:

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm)

*Definition:* Annual percentage growth rate of GDP at constant local currency prices.

*Coverage:* Data are available for about 85 USAID countries.

*CAS Code:* 12P2

### Gross Fixed Investment, Percentage of GDP

**Source:** IMF Article IV Consultation Report for country data, [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); international benchmark from the World Development Indicators, most recent publication series NE.GDI.FTOT.ZS.

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

*Coverage:* Data are available for about 84 USAID countries.

*CAS Code:* 12S1

### Investment Productivity, Incremental Capital-Output Ratio (ICOR)

**Source:** International benchmark data computed from World Development Indicators most recent publication year, based on the five-year average of the share of fixed investment (NE.GDI.FTOT.ZS) and the five-year average 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 incurred per extra unit of output. A high value represents low investment productivity. The ICOR is calculated here as the ratio of the investment share of GDP to the growth rate of GDP, using five-year averages for both the numerator and denominator.

**Coverage:** Data are available for about 81 USAID countries.

**CAS Code:** 12S2

## POVERTY AND INEQUALITY

### Income Share, Poorest 20%

**Source:** World Development Indicators, most recent publication series SLDST.FRST.20. These are World Bank staff estimates based on primary household survey data obtained from government statistical agencies and World Bank country departments. An alternative source is the country's Poverty Reduction Strategy Paper:

[www.imf.org/external/np/prsp/prsp.asp](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:** Data are available for about 59 USAID countries going back to 1997; for the period since 2000, data are available for about 35 USAID countries.

**CAS Code:** 13P1

### Population Living on Less than \$1.25 PPP per Day

**Source:** World Development Indicators, most recent publication series SI.POV.DDAY, original data from Development Research Group. An alternative source is the country's Poverty Reduction Strategy Paper:

[www.imf.org/external/np/prsp/prsp.asp](http://www.imf.org/external/np/prsp/prsp.asp)

**Definition:** The indicator captures the percentage of the population living on less than \$1.25 a day at 2005 international prices. As a result of revisions in PPP exchange rates, poverty rates for individual countries cannot be compared with poverty rates reported in WDI editions prior to 2009.

**Coverage:** Data are available for about 59 USAID countries going back to 1997; data for 2000 or later are available for about 40 USAID countries.

**Data quality:** Poverty data originate from household survey questionnaires that can differ widely; even similar surveys may not be strictly comparable because of differences in quality.

**CAS Code:** 13P2

### Poverty headcount, national poverty line

**Source:** World Development Indicators, most recent publication series SI.POV.NAHC. An alternative source is the country's Poverty Reduction Strategy Paper:

[www.imf.org/external/np/prsp/prsp.asp](http://www.imf.org/external/np/prsp/prsp.asp)

**Definition:** The percentage of the population living below the national poverty line. National estimates are based on population-weighted estimates from household surveys

**Coverage:** Data are available for only 19 countries for 2000 or later; data are available for about 49 countries going back to 1997. For most countries, data can be obtained from the PRSP.

**Data quality:** Measuring the percentage of people living below the "national poverty line" has the disadvantage of limiting international comparisons because of differences in the definition of the poverty line. Most lower-income countries, however, determine the national poverty line by the level of consumption required to have a minimally sufficient food intake plus other basic necessities.

**CAS Code:** 13P3

### Human Poverty Index

**Source:** UNDP, Human Development Report. <http://hdrstats.undp.org/indicators/18.html> for most recent edition; updates are at <http://hdr.undp.org/en/statistics/data/>

**Definition:** The index measures deprivation in terms of not meeting target levels for specific economic and quality-of-life indicators. Values are based on (1) the percentage of people not expected to survive to age 40, (2) the percentage of adults who are illiterate, and (3) the percentage of people who fail to attain a "decent living standard," which is subdivided into three (equally weighted) items: (1) the percentage of people without access to safe water, (2) the percentage of people without access to health services, and (3) the percentage of underweight children. The HPI ranges in value from 0 (zero incidence of deprivation) to 100 (high incidence of deprivation).

**Coverage:** Data are available for about 60 USAID countries.

**CAS Code:** 13P4

### Population below Minimum Dietary Energy Consumption

**Source:** UN Millennium Indicators Database at <http://millenniumindicators.un.org/unsd/mdg/Data.aspx>, based on FAO estimates.

**Definition:** Proportion of the population in a condition of undernourishment. The FAO defines undernourishment as the condition of people whose dietary energy consumption is continuously below a minimum dietary energy requirement for maintaining a healthy life and carrying out light physical activity.

**Coverage:** Data are available for about 82 USAID countries.

**CAS Code:** 13S1

## ECONOMIC STRUCTURE

### Output Structure

**Source:** World Development Indicators, most recent publication series NV.AGR.TOTL.ZS for value added in agriculture as a percentage of GDP; series NV.IND.TOTL.ZS for the share of industry; and NV.SRV.TETC.ZS for the share of services.

**Definition:** The output structure is composed of value added by major sector of the economy (agriculture, industry, and services) as percentages of GDP, where value added is the net output of a sector after all outputs are added up and intermediate inputs are subtracted. Value added is calculated

without deductions for depreciation of fabricated assets or depletion and degradation of natural resources. Agriculture includes forestry, hunting, and fishing, as well as cultivation of crops and livestock production. Industry includes manufacturing, mining, construction, electricity, water, and gas. Services include wholesale and retail trade (including hotels and restaurants), transport, and government, financial, professional, and personal services such as education, health care, and real estate services.

*Coverage:* Data are available for about 86 USAID countries.

*Data quality:* A major difficulty in compiling national accounts is the extent of unreported activity in the informal 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 estimates of inputs, yields, and area under cultivation. This approach can differ from the true values over time and across crops. Ideally, informal activity in industry and services is measured through regular enterprise censuses and surveys. In most developing countries such surveys are infrequent, so prior survey results are extrapolated.

*CAS Code:* 14P1a-c

### Employment or Labor Force Structure

**Source:** World Development Indicators, most recent publication series SL.AGR.EMPL.ZS for agriculture, series SL.IND.EMPL.ZS for industry, and series SL.SRV.EMPL.ZS for services. An alternative source is the CIA World Fact Book:

<https://www.cia.gov/library/publications/the-world-factbook/index.html>

*Definition:* Employment in each sector is the proportion of total employment recorded as working in that sector. Employees are people who work for a public or private employer and receive remuneration in wages, salary, commission, tips, piece rates, or pay in kind. Agriculture includes hunting, forestry, and fishing. Industry includes mining and quarrying (including oil production), manufacturing, electricity, gas and water, and construction. Services include wholesale and retail trade and restaurants and hotels; transport, storage, and communications; financing, insurance, real estate, and business services; and community, social, and personal services.

*Coverage:* Data are available for about 37 USAID countries. For most countries, data can be obtained from the PRSP.

*Data quality:* Employment figures originate with the International Labour Organization. Some countries report labor force structure instead of employment; thus the data must be checked carefully before comparisons are made.

