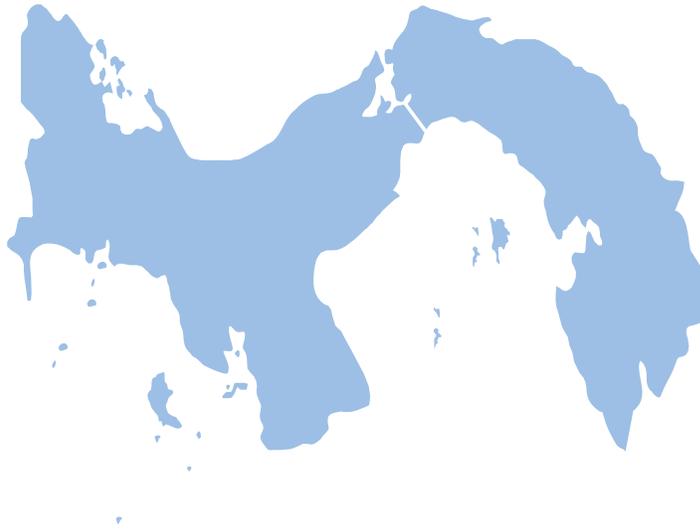




USAID
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Panama

Economic Performance Assessment



January 2009

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Panama

Economic Performance Assessment

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Sponsored by the Economic Growth office of USAID's Bureau of Economic Growth, Agriculture and Trade (EGAT) under Contract No. PCE-I-00-00-00013-00, Task Order 004, the Country Analytical Support (CAS) Project, 2004–2006, Nathan Associates Inc. developed a standard methodology for producing analytical reports to provide a clear and concise evaluation of economic growth performance in designated countries receiving USAID assistance. The reports are tailored to meet the needs of USAID missions and regional bureaus for country-specific analysis. Each report contains

- A synthesis of key data indicators drawn from numerous sources, including the World Bank, the International Monetary Fund, the Millennium Challenge Corporation, the United Nations, other international data sets, and host-country documents and data sources;
- International benchmarking to assess country performance in comparison to similar countries, groups of countries, and predicted values based on international data;
- An easy-to-read analytic narrative that highlights areas in which a country's performance is particularly strong or weak to aid the identification of future programming priorities; and
- A convenient summary of the main findings in the form of a Highlights Table and a Performance Scorecard (in lieu of an Executive Summary).

Under Contract No. GEG-I-00-04-00002-00, Task Order 004, 2006-2010, Nathan Associates continues to provide support to the EGAT Bureau by producing analytical reports evaluating economic growth performance in designated host countries. Through the same task order, Nathan is also developing a special template for countries emerging from crisis, assessing data issues in countries with large gaps in their data, conducting in-depth sector reviews based on the diagnostic analysis in the country reports, and providing other analytical support to the EGAT Bureau.

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Subject to EGAT consent, electronic copies of reports and materials relating to the CAS project are available at www.nathaninc.com. For further information or hard copies of CAS publications, please contact:

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HIGHLIGHTS OF PANAMA PERFORMANCE

Economic Growth	High rates of real GDP growth peaked in 2007, led by a favorable external environment, improved fiscal accounts, macroeconomic stability, canal expansion, and a booming services sector.
Poverty	Rising income inequality has accompanied GDP growth and poverty incidence is high; 36.8 percent of Panamanians are below the national poverty line.
Economic Structure	The highly productive services sector has a 67 percent share of employment and generates more than 75 percent of GDP. Employment in industry is close to parity with output at 18 percent.
Demography and Environment	Highly urbanized, Panama also performs well on environmental indicators and enjoys a high rate of adult literacy.
Gender	Panamanian women are in comparatively good health with a life expectancy five years longer than men. Women also complete school at a high rate. Girls' primary completion was 94.5 percent in 2006.
Fiscal and Monetary Policy	Tax revenue collection is increasing. Though improved fiscal performance is due mainly to revenue growth, government expenditure has been reduced. With no monetary policy at its disposal, the government must exercise fiscal responsibility to curb inflation, which rose from 0.6 percent in 2003 to 4.2 percent in 2007.
Business Environment	Starting a business takes only 13 days, but costs are high and total tax payable is a prohibitive 50.6 percent of operating profit. Other constraints are reflected in poor rankings on indices for corruption, rule of law, and government effectiveness.
Financial Sector	The financial sector appears to be performing well for intermediaries and borrowers. Private borrowers have ample access to domestic finance; in 2007 domestic credit to the private sector as a percentage of GDP was 95.9 percent. Accessibility is also evident in a low real interest rate of 6.1 percent. Panama scored a perfect 6 on the Credit Information Index, which scores in-country credit information systems.
External Sector	Export growth has been strong and import growth has accelerated to keep pace with canal expansion and demand. The current account deficit is expected to rise with machinery and materials imports for canal expansion. FDI growth has been robust and private capital inflows were a healthy 9.7 percent of GDP for 2005.
Economic Infrastructure	The country performs well on most competitiveness indicators for transport and other infrastructure, but lags in rail development and use of information and communication technology.
Science and Technology	FDI inflows in science and technology are beneficial but a general lack of scientists and engineers signals that the sectors may be lagging.
Health	The country lags its upper-middle income peers in improved sanitation and water sources and has very high rates of child malnutrition and maternal mortality.
Education	The net primary enrollment of 98.5 percent indicates excellent access to basic education, but the precipitous decline in enrollment at the secondary level is troubling.
Employment and Workforce	From 2001-2006, the labor force grew an average of 2.8 percent and unemployment fell 3.8 percentage points, partly due to rising demand for labor for canal expansion.
Agriculture	Panama consumes relatively little fertilizer when compared to similar countries in the region. Despite sector inefficiencies, total crop production has improved.

PANAMA: STRENGTHS AND WEAKNESSES—SELECTED INDICATORS

Indicators, by Topic	Strengths	Weaknesses
Growth Performance		
Real GDP growth	X	
Growth of labor productivity	X	
Investment productivity—incremental capital-output ratio (ICOR)	X	
Poverty and Inequality		
Poverty headcount, national poverty line		X
Population below minimum dietary energy consumption		X
Income share, poorest 20% of households		X
Demography and Environment		
Environmental Performance Index	X	
Adult literacy rate	X	
Youth dependency rate		X
Gender		
Life expectancy at birth, female	X	
Girls' primary completion rate	X	
Labor force participation rates, female		X
Fiscal and Monetary Policy		
Government expenditure	X	
Government revenue	X	
Inflation rate		X
Business Environment		
Time to start a business	X	
Cost of starting a business		X
Total tax payable by business		X
Control of corruption index		X
Government effectiveness index		X
Financial Sector		
Domestic credit to the private sector, % GDP	X	
Real interest rate, %	X	
Credit information index	X	
External Sector		
Exports growth, goods and services	X	
Current account balance	X	
Foreign direct investment, % GDP	X	
Gross private capital inflows, % GDP	X	

Indicators, by Topic	Strengths	Weaknesses
Economic Infrastructure		
Quality of infrastructure—ports	X	
Quality of infrastructure—air transport	X	
Quality of infrastructure—rail		X
Internet users per 1,000 people		X
Science and Technology		
FDI technology transfer index	X	
Availability of scientists and engineers		X
Health		
Prevalence of child malnutrition, weight for age		X
Maternal mortality rate, deaths per 100,000 live births		X
Access to improved sanitation		X
Access to improved water source		X
Education		
Net primary enrollment rate	X	
Net secondary enrollment rate		X
Gross tertiary enrollment rate	X	
Employment and Workforce		
Labor force participation rate	X	
Unemployment rate	X	
Rigidity of employment index		X
Agriculture		
Agriculture value added per worker		X
Crop Production Index, 1999-2001=100	X	
Fertilizer Consumption, 100 g per ha of arable land		X

Note: The chart identifies selective indicators for which performance is particularly strong or weak relative to benchmark standards, as explained in Appendix A. The data supplement presented in Appendix B provides full tabulation of the data and international benchmarks examined for this report, along with technical notes on data sources and definitions.

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 key indicators covering a broad range of issues relating to economic growth performance in designated host countries. It draws on a variety of international data sources¹ and uses international benchmarking against reference group averages, comparator countries, and statistical norms to identify major constraints, trends, and opportunities for strengthening growth and reducing poverty in a particular country. In this report, Panama’s reference group average is from upper middle-income Latin America and Caribbean (UMI-LAC) countries and its comparator countries are Chile and the Dominican Republic.

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.² Similarly, the economic performance assessment is based on an examination of key economic 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 analysis is organized around two mutually supportive goals: transformational growth and poverty reduction.³ Broad-based growth is the most powerful instrument for poverty reduction. At the same time, programs to reduce poverty and lessen inequality can help to underpin rapid and sustainable growth. These interactions can create a virtuous cycle of economic transformation and human development.

¹ Sources include the World Bank, the International Monetary Fund, the Millennium Challenge Corporation, the United Nations (including the Millennium Development Goals database), the World Economic Forum, and host-country documents and data sources. This report reflects data available as of October 2008.

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

³ 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 development goal and because growth is the most powerful engine for poverty reduction.

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

The present evaluation must be interpreted with care. A concise analysis of selected indicators cannot provide a definitive diagnosis of economic performance problems, nor simple answers to questions about programmatic priorities. Instead, the aim of the analysis is to spot signs of serious problems affecting economic growth, subject to limits of data availability and quality. The results should provide insight about potential paths for USAID intervention to complement on-the-ground knowledge and further in-depth studies.

The remainder of the report presents the most important results of the diagnostic analysis, in three sections: Overview of the Economy; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topical coverage. Appendix A provides a brief explanation of the criteria used for selecting indicators, the benchmarking methodology, and a table showing the full set of indicators examined for this report. Appendix B provides a full tabulation of the data and international benchmarks examined for this report, along with technical notes on the data sources and definitions.

Table 1-1
Topic Coverage

Overview of the Economy	Private Sector Enabling Environment	Pro-Poor Growth Environment
<ul style="list-style-type: none"> • Growth performance • Poverty and inequality • Economic structure • Demographic and environmental conditions • Gender 	<ul style="list-style-type: none"> • Fiscal and monetary policy • Business environment • Financial sector • External sector • Economic infrastructure • Science and technology 	<ul style="list-style-type: none"> • Health • Education • Employment and workforce • Agriculture

DATA QUALITY AND FORMAT

The breadth and quality of economic data collected for Panama is good for the type of analysis presented in this assessment. Panama scored 73.0 for 2007 on the World Bank's statistical capacity indicator which evaluates countries' statistical practice and data collection activities on a

scale of 1 for “doesn’t meet criteria” to 100 for “meets all criteria.” This score is similar to that for other UMI-LAC countries, which average 72.3. Data is widely available through 2006, but external sector indicators could benefit from reporting through 2007. While data coverage is good overall, a lack of data on government revenue and expenditure hinders fiscal analysis.

2. Overview of the Economy

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

GROWTH PERFORMANCE

Panama enjoyed strong economic growth from 2004 to 2007 (7.8 percent on average). That growth was driven by a favorable external environment, improved fiscal accounts, and macroeconomic stability coupled with expansion of the Panama Canal and a booming services sector. Increases in global trade and a robust global economy also triggered growth in the country's transport, commerce, construction, and financial sectors. Real GDP growth accelerated from 2004 on and reached a peak of 11.2 percent in 2007, making the Panamanian economy one of the best performers in the Latin America and Caribbean (LAC) region (Figure 2-1). For example, in 2007 the median GDP growth rate for the upper middle-income LAC countries (UMI-LAC) was 4.9 percent; values for the comparator countries of Chile (5 percent) and the Dominican Republic (8.5 percent) were comparatively low as well. High GDP growth has led to a corresponding increase in per capita GDP purchasing power parity (PPP), which rose from US\$7,735.8 in 2004 to US\$10,322.2 in 2007—slightly higher than the UMI-LAC median (US\$10,089.8) and the value for the Dominican Republic (US\$7,041.2) though still below the Chile's per capita GDP PPP (US\$13,936.5).

A confluence of increased investment in fixed capital and improved investment productivity has helped to catalyze macroeconomic growth in Panama. Canal expansion and a housing boom⁴ have accelerated investment in fixed capital and, in turn, boosted gross fixed investment, which reached 18.4 percent in 2006, close to the UMI-LAC median of 19.1 percent, Chile's 19.3 percent, and the Dominican Republic's 20.1 percent. Investment is also becoming more productive as indicated by the Incremental Capital-Output Ratio (ICOR), which measures the dollar amount of investment needed to produce an additional dollar's worth of output. As more output was produced with less investment, Panama's ICOR decreased steadily from a ratio of 5.6 in 2002 to 2.8 in 2006, besting the ICOR values for UMI-LAC countries (6.5 median), Chile (4.6), and the Dominican Republic (4.5) (see Figure 2-2).

⁴ The housing sector has begun to deflate. An article in the December 17, 2008, issue of *La Estrella* notes that investments in housing construction were down by 35 percent in September 2008 from the previous year, reflecting falling demand for housing.

Figure 2-1
Real Annual GDP Growth (percent)

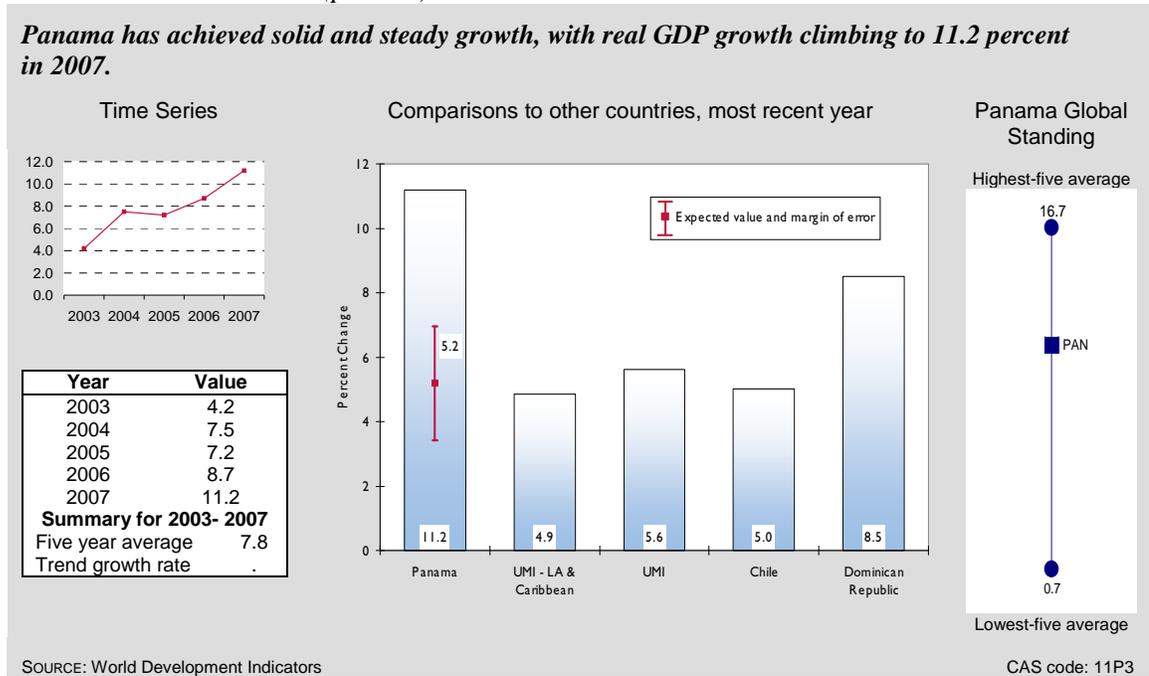
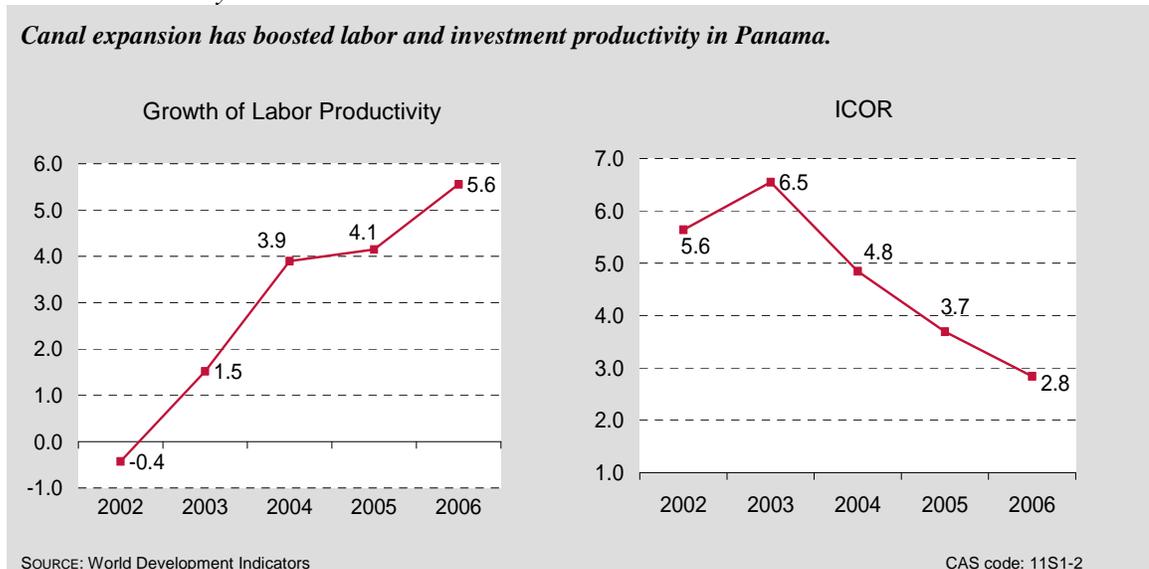


Figure 2-2
Labor Productivity Growth and ICOR



Labor productivity has also been faring well. Labor productivity growth accelerated from -0.4 percent in 2002 to 5.6 percent in 2006, above the UMI median of 3.5 percent, the UMI-LAC median of 2.6 percent, and Chile’s 2.7 percent, but below the Dominican Republic’s exceptional rate of 8.1 percent. Disparities in labor productivity growth between economic sectors reflect the dual character of Panama’s economy, which favors highly productive service-based activities located in urban areas and disfavors the traditional agrarian sectors in rural areas. This disparity presents a fundamental challenge to poverty reduction policies. Productivity improvements in

agriculture and other lagging sectors have been constrained by limitations and inequalities in labor regulations and remuneration between these and more productive sectors in the economy.⁵

Despite exceptional recent growth performance and a positive outlook due to continued canal expansion, Panama's economy may be overheating as indicated by rising inflation and a deteriorating trade balance. Several factors are fueling this overheating: dollar depreciation, rising oil prices, and a housing boom. As a dollarized economy, Panama shares the woes of the depreciating U.S. dollar.⁶ Depreciation has accelerated a rise in food prices and in the dollar terms for food imports, and had adverse consequences for the current account balance. Rising global prices for petroleum are adding to inflationary and current account pressures as well. Finally, canal expansion and the local housing boom are requiring more imports of raw materials and construction equipment, contributing to the deterioration of the trade balance. The boom, fed in part by expatriate demand for housing in the Canal Zone and government subsidized housing throughout Panama, adds to inflationary pressures.

Rising inflation and lagging growth in traditional sectors such as agriculture affect poor households the most, as they are less able than wealthier households to insulate themselves against inflation. As Panama's economy continues to grow, close monitoring of inflation and its impact on poor households may help USAID better target assistance for broad growth and poverty reduction.

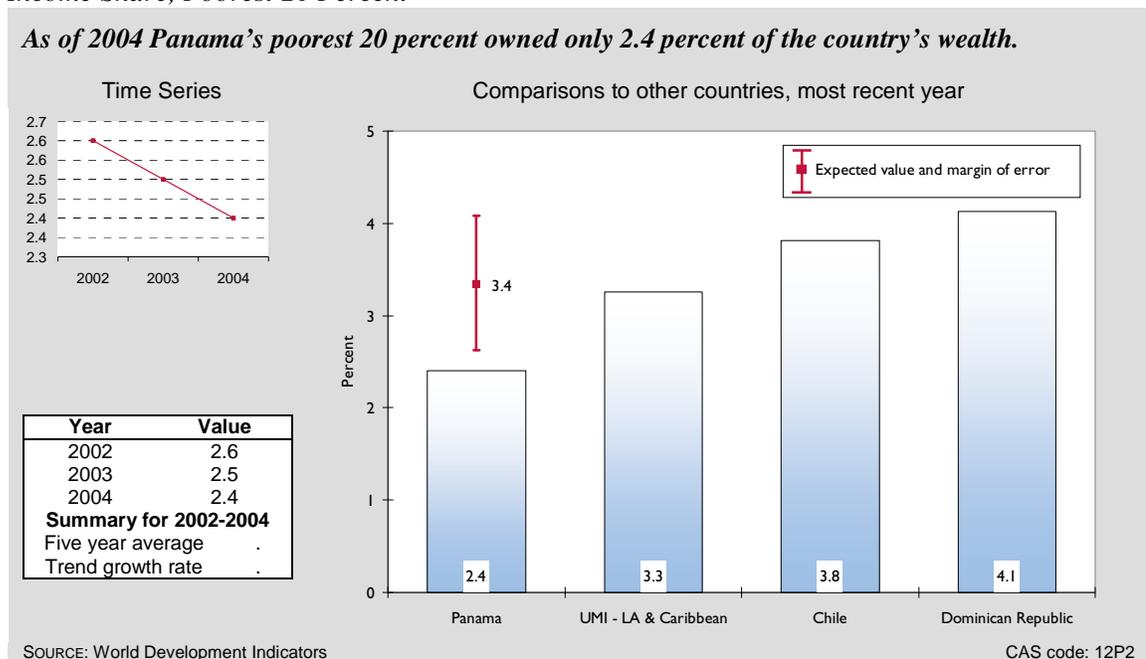
POVERTY AND INEQUALITY

Despite the improving economic outlook, income inequality and poverty persist in Panama. While per capita GDP PPP has increased every year for the past five years, the income share of the poorest 20 percent of the population fell from 2002 to 2004, indicating that rising incomes have been accompanied by increased inequality (Figure 2-3). In 2004 the poorest 20 percent of Panama's population received just 2.4 percent of the country's income, less than the UMI-LAC median of 3.3 percent and the figures for both Chile (3.8 percent) and the Dominican Republic (4.1 percent). In 2003, 36.8 percent of Panamanians fell below the national poverty line, and 18 percent of Panamanians live on less than US\$2 PPP per day as compared to 16 percent of Dominicans and 6 percent of Chileans. Income disparity and high levels of poverty support the notion that the benefits of growth are concentrated in dynamic, modern sectors located in urban environments.

⁵ Dating from 1971 and partly reformed in 1995, Panama's labor code is very complex. Minimum wages are high relative to value added, and firing regulations are restrictive by international standards. These factors may be discouraging employers from formalizing their workforces and increasing informal employment. Areas with high levels of growth, such as the Canal and the Canal Free Zone, have more flexible labor regulations.

⁶ The Nominal Exchange Rate Index as reported by the OECD states a decline of the U.S. dollar from 105.8 in 2002 to 91.0 in 2006, a 14.8 point decrease.