*CAS Code:* 14P2a-c

## DEMOGRAPHY AND ENVIRONMENT

### Adult Literacy Rate

**Source:** World Development Indicators, most recent publication series SE.ADT.LITR.ZS, based on UNESCO calculations.

*Definition:* Percentage of people aged 15 and over who can read and write a short, simple statement about their daily life.

*Coverage:* Data are available for about 66 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:* 15P1

### Youth Dependency Ratio

**Source:** World Development Indicators, most recent publication series SP.POP.DPND.YG.

*Definition:* Youth dependency ratio is ratio of dependents—people younger than 15—to the working-age population—those ages 15–64. For example, 0.7 means there are 7 dependents for every 10 working-age people.

*Coverage:* Data are available for about 89 USAID countries.

*CAS Code:* 15P2

### Youth Bulge

**Source:** U.S. Census Bureau, International Database (IDB), see mid-year population by age and sex table.

<http://www.census.gov/ipc/www/idb/informationGateway.php>

*Definition:* Youth bulge is calculated as the percentage of the population ages 15–24 divided by the total population.

*Coverage:* Data are available for all USAID countries.

*CAS Code:* 15P3

### Environmental Performance Index

**Source:** Center for International Earth Science Information Network at Columbia University, and the Center for Environmental Law and Policy at Yale University. <http://epi.yale.edu/Home>.

*Definition:* The Environmental Performance Index (EPI) is a composite index of national environmental protection, which tracks (1) environmental health, (2) air quality, (3) water resources, (4) biodiversity and habitat, (5) productive natural resources, and (6) sustainable energy. The index is a weighted average of these six policy categories giving more weight to environmental health (EPI = 0.5 × Environmental Health + 0.1 × (Air Quality + Water Resources + Productive Natural Resources + Biodiversity and Habitat + Sustainable Energy)). The index values range from 0 (for very poor performance) to 100 (for very good performance).

*Coverage:* Data are available for about 80 USAID countries.

*Data quality:* The 2006 pilot EPI and 2008 EPI differ in several structural and substantive areas. As a result comparison between both years are not appropriate.

*CAS Code:* 15P4

### Population Size and Growth

**Source:** World Development Indicators, most recent publication series SP.POP.GROW for total population and series SP.POP.GROW for the population growth rate.

*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:* Data are available for about 88 USAID countries.

*CAS Code:* 15P5a-b

### Rural Population Density

**Source:** World Development Indicators, most recent publication series EN.RUR.DNST

*Definition:* Rural population density (rural population per sq. km of arable land) is the rural population divided by the arable land area. Rural population is calculated as the difference between the total population and the urban population. Arable land includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. Land abandoned as a result of shifting cultivation is excluded. Estimates are from the Food and Agriculture Organization and World Bank population estimates.

*Coverage:* Nearly all relevant countries.

*CAS Code:* 15P6

### Population Living in Urban Areas

**Source:** World Development Indicators, most recent publication series SP.URB.TOTL.IN.ZS.

*Definition:* Urban population is the share of the total population living in areas defined as urban in each country. The calculation considers all residents regardless of legal status or citizenship, except refugees.

*Coverage:* Data are available for about 86 USAID countries.

*Data quality:* The estimates are based on national definitions of what constitutes an urban area; because these definitions vary greatly, cross-country comparisons should be made with caution.

*CAS Code:* 15P7

### Frequency and Scope of Natural Disasters

**Source:** Centre for Research on the Epidemiology of Disasters, Emergency Events Database,

[www.emdat.be/Database/CountryProfile/countryprofiles.php](http://www.emdat.be/Database/CountryProfile/countryprofiles.php)

*Definition:* This indicator measures the human-impact effects of natural disasters and the frequency of these occurrences. Natural disasters are defined as natural hazard events that have at least one of the following human-impact effects: 10 or more people reported killed, 100 people reported affected, declaration of a state of emergency, or call for international assistance. The scope is measured by the total number of people affected. This includes the number of people suffering from physical injuries, trauma, or an illness requiring medical treatment as a direct result of a disaster, the number of people needing immediate assistance for shelter, and the people requiring immediate assistance during a period of emergency; it can also include displaced or evacuated people.

*Coverage:* Data are available for nearly all USAID countries.

*CAS Code:* 15S1a-b

### Net Migration Rate

**Source:** CIA World Factbook,

<https://www.cia.gov/library/publications/the-world-factbook/index.html>

*Definition:* Net migration rate (migrants per 1,000 population) is the difference between the number of persons entering and leaving a country during the year per 1,000 persons (based on midyear population). An excess of persons entering the country is referred to as net immigration (e.g., 3.56 migrants per 1,000 population); an excess of persons leaving the country as net emigration (e.g., -9.26 migrants per 1,000 population).

*Coverage:* Data are available for nearly all USAID countries.

*Data quality:* The source does not specify the estimating methodology.

*CAS Code:* 15S2

### Adjusted Savings: Energy Depletion, percentage of GNI

**Source:** World Development Indicators, most recent publication series NY.ADJ.DNGY.GN.ZS.

*Definition:* Energy depletion is equal to the product of unit resource rents and the physical quantities of energy extracted. It covers crude oil, natural gas, and coal.

*Coverage:* Data are available for about 88 USAID countries.

*CAS Code:* 15S3a

### Adjusted Savings: Mineral Depletion, percentage of GNI

**Source:** World Development Indicators, most recent publication series NY.ADJ.DMIN.GN.ZS.

*Definition:* Mineral depletion is equal to the product of unit resource rents and the physical quantities of minerals extracted. It refers to bauxite, copper, iron, lead, nickel, phosphate, tin, zinc, gold, and silver.

*Coverage:* Data are available for about 88 USAID countries.

*CAS Code:* 15S3b

## GENDER AND CHILDREN

### Gender Empowerment

**Source:** UNDP, Human Development Report, [hdrstats.undp.org/indicators/279.html](http://hdrstats.undp.org/indicators/279.html).

*Definition:* Captures gender inequality in three areas: political participation and decision-making power, as measured by women's and men's participation in parliamentary seats; economic participation and decision-making power, as measured by two indicators – women's and men's percentage shares of positions as legislators, senior officials and managers and women's and men's percentage shares of professionals and technical positions; and power over economic resources, as measured by estimated earned income.

*Coverage:* Data are available for half of USAID countries.

*CAS Code:* 16P1

### Primary Completion Rate, Male and Female

**Source:** World Development Indicators, most recent publication series: series SE.PRM.CMPT.MA.ZS (male), SE.PRM.CMPT.FE.ZS (female). Based on data from United Nations Education, Scientific, and Cultural Organization (UNESCO) Institute of Statistics.

*Definition:* Primary completion rate is the percentage of students completing the last year of primary school. It is the total number of students in the last grade of primary school, minus the number of repeaters in that grade, divided by the total number of children of official graduation age.

*Coverage:* Data are available for about 128 USAID countries.

*Data quality:* Completion rates are based on data collected during annual school surveys, typically conducted at the beginning of the school year. The indicator does not measure the quality of the education.

*CAS Code:* 16P2

### Gross Enrollment Ratio, All Levels of Education, Male and Female

**Source:** United Nations Organization for Education, Science, and Culture UNESCO: [http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?ReportId=136&IF\\_Language=eng&BR\\_Topic=0](http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?ReportId=136&IF_Language=eng&BR_Topic=0)

*Definition:* The number of students enrolled in primary, secondary, and tertiary levels of education by gender, regardless of age, expressed as a percentage of the population of official school age for the three levels by gender.

*Coverage:* Data are available for about 80 USAID countries.

*Data Quality:* Enrollment ratios are based on data collected during annual school surveys, typically conducted at the beginning of the school year.

*CAS Code:* 16P3a-b

### Life Expectancy at birth, Male and Female

**Source:** Estimated from UNDP Human Development Indicators: <http://hdrstats.undp.org/indicators/271.html>

*Definition:* The number of years a newborn male or female infant would live if prevailing patterns of age and sex-specific mortality rates at the time of birth were to stay the same throughout the child's life.

*Coverage:* Data are available for about 85 USAID countries.

*CAS Code:* 16P4a-b

### Labor Force Participation Rate, Male and Female.

**Source:** World Development Indicators, most recent publication series: SL.TLF.CACT.MA.ZS (male) SL.TLF.CACT.FE.ZS (female). Based on data from International Labour Organization (ILO)

*Definition:* The proportion of the population ages 15 and older that is economically active: 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:* Data are available for about 88 USAID countries.

*CAS Code:* 16P5a-b

### Economically Active Children, percent of Children Ages 7–14

**Source:** World Development Indicators, most recent publication series SL.TLF.0714.ZS. Derived from the Understanding Children's Work project based on data from ILO, UNICEF, and the World Bank.

*Definition:* Economically active children refer to children involved in economic activity for at least one hour in the reference week of the survey.

*Coverage:* Data are available for 35 USAID countries.

*CAS Code:* 16P6

### Internally Displaced Females per Capita

**Source:** UNHCR, 2005 Global Refugee Trends, Annex, Table 14, [www.unhcr.org/statistics.html](http://www.unhcr.org/statistics.html) and World Development Indicators, most recent publication series SP.POP.TOTL.

*Definition:* Internally displaced women protected or assisted by UNHCR, divided by total population estimates.

*Coverage:* Data are available for 14 USAID countries.

*Data quality:* Most of the world's internal-displacement situations are not covered by UNHCR and are thus not reflected in these statistics.

*CAS Code:* 16S1

### Use of Child Soldiers, Government and Political

**Source:** Text in country reports of Child Soldiers.org, [www.child-soldiers.org/library/global-reports](http://www.child-soldiers.org/library/global-reports), and The UN DDR Resource Centre [www.unddr.org](http://www.unddr.org)

*Definition:* The 2002 Optional Protocol to the UN Convention on the Rights of the Child set 18 as the minimum age for participation in hostilities, for compulsory recruitment by governments, and all recruitment into armed groups. The use of child soldier is therefore defined as an individual under the age of 18 participating in government forces or in armed political groups.

*Coverage:* Data are available for approximately 70 percent of USAID countries.

*Data quality:* Information for country entries was gathered from a wide range of sources, including governments, UN agencies and peacekeeping missions, other intergovernmental organizations, news media, academic sources, and human rights and humanitarian organizations. Information was also provided by coalition members and partners and by local nongovernmental organizations, journalists, lawyers, activists, and others in many countries. The Child Soldier Global Report data was recorded as follows: E, I, S, or G = 1 (yes); P, B or L = 2 (possibly); N or N/A = 0 (no).

*CAS Code:* 16S2a-b

## ECONOMIC STABILIZATION AND GOVERNMENT CAPACITY

In the World Development Indicators for 2005, the World Bank adopted the Government Finance Statistics 2001 system for government budget statistics, switching from data based on cash outlays and receipts to a system with revenues booked on receipt and expenses booked on accrual, in accordance with the IMF's Government Financial Statistics (GFS) Manual, 2001. On the revenue side, the changes are minor, and comparisons to the old system may still be valid. There is a major change, however, in the reporting of capital outlays, which are now treated as balance sheet entries; only the annual capital consumption allowance (depreciation) is reported as an expense. Hence, the data on total *expense* is not comparable to the former data on total *expenditure*. In addition, WDI 2005 now provides data on the government's cash surplus/deficit; this differs from the previous concept of the overall budget balance by excluding net lending minus repayments (which are now a financing item under net acquisition of financial assets). Most countries do not use the new GFS system, so country coverage of fiscal data in WDI 2005 is limited. For this reason, the template continues to use data from IMF Article IV consultations and domestic country websites on a cash outlays and receipts system.

### Government Effectiveness Index

**Source:** World Bank Institute, Governance Indicators, [www.govindicators.org](http://www.govindicators.org)

*Definition:* Based on perception surveys from 17 sources, this index measures the quality of public and civil services and the degree of the public sector's independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

*Coverage:* Data are available for all USAID countries.

*CAS Code:* 21P1

### Government Expenditure, Percent of GDP

**Source:** IMF Article IV Reviews for latest country data:

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm)

Original data from the IMF, Government Finance Statistics Yearbook, and World Bank estimates.

*Definition:* Total expense of the central government as a percent of GDP.

*Coverage:* Data are available for about 70 percent of USAID countries.

*CAS Code:* 21P2

### Government Revenue, Percent of GDP

**Source:** IMF Article IV reviews for latest country data:

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm);

World Development Indicators for benchmarking data (GC.REV.XGRT.GD.ZS). Original data from the IMF, Government Finance Statistics Yearbook and data file, and World Bank estimates.

*Definition:* Government revenue includes all revenue to the central government from taxes and nonrepayable 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 are missing for about 24 USAID countries.

*CAS Code:* 21P3

### Money Supply Growth

**Source:** Latest country data are from national data sources or IMF Article IV Reviews:

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

Benchmarking data are from World Development Indicators, most recent publication, series FM.LBL.MQMY.ZG. Original source of WDI data is IMF, International Financial Statistics, and World Bank estimates.

*Definition:* Average annual growth rate in the broad money supply, M2 (money plus quasimoney) measured as the change in end-of-year totals relative to the preceding year. M2 is made up of the sum of currency outside banks, checking account deposits other than those of the central government, and the time, savings, and foreign currency deposits of resident sectors other than the central government. M2 corresponds to the sum of lines 34 and 35 in the IMF's International Financial Statistics (IFS).

*Coverage:* Data are available for about 81 USAID countries.