Figure 2-3
Income Share, Poorest 20 Percent



Poverty in Panama is associated with hunger as well as income disparity. In 2002, 25 percent of the population consumed less than the minimum dietary energy consumption requirement for basic nutrition, a rate higher than the UMI-LAC median of 6 percent and Chile's 4 percent, though similar to the Dominican Republic's 27 percent. Undernourishment affects labor productivity in the short and long terms; hungry adults are incapable of achieving peak production and hungry children are incapable of learning and absorbing information as efficiently as well-nourished children. On social measures of poverty Panama also performs poorly. A composite indicator, the UNDP's Human Poverty Index (HPI) gauges deprivation in such areas as education, as measured by adult literacy; in health, as measured by the probability of not surviving to age 40; and standard of living, as measured by lack of access to improved water sources and malnutrition. Countries are measured on an ascending scale from 1 (low deprivation) to 100 (high deprivation). In 2005, Panama's HPI score was 8.0, a good score but not as good as the UMI-LAC median (6.8) or Chile's score (4), but better than the Dominican Republic's score of 11.

Despite recent economic growth, poverty remains a serious development challenge in Panama. Programs that support broad-based growth and poverty reduction should be explored, particularly in rural and indigenous areas.

ECONOMIC STRUCTURE

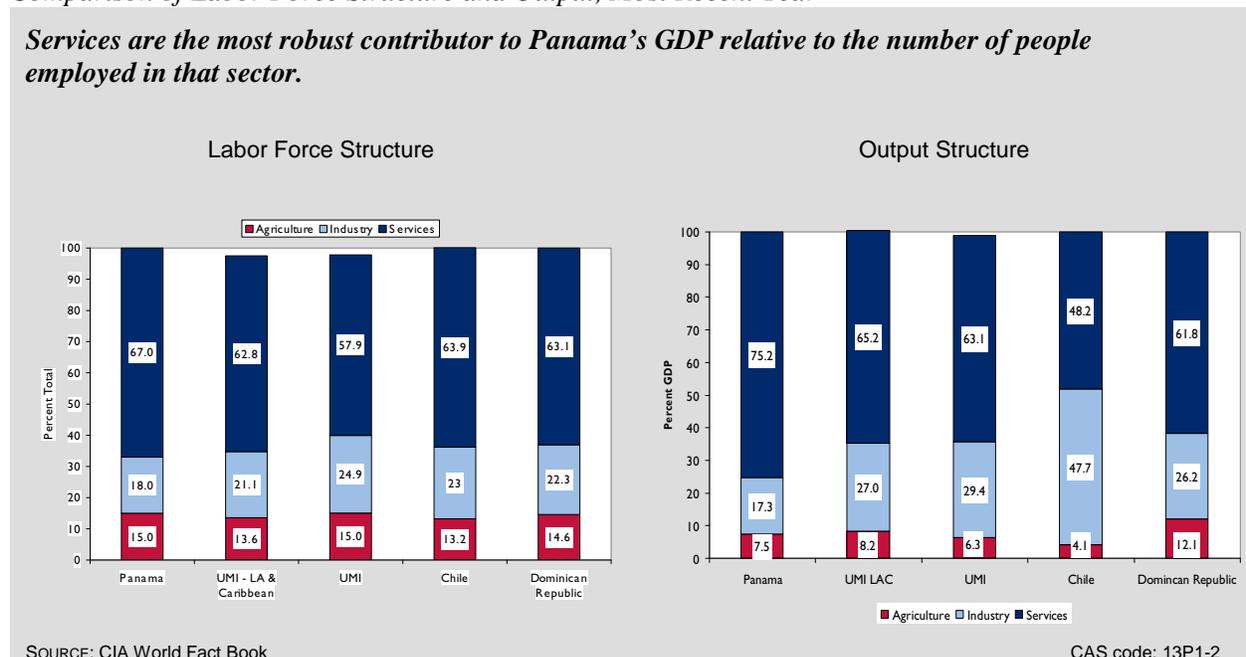
Panama's services sector generates 75.2 percent of the country's GDP thanks to booming activity in the banking industry, the Canal Zone, and the Colon Free Zone.⁷ Agriculture and industry lag

⁷ The Colon Free Zone is a free trade area and export processing zone located at the Atlantic gateway to the Panama Canal.

well behind the services sector. The share of agricultural value added in GDP was 7.5 percent in 2006, falling slightly from 7.9 percent in 2002. Agriculture, however, contributes little to GDP in UMI-LAC countries—a median of just 8.2 percent. Industry’s share of GDP reached 17.3 percent in 2006, below the UMI-LAC median of 27 percent and the Dominican Republic’s 26.2 percent, and far below Chile’s 47.7 percent.

Although the concentration of labor in agriculture has been falling (from 17.4 percent in 2002 to 15.0 percent in 2006), too many Panamanians are working in agriculture relative to output: 15 percent of the workforce produces only 7.5 percent of value added in GDP. High rates of employment in agriculture contribute to low productivity as the sector is likely oversaturated with workers. Industry’s share of employment was 18.0 percent in 2006, roughly equal to its share of GDP, but less than comparators Chile (23.0 percent) and Dominican Republic (22.3), likely a result of the high demand for skilled labor in the services sector. The 67 percent of Panama’s labor force employed in services in 2006 produced 75.2 percent of total output (Figure 2-4).

Figure 2-4
Comparison of Labor Force Structure and Output, Most Recent Year

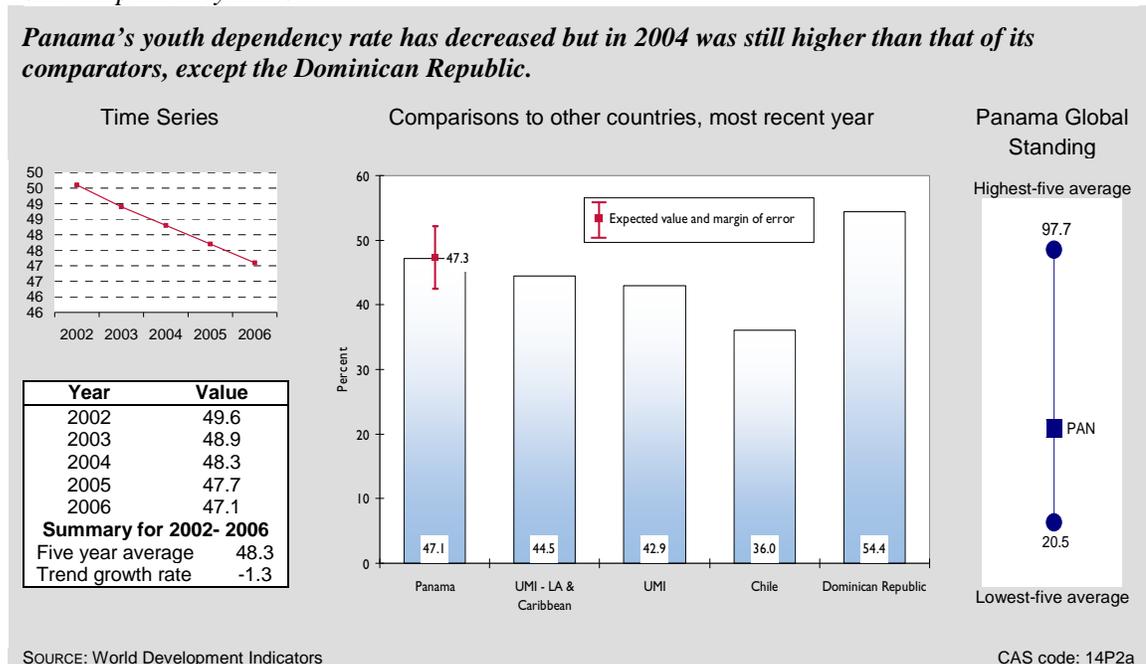


Improving agricultural productivity and redistributing workers to more efficient industrial and services sectors will help to alleviate poverty and income inequalities. Further analysis of constraints on agricultural productivity is warranted, and programs that promote workforce development in growth sectors should be considered.

DEMOGRAPHY AND ENVIRONMENT

A narrow bridge between Central and South America, Panama has a population of nearly 3.3 million. Recent declines in population growth (the CIA World Factbook⁸ estimates a 1.5 percent growth rate for 2008, a decrease from 1.7 percent in 2006) have brought growth rates closer to the UMI-LAC regional average of 1.1 percent. The current rate is identical to that of the Dominican Republic, though still well above that for Chile's 0.8 percent. Decreases in population growth are a positive sign as the country already has a youth dependency rate of 47.1 (Figure 2-5). A large youth population may signal a need for youth employment and workforce development programs in growth sectors as this younger generation enters the workforce.

Figure 2-5
Youth Dependency Ratio



A high literacy rate of 93.4 percent indicates that basic education is good in Panama.

Panamanians, like their counterparts in other UMI-LAC countries, concentrate in urban areas; in 2006, the country's urbanization rate was 71.6 percent, nearly identical to the UMI-LAC median of 71.8.

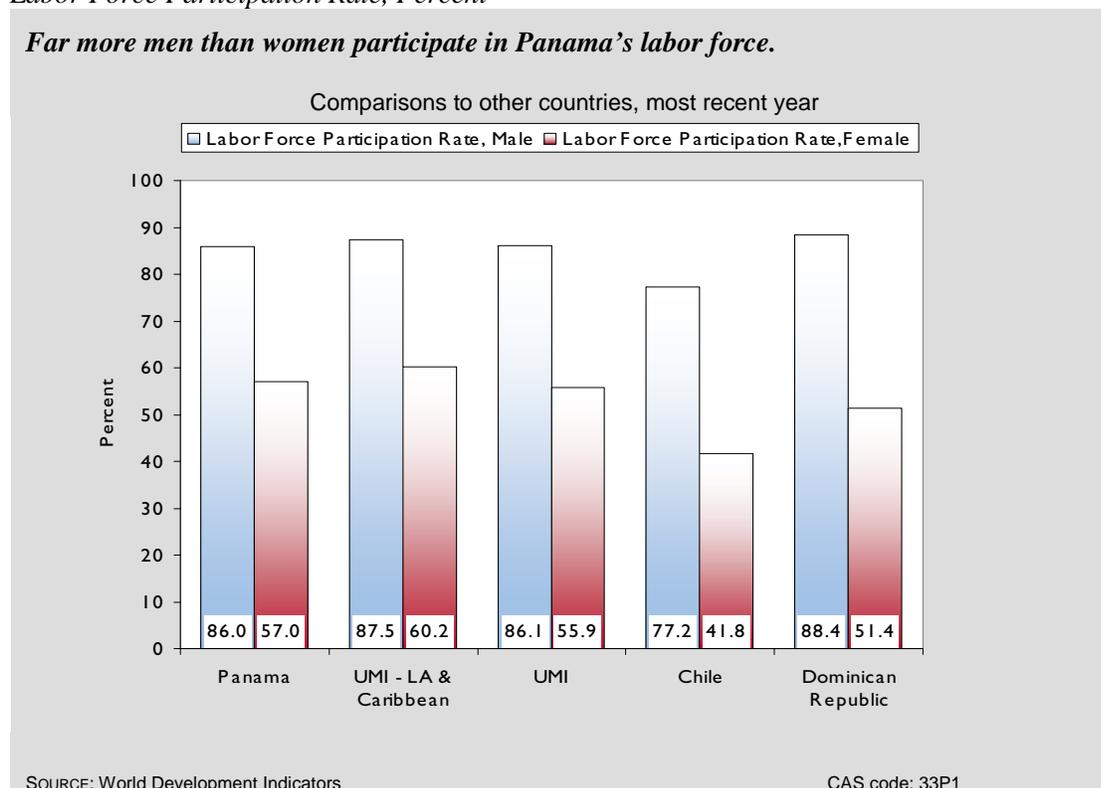
Panama performs well as a steward of the environment. The Environmental Performance Index (EPI), which scores environmental protection on an ascending scale to 100, rates Panama at 83.1 in 2007, slightly better than the UMI-LAC average of 79.8 and on par with Chile (83.4) and the Dominican Republic (83.0). Panama's strength in this area is evident in high marks on component indicators for the broadly defined areas of ozone health and marine, irrigation, and cropland management.

⁸ CIA World Factbook: Panama. Accessed 8/27/08. <https://www.cia.gov/library/publications/the-world-factbook/geos/pm.html>

GENDER

Gender equity enables faster economic growth by ensuring that the productive capacities of all citizens can be developed and used to their fullest extent. Overall, Panama performs well on indicators of gender equity. Female life expectancy serves as a proxy indicator for women’s health and access to healthcare as compared to male counterparts. With a life expectancy of 78.2, five years more than their male counterparts, Panamanian women are evidently in good comparative health. They also attend and complete school at a higher rate than men. In 2006, the female primary completion was 94.5 percent and the female gross enrollment rate at all levels was 84.0 percent, a rate higher than all comparators as well as the male gross enrollment rate of 76.0 percent. High female enrollment rates may bode well for future employment for women, particularly as the services sector expands, but these figures should be interpreted with caution. High comparative female enrollment rates are common in LAC countries, where men tend to leave school to pursue opportunities in the paid economy as evidenced by the comparatively high rate of men’s participation in the labor force: in Panama 86.0 percent of men but only 57.0 percent of women participate in the labor force (Figure 2-6). Although cultural mores may be a factor in this discrepancy common in UMI-LAC countries, programs that promote opportunities for women in the paid economy, such as entrepreneurship programs, may be appropriate.

Figure 2-6
Labor Force Participation Rate, Percent



3. Private Sector Enabling Environment

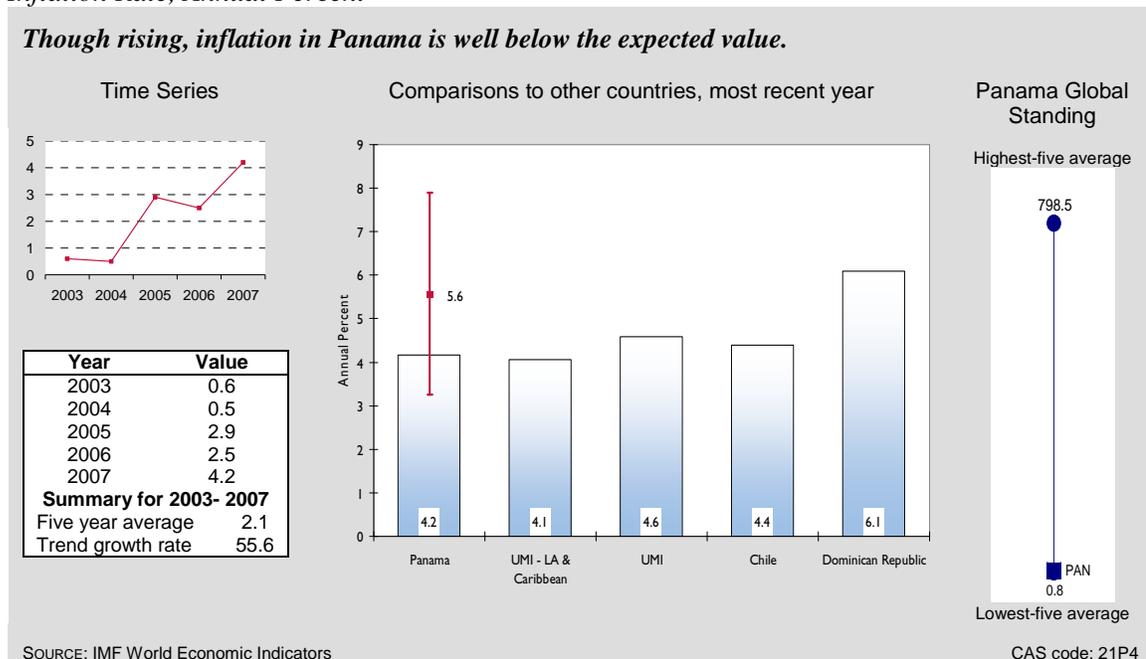
This section reviews key indicators of the enabling environment for encouraging rapid and efficient growth of the private sector. Sound fiscal and monetary policies are essential for macroeconomic stability, which is a necessary though not sufficient condition for sustained growth. A dynamic market economy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

FISCAL AND MONETARY POLICY

Panama's fiscal situation has improved considerably over the past six years but may deteriorate this year as a decline in global demand and international trade diminishes revenues from the Panama Canal Authority (PCA). Nevertheless, tax and social security reforms under President Martín Torrijos' administration have stabilized public finances. Nonfinancial public sector total revenue increased from 22.9 percent of GDP in 2002 to 25.6 percent of GDP in 2006. Although improved fiscal performance has relied heavily on revenue growth, government expenditure has also been reduced. During the same period, total expenditure in the nonfinancial public sector exhibited a negative five-year growth trend of -1.7 percent, with government expenditure as a percent of GDP shrinking to 25.1 percent in 2006. As a result the budget balance improved from a deficit of 2 percent of GDP in 2002 to a surplus of 0.5 percent in 2006.

Because Panama uses the U.S. dollar as its official currency, the government has no monetary policy at its disposal. Continued fiscal responsibility is therefore needed to contain inflationary demand pressures. In 2007, Panama's inflation rate was 4.2 percent, similar to the UMI-LAC median (4.1 percent) and the UMI median (4.6 percent) and the rate in Chile (4.4 percent) and better than the rate in the Dominican Republic (6.1 percent). But inflation has risen rapidly, from 0.6 in 2003 to 4.2 percent in 2007, then to a 12-month rate of 9.6 percent in July 2008, imposing a heavy burden on the poor and low-income groups (Figure 3-1).

Figure 3-1
Inflation Rate, Annual Percent



The PCA contributes the largest share of government revenue. In 2006 and 2007 PCA dividends and tolls accounted for 19.1 and 21.9 percent, respectively, of central government income.⁹ Between 2004 and 2006, canal traffic increased and commercial cargo volume rose by 9.1 percent, with PCA income from tolls, related services, and other income increasing by 24.2 percent.¹⁰ Once realized, the financial income benefits of canal expansion will further increase government revenues; however, public finances will likely deteriorate for 2008 as canal traffic decreases and government expenditures to alleviate the effects of higher food and fuel prices increase.¹¹

In 2007, nearly half of central government expenditure (45.0 percent) was used to service the national debt. Although this figure has decreased from a peak of 70 percent in 2004, the debt burden remains high in absolute terms, reinforcing the need to avoid expenditure slippages.¹² A new Fiscal Responsibility Law (FRL) that sets a deficit limit of 1 percent of GDP for the nonfinancial public sector (excluding the PCA) and a debt target of 40 percent of GDP by 2015 was approved by the National Assembly in early May 2008 and should help sustain the improvements in public finances. Aggressively paying down debt will, in time, free financial resources for much needed programs and initiatives to reduce Panama's income and welfare disparities.

⁹ Memoria 2007, Dirección de Estadística y Censo.

¹⁰ Informe Economico Anual 2006, Dirección de Estadística y Censo.

¹¹ IMF Public Information Notice on the Article IV Consultation on Panama.

¹² Data on the net public debt taken from the July 2008 Economist Intelligence Unit Report on Panama.

BUSINESS ENVIRONMENT

Institutional barriers to doing business, including corruption in government, are critical determinants of private sector development and prospects for sustainable growth. According to the World Bank's composite Doing Business Index for 2009 (reflecting conditions in 2008) Panama is performing better than more than half of the countries ranked—76 out of 181. It outranks the Dominican Republic (97), but is bested by Chile (40) and the medians for UMI-LAC countries (66.5) and UMI countries (63).

Panama's Doing Business 2009 figures for the number of procedures and time required to register property are similar to those of other countries in the region. It takes 7 procedures to register property in Panama and the Dominican Republic, as compared to Chile and the regional median, which both require 6. Similarly, it takes 44 days to register property in Panama compared to the regional median of 45.2 days. However, it takes less time in Chile (31 days) and more time in the Dominican Republic (60 days).

Panama outperforms the regional median in two business environment indicators: the Global Competitiveness Report's business costs of crime, violence, and terrorism and the Doing Business time to start a business. Because of Panama's relatively low crime rates there do not appear to be significant business costs of crime, violence and terrorism. On a scale of 1 (significant costs) to 7 (no significant costs), Panama scores 4.3, much better than the Dominican Republic (3.4) and the UMI-LAC median (3.2), and close to Chile (4.6). It takes less time to start a business in Panama (13 days) than it does in countries with similar characteristics: UMI-LAC (38.7 days), Chile, (27 days), and the Dominican Republic (19 days). The quick start-up time might be due, in part, to the number of procedures involved: 7 in Panama compared to 8 in the Dominican Republic and 9 in Chile, which is identical to the UMI-LAC median.

Panama is particularly efficient in the number of procedures it takes to enforce a contract, only 31 as compared to 34 in the Dominican Republic, 36 in Chile, and 42.3 in UMI-LAC countries. However, Panama also has some significant weaknesses on a number of the Doing Business indices. For example, the amount of time needed to enforce a contract is a staggering 686 days, almost two years! This is far above the number of days it takes in either Chile (480 days) or the Dominican Republic (460 days), but is only 61 days more than the regional median of 625.5 days (Figure 3-2).

Although starting a business in Panama takes a mere 13 days (Figure 3-3), start up costs are relatively high and the total tax payable by businesses is prohibitively high. As a percent of GNI per capita the cost of starting a business is 19.6 percent. This is comparable to the average for the UMI-LAC group of 24.8 percent and on par with the Dominican Republic, but much higher than the 7.5 percent for Chile. The total tax payable by businesses is half of their operating profit (50.8 percent), higher than the UMI-LAC median of 48.1 percent and amounts for the Dominican Republic (40.2 percent) and Chile (25.9 percent) (Figure 3-3). This high tax burden limits the start up of new businesses and the growth of existing businesses as there is less operating profit available to firms to finance new endeavors.