*CAS Code:* 21P4

### Inflation Rate

**Source:** IMF World Economic Outlook database, updated every 6 months:

[www.imf.org/external/ns/cs.aspx?id=28](http://www.imf.org/external/ns/cs.aspx?id=28)

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

*Coverage:* Data are available for about 85 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:* 21P5

### Overall Government Budget Balance, including Grants, Percent of GDP

**Source:** For countries using the new GFS system (see explanation at the beginning of this section), benchmarking data on a government's cash surplus or deficit are obtained from World Development Indicators, most recent publication series GC.BAL.CASH.GD.ZS. For countries that are not yet using the new system, benchmarking data on the overall budget balance are obtained from WDI 2004, series GB.BAL.OVRL.GD.ZS. The latest country data are obtained from national data sources or from IMF Article IV Reviews: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

*Definition:* The cash surplus or deficit is revenue (including grants) minus expenses, minus net acquisition of nonfinancial assets. This is close to the previous concept of overall budget balance, differing only in that it excludes net lending (which is now treated as a financing item, under net acquisition of financial assets).

For countries that are not using the GFS system, the template will continue to focus on the overall budget balance, using data from alternative sources. The overall budget deficit is defined as the difference between total revenue (including grants) and total expenditure.

Both concepts measure the central government's financing requirement that must be met by domestic or foreign borrowing. As noted above, they differ in that the new cash surplus/deficit variable excludes net lending (which is usually a minor item).

*Coverage:* Data are available in WDI 2005 for 41 USAID countries.

*CAS Code:* 21S1

### Interest Payments/Total Government Expenditure

**Source:** National data sources or IMF Article IV consultative reports: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

*Definition:* Interest payments as a percent of total expense.

*Coverage:* Data are available for about half of USAID countries.

*Data quality:* Many countries report revenue in noncomparable categories. Budget data are compiled by fiscal year. If the fiscal year differs from the calendar year, ratios to GDP may be calculated by interpolating budget data from two adjacent fiscal years.

*CAS Code:* 21S2

### Subsidies and Other Current Transfers/Total Government Expenditure

**Source:** National data sources or IMF Article IV consultative reports: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

*Definition:* Subsidies and other current transfers as a percent of total expense.

*Coverage:* Data are available for about half of USAID countries.

*Data quality:* Many countries report their revenue in noncomparable categories. Budget data are compiled by fiscal year. If the fiscal year differs from the calendar year, ratios to GDP may be calculated by interpolating budget data from two adjacent fiscal years.

*CAS Code:* 21S3

## BUSINESS ENVIRONMENT

### Control of Corruption Index

**Source:** World Bank Institute, Governance Indicators: [www.govindicators.org](http://www.govindicators.org)

*Definition:* The Control of Corruption index is an aggregation of indicators that measure the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as the “capture” of the state by elites and private interests. Index ranges from -2.5 (for very poor performance) to +2.5 (for excellent performance).

This is also an MCC indicator, under the criterion of ruling justly. The MCC rescales the values as percentile rankings relative to the set of MCA-eligible countries, ranging from a value from 0 (for very poor performance) to 100 (for excellent performance). Some country reports use the MCC scaling.

*Coverage:* Data are available for nearly all USAID countries.

*Data quality:* This indicator uses perception and opinions gathered from local businessmen and third-party experts; thus, the indicator is largely subjective. Also, standard errors are large. For both reasons, international comparisons are problematic, though widely used.

*CAS Code:* 22P1

### Rule of Law Index

**Source:** World Bank Institute, Governance Indicators: [www.govindicators.org](http://www.govindicators.org). This indicator is based on perceptions of the legal system, drawn from 12 data sources.

*Definition:* The Rule of Law Index is an aggregation of indicators that measure the extent to which agents have confidence in and abide by the rules of society. It ranges from -2.5 (for very poor performance) to +2.5 (for excellent performance).

*Coverage:* Data are available for nearly all USAID countries.

*Data quality:* This index is best used with caution for relative comparisons between countries in a single year, because the standard errors are large. Using the index to track a country’s progress over time is difficult because the index does not compensate for changes in the world average. 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.

*CAS Code:* 22P2

### Voice and Accountability

**Source:** World Bank Institute, Governance Indicators: [www.govindicators.org](http://www.govindicators.org).

*Definition:* Based on seven representative sources, this index measures the government’s capacity to transfer power in a legitimate manner and offer civil liberties and political rights. Although this is a subjective index of perception, the index is based on a broad range of sources: 31 data sources produced by 25 organizations, ranging from international organizations to political and business risk-rating agencies (Afrobarometer, Latinobarometro), think tanks, and NGOs.

*Coverage:* Data are available for all USAID countries.

*CAS Code:* 22P3

### Ease of Doing Business Index

**Source:** World Bank, Doing Business Indicators: [www.doingbusiness.org/](http://www.doingbusiness.org/)

*Definition:* The Ease of Doing Business index ranks economies from 1 to 181. The index is calculated as the ranking on the simple average of country percentile rankings on each of the 10 topics covered in Doing Business in 2006: starting a business, dealing with licenses, hiring and firing, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business.

*Coverage:* Data are available for nearly all USAID countries.

*CAS Code:* 22P4

### Time to Start a Business

**Source:** World Bank, Doing Business; Starting a Business category: [www.doingbusiness.org/](http://www.doingbusiness.org/)

*Definition:* The number of 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 are available for nearly all USAID countries.

*CAS Code:* 22S1

### Procedures to Start a Business

**Source:** World Bank, Doing Business; Starting a Business category: [www.doingbusiness.org/](http://www.doingbusiness.org/)

*Definition:* The number of procedural steps required to legalize a simple limited liability company. A procedure is an interaction of a company with government agencies, lawyers, auditors, notaries, and the like, including interactions required to obtain necessary permits and licenses and complete all inscriptions, verifications, and notifications to start operations.

*Coverage:* Data are available for nearly all USAID countries.

*CAS Code:* 22S2

### Cost of Starting a Business

**Source:** World Bank, Doing Business; Starting a Business category: [www.doingbusiness.org/](http://www.doingbusiness.org/)

*Definition:* Legally required cost for starting a simple limited liability company, expressed as percentage of GNI per capita.

*Coverage:* Data are available for nearly all USAID countries.

*CAS Code:* 22S3

### Time to Enforce a Contract

**Source:** World Bank, Doing Business; Enforcing Contracts category: [www.doingbusiness.org/](http://www.doingbusiness.org/)

*Definition:* Minimum number of days required to enforce a contract through the court system.

*Coverage:* Data are available for nearly all USAID countries.

*CAS Code:* 22S4

### Procedures to Enforce a Contract

**Source:** World Bank, Doing Business; Enforcing Contracts category: [www.doingbusiness.org/](http://www.doingbusiness.org/)

*Definition:* The number of procedures required to enforce a valid contract through the court system, with procedure defined as any interactive step the company must take with government agencies, lawyers, notaries, and the like, to proceed with enforcement action.

*Coverage:* Data are available for nearly all USAID countries.

*CAS Code:* 22S5

**Cost to Enforce a Contract, Percent of Claim**

**Source:** World Bank, Doing Business; Enforcing Contracts category: [www.doingbusiness.org/](http://www.doingbusiness.org/)

*Definition:* Cost is recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita. Only official costs required by law are recorded, including court and enforcement costs and average attorney fees where the use of attorneys is mandatory or common.

*Coverage:* Data are available for nearly all USAID countries.

*CAS Code:* 22S6

**Time to Register Property**

**Source:** World Bank, Doing Business; Registering Property category: [www.doingbusiness.org/](http://www.doingbusiness.org/)

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

*Coverage:* Data are available for nearly all USAID countries.

*CAS Code:* 22S7

**FINANCIAL SECTOR****Domestic Credit to Private Sector, Percent of GDP**

**Source:** IMF Article IV reviews or national data sources for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators, most recent publication series FS.AST.PRVT.GD.ZS for benchmarking data. The WDI data originate with IMF International Financial Statistics and data files and World Bank estimates.

*Definition:* Domestic credit to the private sector refers to end of year financial resources provided to the private sector, such as through loans, purchases of nonequity 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 are available for about 82 USAID countries.

*CAS Code:* 23P1

**Interest Rate Spread**

**Source:** World Development Indicators, most recent publication series FR.INR.LNDP. Original data are from IMF International Financial Statistics and data files.

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

*Coverage:* Data are available for about 66 USAID countries.

*CAS Code:* 23P2

**Money Supply, Percent of GDP**

**Source:** Latest country data obtained from national data sources or IMF Article IV reviews: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

Benchmarking data from World Development Indicators, most recent publication series FM.LBL.MQMY.GD.ZS. WDI data originate from IMF, International Financial Statistics and data files, and World Bank and OECD GDP estimates.

*Definition:* Money supply (M2), also called broad money, is defined as the end of year nonbank private sector's holdings of notes, coins, and demand deposits, plus savings deposits and foreign currency deposits. Ratio of M2 to GDP is calculated to assess the degree of monetization of an economy.

*Coverage:* Data are available for about 81 USAID countries.

*Data quality:* In some countries M2 includes certificates of deposits, money market instruments, and treasury bills.

*CAS Code:* 23P3

**Real Interest Rate**

**Source:** World Development Indicators, most recent publication series FR.INR.RINR.

*Definition:* The real interest rate is the lending interest rate adjusted for inflation, as measured by the GDP deflator.

*Coverage:* Data are available for about 68 USAID countries.

*CAS Code:* 23S1

**Banking Sector Default Rate**

**Source:** IMF, Financial Soundness Indicators, Coordinated Compilation Exercise for Financial Soundness Indicators: core series of nonperforming loans to total loans, [www.imf.org/external/np/stafsi/datarsl.htm](http://www.imf.org/external/np/stafsi/datarsl.htm)

*Definition:* This is calculated by taking the value of nonperforming loans as the numerator and the total value of the loan portfolio (including nonperforming loans, and before the deduction of specific loan loss provisions) as the denominator.

*Coverage:* Data are available for 29 USAID countries.

*CAS Code:* 23S2

**EXTERNAL SECTOR****Aid, Percent of GNI**

**Source:** Latest country data obtained from national data sources or IMF Article IV Reviews: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

Benchmarking data from World Development Indicators, most recent publication series DT.ODA.ALLD.GN.ZS.

*Definition:* The indicator measures official development assistance from OECD countries and official aid from non-OECD countries as a percentage of the recipient's gross national income.

*Coverage:* Data are available for about 84 USAID countries.

*Data quality:* Data do not include aid given by recipient countries to other recipient countries and may not be consistent with the country's balance sheets, because data are collected from donors.

*CAS Code:* 24P1

**Current Account Balance, Percent of GDP**

**Source:** Latest country data from national data sources or IMF Article IV Consultation Report: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

Benchmarking data are from the IMF World Economic Outlook (WEO) database, most recent edition, based on IMF balance of payments statistics and IMF local currency GDP figures.

*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 (GDP).

*Coverage:* Data are available for about 79 USAID countries.

*CAS Code:* 24P2

#### **Debt Service Ratio, Percent of Exports**

**Source:** Latest country data obtained from national data sources or IMF Article IV Reviews:

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

Benchmarking data from World Development Indicators, most recent publication, series DT.TDS.DECT.EX.ZS, based on World Bank, Global Development Finance data.

*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. Debt is considered as a percent of exports of goods and services, which includes income and workers' remittances.

*Coverage:* Data are available for about 77 USAID countries.

*Data quality:* See data quality comments on present value of debt, percent of GNI, about debt data reported.

*CAS Code:* 24P3

#### **Export Growth of Goods and Services**

**Source:** Latest country data obtained from national data sources or IMF Article IV Reviews:

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

Benchmarking data from World Development Indicators, most recent publication, series 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 units. Exports 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:* Data are available for about 81 USAID countries.

*CAS Code:* 24P4

#### **Foreign Direct Investment, Percent of GDP**

**Source:** Latest country data obtained from national data sources or IMF Article IV reviews:

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm)

Benchmarking data from World Development Indicators, most recent publication, series BX.KLT.DINV.DT.GD.ZS, based on IMF, 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 the net inflow 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:* Data are available for about 82 USAID countries.

*CAS Code:* 24P5

#### **Gross International Reserves, Months of Imports**

**Source:** Latest country data obtained from national data sources or IMF Article IV reviews: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Benchmarking data from World Development Indicators, most recent publication, series FI.RES.TOTL.MO.

*Definition:* Gross international reserves are made up of holdings of monetary gold, special drawing rights (SDRs), the reserve position of members in the IMF, and holdings of foreign exchange under the control of monetary authorities expressed in the number of months of imports of goods and services.

*Coverage:* Data are available for about 77 USAID countries.

*CAS Code:* 24P6

#### **Present Value of Debt, Percent of GNI**

**Source:** World Development Indicators, most recent publication series DT.DOD.PVLX.GN.ZS, based on Global Development Finance data.

*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 nonguaranteed, long-term external debt over the life of existing loans. The indicator measures the value of debt relative to the GNI.

*Coverage:* Data are available for about 80 USAID countries.

*Data quality:* The coverage and quality of debt data vary widely among countries because of the wide spectrum of debt instruments, the unwillingness of governments to provide information, and a lack of capacity in reporting. Discrepancies are significant when exchange rate fluctuations, debt cancellations, and rescheduling occur.

*CAS Code:* 24P7

#### **Remittance Receipts, Percent of Exports**

**Source:** Latest country data obtained from national data sources or IMF Article IV reviews:

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

Benchmarking data are obtained from World Development Indicators, most recent publication. The figure is constructed by dividing workers' remittances (receipts), series BX.TRF.PWKR.CD, by exports of goods and services, series 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. The indicator is the ratio of remittances to exports.

*Coverage:* Data are available for about 74 USAID countries.