Figure 3-2
Time to Enforce on Contract, Days

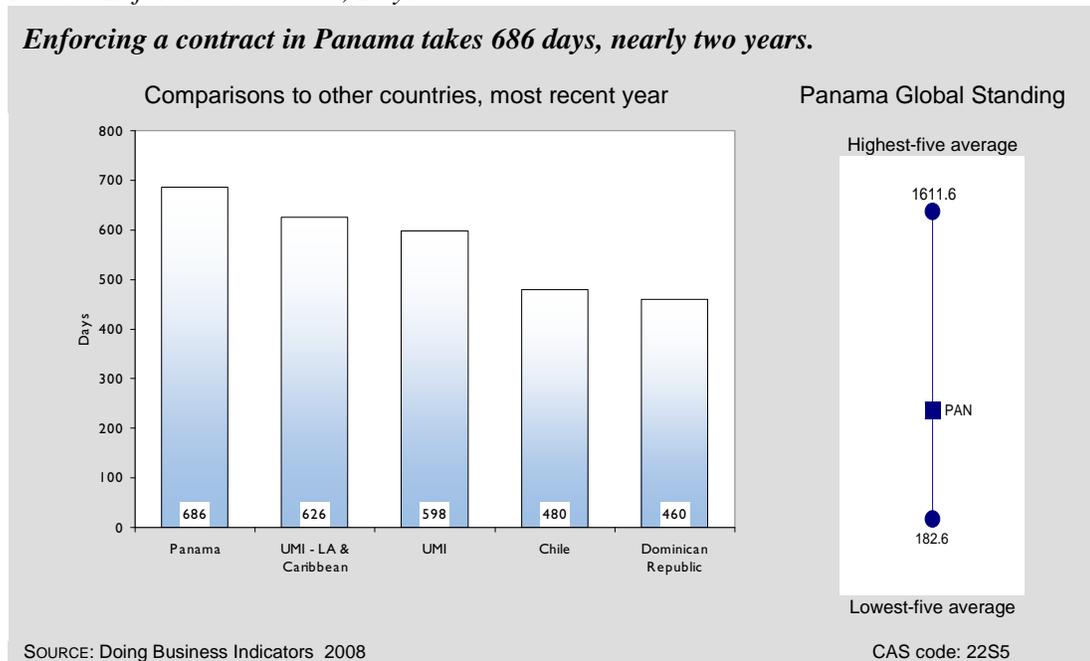
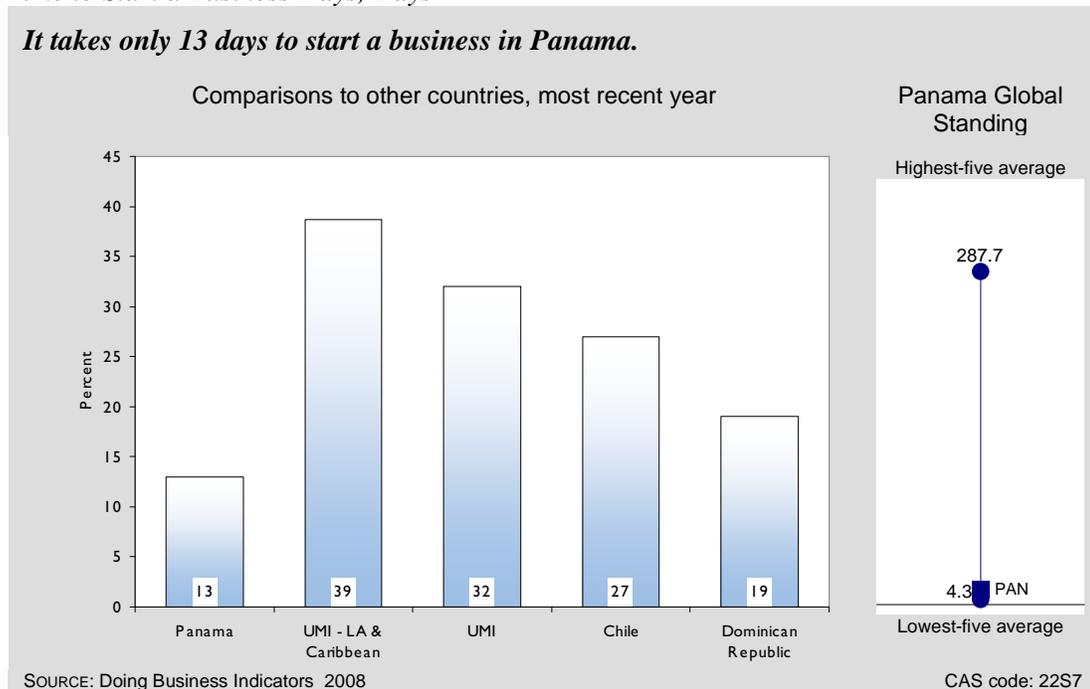


Figure 3-3
Time to Start a Business Days, Days



Government regulations affecting business often burden entrepreneurs. In Panama, senior management spends 10.0 percent of its time dealing with government regulation. This compares to 9.0 percent in Chile and Dominican Republic. Panama should consider improving the business enabling environment by reducing the costs for starting a business and streamlining government

regulations. High start-up costs and excessive government regulations discourage low-income groups from starting businesses and improving their living standards.

Additional constraints on business are indicated by Panama's scores on the Control of Corruption Index, the Rule of Law Index, and the Government Effectiveness Index, which gauge performance on an ascending scale from -2.5 (very poor performance) to +2.5 (excellent performance). Panama hovers around the median of 0 on each index. On the Control of Corruption Index it scores -0.3, slightly better than the Dominican Republic's -0.7 but worse than the UMI-LAC median of 0.4 and Chile's 1.3. It performs a bit better on the Government Effectiveness Index with a score of 0.2 compared to the regional median of 0.3 and the Dominican score of -0.5; Chile ranks higher with a score of 1.2. The pattern is similar on the Rule of Law Index. Panama scores a 0.4, the same as the median for UMI-LAC countries, better than the Dominican Republic's -0.1 but below Chile's 1.4. While Panama has done well according to some business indices, there is room for improvement, particularly in controlling corruption and improving the business enabling environment.

FINANCIAL SECTOR

A sound, efficient, and accessible financial sector is crucial to mobilizing savings, fostering productive investment, and improving risk management. Panama's financial sector appears to be performing well, with indicators signaling efficiency and favorable conditions for both intermediaries and borrowers. Panamanian private sector borrowers have plentiful access to domestic finance; in 2007 domestic credit to the private sector as a percentage of GDP was 95.9 percent, well ahead of the expected value for a country with Panama's characteristics and well ahead of the regional and comparator country benchmarks (Figure 3-4). Domestic credit to the private sector in the Dominican Republic was only 25.8 percent of GDP, in the median UMI country it was 39.1 percent, and in the median UMI-LAC country it was 60.9 percent. In 2006, domestic credit to the private sector in Chile was 82.4 percent of GDP—a full 13.5 percentage points less than in Panama.

Accessibility is also characterized by a low real interest rate. In 2006, Panama's real interest rate was 6.1 percent, below the income group median (6.4 percent), the regional median (9.2 percent), and the Dominican Republic's 11.1 percent. Borrowers and lenders enjoy a high level of legal protection as measured by the 2007 Legal Rights of Borrowers and Lenders Index, which gauges institutional support for financial sector development on a scale of 0 (poor) to 10 (excellent). At 6.0, Panama scores better than the regional and income medians (5.0) and Chile and the Dominican Republic (4.0).

Transparency and diffusion of information are also essential for financial development and a sound financial system. The Credit Information Index, which scores in-country credit information systems on a scale of 0 (poor) to 6 (excellent), scored Panama a perfect 6 in 2007, on par with the Dominican Republic, slightly higher than Chile (5), and far better than the UMI median (4) and the UMI-LAC median (3.2). In 2006 Panama boasted a low interest rate spread of 4.6 percent, which both contributes to and highlights intermediary efficiency. By comparison the UMI-LAC and LMI interest rate spreads are both 6.3 percent—well below the Dominican Republic's 9.6 percent spread. Only Chile has a lower rate spread of 2.9 percent, also in 2006 (Figure 3-5).

Figure 3-4
Domestic Credit to the Private Sector

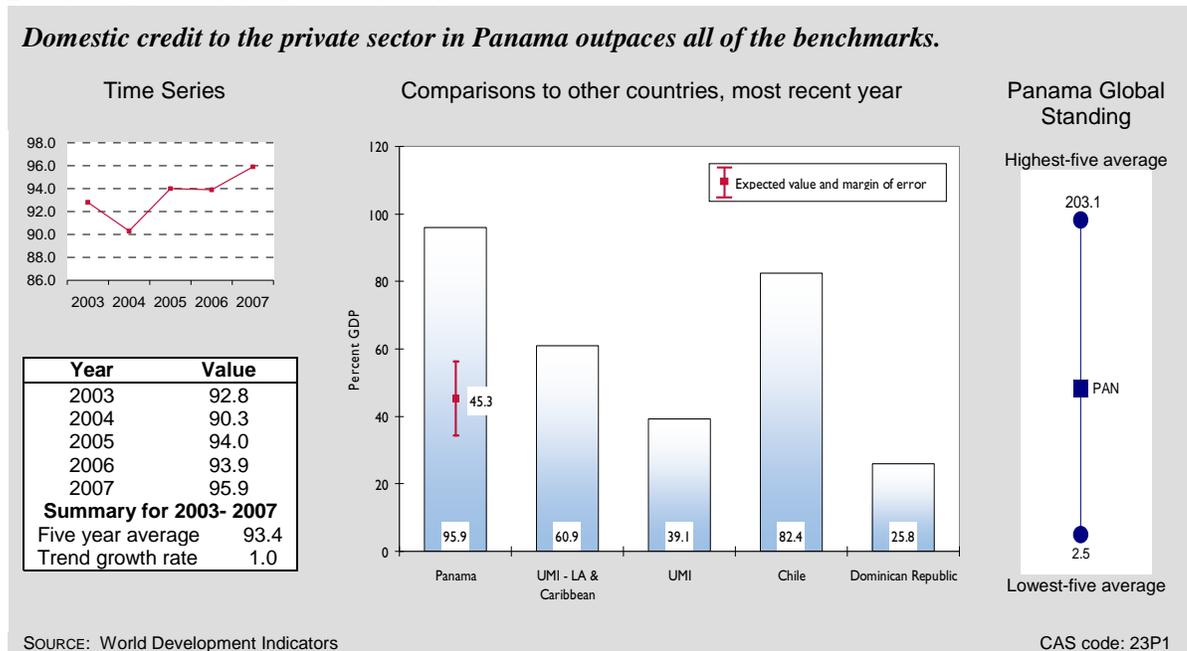
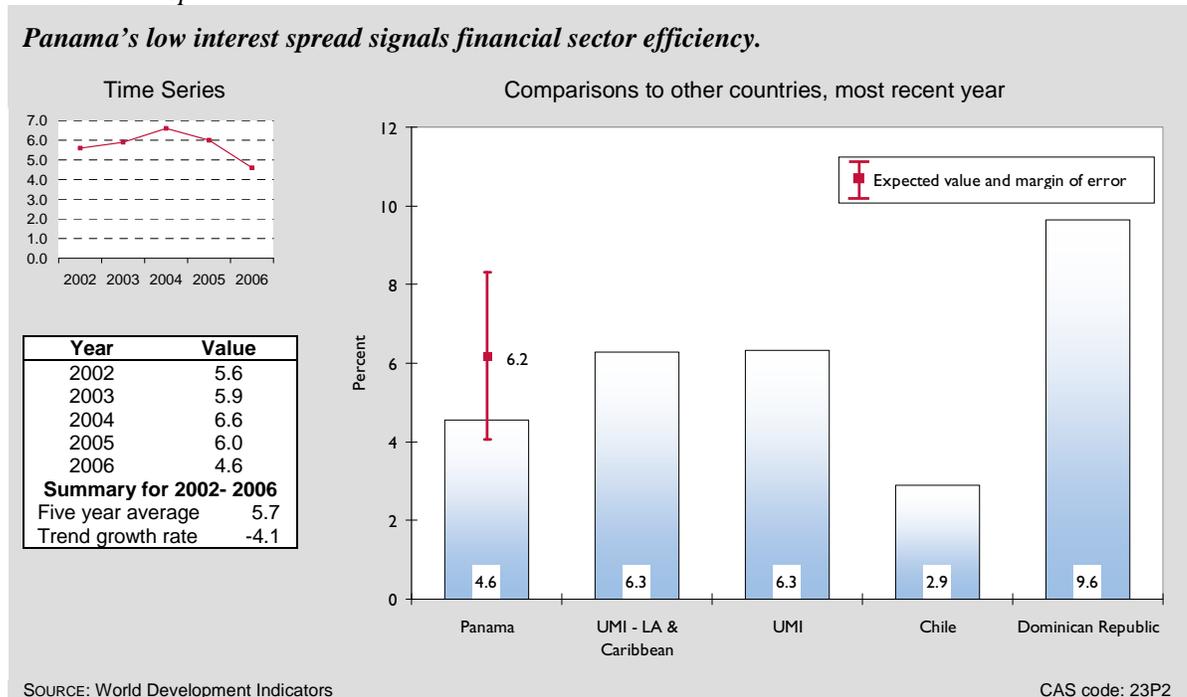


Figure 3-5
Interest Rate Spread



Lower income and rural residents are not enjoying the benefits of Panama's fluid and well backed financial sector. Projects by donor agencies are attempting to address this by, for example, improving access to financial products and services to low income micro-entrepreneurs and by producing a credit scoring tool for micro and small enterprise. Lack of access to rural financing

contributes to the disparity in income in Panama by preventing poor and rural citizens from easily establishing savings accounts, which would help poor households to absorb unexpected fluctuations in income. Micro and small enterprises need easy access to finance in order to expand and grow. Technical assistance could target development of non-branch and mobile-banking for savings and remittance fund transfers, both of which would increase financial services penetration to those traditionally excluded from the formal financial sector. Micro and small enterprise financial solutions are required to energize businesses that do not directly benefit from the activities of the Canal and the Colon Free Zone.

EXTERNAL SECTOR

Fundamental changes in international commerce and finance, including reduced transport costs, advances in telecommunications technology, and lower trade policy barriers, have fueled a rapid increase in global integration in the past 25 years. The international flow of goods and services, capital, technology, ideas, and people offers great opportunities for Panama to boost growth and reduce poverty by stimulating productivity and efficiency, providing access to new markets and ideas, and expanding the range of consumer choice. At the same time, globalization creates new challenges, including the need for reforms to take full advantage of international markets and cost-effective approaches to cope with the resulting adjustment costs and regional imbalances.

International Trade and Current Account Balance

More than 70 years of investment in trade infrastructure has served Panama well as the country has one of the world's most efficient trade systems. Panama ranks 9 out of 181 countries on the 2009 Doing Business ranking for ease of trading across borders. Export growth has been strong in recent years with 11.1 percent growth in 2006. Much of this growth is attributable to the services industry, where exports equaled 33.1 percent of GDP in 2006, exceeding the median for the UMI-LAC group (25.1 percent), the median for the UMI group (19 percent), and shares in Chile (10.9 percent) and the Dominican Republic (18.2 percent) (Figure 3-6).

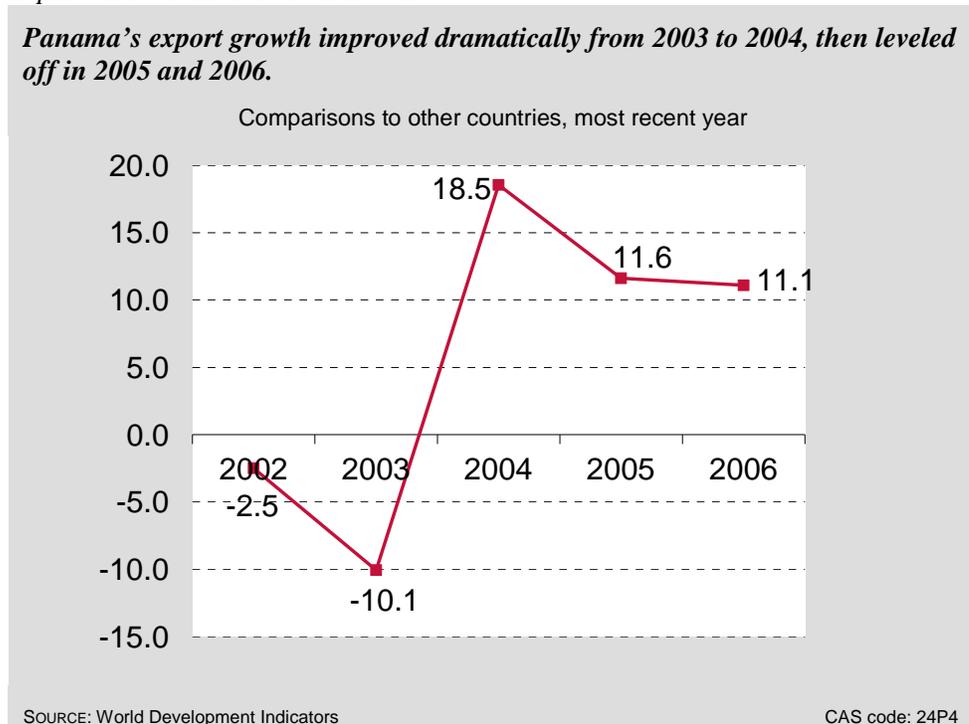
Panama's services exports, long anchored in transport and trade services provided through the Panama Canal and the Colon Free Zone, have been diversifying as reflected in rising canal traffic, increased tourism receipts, and a burgeoning financial services industry. Meanwhile, merchandise exports remain concentrated in food, mostly melons, bananas, and fish. Food exports accounted for 84.2 percent of merchandise exports in 2006. The top three commodity exports at the SITC (Rev.3) three-digit level were equivalent to 65.5 percent of exports in 2006 (Figure 3-7).

While export growth has been robust in Panama, import growth has also accelerated to keep pace with canal expansion and domestic demand. That growth continues to put pressure on the current account deficit, which stood at 3.2 percent of GDP in 2006. More imports of machinery and materials needed for canal expansion are expected to increase the deficit as is the global economic downturn, which could reduce U.S. demand for Panamanian exports and canal traffic. If the global price of key imports such as petroleum continues to rise, Panama would feel pressure to increase exports in order to achieve current account stability. Panama's net barter terms of trade, a measure of the world price for exports relative to imports, declined from 101.6 in 2002 to 90.9 in 2006, indicating that the price of imports in Panama is indeed rising. To maintain the integrity of the current account balance, improve export performance, and draw more poor

households into dynamic growth sectors, Panama should consider programs to expand opportunities in the services sector, as well as programs that support diversification and value added for merchandise exports.

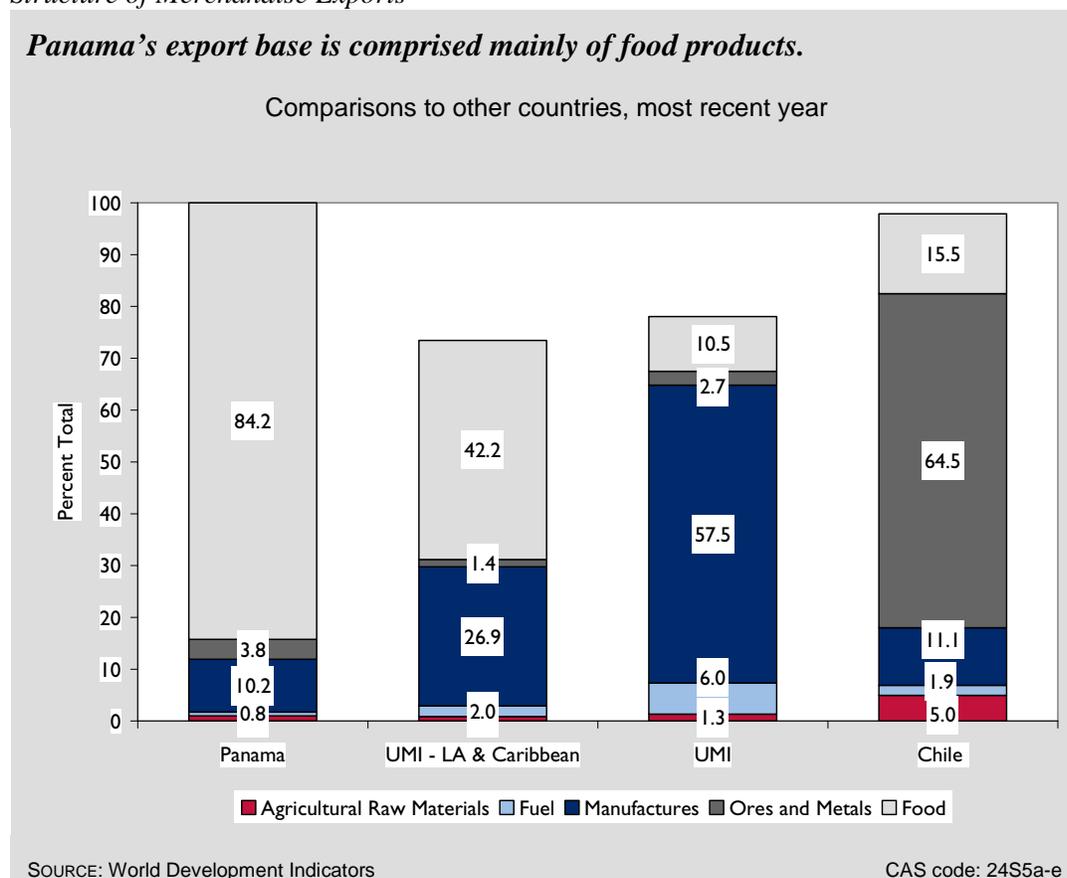
With the Caribbean Basin Initiative soon to expire and a free trade agreement (FTA) with the United States on the horizon,¹³ Panama's trade policy environment is likely to change. Further expansion into the U.S. market through the FTA would provide additional export-led growth opportunities for Panama, if the agreement is implemented effectively and appropriate export promotion strategies are employed. Programs that support streamlined implementation of the FTA and export promotion could galvanize export-led growth.

Figure 3-6
Export Growth Goods and Services



¹³ Congress has not yet approved the US-Panama Free Trade Agreement.

Figure 3-7
Structure of Merchandise Exports



Foreign Investment, External Assistance, and International Reserves

Foreign direct investment (FDI) can catalyze productivity gains and growth by transferring technology, developing human capital, and enhancing competition. FDI has been an essential contributor to recent growth in Panama and has helped offset current account imbalances. FDI growth in Panama, similar to that of exports, has been robust: FDI as a share of GDP leapt from 6.2 percent in 2005 to 15.1 percent in 2006. Increased FDI has been channeled to canal expansion, bank acquisitions, oil refinery construction, and investments in the residential construction sector in recent years.¹⁴ Unlike other Central American and Caribbean countries, Panama does not rely too much on remittances, which comprise only 1.2 percent of foreign exchange inflows, as compared to the Dominican Republic's 27.0 percent.

In 2005, private capital inflows in Panama were a healthy 9.7 percent of GDP, as compared to 7.4 percent for Chile and 4.6 percent for the Dominican Republic. High debt and low reserves, however, are a source of fragility (Figures 3-8 and 3-9). In 2006, gross international reserves expressed in months of imports were just 1.1 months as opposed to the minimum 3 months

¹⁴ Institute for International Finance, 2007. Summary Appraisal: Panama.