*CAS Code:* 24P8

#### **Concentration of Exports**

**Source:** Constructed with ITC COMTRADE data by aggregating the value for the top three export product groups (SITC Rev.3) and dividing by total exports. Raw data: [www.intracen.org/tradstat/sitc3-3d/indexre.htm](http://www.intracen.org/tradstat/sitc3-3d/indexre.htm)

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

*Coverage:* Data are available for about 74 USAID countries.

*Data quality:* Smuggling is a serious problem in some countries. For countries that do not report trade data to the

United Nations, ITC uses partner country data. This approach has a number of shortcomings: ITC does not cover trade with nonreporting countries; transshipments may hide the actual source of supply; and transport cost and insurance are included in measuring exports but excluded in measuring imports.

*CAS Code:* 24P9

#### Trade Logistics Performance Index—Customs

**Source:** Latest country score obtained from World Bank Logistics Performance Index country scorecard: [info.worldbank.org/etools/tradesurvey/mode1a.asp](http://info.worldbank.org/etools/tradesurvey/mode1a.asp)

*Definition:* The Logistics Performance Index is a simple average of a country's score on seven dimensions: the efficiency and effectiveness of clearance process by customs and other border control agencies; the quality of transport and IT infrastructure for logistics; the ease and affordability of arranging shipments; competence in the local logistics industry (e.g., transport operators, customs brokers); ability to track and trace shipments; domestic logistics costs (e.g., local transportation, terminal handling, warehousing); and the timeliness of shipments in reaching destination. This indicator captures the first dimension.

*Coverage:* Data available for about 150 countries.

*CAS Code:* 24S1

#### Trade in Goods and Services, Percent of GDP

**Source:** Latest country data obtained from national data sources or IMF Article IV Consultation Report: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

Benchmarking data from World Development Indicators, most recent publication, series NE.TRD.GNFS.ZS.

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

*Coverage:* Data available for about 84 USAID countries.

*CAS Code:* 24S2

#### Real Effective Exchange Rate (REER)

**Source:** IMF Article IV reviews: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm).

*Definition:* The REER is an index number with base 1995=100 that measures the value of a currency against a weighted average of foreign currencies. It is calculated as the nominal effective exchange rate divided by a price deflator or index of costs. The IMF defines the REER so that an increase in the value represents a real appreciation of the home currency and a decrease represents a real depreciation.

*Coverage:* Information on coverage is not easily accessible.

*Data quality:* Changes in REER should be interpreted with caution. For many countries the weights from 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:* 24S3

#### Country Credit Rating

**Source:** Institutional Investor Magazine

[www.iimagazine.com/Rankings/RankingsCountryCredit.aspx](http://www.iimagazine.com/Rankings/RankingsCountryCredit.aspx)

*Definition:* Institutional Investor Magazine measures individual countries' creditworthiness by asking senior economists and risk managers for their predictions on credit risk, exchange rate risk, valuation correction, and risk impact.

The rating is on a scale of 0 to 100 with 100 being the best rating possible.

*Coverage:* Data are available for about 80 USAID countries.

*CAS Code:* 24S4

## ECONOMIC INFRASTRUCTURE

#### Logistics Performance Index—Infrastructure

**Source:** Latest country score obtained from World Bank Logistics Performance Index country scorecard: [info.worldbank.org/etools/tradesurvey/mode1a.asp](http://info.worldbank.org/etools/tradesurvey/mode1a.asp)

*Definition:* The Logistics Performance Index is a simple average of a country's score on seven factors: the efficiency and effectiveness of the clearance process by customs and other border control agencies; the quality of transport and IT infrastructure for logistics; the ease and affordability of arranging shipments; competence in the local logistics industry (e.g., transport operators, customs brokers); the ability to track and trace shipments; domestic logistics costs (e.g., local transportation, terminal handling, warehousing); and the timeliness of shipments in reaching destination. This indicator captures the second dimension.

*Coverage:* Data available for about 150 countries.

*CAS Code:* 25P1

#### Number of Electrical Outages, per Month

**Source:** World Bank, Enterprise Surveys, Infrastructure. [www.enterprisesurveys.org/](http://www.enterprisesurveys.org/)

*Definition:* This indicator shows the average number of power outage in a typical month.

*Coverage:* Data available for a small number of countries.

*CAS Code:* 25P2

#### Telephone Density, Fixed Line and Mobile per 100 People

**Source:** World Development Indicators, most recent publication series IT.TEL.TOTL.P3, derived from the International Telecommunication Union database.

*Definition:* The indicator is the sum of subscribers to telephone mainlines and mobile phones per 100 people. Fixed lines represent telephone main lines 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:* Data are available for about 88 USAID countries.

*CAS Code:* 25P3

#### Internet Users per 100 People

**Source:** World Development Indicators, most recent publication series IT.NET.USER.P3, derived from the International Telecommunication Union database.

*Definition:* Indicator quantifies the number of Internet users, defined as those with access to the worldwide network, per 100 people.

*Coverage:* Data are available for about 88 USAID countries.

*CAS Code:* 25S1

#### Roads Paved, Percent of Total Roads

**Source:** World Development Indicators, most recent publication series IS.ROD.PAVE.ZS

**Definitions:** Paved roads are roads surfaced with crushed stone (macadam) and hydrocarbon binder or bituminized agents, with concrete, or with cobblestones.

**Coverage:** Data are available for nearly all USAID countries.

**CAS Code:** 25S2

#### **Percentage of Households with Access to Electricity**

**Source:** Obtained from individual country sources.

**Definition:** Access to electricity is defined as the percentage of households that have electrical power.

**Coverage:** Data are available for about 25 USAID countries.

**CAS Code:** 25S3

#### **Overall Infrastructure Quality**

**Source:** Global Competitiveness Report, World Economic Forum

[www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm](http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm).

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

**Coverage:** Data are available for about 52 USAID countries.

**Data quality:** Comparisons between countries are difficult because the data are based on executives' perceptions.

**CAS Code:** 25S4

#### **Quality of Infrastructure—Air, Ports, Railroads, Electricity, and Roads**

**Source:** Global Competitiveness Report, World Economic Forum:

[www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm](http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm).

**Definition:** The index measures executives' perceptions of general infrastructure in their own countries. Executives grade, on a scale from 1 to 7, whether air transport, ports, railroads, electricity and roads are poorly developed (1) or among the best in the world (7).

**Coverage:** Data are available for about 52 USAID countries.

**Data quality:** Comparisons between countries are difficult because the data are based on executives' perceptions.

**CAS Code:** 25S5 a-e

### **SCIENCE AND TECHNOLOGY**

#### **FDI Technology Transfer Index**

**Source:** Global Competitiveness Report, World Economic Forum

<http://www.weforum.org/documents/gcr0809/index.html>.

**Definition:** The index measures executives' 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 brings little new technology (1), or is an important source of new technology (7).

**Coverage:** Data are available for about 52 USAID countries.

**Data Quality:** Comparisons between countries are difficult because the data are based on executive perceptions.

**CAS Code:** 26P1

#### **Availability of Scientists and Engineers Index**

**Source:** Global Competitiveness Report, World Economic Forum

<http://www.weforum.org/documents/gcr0809/index.html>.

**Definitions:** The index measures executives' perceptions of the availability of scientists and engineers in their respective country. Executives grade, on a scale from 1 to 7, whether scientists and engineers in their country are nonexistent (1) or rare, or widely available (7).

**Coverage:** Data are available for about 52 USAID countries.

**Data Quality:** Comparisons between countries are difficult because the data are based on executive perceptions.

**CAS Code:** 26P2

#### **Science and Technology Journal Articles, per Million People**

**Source:** World Development Indicators, most recent publication, series IP.JRN.ARTC.SC

**Definitions:** The indicator refers to published scientific and engineering articles in physics, biology, chemistry, mathematics, clinical medicine, biomedical research, engineering and technology, and earth and space sciences per one million population.

**Coverage:** Data are available for about 82 USAID countries.

**CAS Code :** 26P3

#### **IPR Protection Index**

**Source:** Global Competitiveness Report, World Economic Forum

<http://www.weforum.org/documents/gcr0809/index.html>.

**Definitions:** The index measures executives' perceptions of the availability of the quality of intellectual property rights protection in their respective country. The scale ranges from 1 (for poorly enforced) to 7 (among the best in the world).

**Coverage:** Data are available for about 52 USAID countries.

**Data Quality:** Comparisons between countries are difficult because the data are based on executive perceptions.

**CAS Code:** 26P4

### **HEALTH**

#### **Child Mortality Rate (per 1,000 Live Births)**

**Source:** World Development Indicators, most recent publication series SH.DYN.MORT.

**Definition:** The indicator is the number of children dying before reaching the age of five, per 1,000 live births in a given year, if subject to current age-specific mortality rates.

**Coverage:** Data are available for about 87 USAID countries.

**CAS Code:** 31P1

#### **Maternal Mortality Ratio**

**Source:** Millennium Development Goals Indicators, [millenniumindicators.un.org/unsd/mdg/Data.aspx](http://millenniumindicators.un.org/unsd/mdg/Data.aspx) based on WHO, UNICEF, and UNFPA data.

**Definition:** The indicator is the number of women who die during pregnancy and childbirth, per 100,000 live births.

**Coverage:** Data are available for about 87 USAID countries.

*Data quality:* Household surveys attempt to measure maternal mortality by asking respondents about their sisters. The estimates pertain to 12 years or so before the survey, making them unsuitable for monitoring recent changes.

*CAS Code:* 31P2

### Life Expectancy at Birth

**Source:** World Development Indicators, most recent publication, males SP.DYN.LE00.MA.IN, females SP.DYN.LE00.FE.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 his or her birth were to stay the same throughout his or her life, by sex.

*Coverage:* Data are available for about 88 USAID countries.

*Data quality:* Life expectancy at birth is estimated on the basis of vital registration or the most recent census or survey. Extrapolations may not be reliable for monitoring changes in health status or for comparative analytical work.

*CAS Code:* 31P3

### HIV Prevalence

**Source:** UNAIDS for most recent country data: [http://data.unaids.org/pub/GlobalReport/2008/20080813\\_gr08\\_prev1549\\_1990\\_2007\\_en.xls](http://data.unaids.org/pub/GlobalReport/2008/20080813_gr08_prev1549_1990_2007_en.xls). World Development Indicators, most recent publication for benchmark data, series SH.DYN.AIDS.ZS.

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

*Coverage:* Data are available for about 79 USAID countries.

*Data quality:* UNAIDS/WHO estimates are based on all available data, including surveys of pregnant women, population-based surveys, household surveys conducted by Kenya, Mali, Zambia, and Zimbabwe, and other surveillance information.

*CAS Code:* 31S1

### Access to Improved Sanitation

**Source:** World Development Indicators, most recent publication, series SH.STA.ACSN.

*Definition:* The indicator is the percentage of the 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:* Data are available for about 82 USAID countries.

*Data quality:* Coverage rates may include nonfunctioning systems.

*CAS Code:* 31S2

### Access to Improved Water Source

**Source:** World Development Indicators, most recent publication series SH.H2O.SAFE.ZS.

*Definition:* The indicator is the percentage of the population with reasonable access to an adequate amount of water from an improved source, such as household connection, public standpipe, borehole, protected well or spring, or rain water collection.

*Coverage:* Data are available for about 83 USAID countries.

*Data quality:* Access to drinking water from an improved source does not ensure that the water is adequate or safe.

*CAS Code:* 31S3

### Prevalence of Child Malnutrition (Weight for Age)

**Source:** World Development Indicators, most recent publication, series SH.STA.MALN.ZS.

*Definition:* The indicator is based on the percentage of children under age 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:* Data are available for about 55 USAID countries.

*CAS Code:* 31S4

### Public Health Expenditure, Percent of GDP

**Source:** Latest data for host country are obtained from the MCC:

[www.mcc.gov/mcc/selection/scorecards/index.shtml](http://www.mcc.gov/mcc/selection/scorecards/index.shtml).

International benchmarking data from World Development Indicators, most recent publication (SH.XPD.PUBL.ZS), based on WHO, World Health Report, and updates from the OECD, supplemented by World Bank poverty assessments and country and sector studies.

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

*Coverage:* Data are available for about 88 USAID countries.

*CAS Code:* 31S5

## EDUCATION

### Net Primary Enrollment Rate, Total, Male and Female

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

*Definition:* The indicator measures the proportion of the population of the official age for primary, secondary, or tertiary education enrolled in primary schools according to national regulations. 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:* Data are available for about 80 USAID countries.

*Data quality:* Enrollment rates are based on data collected during annual school surveys, which are typically conducted at the beginning of the school year and do not reflect actual rates of attendance during the school year. In addition, school administrators may report exaggerated enrollments because teachers often are paid proportionally to the number of pupils enrolled. The indicator does not measure the quality of the education provided.

*CAS Code:* 32P1a-c

### Net Secondary Enrollment Rate

**Source:** World Development Indicators, most recent publication, series SE.SEC.NENR. Based on data from the United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics.

*Definitions:* Net enrollment ratio is the ratio of children of official school age based on the International Standard Classification of Education 1997 who are enrolled in school to the population of the corresponding official school age. Secondary education completes the provision of basic education that began at the primary level and aims at laying

the foundations for lifelong learning and human development by offering more subject- or skill-oriented instruction using more specialized teachers.

*Coverage:* Data are available for half of USAID countries.

*Data quality:* A break in the series between 1997 and 1998 is due to a change from International Standard Classification of Education (ISCED) 76 to ISCED97. Recent data are provisional.