Figure 3-8
Debt Service Ratio

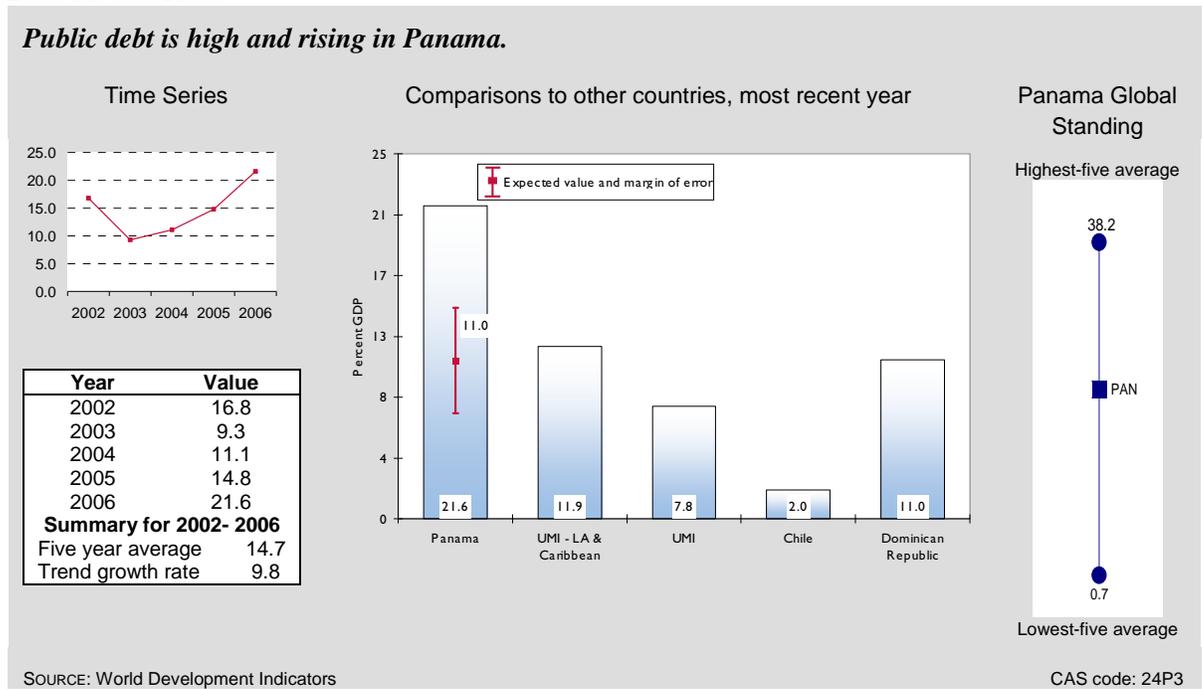
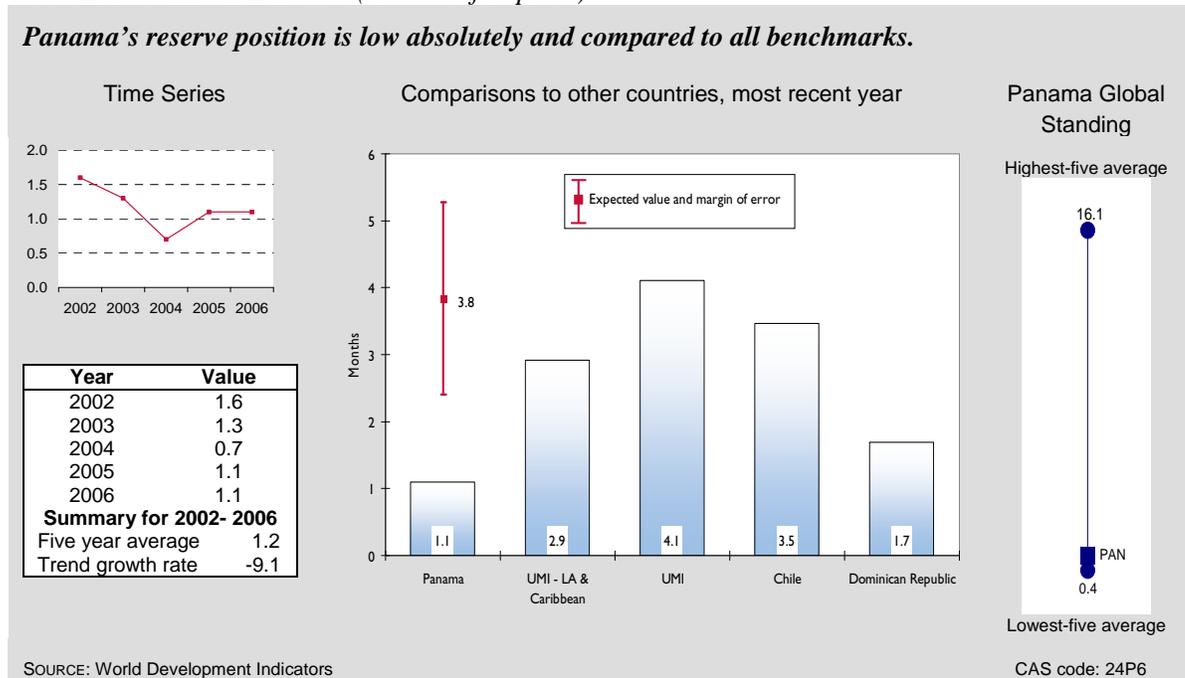


Figure 3-9
Gross International Reserves (months of imports)



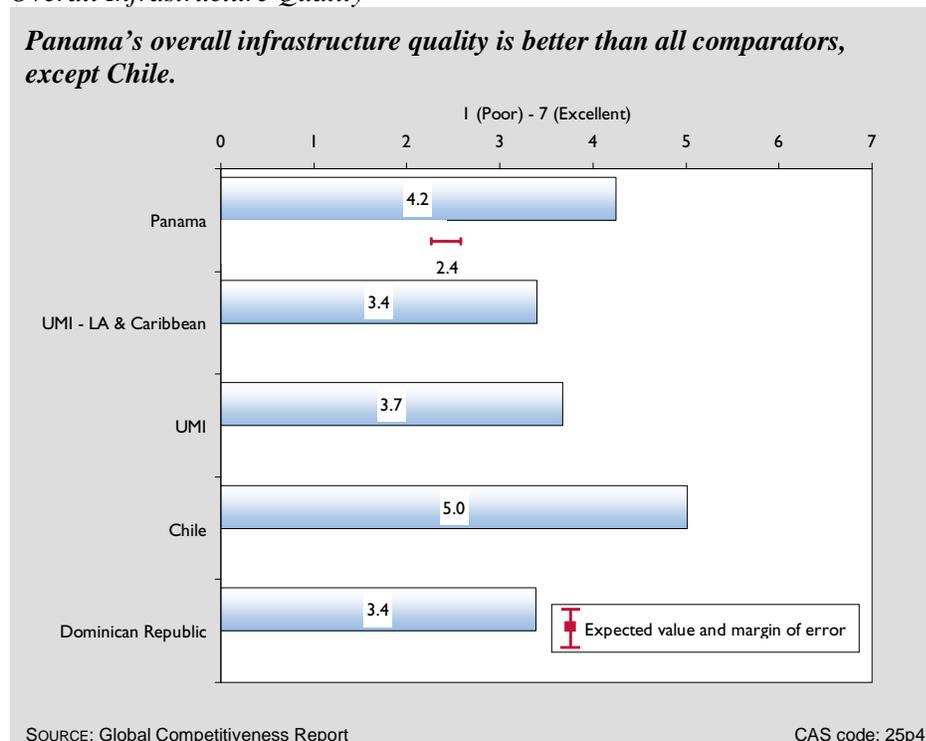
recommended to weather a balance of payments crisis. Because Panama does not maintain its own monetary policy, fiscal authorities are burdened with improving the reserve position through prudent fiscal management. Vulnerability is compounded by exceedingly high levels of debt; the

debt service ratio is equivalent to 21.6 percent of exports, nearly double the UMI-LAC average of 11.9 percent.

ECONOMIC INFRASTRUCTURE

Reliable physical infrastructure—for transportation, communications, power, and information technology—is the backbone of competitiveness and productive capacity. Size and geographical differences make it difficult to compare infrastructure from country to country but the World Economic Forum’s Global Competitiveness Report provides a good substitute for “hard” but incomparable measures in the form of a survey of executives’ perceptions. The resulting indicators measure perceived quality on an ascending scale from 1 (poorly developed) to 7 (among the best in the world) in areas specific to railroads, ports, air transport, and electricity supply. Panama scores well on air transport (5.4), ports (5.7), and electricity supply (5.1), but lags in rail development (2.6). On the overall Infrastructure Quality Index it scores 4.2, above both the UMI-LAC average and Dominican Republic’s 3.4, but below Chile’s 5.0 (Figure 3-10).

Figure 3-10
Overall Infrastructure Quality



While its performance on transport infrastructure is notable, Panama scores low on the infrastructure needed to support information and communication technology (ICT). Internet use, though rising, is low overall—157.1 users per 1,000 people in 2007 as compared to 178.1 in the Dominican Republic and 334.8 in Chile. Telephone density, reflecting the introduction of cellular technology, has increased from 344.6 telephones per 1,000 people in 2003 to 862.5 in 2007. Though above the Dominican Republic’s 657.8, this figure is below Chile’s 1,042.0. Increased

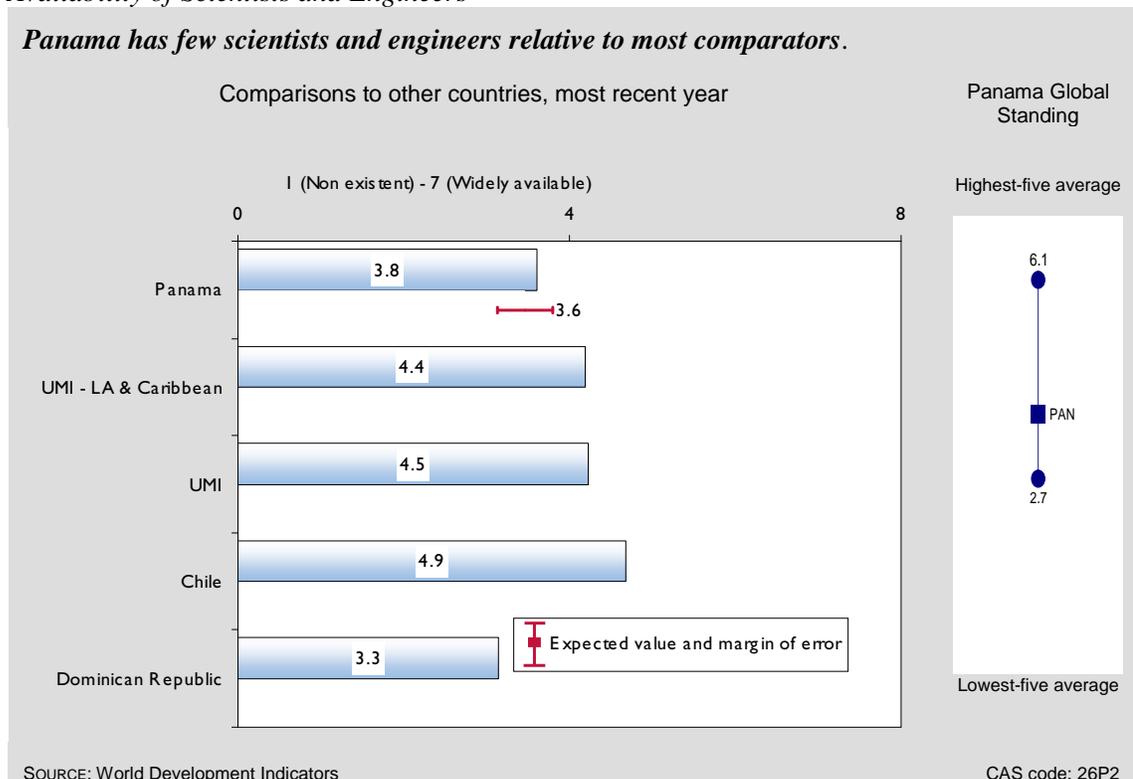
investment in ICT, particularly technology that links rural or marginalized populations to growth sectors, could contribute to broad based growth.

SCIENCE AND TECHNOLOGY

Science and technology are vital to a dynamic business environment and a driving force behind productivity and competitiveness. Even for upper-middle income countries such as Panama, transformational development depends on acquiring and adapting technology from the global economy. Lack of capacity to access and use technology prevents an economy from leveraging the benefits of globalization. Unfortunately, very few international indicators can be used to judge performance in this area for middle-income countries.

FDI in Panama brings new technology as well as capital, as indicated by Panama’s score of 5.3 on the FDI Technology Transfer Index (ascending scale of 1 to 7). But science and technology may be lagging in Panama overall. On a similar scale gauging the availability of scientists and engineers (1 for non-existent to 7 for widely available) Panama scored only 3.8, well below the UMI-LAC average of 4.4 (Figure 3-11). This may be due to a lack of technological education in the country and merits further investigation. In contrast, intellectual property rights are enforced reasonably well in Panama, as reflected in a score of 4.1, against a regional average of 3.6, on the IPR Protection Index.

Figure 3-11
Availability of Scientists and Engineers



4. Pro-Poor Growth Environment

Rapid growth is the most powerful and dependable instrument for poverty reduction, but the link from growth to poverty reduction is not mechanical. In some circumstances, income growth for poor households exceeds the overall rise in per capita income, in others the poor are left far behind. A pro-poor growth environment stems from policies and institutions that improve opportunities for and capabilities of the poor while reducing their vulnerabilities. Pro-poor growth is associated with investment in primary health and education, the creation of jobs and income opportunities, the development of skills, microfinance, agricultural development, and gender equality. This section focuses on four of these issues: health, education, employment and the workforce, and agricultural development.

HEALTH

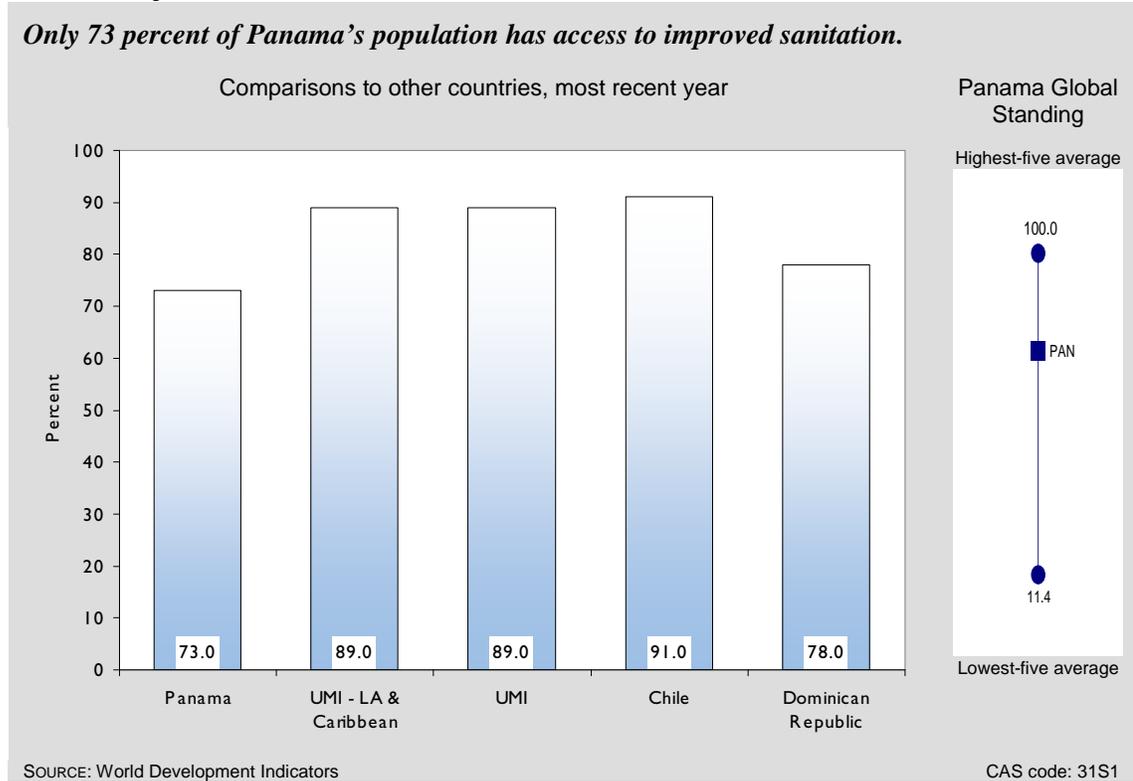
The provision of basic health service is a major form of human capital investment and a significant determinant of growth and poverty reduction. Although health programs do not fall under the purview of the EGAT bureau, an understanding of health conditions can influence the design of economic growth interventions.

Public expenditure on health in Panama is 5.0 percent of GDP, well above the median for UMI-LAC countries (3.4 percent) and higher than in Chile (2.8 percent) and the Dominican Republic (1.7 percent). Still, indicators reveal weaknesses in service delivery and hint at an urban-rural split in access to healthcare. Rates of access to improved sanitation and improved water sources, for example, are well below those of comparators (Figure 4-1). Only 73 percent of the population enjoys access to improved sanitation, less than in the Dominican Republic (78 percent), in UMI-LAC countries (89 percent median), and in Chile (91 percent). And only 90 percent enjoy access to an improved water source, fewer than in the Dominican Republic and Chile (both 95 percent) and in UMI-LAC countries (96 percent average).

Improving access to basic sanitation services and clean water would reduce the likelihood of infection and disease in Panama, as would improving childhood nutrition. As measured by weight for age, the rate of child malnutrition in Panama is 6.8 percent, high compared to the rate in the

Dominican Republic (4.2 percent).¹⁵ Causes of child malnutrition in Panama may warrant further research.

Figure 4-1
Access to Improved Sanitation



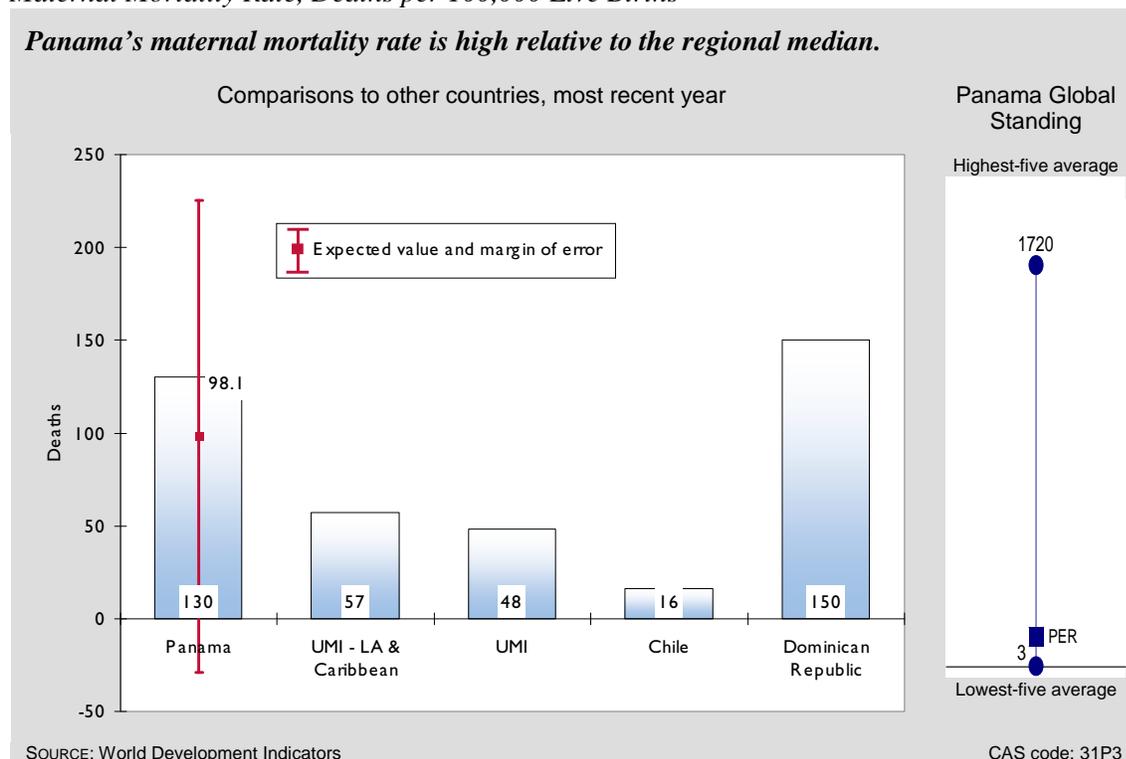
In addition, Panama's maternal mortality rate of 130 deaths per 100,000 live births is substantially higher than the regional average (57) or the rate for Chile (16) but less than the rate in the Dominican Republic (150) (Figure 4-2). This could be explained, in part, by the fact that only 91.3 percent of births in Panama are attended by skilled health personnel as compared to the regional average of 99.4 percent and Chile's 99.8 percent. The Dominican Republic, however, also has a higher rate of attendance (95.5 percent) so determining the exact causes of high maternal mortality demands further investigation.

In contrast, investments in health have improved Panama's child immunization rate such that the country now outpaces regional comparators. In 2006 the rate was 96.5 percent, a 4.5 percentage point increase over the previous year, and better than the Dominican Republic's 90.0 percent, Chile's 92.5 percent, and the UMI-LAC median of 95.8. Despite inadequacies in healthcare and sanitation services, Panama's life expectancy of 75 years is on par with the regional median of 74 years and the Dominican Republic's 73 years, but below Chile's life expectancy of 77 years.

¹⁵ The percent of children under five whose weight is more than minus two standard deviations below the median for the international reference population of the same age.

Panama’s high level of expenditure on public health is laudable. However, improvements are needed in healthcare delivery as well as in the provision of clean water and sanitation services. Assisting poor and rural citizens with access to clean water, basic health care, and sanitation should be of continuing interest to donors.

Figure 4-2
Maternal Mortality Rate, Deaths per 100,000 Live Births

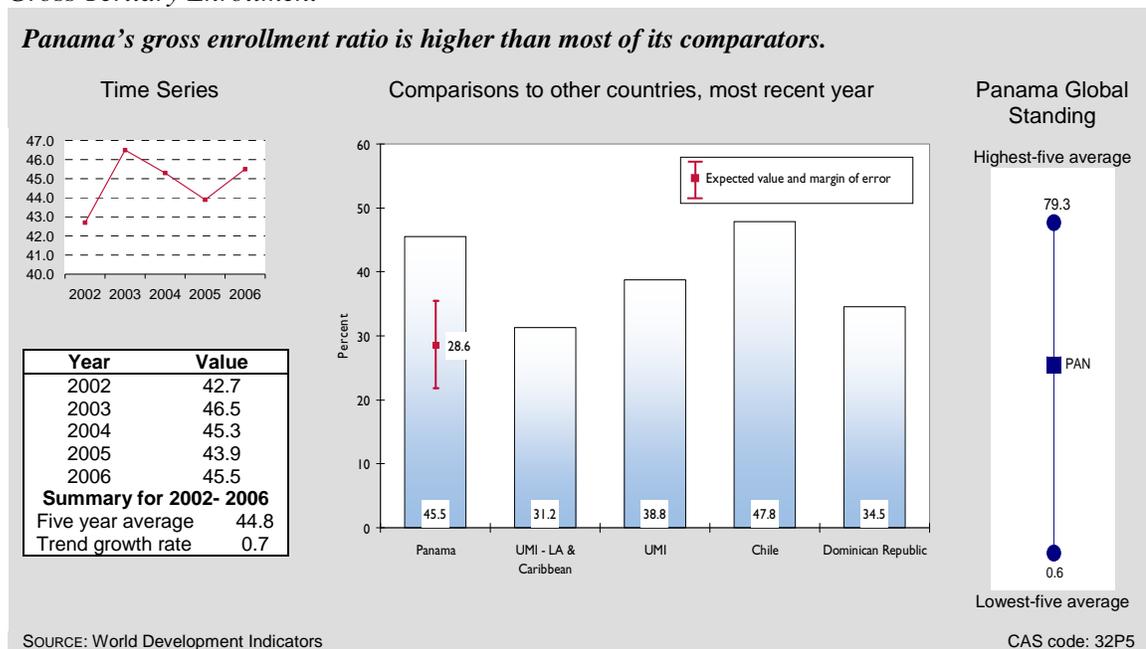


EDUCATION

Investment in education is a fundamental driver of broad-based growth. Access to basic education in Panama is excellent as indicated by a net primary enrollment rate of 98.5 percent and similar enrollment rates for boys (98.8 percent) and girls (98.2 percent). The primary completion rate of 94.5 percent, however, indicates an attrition problem. Panama’s primary completion rate, though much higher than the rate in the Dominican Republic (83.2 percent) is lower than the UMI-LAC median of 99.6 percent and Chile’s 122.9 percent. Youth literacy rates are high (96.3 percent) and, like the primary enrollment rate, nearly identical for boys (96.5) and girls (96.1).

Educational attainment in Panama declines precipitously after primary school. The secondary school enrollment rate is 64.2 percent, lower than the UMI-LAC average of 70.1, but higher than rates in Chile (52.0 percent) and the Dominican Republic (52.1 percent). It appears, however, that most secondary students pursue tertiary degrees as the gross tertiary enrollment rate is 45.5 percent, impressive when compared to the UMI-LAC average of 31.2 percent and indicative of the prominence of services in Panama’s economy (Figure 4-3).

Figure 4-3
Gross Tertiary Enrollment



Inequalities between urban and rural areas persist in education. A recent report by the Inter-American Development Bank highlights that literacy rates for men and women are substantially lower in rural areas, especially among rural women and indigenous groups.¹⁶ Efforts should be made to improve access to education in general and at the secondary level in particular.

EMPLOYMENT AND WORKFORCE

Growth has had a positive employment effect in Panama. The labor force grew at an average rate of 2.8 percent from 2001-2006 while unemployment in the same period fell 3.8 percentage points to 10.3 percent¹⁷—much higher than Chile's rate of 6.9 percent but also much lower than the UMI-LAC average (13.9 percent) and the rate for the Dominican Republic (17.9 percent). Decreasing unemployment is partly attributable to canal expansion, which has fueled demand for labor.

Growth has drawn more individuals into Panama's labor force, modestly increasing the labor force participation rate (the number of working age people who are willing to work). In 2001, the rate was 69.5 percent and by 2006 it was 71.7 percent, which is comparable to the UMI-LAC rate of 74.1 and the Dominican Republic's 70 percent, and much higher than Chile's 59.4 percent. Low participation rates often indicate that individuals who lack access to employment opportunities have opted out of the labor force completely. The labor force participation rate, particularly for women in UMI-LAC countries, warrants further study. There is a -27.3

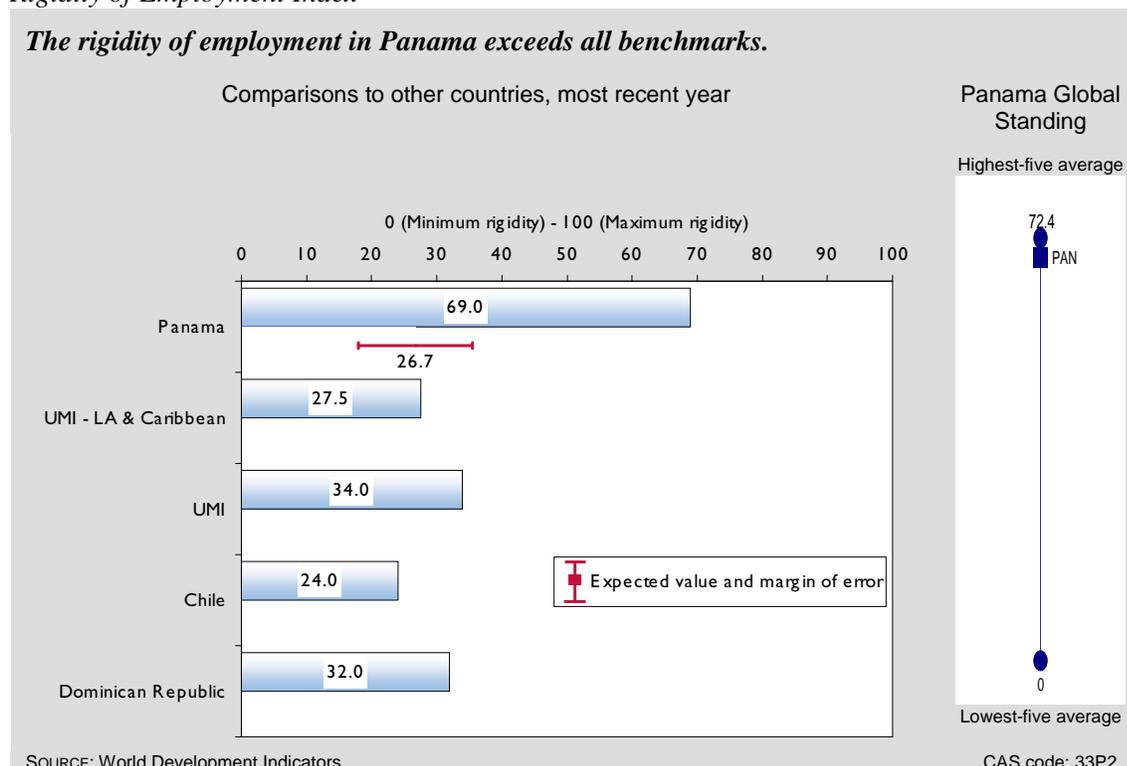
¹⁶ See M. Cardenas and N. Salazar, "Panama's Growth Diagnostics," for the Inter-American Development Bank's project on Competitiveness and Growth in Latin America (2007).

¹⁷ The unemployment rate estimate for 2006 is from the Economic Intelligence Report on Panama, July 2008.

percentage point discrepancy between female and male rates for the UMI-LAC median with a similar discrepancy for Panama (-29.0) and greater discrepancies in labor force participation for Chile (-35.4) and the Dominican Republic (-32.5). It is unclear what percent of women opt out of the labor force for lack of opportunity versus lack of desire to work in the paid labor market.

Unemployment rates may have fallen in Panama, but the labor market remains rigid thanks to a complicated labor code, different rules and regulations for the private sector and the government, a high minimum wage, and high firing costs. On the 2006 Rigidity of Employment Index, which ranks countries on a scale of 1 to 100 (maximum rigidity), Panama ranks 69, signaling much greater rigidity than Chile (24), other UMI-LAC countries (average of 27.5), and the Dominican Republic (32) (see Figure 4-4). Panama also fares poorly on sub-indices for difficulty of hiring (78), difficulty of firing (70), and hours (68). Panama should consider ways to make hiring easier and to reduce the costs of firing. It now costs an employer 44 weeks of wages to fire an employee in Panama, a high cost in absolute terms but the same as the UMI-LAC median and below costs in Chile (52 weeks) and the Dominican Republic (88 weeks). While the labor market is improving in Panama, these rankings signal a need to assess the sources of labor market rigidities and explore ways to further liberalize the labor markets.

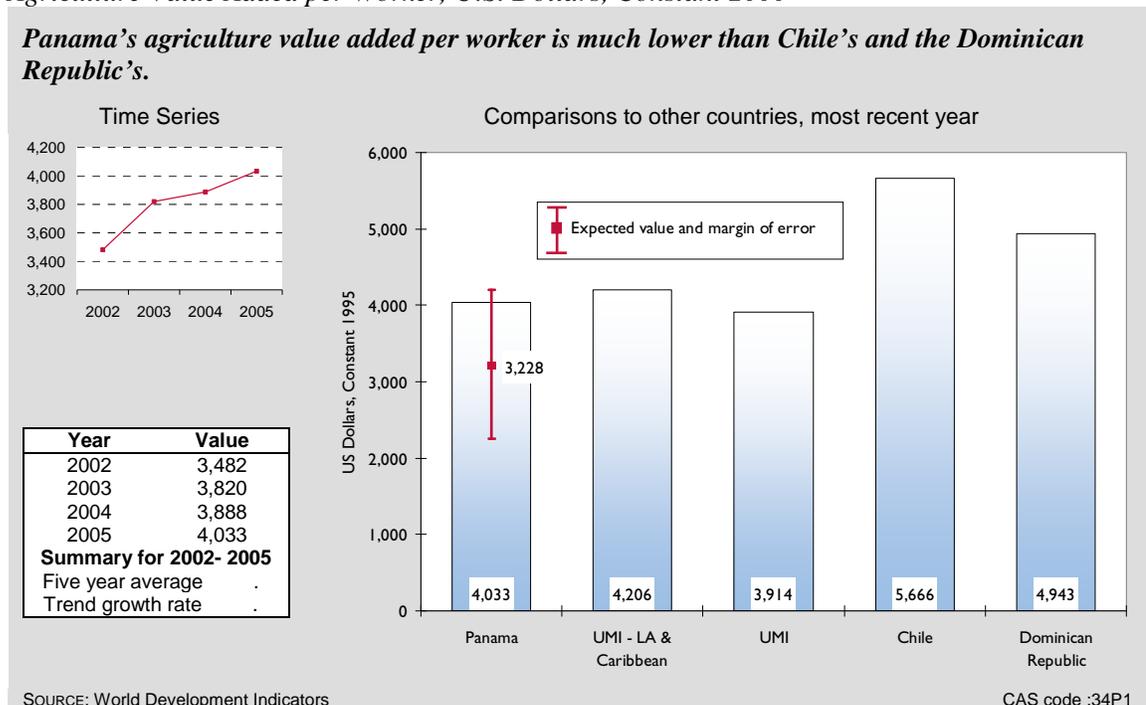
Figure 4-4
Rigidity of Employment Index



AGRICULTURE

Though 15 percent of Panama's labor force works in agriculture, the sector accounts for only 7.5 percent of GDP. This suggests inefficiency resulting from labor oversaturation and too few productive inputs. For example, Panama consumes only 343 grams of fertilizer per hectare of arable land versus the UMI-LAC median of 1,539.4 g per ha and Chile's 3,018.8 g per ha. Panama's modest level of fertilizer consumption even decreased from 2003-2005 by 79 g per ha, perhaps signaling that farmers lack access to the technological inputs necessary to maintain efficient yields or increase productivity. Panama's agricultural value added per worker, US\$4,033.40, also indicates low productivity. Though only slightly less than the UMI-LAC median of US\$4,206.20 per worker, this value is well below that of Chile (US\$5,666.50) and the Dominican Republic (US\$4,943.10), again suggesting that there are simply too many individuals employed in agriculture for the sector to be productive.

Figure 4-5
Agriculture Value Added per Worker, U.S. Dollars, Constant 2000



Despite sector inefficiencies, total crop production has been increasing. Panama's Crop Production Index (CPI) improved after 2000 to reach 110.6 in 2005, better than the UMI-LAC median of 104.0 and the Dominican Republic's CPI of 103.9 but outpaced by Chile's 121.7. Panama's Livestock Production Index (LPI) was a less impressive 99.8, well behind Chile (117.4) and the Dominican Republic (114.5), though near the UMI-LAC median of 101.3.

Agricultural export growth during 2002-2006 was volatile. Growth was negative in 2003 and 2005 and positive in 2002, 2004, and 2006. The amount of agricultural products Panama exports depends on global prices, the quality of agricultural produce, domestic demand, as well as Panama's ability to market and sell its produce. There is evidence that fluctuations in export growth may be in part attributable to corresponding fluctuations in domestic demand, since

negative export growth persisted despite increased crop yields. Further research to pinpoint inefficiencies and potential improvements in agricultural production and marketing, particularly in poor and remote areas, is warranted.

Appendix A. CAS Methodology

CRITERIA FOR SELECTING INDICATORS

The economic performance evaluation in this report balances the need for broad coverage and diagnostic value with the requirement for brevity and clarity. The analysis covers 15 economic growth topics, and more than 100 variables. 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 table below provides a full list of indicators examined for this report. The data supplement in Appendix B contains the complete data set for Panama, including data for the benchmark comparisons and technical notes for every indicator.

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

When Level I indicators suggest weak performance, we review a limited set of *diagnostic supporting indicators*. These Level II indicators provide additional details or shed light on *why* the primary indicators may be weak. For example, if economic growth is poor, one can examine data on investment and productivity as diagnostic indicators. If a country performs poorly on educational achievement, as measured by the youth literacy rate, one can examine determinants such as expenditure on primary education and the pupil–teacher ratio.¹

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 criterion. 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 the one that is simpler to understand or more widely used. For example, both the Gini coefficient and the share of income accruing to

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

the poorest 20 percent of households can be used to gauge income inequality. We use the income share because it is simpler and more sensitive to changes.

BENCHMARKING METHODOLOGY

Comparative benchmarking is the main tool used to evaluate each indicator. The analysis draws on several criteria, rather than a single mechanical rule. The starting point is a comparison of performance in Panama relative to the average for countries in the same income group and region—in this case, upper middle-income countries in Latin America and the Caribbean.² For added perspective, three other comparisons are examined: (1) the global average for this income group; (2) respective values for two comparator countries approved by the Panama mission; and (3) the average for the five best- and five worst-performing countries globally. Most comparisons are framed in terms of values for the latest year of data from available sources. Five-year trends are also taken into account when this information sheds light on the performance assessment.³

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

Finally, where relevant, Panama's performance is weighed against absolute standards. For example, a corruption perception index below 3.0 is a sign of serious economic governance problems, regardless of the regional comparisons or regression result.

² Income groups as defined by the World Bank for 2008. For this study, the average is defined in terms of the median so that outliers do not distort values.

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

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

⁵ This report uses a margin of error of 0.66 times the standard error of estimate (adjusted for heteroskedasticity, where appropriate). With this value, 25 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.

STANDARD CAS INDICATORS

Indicator	Level	MDG, MCA, or EcGov ^a
Statistical Capacity Indicator	I	EcGov
Growth Performance		
Per capita GDP, in purchasing power parity dollars	I	
Per capita GDP, in current US dollars	I	
Real GDP growth	I	
Growth of labor force productivity	II	
Investment Productivity, incremental capital-output ratio (ICOR)	II	
Gross fixed investment, % GDP	II	
Gross fixed private investment, % GDP	II	
Poverty and Inequality		
Human poverty index (0 for excellent to 100 for poor)	I	
Income-share, poorest 20%	I	
Population living on less than \$1 PPP per day	I	MDG
Poverty headcount, by national poverty line	I	MDG
PRSP status	I	EcGov
Population below minimum dietary energy consumption	II	MDG
Economic Structure		
Labor force structure	I	
Output structure	I	
Demography and Environment		
Adult literacy rate	I	
Youth dependency rate/ elderly dependency rate	I	
Environmental performance index (0 for poor to 100 for excellent)	I	
Population size and growth	I	
Percent of population living in urban areas	I	
Resource depletion, % GNI	I	
Gender		
Girls primary completion rate	I	MCA
Gross enrollment rate, all levels, male, female	I	MDG
Life expectancy at birth, male, female	I	
Labor force participation rate, male, female	I	
Fiscal and Monetary Policy		
Government expenditure, % GDP	I	EcGov
Government revenue, excluding grants, % GDP	I	EcGov
Growth in the broad money supply	I	EcGov
Inflation rate	I	MCA
Overall government budget balance, including grants, % GDP	I	MCA, EcGov
Composition of government expenditure	II	
Composition of government revenue	II	
Composition of money supply growth	II	

Indicator	Level	MDG, MCA, or EcGov ^a
Business Environment		
Control of corruption index (-2.5 for poor to 2.5 for excellent)	I	MCA, EcGov
Ease of doing business ranking	I	EcGov
Rule of law index (-2.5 for poor to 2.5 for excellent)	I	MCA, EcGov
Regulatory quality index (-2.5 for poor to 2.5 for excellent)	I	MCA, EcGov
Government effectiveness index (-2.5 for poor to 2.5 for excellent)	I	MCA, EcGov
Cost of starting a business	II	MCA, EcGov
Procedures to enforce a contract	II	EcGov
Procedures to register property	II	EcGov
Procedures to start a business	II	EcGov
Time to enforce a contract	II	EcGov
Time to register property	II	EcGov
Time to start a business	II	MCA, EcGov
Total tax payable by business	II	EcGov
Business costs of crime, violence, terrorism index (1 for poor to 7 for excellent)	II	
Senior manager time spent dealing with government regulations	II	EcGov
Financial Sector		
Domestic credit to private sector, % GDP	I	
Interest rate spread	I	
Money supply, % GDP	I	
Stock market capitalization rate, % of GDP	I	
Credit information index (0 for poor to 6 for excellent)	I	
Legal rights of borrowers and lenders index (0 for poor to 10 for excellent)	II	
Real interest rate	II	
Number of active microfinance borrowers	II	
External Sector		
Aid, % GNI	I	
Current account balance, % GDP	I	
Debt service ratio, % exports	I	MDG
Export growth of goods and services	I	
Foreign direct investment, % GDP	I	
Gross international reserves, months of imports	I	EcGov
Gross private capital inflows, % GDP	I	
Present value of debt, % GNI	I	
Remittance receipts, % exports	I	
Trade, % GDP	I	
Trade in services, % GDP	I	
Concentration of exports	II	
Inward FDI potential index	II	
Net barter terms of trade	II	
Real effective exchange rate (REER)	II	EcGov

Indicator	Level	MDG, MCA, or EcGov ^a
Structure of merchandise exports	II	
Trade policy index (0 for poor to 100 for excellent)	II	MCA, EcGov
Ease of trading across borders ranking	II	EcGov
Economic Infrastructure		
Internet users, per 100 people	I	MDG
Logistics performance index, infrastructure (1 poor to 5 excellent)	I	EcGov
Telephone density—fixed line and mobile, per 100 people	I	MDG
Quality of infrastructure Index (1 poor to 7 excellent)	I	EcGov
Quality of infrastructure—railroads, ports, air transport, and electricity	II	
Roads paved, % total roads	II	
Science and Technology		
FDI and technology transfer index (1 for poor to 7 for excellent)	I	
Availability of scientists and engineers index (1 for poor to 7 for excellent)	I	
Science & technology journal articles per million people	I	
IPR protection index (1 for poor to 7 for excellent)	I	
Health		
HIV prevalence	I	
Life expectancy at birth	I	
Maternal mortality rate	I	MDG
Access to improved sanitation	II	MDG
Access to improved water source	II	MDG
Births attended by skilled health personnel	II	MDG
Child immunization rate	II	MCA
Prevalence of child malnutrition, weight for age	II	
Public health expenditure, % GDP	II	MCA, EcGov
Education		
Net primary enrollment rate – female, male, total	I	MDG
Primary completion rate – female, male, total	I	
Youth literacy rate, all, male, female	I	
Net secondary enrollment rate	I	
Gross tertiary enrollment rate	I	
Education expenditure, primary, % GDP	II	MCA, EcGov
Expenditure per student, % GDP per capita—primary, secondary, and tertiary	II	EcGov
Pupil-teacher ratio, primary school	II	
Employment and Workforce		
Labor force participation rate, total	I	
Rigidity of employment index (0 for minimum rigidity to 100 for maximum)	I	EcGov
Size and growth of the labor force	I	
Unemployment rate	I	
Economically active children, % children ages 7-14	I	
Firing costs, weeks of wages	II	EcGov

Indicator	Level	MDG, MCA, or EcGov ^a
Agriculture		
Agriculture value added per worker	I	
Cereal yield	I	
Growth in agricultural value-added	I	
Fertilizer consumption (100 grams per hectare of arable land)	II	
Agricultural policy costs index (1 for poor to 7 for excellent)	II	EcGov
Crop production index	II	
Livestock production index	II	
Agricultural export growth	II	

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

^b 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.

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.

Growth Performance

	Statistical Capacity Indicator	Per capita GDP, in Purchasing Power Parity Dollars	Per capita GDP, in current U.S. Dollars	Real GDP Growth	Growth of Labor Productivity	Investment Productivity, Incremental Capital-Output Ratio (ICOR)	Gross Fixed Investment, % of GDP	Gross Fixed Private Investment, % of GDP
Indicator Number	01P1	11P1	11P2	11P3	11S1	11S2	11S3	11S4
Panama Data								
Latest Year (T)	2007	2007	2006	2007	2006	2006	2006	2000
Value Year T	73	10,322.2	5,206.0	11.2	5.6	2.8	18.4	20.0
Value Year T-1	73	9,203.7	4,794.0	8.7	4.1	3.7	16.8	23.6
Value Year T-2	73	8,359.4	4,459.0	7.2	3.9	4.8	16.6	21.5
Value Year T-3	75	7,735.8	4,151.0	7.5	1.5	6.5	17.1	21.8
Value Year T-4	.	.	4,011.0	4.2	-0.4	5.6	13.6	19.4
Average Value, 5 year	.	.	4,524.2	7.8	2.9	4.7	16.5	21.2
Growth Trend	.	.	6.7	.	.	-19.4	5.9	1.4
Benchmark Data								
Regression Benchmark	70.8	.	.	5.2	3.0	6.0	22.7	19.3
Lower Bound	64.4	.	.	3.4	1.1	2.8	18.9	16.9
Upper Bound	77.2	.	.	7.0	4.9	9.2	26.4	21.6
Latest Year Chile	2007	2007	2007	2007	2006	2006	2006	2001
Chile Value Latest Year	91	13,936.5	9,879.1	5.0	2.7	4.6	19.3	18.0
Latest Year Dominican Republic	2007	2007	2005	2007	2006	2006	2006	2000
Dominican Republic Value Latest Year	69	7,041.2	3,411.3	8.5	8.1	4.5	20.1	20.2
UMI - LA & Caribbean	72.3	10,089.8	4,288.8	4.9	2.6	6.5	19.1	18.1
UMI	75.0	11,737.1	4,028.7	5.6	3.5	5.0	20.7	18.9
High Five Avg.	90.7	49,317.2	41,413.2	16.7	14.0	42.4	51.3	.
Low Five Avg.	24.7	365.0	156.0	0.7	-3.4	-164.0	9.5	.