*CAS Code:* 32P2

### Gross Tertiary Enrollment Rate

**Source:** World Development Indicators, most recent publication, series SE.TER.ENRR. Based on data from the UNESCO Institute for Statistics.

*Definitions:* Gross enrollment ratio is the ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the level of education shown. Tertiary education, whether or not to an advanced research qualification, normally requires as a minimum condition of admission the successful completion of education at the secondary level.

*Coverage:* Data are available for nearly all USAID countries.

*Data quality:* A break in the series between 1997 and 1998 is due to a change from International Standard Classification of Education (ISCED) 76 to ISCED97. Recent data are provisional.

*CAS Code:* 32P3

### Primary Completion Rate

**Source:** World Development Indicators, most recent publication, SE.PRM.CMPT.ZS (total).

*Definition:* Primary completion rate is the percentage of students completing the last year of primary school. It is calculated by taking the total number of students in the last grade of primary school, minus the number of repeaters in that grade, divided by the total number of children of official graduation age.

*Coverage:* Data are available for about 128 USAID countries

*CAS Code #* 32P4

### Youth Literacy Rate

**Source:** World Development Indicators, most recent publication, series SE.ADT.1524.LT.ZS.

*Definition:* The indicator is an estimate of the percent of people ages 15–24 who can, with understanding, read and write a short, simple statement on their everyday life.

*Coverage:* Data are available for about 67 USAID countries.

*Data quality:* Statistics are out of date by two to three years.

*CAS Code:* 32P5

### Expenditure on Primary Education, Percent of GDP

**Source:** Millennium Challenge Corporation:  
[www.mcc.gov/mcc/selection/scorecards/index.shtm](http://www.mcc.gov/mcc/selection/scorecards/index.shtm)

*Definition:* The indicator is the total expenditure on education by all levels of government as a percent of GDP.

*Coverage:* Data are available for about 58 USAID countries.

*Data quality:* The MCC obtains the data from national sources through U.S. embassies.

*CAS Code:* 32S1

### Pupil–Teacher Ratio, Primary School

**Source:** World Development Indicators, most recent publication series 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:* Data are available for about 76 USAID countries.

*Data quality:* 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 affect the quality of teaching and learning and pupil performance.

*CAS Code:* 32S2

## EMPLOYMENT AND WORKFORCE

### Labor Force Participation Rate

**Source:** World Development Indicators, most recent publication series: SL.TLF.CACT.ZS. Based on data from International Labour Organization (ILO).

*Definition:* The proportion of the population ages 15 and older that is economically active: 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:* Data are available for about 88 USAID countries.

*CAS Code:* 33P1

### Rigidity of Employment Index

**Source:** World Bank, Doing Business, Employing workers category:

[www.doingbusiness.org/ExploreTopics/EmployingWorkers/](http://www.doingbusiness.org/ExploreTopics/EmployingWorkers/)

*Definition:* The rigidity of employment index is a measure of labor market rigidity constructed as the average of the Difficulty of Hiring index, Rigidity of Hours index, and Difficulty of Firing index. The index ranges in value from 0 (minimum rigidity) to 100 (maximum rigidity).

*Coverage:* Data are available for nearly all USAID countries.

*Data quality:* Compiled by the World Bank from survey responses to in-country specialists.

*CAS Code:* 33P2

### Labor Force Growth Rate

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

*Definition:* The indicator measures the annual percent change in the labor supply. Labor force is made up of people who meet the International Labor Organization definition of the economically active population: all people who are able to supply labor for the production of goods and services during a specified period, including both the employed and the unemployed. Although national practices vary in the treatment of groups such 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:* Data are available for about 88 USAID countries.

*CAS Code:* 33P3

**Unemployment Rate Ages 15–24, Total and Male**

**Source:** World Development Indicators, most recent publication series SL.UEM.1524.ZS and SL.UEM.1524.MA.ZS.

**Definitions:** Youth unemployment refers to the share of the labor force ages 15–24 without work but available for and seeking employment.

**Coverage:** Data are available for 35 USAID countries.

**Data quality:** Definitions of labor force and unemployment differ by country; thus caution is needed when benchmarking.

**CAS Code:** 33P4a-b

**Informal Sector Employment, Percent of Labor Force**

**Source:** Normally obtained from national sources such as a labor market survey.

**Definition:** Informal sector employment is defined as economic activities that fall outside the formal economy regulated by economic and legal institutions. It is economic activity that is not taxed or included in the government's GNP.

**Coverage:** Data are available for about 20 USAID countries.

**Data quality:** The indicator is inherently difficult to calculate and the methodology may differ by country; thus caution is needed when benchmarking.

**CAS Code:** 33S1

**AGRICULTURE****Agriculture Value Added per Worker**

**Source:** World Development Indicators, most recent publication series 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 basic measure of labor productivity in agriculture. Value added in agriculture measures the output of the agricultural sector (ISIC divisions 1–5)—forestry, hunting, fishing, cultivation of crops, and livestock production—less the value of intermediate inputs. Data are in constant 2000 U.S. dollars.

**Coverage:** Data are available for about 80 USAID countries.

**CAS Code:** 34P1

**Crop Production Index**

**Source:** World Development Indicators, most recent publication series AG.PRD.CROP.XD, based on FAO statistics.

**Definition:** Crop production index shows agricultural production for each year relative to the period 1999–2001 = 100. The index includes production of all crops except fodder crops. Regional and income group aggregates for the FAO's production indices are calculated from the underlying values in international dollars, normalized to the base period.

**Coverage:** Data are available for about 85 USAID countries.

**Data quality:** Regional and income group aggregates for the FAO's production indices are calculated from the underlying values in international dollars, normalized to the base period 1999–2001. The FAO obtains data from official and semi-official reports of crop yields, area under production, and livestock numbers. If data are not available, the FAO makes estimates. To ease cross-country comparisons, the FAO uses international commodity prices to value production

expressed in international dollars (equivalent in purchasing power to the U.S. dollar). 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:** Data are available for about 85 USAID countries.

**CAS Code:** 34S1

**Agricultural Export Growth**

**Source:** World Development Indicators, most recent publication series TX.VAL.AGRI.ZS.UNs, Agricultural raw materials exports (percentage of merchandise exports), based on World Bank staff estimates from the COMTRADE database maintained by the United Nations Statistics Division; and series TX.VAL.MRCH.CD.WT, Merchandise exports (current US\$), based on data from the World Trade Organization.

**Definition:** Agricultural raw materials comprise SITC section 2 (crude materials except fuels), excluding divisions 22, 27 (crude fertilizers and minerals excluding coal, petroleum, and precious stones), and 28 (metalliferous ores and scrap). Merchandise exports show the f.o.b. value of goods provided to the rest of the world valued in U.S. dollars. Data are in current U.S. dollars. The indicator is calculated by multiplying agricultural raw materials by merchandise exports. The annual growth rate is then calculated from the resulting series.

**Coverage:** Data are available for about 85 USAID countries.

**CAS Code:** 34S2.