Poverty and Inequality						
Indicator Number	Human Poverty Index (0 for no deprivation to 100 for high deprivation)	Income Share, Poorest 20%	Percentage of Population Living on Less Than \$2 PPP per Day	Poverty Headcount, National Poverty Line	PRSP Status	Population % Below Minimum Dietary Energy Consumption
	12P1	12P2	12P3	12P4	12P5	12S1
Panama Data						
Latest Year (T)	2005	2004	2003	2003	.	2002
Value Year T	8	2.4	18.0	36.8	.	25.0
Value Year T-1	8	2.5	17.0	.	.	.
Value Year T-2	.	2.6	.	.	.	.
Value Year T-3	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.
Benchmark Data						
Regression Benchmark	8.1	3.4	7.0	35.2	.	11.2
Lower Bound	2.4	2.6	2.5	29.3	.	5.3
Upper Bound	13.8	4.1	11.4	41.1	.	17.2
Latest Year Chile	2005	2003	2003	.	.	2002
Chile Value Latest Year	4	3.8	6.0	.	.	4.0
Latest Year Dominican Republic	2005	2005	2004	2004	.	2002
Dominican Republic Value Latest Year	11	4.1	16.0	42.2	.	27.0
UMI - LA & Caribbean	6.8	3.3	.	.	.	6.0
UMI	8.9	.	.	.	.	5.0
High Five Avg.	56.7	.	.	55.1	.	67.0
Low Five Avg.	3.9	.	.	15.2	.	2.5

Economic Structure						
	Labor Force Structure (Employment in agriculture, % total)	Labor Force Structure (Employment in industry, % total)	Labor Force Structure (Employment in services, % total)	Output structure (Agriculture, value added, % GDP)	Output structure (Industry, value added, % GDP)	Output structure (Services, etc., value added, % GDP)
Indicator Number	13P1a	13P1b	13P1c	13P2a	13P2b	13P2c
Panama Data						
Latest Year (T)	2006	2006	2006	2006	2006	2006
Value Year T	15.0	18.0	67.0	7.5	17.3	75.2
Value Year T-1	15.7	17.2	67.1	8.0	17.5	74.6
Value Year T-2	16.0	17.6	66.3	8.4	18.3	73.4
Value Year T-3	17.5	17.2	65.2	8.8	18.4	72.8
Value Year T-4	17.4	17.0	65.6	7.9	16.1	76.4
Average Value, 5 year	16.3	17.4	66.2	8.1	17.5	74.5
Growth Trend	-4.1	1.1	0.7	-2.1	1.0	-0.1
Benchmark Data						
Regression Benchmark	13.6	21.9	62.3	8.4	28.8	64.5
Lower Bound	7.4	19.6	56.7	4.1	24.2	58.7
Upper Bound	19.8	24.2	67.9	12.8	33.4	70.3
Latest Year Chile	2005	2005	2005	2006	2006	2006
Chile Value Latest Year	13.2	23.0	63.9	4.1	47.7	48.2
Latest Year Dominican Republic	2005	2005	2005	2006	2006	2006
Dominican Republic Value Latest Year	14.6	22.3	63.1	12.1	26.2	61.8
UMI - LA & Caribbean	13.6	21.1	62.8	8.2	27.0	65.2
UMI	15.0	24.9	57.9	6.3	29.4	63.1
High Five Avg.	65.1	38.9	80.4	56.9	70.2	85.3
Low Five Avg.	0.2	9.1	24.2	0.3	10.1	18.6

Demography and Environment

	Adult Literacy Rate	Youth Dependency Rate	Elderly Dependency Rate	Environmental Performance Index (1 to 100)	Population Size (Millions)	Population Growth, Annual %	Percent of Population Living in Urban Areas	Resource Depletion as a percentage of GNI
Indicator Number	14P1	14P2a	14P2b	14P3	14P4a	14P4b	14P5	14P6
Panama Data								
Latest Year (T)	2007	2006	2006	2007	2006	2006	2006	.
Value Year T	93.4	47.1	9.6	83.1	3.3	1.7	71.6	.
Value Year T-1	93.2	47.7	9.4	76.5	3.2	1.8	70.8	.
Value Year T-2	93.1	48.3	9.3	.	3.2	1.8	69.8	.
Value Year T-3	91.9	48.9	9.2	.	3.1	1.8	68.8	.
Value Year T-4	.	49.6	9.0	.	3.1	1.9	67.8	.
Average Value, 5 year	.	48.3	9.3	.	3.2	1.8	69.8	.
Growth Trend	.	-1.3	1.4	.	1.8	-1.9	1.4	.
Benchmark Data								
Regression Benchmark	90.1	47.3	10.4	.	3.3	1.1	68.8	4.0
Lower Bound	78.9	42.5	9.1	.	3.1	0.7	61.1	-0.2
Upper Bound	101.3	52.1	11.6	.	3.4	1.4	76.5	8.2
Latest Year Chile	2007	2006	2006	2007	2006	2006	2006	2006
Chile Value Latest Year	96.5	36.0	12.3	83.4	16.4	0.8	87.9	28.1
Latest Year Dominican Republic	2007	2006	2006	2007	2006	2006	2006	2006
Dominican Republic Value Latest Year	89.1	54.4	9.3	83.0	9.6	1.5	67.5	3.4
UMI - LA & Caribbean	.	44.5	9.8	79.8	3.3	1.1	71.8	2.4
UMI	.	42.9	10.6	78.3	4.3	1.0	66.6	1.6
High Five Avg.	98.4	97.7	28.2	89.1	620.5	4.2	100.0	89.8
Low Five Avg.	45.8	20.5	2.7	37.4	0.0	-0.8	11.9	0.0

Gender							
	Girls' Primary Completion Rate	Gross Enrollment Rate, All Levels of Education, Male	Gross Enrollment Rate, All Levels of Education, Female	Life Expectancy, Male	Life Expectancy, Female	Labor Force Participation Rate, Male	Labor Force Participation Rate, Female
Indicator Number	15P1	15P2a	15P2b	15P3a	15P3b	15P4a	15P4b
Panama Data							
Latest Year (T)	2006	2006	2006	2007	2007	2006	2006
Value Year T	94.5	76.0	84.0	73.0	78.2	86.0	57.0
Value Year T-1	96.6	76.0	83.0	.	.	86.4	55.9
Value Year T-2	96.9	76.0	83.0	72.7	77.8	86.6	54.8
Value Year T-3	96.3	76.0	82.0	72.5	77.6	87.6	51.6
Value Year T-4	95.4	76.0	82.0	.	.	87.4	51.0
Average Value, 5 year	96.0	76.0	82.8	.	.	86.8	54.0
Growth Trend	-0.2	0.0	0.6	.	.	-0.5	3.0
Benchmark Data							
Regression Benchmark	101.9	76.2	81.5	70.5	76.7	86.6	54.0
Lower Bound	91.3	71.0	74.9	67.5	73.7	83.6	46.2
Upper Bound	112.5	81.5	88.0	73.6	79.7	89.6	61.8
Latest Year Chile	2005	2006	2006	2007	2007	2006	2006
Chile Value Latest Year	116.0	54.0	80.0	75.5	81.5	77.2	41.8
Latest Year Dominican Republic	2006	2004	2004	2007	2007	2006	2006
Dominican Republic Value Latest Year	86.6	70.0	78.0	69.3	75.5	88.4	51.4
UMI - LA & Caribbean	98.0	77.0	80.5	71.2	77.2	87.5	60.2
UMI	96.6	76.0	80.0	69.2	76.2	86.1	55.9
High Five Avg.	127.3	101.2	106.8	78.7	84.2	98.8	91.9
Low Five Avg.	19.5	28.0	21.8	38.5	38.9	66.6	19.6

Fiscal and Monetary Policy												
Indicator Number	Government Expenditure, % of GDP	Government Revenue, % of GDP	Growth in the Money Supply	Inflation Rate	Overall Budget Balance, Including Grants, % of GDP	Composition of Government Expenditure (Wages and salaries)	Composition of Government Expenditure (Goods and services)	Composition of Government Expenditure (Interest payments)	Composition of Government Expenditure (Subsidies and other current transfers)	Composition of Government Expenditure (Capital expenditure)	Composition of Government Expenditure (Other expenditure)	Composition of Government Revenue (Taxes of income, profits and capital gains)
	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S1e	21S1f	21S2a
Panama Data												
Latest Year (T)	2006	2006	2007	2007	2006	2007	2007	2007	2007	2007	2007	2007
Value Year T	25.1	25.6	17.4	4.2	0.5	21.0	3.0	45.0	17.0	13.0	1.0	24.0
Value Year T-1	24.9	22.3	22.3	2.5	-3.2	.	.	.	.	.	.	25.0
Value Year T-2	26.0	21.1	8.6	2.9	-4.9	.	.	.	.	.	.	.
Value Year T-3	27.0	22.3	8.0	0.5	-4.8	.	.	.	.	.	.	.
Value Year T-4	26.2	22.9	3.5	0.6	-2.0	.	.	.	.	.	.	.
Average Value, 5 year	25.8	22.8	12.0	2.1	-2.9	.	.	.	.	.	.	.
Growth Trend	-1.7	2.2	42.1	55.6	.	.	.	.	.	.	.	.
Benchmark Data												
Regression Benchmark	.	25.3	11.8	5.6	-0.2	.	.	.	.	.	.	19.9
Lower Bound	.	21.4	4.9	3.3	-2.4	.	.	.	.	.	.	14.2
Upper Bound	.	29.1	18.7	7.9	1.9	.	.	.	.	.	.	25.7
Latest Year Chile	2006	2006	2006	2007	2006	.	.	.	.	.	.	2006
Chile Value Latest Year	.	25.9	16.1	4.4	7.7	.	.	.	.	.	.	40.9
Latest Year Dominican Republic	2004	2006	2006	2007	2006	.	.	.	.	.	.	2006
Dominican Republic Value Latest Year	.	17.9	12.5	6.1	-1.2	.	.	.	.	.	.	20.2
UMI - LA & Caribbean	.	.	12.3	4.1	.	.	.	.	.	.	.	.
UMI	.	26.6	16.6	4.6	-3.3	.	.	.	.	.	.	14.5
High Five Avg.	.	44.4	191.3	798.5	7.9	.	.	.	.	.	.	54.5
Low Five Avg.	.	8.7	-2.6	0.8	-8.3	.	.	.	.	.	.	1.8

Fiscal and Monetary Policy (cont'd)

	Composition of Government Revenue (Taxes on goods and services)	Composition of Government Revenue (Taxes on international trade)	Composition of Government Revenue (Social contributions)	Composition of Government Revenue (Other taxes)	Composition of Government Revenue (Grants and other revenue)	Composition of Money Supply Growth (Domestic credit to the public sector)	Composition of Money Supply Growth (Domestic credit to the private sector)	Composition of Money Supply Growth (Domestic credit to non-financial public enterprises)	Composition of Money Supply Growth (Net foreign assets, reserves)	Composition of Money Supply Growth (Other items net)
Indicator Number	21S2b	21S2c	21S2d	21S2e	21S2f	21S3a	21S3b	21S3c	21S3d	21S3e
Panama Data										
Latest Year (T)	2007	2007	2007	2007	2007	2007	2007	.	2007	2007
Value Year T	10.3	12.9	.	5.4	45.1	-34.1	99.9	.	57.9	-23.7
Value Year T-1	8.1	13.6	.	5.3	45.3	0.9	77.7	.	50.5	-29.1
Value Year T-2	.	.	.	.	.	-53.7	163.4	.	-1.4	-8.4
Value Year T-3	.	.	.	.	.	32.0	51.2	.	11.9	4.9
Value Year T-4	.	.	.	.	.	29.2	3.5	.	50.4	16.9
Average Value, 5 year	.	.	.	.	.	-5.1	79.1	.	33.9	-7.9
Growth Trend	.	.	.	.	.	.	71.4	.	.	.
Benchmark Data										
Regression Benchmark	39.0	7.6	10.8	3.5	18.2	.	.	.	.	.
Lower Bound	31.0	1.3	6.0	1.6	11.4	.	.	.	.	.
Upper Bound	46.9	14.0	15.6	5.3	24.9	.	.	.	.	.
Latest Year Chile	2006	2006	2006	2006	2006	.	.	.	.	.
Chile Value Latest Year	34.4	1.6	5.2	3.0	15.0	.	.	.	.	.
Latest Year Dominican Republic	2006	2006	2006	2006	2006	.	.	.	.	.
Dominican Republic Value Latest Year	53.8	13.9	0.6	3.8	7.7	.	.	.	.	.
UMI - LA & Caribbean	.	.	.	.	.	.	.	.	.	.
UMI	35.9	3.7	20.9	1.3	13.9	.	.	.	.	.
High Five Avg.	62.6	41.4	46.3	16.7	77.0	.	.	.	.	.
Low Five Avg.	4.7	-1.6	0.4	0.0	4.0	.	.	.	.	.

Business Environment										
	Control of Corruption Index (-2.5 for poor to 2.5 for excellent)	Ease of Doing Business Ranking (1 to 178)	Rule of Law Index (-2.5 for very poor to 2.5 for excellent)	Regulatory Quality Index (-2.5 for very poor to 2.5 for excellent)	Government Effectiveness Index (-2.5 for very poor to 2.5 for excellent)	Cost of Starting a Business % GNI per Capita	Procedures to Enforce a Contract	Procedures to Register Property	Procedures to Start a Business	Time to Enforce a Contract
Indicator Number	22P1	22P2	22P3	22P4	22P5	22S1	22S2	22S3	22S4	22S5
Panama Data										
Latest Year (T)	2007	2008	2007	2007	2007	2008	2008	2008	2008	2008
Value Year T	-0.3	76	-0.2	0.4	0.2	19.6	31	7	7	686
Value Year T-1	-0.3	65	-0.1	0.3	0.1	22.0	31	7	7	686
Value Year T-2	-0.3	64	-0.1	0.2	0.1	23.9	31	7	7	686
Value Year T-3	-0.2	.	-0.1	0.3	0.0	24.8	31	7	7	686
Value Year T-4	-0.2	.	-0.1	0.4	-0.1	25.1	31	.	7	686
Average Value, 5 year	-0.3	.	-0.1	0.3	0.1	.	31	.	7	686
Growth Trend	-14.4	.	-13.1	2.6	.	.	0	.	0.0	0.0
Benchmark Data										
Regression Benchmark	-0.1	82.7	-0.1	9.1	0.0	39.7	37.9	6.3	9.5	635.1
Lower Bound	-0.3	62.2	-0.4	9.0	-0.2	5.1	34.7	5.1	7.9	479.5
Upper Bound	0.1	103.2	0.1	9.1	0.3	74.3	41.1	7.5	11.0	790.7
Latest Year Chile	2007	2008	2007	2007	2007	2008	2008	2008	2008	2008
Chile Value Latest Year	1.3	40	1.2	1.4	1.2	7.5	36	6	9	480
Latest Year Dominican Republic	2007	2008	2007	2007	2007	2008	2008	2008	2008	2008
Dominican Republic Value Latest Year	-0.7	97	-0.5	-0.1	-0.5	19.4	34	7	8	460
UMI - LA & Caribbean	0.4	66.5	0.4	0.4	0.3	24.8	42.3	6.0	9.0	625.5
UMI	0.1	63.0	0.2	0.4	0.3	14.4	38.0	6.0	9.0	598.0
High Five Avg.	2.4	.	2.0	1.8	2.2	574.0	53.7	13.9	18.5	1,611.6
Low Five Avg.	-1.6	.	-1.9	-2.3	-1.9	0.5	22.9	1.6	2.4	182.6

Business Environment (cont'd)					
Indicator Number	Time to Register Property 22S6	Time to Start a Business 22S7	Total Tax Payable by Business, % operating profit 22S8	Business Costs of Crime, Violence and Terrorism (1 for poor to 7 for excellent) 22S9	Senior Manager Time Spent Dealing with Government Regulations (%) 22S10
Panama Data					
Latest Year (T)	2008	2008	2008	2007	2006
Value Year T	44	13	50.6	4.3	10.3
Value Year T-1	44	19	50.8	3.8	.
Value Year T-2	44	19	50.8	.	.
Value Year T-3	44	19	50.8	.	.
Value Year T-4	.	19	.	.	.
Average Value, 5 year	.	17.8	.	.	.
Growth Trend	.	-7.6	.	.	.
Benchmark Data					
Regression Benchmark	52.0	33.5	44.2	3.2	10.0
Lower Bound	9.0	10.3	32.1	2.7	7.7
Upper Bound	94.9	56.6	56.3	3.7	12.3
Latest Year Chile	208	2008	2007	2007	2006
Chile Value Latest Year	31	27	25.9	4.6	9.0
Latest Year Dominican Republic	2008	2008	2007	2007	2005
Dominican Republic Value Latest Year	60	19	40.2	3.4	8.8
UMI - LA & Caribbean	45.2	38.7	48.1	3.2	.
UMI	46.3	32.0	44.2	4.3	.
High Five Avg.	485.8	287.7	243.1	6.6	13.9
Low Five Avg.	2.1	4.3	11.5	2.0	1.7

Financial Sector

	Domestic Credit to Private Sector, % GDP	Interest Rate Spread	Money Supply (M2), % GDP	Stock Market Capitalization Rate, % GDP	Credit Information Index (0 for poor to 6 for excellent)	Legal Rights of Borrowers and Lenders (0 for poor to 10 for excellent)	Real Interest Rate	Number of Microfinance Borrowers
Indicator Number	23P1	23P2	23P3	23P4	23P5	23S1	23S2	23S3
Panama Data								
Latest Year (T)	2007	2006	2007	2006	2007	2007	2006	.
Value Year T	95.9	4.6	87.7	33.4	6.0	6.0	6.1	.
Value Year T-1	93.9	6.0	86.1	32.8	6.0	6.0	6.4	.
Value Year T-2	94.0	6.6	78.0	24.0	6.0	6.0	6.7	.
Value Year T-3	90.3	5.9	78.3	23.8	6.0	6.0	8.7	.
Value Year T-4	92.8	5.6	79.5	24.0	6.0	.	8.8	.
Average Value, 5 year	93.4	5.7	81.9	27.6	6.0	.	7.3	.
Growth Trend	1.0	-4.1	2.9	9.8	0.0	.	-10.2	.
Benchmark Data								
Regression Benchmark	45.3	6.2	53.9	29.7	6.0	5.6	6.7	.
Lower Bound	34.3	4.1	40.7	9.2	4.1	4.2	3.4	.
Upper Bound	56.2	8.3	67.0	50.2	7.9	6.9	9.9	.
Latest Year Chile	2006	2006	2006	2006	2007	2007	2006	.
Chile Value Latest Year	82.4	2.9	49.0	119.7	5.0	4.0	-3.3	.
Latest Year Dominican Republic	2006	2006	2006	.	2007	2007	2006	.
Dominican Republic Value Latest Year	25.8	9.6	30.3	.	6.0	4.0	11.1	.
UMI - LA & Caribbean	60.9	6.3	53.9	32.6	3.2	5.0	9.2	.
UMI	39.1	6.3	49.2	26.1	4.0	5.0	6.4	.
High Five Avg.	203.1	.	202.6	234.9	6.0	9.8	35.2	.
Low Five Avg.	2.5	.	8.2	0.6	0.0	0.4	-20.7	.

External Sector												
	Aid, % of GNI	Current Account Balance, % GDP	Debt Service ratio, % Exports	Exports Growth, Goods and Services	Foreign Direct Investment, % GDP	Gross International Reserves, Months of Imports	Gross Private Capital Inflows, % GDP	Present Value of Debt, % GNI	Remittance Receipts, % Exports	Trade, % GDP	Trade in Services, % GDP	Concentration of Exports
Indicator Number	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24P10	24P11	24S1
Panama Data												
Latest Year (T)	2006	2006	2006	2006	2006	2006	2005	2006	2005	2006	2006	2006
Value Year T	0.2	-3.2	21.6	11.1	15.1	1.1	9.7	76.8	1.2	144.5	33.1	65.5
Value Year T-1	0.1	-4.9	14.8	11.6	6.2	1.1	12.6	.	1.2	143.5	32.3	66.3
Value Year T-2	0.2	-7.1	11.1	18.5	7.2	0.7	7.4	.	1.2	131.5	29.9	65.4
Value Year T-3	0.2	-4.5	9.3	-10.1	6.3	1.3	1.6	.	1.1	122.1	29.5	64.7
Value Year T-4	0.2	-0.8	16.8	-2.5	0.8	1.6	10.1	.	0.9	129.7	29.2	54.9
Average Value, 5 year	0.2	-4.1	14.7	5.7	7.1	1.2	8.3	.	1.1	134.3	30.8	63.4
Growth Trend	-4.5	-29.4	9.8	.	58.4	-9.1	19.7	.	5.4	3.8	3.4	3.8
Benchmark Data												
Regression Benchmark	0.5	-6.5	11.0	5.4	6.9	3.8	6.7	54.5	4.5	84.9	24.7	44.9
Lower Bound	-4.5	-11.3	7.3	-0.9	4.1	2.4	4.3	32.7	-6.3	68.5	18.7	34.9
Upper Bound	5.5	-1.6	14.6	11.6	9.6	5.3	9.2	76.3	15.3	101.3	30.7	54.9
Latest Year Chile	2006	2006	2006	2006	2006	2006	2005	2006	2005	2006	2006	.
Chile Value Latest Year	0.1	3.6	2.0	4.2	5.5	3.5	7.4	42.5	0.0	76.3	10.9	.
Latest Year Dominican Republic	2006	2006	2006	2006	2006	2006	2005	2006	2005	2006	2006	.
Dominican Republic Value Latest Year	0.2	-2.5	11.0	5.8	3.7	1.7	4.6	34.6	27.0	73.5	18.2	.
UMI - LA & Caribbean	0.1	-5.1	11.9	2.1	7.7	2.9	9.1	66.6	2.0	101.5	25.1	.
UMI	0.5	-4.8	7.8	5.3	5.5	4.1	6.3	62.4	1.8	100.7	19.0	28.8
High Five Avg.	53.8	21.2	38.2	.	22.1	16.1	197.8	374.7	87.1	296.2	98.5	95.1
Low Five Avg.	0.0	-29.3	0.7	.	-1.7	0.4	-4.2	4.9	0.1	28.4	4.8	16.8

External Sector (Cont'd)										
Indicator Number	Inward FDI Potential Index (0 for poor to 1 for excellent)	Net Barter Terms of Trade (2000 = 100)	Real Effective Exchange Rate (REER) (2000 = 100)	Structure of Merchandise Exports (Agricultural raw materials exports)	Structure of Merchandise Exports (Fuel exports)	Structure of Merchandise Exports (Manufactures exports)	Structure of Merchandise Exports (Ores and metals exports)	Structure of Merchandise Exports (Food exports)	Trade Policy Index (0 for very poor to 100 for excellent)	Ease of Trading Across Borders Ranking
	24S2	24S3	24S4	24S5a	24S5b	24S5c	24S5d	24S5e	24S6	24S7
Panama Data										
Latest Year (T)	2005	2006	2006	2006	2006	2006	2006	2006	2007	2007
Value Year T	0.2	90.9	-0.8	1.0	0.8	10.2	3.8	84.2	76.2	9
Value Year T-1	0.2	93.5	-1.8	0.8	0.7	9.1	4.0	85.4	71.2	9
Value Year T-2	0.2	95.4	.	1.2	0.5	10.0	3.9	84.3	73.6	.
Value Year T-3	0.2	97.1	.	0.9	0.7	11.2	2.0	85.3	70.8	.
Value Year T-4	0.2	101.6	.	1.1	6.2	12.0	1.4	79.2	69.4	.
Average Value, 5 year	0.2	95.7	.	1.0	1.8	10.5	3.0	83.7	72.2	.
Growth Trend	-2.1	-2.6	.	-4.3	-41.2	-5.4	26.3	1.3	1.9	.
Benchmark Data										
Regression Benchmark	0.2	100.5	.	2.6	4.8	36.5	1.7	38.7	75.0	83.5
Lower Bound	0.2	86.2	.	2.6	-0.3	24.2	-4.1	24.8	70.0	60.3
Upper Bound	0.2	114.8	.	2.6	9.9	48.7	7.5	52.5	80.0	106.6
Latest Year Chile	2005	2006	.	2006	2006	2006	2006	2006	2007	2007
Chile Value Latest Year	0.2	183.7	.	5.0	1.9	11.1	64.5	15.5	82.4	43
Latest Year Dominican Republic	2005	2006	.	.	.	.	.	.	2007	2007
Dominican Republic Value Latest Year	0.2	94.9	.	.	.	.	.	.	73.8	35
UMI - LA & Caribbean	0.2	100.3	.	0.9	2.0	26.9	1.4	42.2	70.1	80.5
UMI	0.2	102.4	.	1.3	6.0	57.5	2.7	10.5	65.0	81.5
High Five Avg.	0.5	116.7	.	.	.	.	.	.	87.9	178.8
Low Five Avg.	0.1	85.2	.	.	.	.	.	.	22.9	3.0

Economic Infrastructure

	Internet Users per 100 people	Logistics Performance Index, Infrastructure (1 for poor to 5 for excellent)	Telephone Density, Fixed Line and Mobile per 100 people	Infrastructure Quality Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Air Transport Infrastructure Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Port Infrastructure Quality Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Rail Development Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Quality of Electricity Supply Index (1 for poor to 7 for excellent)	Roads, Paved (% total)
Indicator Number	25P1	25P2	25P3	25P4	25S1a	25S1b	25S1c	25S1d	25S2
Panama Data									
Latest Year (T)	2007	2007	2007	2007	2007	2007	2007	2007	.
Value Year T	157.1	2.8	862.5	4.2	5.4	5.7	2.6	5.1	.
Value Year T-1	152.9	.	809.9	4.0	4.8	5.2	2.4	4.9	.
Value Year T-2	115.0	.	691.4	.	.	.	.	.	.
Value Year T-3	111.5	.	531.1	.	.	.	.	.	.
Value Year T-4	100.0	.	344.6	.	.	.	.	.	.
Average Value, 5 year	127.3	.	647.9	.	.	.	.	.	.
Growth Trend	12.2	.	22.6	.	.	.	.	.	.
Benchmark Data									
Regression Benchmark	18.0	.	356.1	2.4	4.4	3.4	1.5	4.6	24.0
Lower Bound	14.3	.	315.3	2.3	3.9	2.9	1.2	4.1	8.9
Upper Bound	21.6	.	396.9	2.6	4.9	3.9	1.9	5.1	39.0
Latest Year Chile	2007	2007	2007	2007	2007	2007	2007	2007	.
Chile Value Latest Year	334.8	3.1	1,042.0	5.0	5.7	4.8	2.5	5.6	.
Latest Year Dominican Republic	2007	2007	2007	2007	2007	2007	2007	2007	.
Dominican Republic Value Latest Year	178.1	2.2	657.8	3.4	5.4	3.6	1.2	1.4	.
UMI - LA & Caribbean	.	2.7	.	3.4	4.4	3.3	2.0	4.9	.
UMI	.	2.6	.	3.7	4.3	3.3	2.8	4.9	70.0
High Five Avg.	65.4	4.2	1,381.2	.	6.6	6.6	6.5	6.8	100.0
Low Five Avg.	0.1	1.5	1.9	.	2.4	1.4	1.1	1.5	4.8

Science and Technology				
	FDI Technology Transfer Index (1 for poor to 7 for excellent)	Availability of Scientists and Engineers (1 for poor to 7 for excellent)	Science and Technology Journal Articles, per Million People	IPR Protection (1 for poor to 7 for excellent)
Indicator Number	26P1	26P2	26P3	26P4
Panama Data				
Latest Year (T)	2007	2007	.	2007
Value Year T	5.3	3.8	.	4.1
Value Year T-1	5.1	3.8	.	3.7
Value Year T-2	.	.	.	.
Value Year T-3	.	.	.	.
Value Year T-4	.	.	.	.
Average Value, 5 year	.	.	.	.
Growth Trend	.	.	.	.
Benchmark Data				
Regression Benchmark	4.7	3.6	92.4	3.3
Lower Bound	4.4	3.3	-1,153.3	3.0
Upper Bound	4.9	4.0	1,338.0	3.6
Latest Year Chile	2007	2007	2005	2007
Chile Value Latest Year	5.3	4.9	1,559.0	4.0
Latest Year Dominican Republic	2007	2007	.	2007
Dominican Republic Value Latest Year	5.1	3.3	.	3.3
UMI - LA & Caribbean	5.2	4.4	1,476.3	3.6
UMI	4.8	4.5	886.5	3.5
High Five Avg.	6.1	6.1	75,711.9	6.3
Low Five Avg.	3.6	2.7	55.1	2.0

Health									
	HIV Prevalence	Life Expectancy at Birth	Maternal Mortality Rate, per 100,000 Live Births	Access to Improved Sanitation	Access to Improved Water Source	Births Attended by Skilled Health Personnel	Child Immunization Rate	Prevalence of Child Malnutrition, Weight for Age	Public Health Expenditure, % GDP
Indicator Number	31P1	31P2	31P3	31S1	31S2	31S3	31S4	31S5	31S6
Panama Data									
Latest Year (T)	2005	2007	2005	2004	2004	2004	2006	2003	2005
Value Year T	0.9	75.0	130	73.0	90.0	91.3	96.5	6.8	5.0
Value Year T-1	.	75.0	.	.	90.2	92.5	92.0	.	4.5
Value Year T-2	0.9	75.0	.	.	.	.	99.0	.	5.0
Value Year T-3	.	75.0	.	.	.	.	84.5	.	5.5
Value Year T-4	.	75.0	.	.	.	.	84.0	.	.
Average Value, 5 year	.	75.0	.	.	.	.	91.2	.	.
Growth Trend	.	0.0	.	.	.	.	3.6	.	.
Benchmark Data									
Regression Benchmark	0.7	73.9	98.1	84.4	94.6	92.2	93.0	4.1	3.6
Lower Bound	-0.8	71.1	-28.9	76.1	88.0	83.2	87.0	0.2	2.9
Upper Bound	2.2	76.8	225.1	92.6	101.1	101.2	99.0	8.1	4.3
Latest Year Chile	2005	2007	2005	2004	2004	2004	2006	.	2005
Chile Value Latest Year	0.3	77.0	16	91.0	95.0	99.8	92.5	.	2.8
Latest Year Dominican Republic	2005	2007	2005	2004	2004	2006	2006	2002	2005
Dominican Republic Value Latest Year	1.1	73.0	150	78.0	95.0	95.5	90.0	4.2	1.7
UMI - LA & Caribbean	0.5	74.0	57	89.0	96.0	99.4	95.8	.	3.4
UMI	0.3	72.7	48	89.0	96.5	99.5	96.0	.	3.7
High Five Avg.	24.2	81.7	1,720	100.0	100.0	.	99.0	.	11.4
Low Five Avg.	0.1	41.9	3	11.4	34.0	.	35.6	.	0.6

Education											
	Net Primary Enrollment Rate, Total	Net Primary Enrollment Rate, Female	Net Primary Enrollment Rate, Male	Primary Completion Rate, Total, Percent	Primary Completion Rate, Female, Percent	Primary Completion Rate, Male, Percent	Youth Literacy Rate, Total	Youth Literacy Rate, Male	Youth Literacy Rate, Female	Net Secondary Enrollment Rate, Total	Gross Tertiary Enrollment Rate, Total
Indicator Number	32P1a	32P1b	32P1c	32P2a	32P2b	32P2c	32P3a	32P3b	32P3c	32P4	32P5
Panama Data											
Latest Year (T)	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006
Value Year T	98.5	98.2	98.8	94.5	94.5	94.4	96.3	96.5	96.1	64.2	45.5
Value Year T-1	98.5	98.1	98.8	96.6	96.6	96.7	.	.	.	63.8	43.9
Value Year T-2	98.2	98.0	98.5	96.6	96.9	96.4	.	.	.	63.7	45.3
Value Year T-3	98.3	97.9	98.7	96.0	96.3	95.6	.	.	.	.	46.5
Value Year T-4	98.3	97.9	98.7	95.1	95.4	94.7	.	.	.	63.0	42.7
Average Value, 5 year	98.4	98.0	98.7	95.8	96.0	95.6	.	.	.	.	44.8
Growth Trend	0.1	0.1	0.0	-0.1	-0.2	0.0	.	.	.	.	0.7
Benchmark Data											
Regression Benchmark	94.5	95.4	95.3	98.4	101.9	96.8	98.0	96.0	99.1	70.0	28.6
Lower Bound	88.0	88.6	89.3	88.8	91.3	87.2	88.7	90.9	87.4	62.0	21.8
Upper Bound	100.9	102.2	101.3	108.0	112.5	106.5	107.3	101.2	110.9	78.1	35.5
Latest Year Chile	.	.	.	2005	2005	2005	2006	2006	2006	2006	2005
Chile Value Latest Year	.	.	.	122.9	116.0	129.7	99.0	98.9	99.2	52.0	47.8
Latest Year Dominican Republic	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2004
Dominican Republic Value Latest Year	77.5	78.5	76.5	83.2	86.6	79.9	95.7	94.6	96.8	52.1	34.5
UMI - LA & Caribbean	95.6	96.5	94.8	99.6	98.0	98.2	.	.	.	70.1	31.2
UMI	92.0	92.4	92.1	97.3	96.6	95.9	.	.	.	76.0	38.8
High Five Avg.	99.4	99.6	99.6	125.2	127.3	128.5	99.6	99.6	99.6	97.1	79.3
Low Five Avg.	41.4	36.0	46.7	25.9	19.5	29.3	62.2	70.9	52.9	7.9	0.6

Education (cont.)					
	Expenditure on Primary Education, % GDP	Educational Expenditure per Student, % GDP per capita, Primary	Educational Expenditure per Student, % GDP per capita, Secondary	Educational Expenditure per Student, % GDP per capita, Tertiary	Pupil-teacher Ratio, Primary School
Indicator Number	32S1	32S2a	32S2b	32S2c	32S3
Panama Data					
Latest Year (T)	.	2004	2004	2004	2006
Value Year T	.	9.7	12.3	26.5	24.5
Value Year T-1	24.2
Value Year T-2	.	10.4	15.8	32.5	24.0
Value Year T-3	24.3
Value Year T-4	24.3
Average Value, 5 year	24.3
Growth Trend	0.2
Benchmark Data					
Regression Benchmark	.	12.6	14.4	27.7	22.1
Lower Bound	.	9.4	8.2	-23.7	17.8
Upper Bound	.	15.8	20.5	79.1	26.4
Latest Year Chile	.	2006	2006	2006	2006
Chile Value Latest Year	.	11.2	12.5	11.8	23.0
Latest Year Dominican Republic	.	2005	2005	.	2006
Dominican Republic Value Latest Year	.	8.2	5.9	.	22.5
UMI - LA & Caribbean	.	11.9	15.6	29.5	21.3
UMI	.	14.6	17.6	26.4	18.6
High Five Avg.	.	28.9	49.7	482.5	63.3
Low Five Avg.	.	6.0	6.6	7.9	9.9

Employment and Workforce							
	Labor Force Participation Rate, Total	Rigidity of Employment Index (0 for minimum rigidity to 100 for maximum rigidity)	Size of the Labor Force	Growth of the Labor Force, Annual % Change	Unemployment Rate	Economically Active Children, % Children Ages 7-14	Firing Costs, Weeks of Wages
Indicator Number	33P1	33P2	33P3a	33P3b	33P4	33P5	33S1
Panama Data							
Latest Year (T)	2006	2007	2006	2006	2005	2003	2007
Value Year T	71.7	69.0	1,503,227	2.5	10.3	5.1	44.0
Value Year T-1	71.3	69.0	1,467,270	2.7	12.4	.	44.0
Value Year T-2	70.9	69.0	1,429,199	3.7	13.6	.	44.0
Value Year T-3	69.9	69.0	1,378,453	2.8	14.1	.	44.0
Value Year T-4	69.5	69.0	1,341,268	2.7	.	.	44.0
Average Value, 5 year	70.6	69.0	1,423,883	2.8	.	.	44.0
Growth Trend	0.8	0.0	2.9	-2.0	.	.	0.0
Benchmark Data							
Regression Benchmark	71.0	26.8	1,433,919.0	2.1	9.6	7.3	.
Lower Bound	66.4	18.0	-122,558.7	1.6	6.9	-0.8	.
Upper Bound	75.5	35.5	2,990,396.7	2.6	12.3	15.4	.
Latest Year Chile	2006	2007	2006	2006	2005	2003	2007
Chile Value Latest Year	59.4	24.0	6,581,001	1.1	6.9	4.1	52.0
Latest Year Dominican Republic	2006	2007	2006	2006	2005	2002	2007
Dominican Republic Value Latest Year	70.0	32.0	4,114,741	2.4	17.9	3.5	88.0
UMI - LA & Caribbean	74.1	27.5	1,955,865	2.1	13.9	.	44.0
UMI	68.5	34.0	2,406,515	1.7	12.2	.	35.0
High Five Avg.	92.4	72.4	311,642,398	6.5	28.0	.	226.3
Low Five Avg.	50.1	0.0	50,909	-1.5	1.8	.	0.0

Agriculture								
	Agriculture Value Added per Worker	Cereal Yield	Growth in Agricultural Value-Added	Fertilizer Consumption, 100 grams per hectare of arable land	Agricultural Policy Costs Index (1 for poor to 7 for excellent)	Crop Production Index (1999-2001 = 100)	Livestock Production Index (1999-2001 = 100)	Agricultural Export Growth
Indicator Number	34P1	34P2	34P3	34P4	34S1	34S2	34S3	34S4
Panama Data								
Latest Year (T)	2005	2006	2006	2005	2007	2005	2005	2006
Value Year T	4,033	1,968	2.3	343.0	3.6	110.6	99.8	32.4
Value Year T-1	3,888	1,872	3.3	422.0	3.4	108.2	98.3	-32.9
Value Year T-2	3,820	1,695	1.4	499.1	.	105.9	96.2	48.9
Value Year T-3	3,482	1,987	9.3	404.0	.	102.7	102.0	-17.8
Value Year T-4	.	1,980	3.3	.	.	98.4	104.2	22.3
Average Value, 5 year	.	1,900	3.9	.	.	105.2	100.1	10.6
Growth Trend	.	-0.7	-17.6	.	.	2.9	-1.2	.
Benchmark Data								
Regression Benchmark	3,227.5	2,542.8	3.2	1,092.6	3.9	107.8	105.4	105.4
Lower Bound	2,255.3	2,002.0	0.6	441.3	3.6	100.7	99.8	-36.0
Upper Bound	4,199.7	3,083.6	5.8	1,744.0	4.2	114.9	111.0	67.1
Latest Year Chile	2005	2006	2006	2005	2007	2005	2005	2006
Chile Value Latest Year	5,666	5,998	3.5	3,018.8	4.8	121.7	117.4	6.9
Latest Year Dominican Republic	2005	2006	2006	.	2007	2005	2005	.
Dominican Republic Value Latest Year	4,943	4,343	9.9	.	3.7	103.9	114.5	.
UMI - LA & Caribbean	4,206	3,079	3.4	1,539.4	3.9	104.0	101.3	9.5
UMI	3,914	3,076	3.0	1,256.8	3.5	103.1	102.3	15.3
High Five Avg.	49,899	27,558	14.5	17,297.0	5.1	131.0	141.9	361,825.6
Low Five Avg.	91	372	-9.4	3.0	2.6	65.3	86.8	-27.6

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 where 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, at <http://go.worldbank.org/20WZB3DB90>

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

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

CAS Code # 01P1

GROWTH PERFORMANCE

Per capita GDP, in Purchasing Power Parity Dollars

Source: World Bank International Comparison Program, at <http://go.worldbank.org/VMCB80AB40>

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 #11P1

Per capita GDP, in current US Dollars

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

<http://www.imf.org/external/ns/cs.aspx?id=28>

Definition: GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers plus any product taxes, less any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P2

Real GDP Growth

Source: IMF World Economic Outlook database, updated every six months; latest country data from IMF Article IV consultation reports:

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 #11P3

Growth of Labor Force Productivity

Source: World Development Indicators. Estimated by calculating the annual percentage change of the ratio of GDP (constant 2000 US\$) (NY.GDP.MKTP.KD) to the population age 15–64 who participate in the labor force, which in turn is the product of the total population (SP.POP.TOTL) times the product of percentage of total population in this age group (SP.POP.1564.IN.ZS) and the labor force participation rate in this age group (SL.TLF.ACTI.ZS).

Definition: Labor productivity is defined here as the ratio of GDP (in constant prices) to the size of the working age population (age 15–64) that participate in the labor force.

Coverage: Data are available for about 85 USAID countries.

CAS Code # 11S1

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 #11S2

Gross Fixed Investment, Percentage of GDP

Source: IMF Article IV consultation report for latest country data; 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 # 11S3

Gross Fixed Private Investment, Percentage of GDP

Source: IMF Article IV consultation report, for latest country data; World Development Indicators, for international comparison data (explanation below). The estimation of this indicator involves taking the difference between gross fixed capital formation (percent of GDP) (NE.GDI.FTOT.ZS) and government capital expenditure (percent of GDP). The latter term is the product of government capital expenditure (percent of total expenditure) (GB.XPK.TOTL.ZS) and total

government expenditure (percent of GDP) (GB.XPD.TOTL.GD.ZS).

Definition: This indicator measures gross fixed capital formation by nongovernment investors, including spending for replacement or net addition to fixed assets (buildings, machinery, equipment, and similar goods).

Coverage: Available from World Development Indicators 2004 for about 38 USAID countries. Starting in 2005, WDI no longer reports government capital expenditure, which is needed to compute this variable. The reason is that the World Bank has adopted a new system for government finance statistics, which switches from reporting budget performance based on cash outlays and receipts, to a modified accrual accounting system in which government capital formation is a balance sheet entry, and only the consumption of fixed capital (that is, a depreciation allowance) is treated as an expense. The template will include this variable when the required data can be obtained from IMF Article IV consultation report or national data sources. Group and regression benchmarks will be computed from WDI 2004 (since group averages tend to be relatively stable).

Data Quality: National statistics offices may have different methodologies for breaking down total government expenditure into current and capital components. In particular, the data on “development expenditure” in many countries include elements of current expenditure.

CAS Code #11S4

POVERTY AND INEQUALITY

Human Poverty Index

Source: UNDP, Human Development Report.

<http://hdrstats.undp.org/indicators/18.html>

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

Coverage: Data are available for about 60 USAID countries.

CAS Code #12P1

Income Share, Poorest 20 Percent

Source: World Development Indicators, most recent publication series SI.DST.FRST.20. These are World Bank staff estimates based on primary household survey data obtained from government statistical agencies and World Bank country departments. Alternative source for target countries: the country’s Poverty Reduction Strategy Paper: <http://www.imf.org/external/np/prsp/prsp.asp>

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

Coverage: Data are available for about 59 USAID countries, if one goes back to 1997; for the period since 2000, data are available for about 35 USAID countries.

CAS Code # 12P2

Percentage of Population Living on Less than \$1 PPP per Day

Source: World Development Indicators, most recent publication series SI.POV.DDAY, original data from national surveys. Alternative source for target countries: the country’s Poverty Reduction Strategy Paper:

<http://www.imf.org/external/np/prsp/prsp.asp>

Definition: The indicator captures the percentage of the population living on less than \$1.08 a day at 1993 international prices.

Coverage: Data are available for about 59 USAID countries going back to 1997; data for 2000 or later are available for about 35 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 difference in quality.

CAS Code #12P3

Poverty Headcount, National Poverty Line

Source: World Development Indicators, most recent publication series SI.POV.NAHC. Alternative source: the country’s Poverty Reduction Strategy Paper: <http://www.imf.org/external/np/prsp/prsp.asp>

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

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

Data Quality: Measuring the percentage of people 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 #12P4

PRSP Status

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

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

Coverage: All countries having PRSPs are so indicated.

CAS Code #12P5

Percent of 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 # 12S1

ECONOMIC STRUCTURE

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. Alternative source: 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 target countries, data can be obtained from PRSP.

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

CAS Code #13P1

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 #13P2

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 ages 15 and older 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 #14P1

Youth Dependency Rate

Source: World Development Indicators, most recent publication series.

Definition: Youth dependency rate is calculated as the percentage of the population below age 15 (WDI SP.POP.0014.TO.ZS) divided by the working-age population (those ages 15–64) (WDI SP.POP.1564.TO.ZS)

Coverage: Data are available for about 89 USAID countries.

CAS Code #14P2a

Elderly Dependency Rate

Source: World Development Indicators, most recent publication series.

Definition: This is calculated as percentage of the population over age 65 (WDI SP.POP.65UP.TO.ZS) divided by working-age population (those ages 15–64) (WDI SP.POP.1564.TO.ZS)

Coverage: Data are available for about 89 USAID countries.

CAS Code #14P2b

Environmental Performance Index

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

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, with more weight given environmental health, (i.e., $EPI = 0.5 \times \text{environmental health} + 0.1 \times (\text{air quality} + \text{water resources} + \text{productive natural resources} + \text{biodiversity and habitat} + \text{sustainable energy})$). The index values range from 0 (very poor performance) to 100 (very good performance). The 2008 edition is considered a work in progress.

Coverage: Data are available for about 80 USAID countries.

CAS Code #14P3

Population Size and Growth

Source: World Development Indicators, most recent publication series SP.POP.TOTL 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 # 14P4

Percent of 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; since these definitions vary greatly, cross-country comparisons should be made with caution.

CAS Code #14P5

Resource Depletion, Percent GNI

Source: World Development Indicators, most recent publication series: NY.ADJ.DNGY.GN.ZS (energy), NY.ADJ.DMIN.GN.ZS (minerals), NY.ADJ.DFOR.GN.ZS (forests). Sum of energy depletion + mineral depletion + net forest depletion, as a percentage of gross national income.

Definition: Resource depletion, as a percent of GNI is an indicator of environmental sustainability. 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.

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.

Net forest depletion is calculated as the product of unit resource rents and the excess of roundwood harvest over natural growth.

Coverage: Data are available for about 80 USAID countries.

Data Quality: Though each component is itself constructed from an estimate, the methodology is reasonably sound. Note however, the World Bank does not provide an estimate of soil depletion.

CAS Code #14P6

GENDER

Girls' Primary Completion Rate

Source: World Development Indicators, most recent publication series: SE.PRM.CMPT.FE.ZS

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 80 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 #15P1

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

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 #15P2

Life Expectancy, Male and Female

Source: Estimated from UNDP Human Development Indicators:

<http://hdrstats.undp.org/indicators/270.html> and <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 #15P3

Labor Force Participation Rate, Male and Female

Source: World Development Indicators, most recent publication series: SL.TLF.ACTI.MA.ZS (male)

SL.TLF.ACTI.FE.ZS (female). Based on data from International Labour Organization (ILO)

Definition: The percentage of the working-age population (15-64) that is in the labor force. The labor force is made up of people who meet the International Labor Organization definition of the economically active population: all people who supply labor for the production of goods and services during a specified period. It includes both the employed and the unemployed.

Coverage: Data are available for about 88 USAID countries.

CAS Code #15P4

FISCAL AND MONETARY POLICY

In the World Development Indicators for 2005, the World Bank has adopted a new 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 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). Many countries do not use the new GFS system, so country coverage of fiscal data in WDI 2005 is limited. For these reasons, the template will continue

to use some data from WDI 2004, along with new data from WDI 2005 and subsequent WDI series, as appropriate.

Government Expense, Percentage of GDP

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

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

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

CAS Code # 21P1

Government Revenue, excluding grants, Percentage of GDP

Source: IMF Article IV consultation report for latest country data 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 non-repayable receipts (other than grants), measured as a share of GDP. Grants represent monetary aid going to the central government that has no repayment requirement.

Gaps: Data missing for about 24 USAID countries.

CAS Code # 21P2

Growth in Broad Money Supply

Source: Latest country data are from national data sources or from IMF Article IV consultation report: 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 quasi-money) measured as the change in end-of-year totals relative to the preceding year. M2 comprises 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.

Coverage: Data are available for about 81 USAID countries.

CAS Code #21P3

Inflation Rate

Source: IMF World Economic Outlook database, updated every six months, at <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 # 21P4

Overall Budget Balance, Including Grants, Percentage of GDP

Source: For countries using the new GFS system (see explanation at the beginning of this section), benchmarking

data on the government's cash surplus/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. Latest country data are obtained from national data sources or from IMF Article IV consultation reports: www.imf.org/external/np/sec/aiv/index.htm.

Definition: The cash surplus/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 new GFS system, the template will continue to focus on the *overall budget balance*, using data from the alternative sources indicated above. 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, which 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 2006 for less than half USAID countries.

CAS Code # 21P5

Composition of Government Expense

Source: The latest country and benchmark data are taken from national data sources or from IMF Article IV consultation reports: www.imf.org/external/np/sec/aiv/index.htm.

Definition: Central government expense, broken down into the following five categories: (1) wages and salaries; (2) goods and services; (3) interest payments; (4) subsidies and other current transfers; (5) other expense.

Coverage: Data are available for the majority of USAID countries. As explained at the beginning of this section, WDI stopped reporting government *expenditures* in 2005. The template will include this variable when the required data can be obtained from IMF Article IV consultation report or national data sources for the target country and the comparison 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 # 21S1

Composition of Government Revenue

Source: The latest country and comparison country data are taken from national data sources or from IMF Article IV consultation reports:

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data are taken directly from WDI 2005 database: (1) taxes on goods and services (% of revenue), series GC.TAX.GSRV.RV.ZS; (2) taxes on income, profits and capital gains (% of revenue), series GC.TAX.YPKG.RV.ZS; (3) taxes on international trade (% of revenue), series GC.TAX.INTT.RV.ZS; (4) other taxes (% of revenue), series GC.TAX.OTHR.RV.ZS; (5) social security contributions (% of revenue), series GC.REV.SOCL.ZS; and (6) grants and other revenue (% of revenue), series GC.REV.GOTR.ZS.

Definition: Breakdown of central government revenue sources by categories outlined above. Each source of revenue is expressed as a percentage of total revenue.

Coverage: Data are available for about 46 USAID countries.

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

CAS Code # 21S2

Composition of Money Supply Growth

Source: Constructed using national data sources or IMF Article IV consultation reports: www.imf.org/external/np/sec/aiv/index.htm.

Definition: Identifies the sources of the year-to-year change in the broad money supply (M2), disaggregated into five categories: (1) net domestic credit to the public sector, (2) net domestic credit to the private sector, and (3) net foreign assets (reserves), (4) net credit to non-financial public enterprises, and (5) other items, net. Each component is expressed as a percentage of the annual change (December to December) in M2.

Coverage: Data are available for about 86 USAID countries.

CAS Code # 21S3

BUSINESS ENVIRONMENT

Control of Corruption Index

Source: World Bank Institute <http://www.govindicators.org>

Definition: The Control of Corruption index is an aggregation of various 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 "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 as well as 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

Ease of Doing Business Index

Source: World Bank, Doing Business Indicators <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: 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 # 22P2

Rule of Law Index

Source: World Bank Institute, <http://www.govindicators.org>

This indicator is based on the perceptions of the legal system, drawn from 12 data sources.

Definition: The Rule of Law index is an aggregation of various indicators that measure the extent to which agents have confidence in and abide by the rules of society. Index 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 also 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 its legal environment.

CAS Code #22P3

Regulatory Quality Index

Source: World Bank Institute;

<http://www.govindicators.org>

Definition: The regulatory quality index measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. It is computed from survey data from multiple sources. The index values range from -2.5 (for very poor performance) to +2.5 (excellent performance).

This is also an MCC indicator, under the criterion of encouraging economic freedom. 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.

Gaps: 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. It is also difficult to use the index to track a country's progress over time 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 #22P4

Government Effectiveness Index

Source: World Bank Institute, <http://www.govindicators.org>

Definition: This index, based on 17 component sources, measures "the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies." The index values range from -2.5 (very poor performance) to +2.5 (excellent performance).

Coverage: Data are available for nearly all USAID countries.

CAS Code #22P5

Cost of Starting a Business

Source: World Bank, Doing Business; Starting a Business category;

<http://www.doingbusiness.org/ExploreTopics/StartingBusiness/>

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

Coverage: Data are available for nearly all USAID countries.

CAS Code #22S1

Procedures to Enforce a Contract

Source: World Bank, Doing Business; Enforcing Contracts category:

<http://www.doingbusiness.org/ExploreTopics/EnforcingContracts/>

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, etc. to proceed with enforcement action.

Coverage: Data are available for nearly all USAID countries.

CAS Code # 22S2

Procedures to Register Property

Source: World Bank, Doing Business; Registering Property category:

<http://www.doingbusiness.org/ExploreTopics/RegisteringProperty/>

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

Coverage: Data are available for nearly all USAID countries.

CAS Code #22S3

Procedures to Start a Business

Source: World Bank, Doing Business; Starting a Business category:

<http://www.doingbusiness.org/ExploreTopics/StartingBusiness/>

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 # 22S4

Time to Enforce a Contract

Source: World Bank, Doing Business; Enforcing Contracts category:

<http://www.doingbusiness.org/ExploreTopics/EnforcingContracts/>

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 # 22S5

Time to Register Property

Source: World Bank, Doing Business; Registering Property category:

<http://www.doingbusiness.org/ExploreTopics/RegisteringProperty/>

Definition: The time required to accomplish the full sequence of procedures to transfer a property title from the seller to the

buyer when a business purchases land and a building in a peri-urban area of the country's most populous city. Every required procedure is included whether it is the responsibility of the seller, the buyer, or where it is required to be completed by a third party on their behalf.

Coverage: Data are available for nearly all USAID countries.

CAS Code #22S6

Time to Start a Business

Source: World Bank, Doing Business; Starting a Business category:

<http://www.doingbusiness.org/ExploreTopics/StartingBusiness/>

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 #22S7

Total Tax Payable by Business

Source: World Bank, Doing Business, Paying Taxes Category:

<http://www.doingbusiness.org/ExploreTopics/PayingTaxes/>

Definition: The amount of taxes payable by a medium-sized business in the second year of operation, expressed as share of commercial profits. The total amount of taxes is the sum of all the different taxes payable after accounting for deductions and exemptions. The taxes withheld but not paid by the company are excluded. The taxes included can be divided into five categories: profit or corporate income tax, social security contributions and other labor taxes paid by the employer, property taxes, turnover taxes and other small taxes (such as municipal fees and vehicle and fuel taxes). Commercial profits are defined as sales minus cost of goods sold, minus gross salaries, minus administrative expenses, minus other deductible expenses, minus deductible provisions, plus capital gains (from the property sale) minus interest expense, plus interest income and minus commercial depreciation.

Coverage: Data are available for nearly all USAID countries

CAS Code #22S8

Business Costs of Crime, Violence and Terrorism Index

Source: Global Competitiveness Report, World Economic Forum.

Definitions: The index measures executives' perceptions of the business costs of terrorism in their respective country. Executives grade, on a scale from 1 to 7, whether crime, violence and terrorism impose (1) significant costs on business, or (7) do not impose significant costs on business.

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 #22S9

Senior Manager Time Spent Dealing with Government Regulations

Source: World Bank Enterprise Surveys, Bureaucracy section, www.enterprisesurveys.org.

Definitions: Average percentage of senior managers' time that is spent in a typical week dealing with requirements imposed by government regulations such as taxes, customs, labor regulations, licensing and registration, and dealings with officials, and completing forms.

Coverage: Data available for about 80 USAID countries.

Data Quality: Same-timeframe comparisons between countries may be difficult; 15-20 enterprise surveys are conducted per year, with country updates expected approximately every three to five years. Surveys are taken of hundreds of entrepreneurs per country who describe the impact of their country's investment climate on their firm.

CAS Code #22S10

FINANCIAL SECTOR

Domestic Credit to Private Sector, Percentage of GDP

Source: IMF-International Financial Statistics financial section, where available; IMF Article IV consultation reports or national data sources for latest country data; World Development Indicators, most recent publication series FS.AST.PRVT.GD.ZS for benchmarking data. The WDI data originate with the IMF, International Financial Statistics and data files, and World Bank estimates.

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

Coverage: Data 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 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, Percentage of GDP

Source: Latest country data obtained from national data sources or IMF Article IV consultation reports: 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 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

Stock Market Capitalization Rate, Percentage of GDP

Source: World Development Indicators, most recent publication, series CM.MKT.LCAP.GD.ZS.

Definition: This variable is defined as the market capitalization, also known as market value (the share price times the number of shares outstanding), of all the domestic

shares listed on the country's stock exchange as a percentage of GDP.

Coverage: Data are available for about 54 USAID countries.

CAS Code # 23P4

Credit Information Index

Source: World Bank, Doing Business; Getting Credit Category:

<http://www.doingbusiness.org/ExploreTopics/GettingCredit/>

Definition: The credit information index measures rules affecting the scope, accessibility and quality of credit information available through either public or private credit registries. The index ranges from 0 to 6, with higher values indicating the availability of more credit information, from either a public registry or a private bureau, to facilitate lending decisions.

Coverage: Data are available for nearly all USAID countries.

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

CAS Code # 23P5

Legal Rights of Borrowers and Lenders Index

Source: World Bank Doing Business; Getting Credit category:

<http://www.doingbusiness.org/ExploreTopics/GettingCredit/>

The index is based on data collected through research of collateral and insolvency laws supported by survey data on secured transactions laws.

Definition: The index measures the degree to which collateral and bankruptcy laws facilitate lending. It ranges in value from 0 (very poor performance) to 10 (excellent performance). It includes three aspects related to legal rights in bankruptcy, and seven aspects found in collateral law.

Coverage: Data are available for nearly all USAID countries.

CAS Code # 23S1

Real Interest Rate

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

Definition: 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 # 23S2

Number of Active Microfinance Borrowers

Source: The Mix Market.

<http://www.mixmarket.org/en/demand/demand.quick.search.asp>.

Definition: An aggregate of the number of current borrowers from microfinance institutions as reported by microfinance institutions to The Mix Market.

Coverage: Data are available for about 68 USAID countries.

Data Quality: Data are only available for those microfinance institutions that report to the Mix Market and data are not always updated in a timely fashion.

CAS Code # 23S3

EXTERNAL SECTOR

Aid, Percentage of GNI

Source: Latest country data obtained from national data sources or IMF Article IV consultation reports: 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, Percentage of GDP

Source: Latest country data from national data sources or IMF Article IV consultation reports: www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators, most recent publication series BN.CAB.XOKA.GD.ZS, based on IMF, Balance of Payments Statistics Yearbook and data files, World Bank staff estimates, and World Bank and OECD GDP estimates.

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

Coverage: Data are available for about 79 USAID countries.

CAS Code # 24P2

Debt Service ratio

Source: Latest country data obtained from national data sources or IMF Article IV consultation reports:

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 to the Present value of debt, percent of GNI regarding quality of debt data reported.

CAS Code # 24P3

Exports Growth, Goods and Services

Source: Latest country data obtained from national data sources or IMF Article IV consultation reports:

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, Percentage of GDP

Source: Latest country data obtained from national data sources or IMF Article IV consultation reports: 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 consultation reports:

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 comprise 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 terms of the number of months of imports of goods and services.

Coverage: Data are available for about 77 USAID countries.

CAS Code # 24P6

Gross Private Capital Inflows, Percentage of GDP

Source: Latest country data obtained from national data sources or IMF Article IV consultation reports: www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data derived from the International Financial Statistics (sum of lines 78BED and 78BGD, divided by GDP).

Definition: Gross private capital inflows are the sum of the direct and portfolio investment inflows recorded in the balance-of-payments financial account. The indicator is calculated as a ratio to GDP in U.S. dollars.

Coverage: Information on coverage is not easily accessible.

Data Quality: Capital flows are converted to U.S. dollars at the IMF's average official exchange rate for the year shown.

CAS Code #24P7

Present Value of Debt, Percentage 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 non-guaranteed 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 across 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 # 24P8

Remittances Receipts, Percentage of Exports

Source: Latest country data obtained from national data sources or IMF Article IV consultation reports: www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data are obtained from World Development Indicators, most recent publication and remittances data compiled by the World Bank at <http://go.worldbank.org/QOWEWD6TA0>. The figure is constructed by dividing workers' remittances (receipts), by exports of goods and services, WDI 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 all USAID countries.

CAS Code # 24P9

Trade, Percentage of GDP

Source: Latest country data obtained from national data sources or IMF Article IV consultation reports: 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 # 24P10

Trade in Services, Percentage of GDP

Source: Latest country data obtained from national data sources or IMF Article IV consultation reports: www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from the World Development Indicators, most recent publication, series BG.GSR.NFSV.GD.ZS.

Definition: Trade in services is the sum of service exports and imports divided by the value of GDP, all in current U.S. dollars.

Coverage: Data available for about 80 USAID countries.

CAS Code # 24P11

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: <http://www.intracen.org/tradstat/site3-3d/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: 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. There are a number of shortcomings with this approach: ITC does not cover trade with other nonreporting countries; transshipments may hide the actual source of supply; and reporting standards include transport cost and insurance in measuring exports but exclude these items when measuring imports.

CAS Code # 24S1

Inward FDI Potential Index

Source: UNCTAD. Indicator is available at <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=2472&lang=1>.

Definition: Inward FDI Potential Index measures an economy's attractiveness to foreign investors, capturing factors (apart from market size) that are expected to have an impact. The index ranges in value from 0 (for very poor performance) to 1 (for excellent performance). It is an unweighted average of the scores of 12 normalized economic and social variables.

Coverage: Data are available for about 77 USAID countries.

CAS Code # 24S2

Net Barter Terms of Trade

Source: World Development Indicators, most recent publication, series TT.PRI.MRCH.XD.WD

Definition: Net barter terms of trade are calculated as the ratio of the export price index to the corresponding import price index measured relative to the base year 2000.

Coverage: Data are available for about 51 USAID countries.

CAS Code # 24S3

Real Effective Exchange Rate (REER)

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

Definition: The REER is an index number with base 2000=100, which 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 real effective exchange rates 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 # 24S4

Structure of Merchandise Exports

Source: World Development Indicators, most recent publication. Exports from five categories are used: Food exports series TX.VAL.FOOD.ZS.UN; Agricultural raw materials exports series TX.VAL.AGRI.ZS.UN; Manufactures exports series TX.VAL.MANF.ZS.UN; Ores and metals exports series TX.VAL.MMTL.ZS.UN; and Fuel exports series TX.VAL.FUEL.ZS.UN.

Definition: This indicator reflects the composition of merchandise exports by major commodity groups—food, agricultural raw materials, fuels, ores and metals, and manufactures.

Coverage: Data are available for about 78 USAID countries.

Data Quality: The classification of commodity groups follows the Standard International Trade Classification (SITC) revision 1, but most countries report using later revisions of the SITC. Tables are used to convert data reported in one system to another and this may introduce errors of classification. Shares may not sum to 100 percent because of unclassified trade.

CAS Code # 24S5

Trade Policy Index

Source: Index of Economic Freedom, Heritage Foundation: <http://www.heritage.org/research/features/index/downloads.cfm>. The Trade Policy Score (index) is one component of the Index of Economic Freedom.

Definition: The index measures the degree to which government hinders the free flow of foreign commerce, based on a country's weighted average tariff rate (weighted by imports from the country's trading partners), with adjustments for non-tariff barriers and corruption in the customs service. The countries are ranked on a 0-to-100 scale, with a higher score representing greater freedom (low barriers to trade)—a switch from the 5-1 ranking of previous Indexes (in which lower numbers denoted greater freedom).

Coverage: Data are available for about 83 USAID countries.

Data Quality: The index is subjective and at times inconsistent in its treatment of tariffs.

CAS Code # 24S6

Ease of Trading Across Borders Ranking

Source: World Bank, Doing Business, Trading Across Borders category:

<http://www.doingbusiness.org/ExploreTopics/TradingAcrossBorders/>

Definitions: The 181 economies covered by the Doing Business report are ranked on the ease with which one may import into and export out of the economy. The ranking is based on a simple average of the economy's ranking on each of the composite indicators for Trading Across Borders: number of documents to import and export, cost to import and export, and time to import and export.

Coverage: Data are available for nearly all USAID countries.

CAS Code # 24S7

ECONOMIC INFRASTRUCTURE

Internet Users per 100 people

Source: World Development Indicators, most recent publication series IT.NET.USER.P2, 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 1,000 people.

Coverage: Data are available for about 88 USAID countries.

CAS Code # 25P1

Logistics Performance Index, Infrastructure

Source: World Bank, Logistics Performance Index (LPI) www.worldbank.com/lpi. The Infrastructure Quality is one component of the Logistics Performance Index.

Definition: The LPI ranks countries on a scale of 1 to 5 (lowest to highest) in terms of IT, telecommunications and transportation infrastructure. It is based on a survey of more

than 800 logistics professionals who each operate in at least eight countries.

Coverage: Data are available for about 80 USAID countries.

CAS Code # 25P2

Telephone Density, Fixed Line and Mobile

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 mainlines connected to the public switched telephone network. Mobile phone subscribers refer to users of cellular-based technology with access to the public switched telephone network.

Coverage: Data are available for about 88 USAID countries.

CAS Code #25P3

Overall Infrastructure Quality Index

Source: Global Competitiveness Report, World Economic Forum.

Definition: The index measures executives' perceptions of general infrastructure in their respective country. 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 # 25P4

Quality of infrastructure—Railroads, Ports, Air Transport and Electricity

Source: Global Competitiveness Report, World Economic Forum.

Definitions: The index measures executives' perceptions of general infrastructure in their respective country. Executives grade, on a scale from 1 to 7, whether railroads, ports, air transport, and electricity 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 executive perceptions.

CAS Code #25S1

Roads, paved (% total)

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

SCIENCE AND TECHNOLOGY

FDI Technology Transfer Index

Source: Global Competitiveness Report, World Economic Forum.

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.

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.

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

HIV Prevalence

Source: UNAIDS for most recent country data:

http://data.unaids.org/pub/GlobalReport/2006/2006_GR_AN_N2_en.pdf. 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 # 31P1

Life Expectancy at Birth

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

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

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/survey. Extrapolations may not be reliable for monitoring changes in health status or for comparative analytical work.

CAS Code # 31P2

Maternal Mortality Rate

Source: UN Millennium Indicators Database, <http://millenniumindicators.un.org/unsd/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 survival of sisters. The estimates pertain to 12 years or so before the survey, making them unsuitable for monitoring recent changes.

CAS Code # 31P3

Access to Improved Sanitation

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code #31S1

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 a 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 # 31S2

Births Attended by Skilled Health Personnel

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

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

Coverage: Data are available for about 62 USAID countries.

Data Quality: Data may not reflect improvements in maternal health; maternal deaths are underreported; and rates of maternal mortality are difficult to measure.

CAS Code # 31S3

Child Immunization Rate

Source: World Development Indicators, most recent publication, estimated by averaging two series: Immunization, DPT (% of children ages 12–23 months) (SH.IMM.IDPT) and Immunization, measles (% of children ages 12–23 months) (SH.IMM.MEAS).

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #31S4

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 # 31S5

Public Health Expenditure, Percentage of GDP

Source: Latest data for host country is obtained from the MCC:

<http://www.mcc.gov/selection/scorecards/2007/index.php>

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #31S6

EDUCATION

Net Primary Enrollment Rate—Female, Male and Total

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

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

Coverage: 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 # 32P1

Primary Completion Rate – Female, Male, and Total

Source: World Development Indicators, most recent publication, series SE.PRM.CMPT.FE.ZS (female), SE.PRM.CMPT.MA.ZS (male), and 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 # 32P2

Youth Literacy Rate—Female, Male, and Total

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 #32P3

Net Secondary Enrollment Rate, Total

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: Not available for draft.

Data Quality: Break in series between 1997 and 1998 due to change from International Standard Classification of Education (ISCED) 76 to ISCED97. Recent data are provisional.

CAS Code #32P4

Gross Tertiary Enrollment Rate, Total

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: Not available for draft.

Data Quality: Break in series between 1997 and 1998 due to change from International Standard Classification of Education (ISCED) 76 to ISCED97. Recent data are provisional.

CAS Code #32P5

Expenditure on Primary Education, Percentage of GDP

Source: Millennium Challenge Corporation: <http://www.mcc.gov/selection/scorecards/2007/index.php>.

Definition: The indicator is the total expenditures 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

Educational Expenditure per Student, Percentage of GDP per capita—Primary, Secondary and Tertiary

Source: World Development Indicators, most recent publication series SE.XPD.PRIM.PC.ZS (primary); SE.XPD.SECO.PC.ZS (secondary); and SE.XPD.TERT.PC.ZS (tertiary).

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

Coverage: Data are available for about 50, 47, and 45 USAID countries (for primary, secondary, and tertiary expenditure, respectively).

Data Quality: Education statistics should be interpreted with caution because the data are out of date by 2 or 3 years; also, the statistics reflects solely public spending, generally excluding spending by religious schools, which play a significant role in many developing countries. Data for some countries and for some years refer to spending by the ministry of education only.

CAS Code # 32S2

Pupil-teacher Ratio, Primary School

Source: World Development Indicators, 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 also affect the quality of teaching/learning and pupil performance.

CAS Code # 32S3

EMPLOYMENT AND WORKFORCE

Labor Force Participation Rate

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

Definition: The percentage of the working age population (15-64) that is in the labor force. The labor force comprises people who meet the International Labor Organization

definition of the economically active population: all people who supply labor for the production of goods and services during a specified period. It includes both the employed and the unemployed.

Coverage: Data are available for about 88 USAID countries.

CAS Code #33P1

Rigidity of Employment Index

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

<http://www.doingbusiness.org/ExploreTopics/EmployingWorkers/>

Definition: 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. Index ranges in value from 0 (minimum rigidity) to 100 (maximum rigidity).

Coverage: Data are available for nearly all USAID countries.

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

CAS Code # 33P2

Size and Growth of the Labor Force

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 size of the labor supply, and its annual percent change. 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

Source: World Development Indicators, most recent publication series SL.UEM.TOTL.ZS.

Definition: The unemployment rate refers to the share of the labor force that is without work but available for and seeking employment. For this purpose, informal sector workers and own-account workers (including subsistence farmers) are counted as employed.

Coverage: Data are available for about 50 USAID countries.

Data Quality: Definitions of labor force and unemployment differ by country, making international comparisons inaccurate.

CAS Code # 33P4

Economically Active Children, Percentage 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.

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

CAS Code # 33P5

Firing Costs, Weeks of Wages

Source: World Bank, Doing Business, Employing Workers Category:
<http://www.doingbusiness.org/ExploreTopics/EmployingWorkers/>.

Definitions: The firing cost indicator measures the cost of advance notice requirements, severance payments, and penalties due when terminating a redundant worker, expressed in weekly wages. One month is recorded as 4 and 1/3 weeks.

Coverage: Data available for nearly all USAID countries.

CAS Code # 33S1

AGRICULTURE

Agriculture Value Added per Worker

Source: World Development Indicators, most recent publication series EA.PR.D.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

Cereal Yield

Source: World Development Indicators, most recent publication series AG.YLD.CREL.KG based on Food and Agriculture Organization Production Yearbook and data files.

Definition: Cereal yield, measured as kilograms per hectare of harvested land, includes wheat, rice, maize, barley, oats, rye, millet, sorghum, buckwheat, and mixed grains. Production data on cereals relate to crops harvested for dry grain only.

Coverage: Data are available for about 84 USAID countries.

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

CAS Code # 34P2

Growth in Agricultural Value-Added

Source: The latest country data are taken from national data sources or from IMF Article IV consultation reports:
<http://www.imf.org/external/np/sec/aiv/index.htm>. The benchmarking data are from World Development Indicators, most recent publication series NV.AGR.TOTL.KD.ZG

Definition: The indicator measures the annual growth rate for agricultural value added, in constant local currency. Regional

group aggregates are based on constant 2000 U.S. dollars. Agriculture corresponds to ISIC divisions 1–5 and includes forestry, hunting, and fishing, as well as cultivation of crops and livestock production. Value added is the net output of a sector after all outputs are added up and intermediate inputs are subtracted. It is calculated without deductions for depreciation of fabricated assets or depletion and degradation of natural resources.

Coverage: Data are available for about 84 USAID countries.

CAS Code # 34P3

Fertilizer Consumption (100 grams per hectare of arable land)

Source: World Development Indicators, most recent publication series AG.CON.FERT.ZS, derived from Food and Agriculture Organization Production Yearbook and data files.

Definition: Fertilizer consumption (100 grams per hectare of arable land) measures the quantity of plant nutrients used per unit of arable land. Fertilizer products cover nitrogenous, potash, and phosphate fertilizers (including ground rock phosphate). Traditional nutrients—animal and plant manures—are not included. The time reference for fertilizer consumption is the crop year (July through June). 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.

Coverage: Data available for

CAS Code #34P4

Agricultural Policy Costs Index

Source: Global Competitiveness Report, World Economic Forum.

Definition: The index measures executives' perceptions of agricultural policy costs in their respective country. Executives grade, on a scale from 1 to 7, whether the cost of agricultural policy in a given country is excessively burdensome (1), or balances all economic agents' interests (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 # 34S1

Crop Production Index

Source: World Development Indicators, most recent publication series AG.PR.D.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 # 34S2

Livestock Production Index

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

Definition: Livestock production index shows livestock production for each year relative to the base period 1999–2001=100. The index includes meat and milk from all sources, dairy products such as cheese, and eggs, honey, raw silk, wool, and hides and skins.

Coverage: Data are available for about 85 USAID countries.

Data Quality: See comments on the Crop Production Index.

CAS Code # 34S3

Agriculture Export Growth

Source: World Development Indicators, most recent publication series TX.VAL.AGRI.ZS.UNs, Agricultural raw materials exports (% 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.

Definitions: 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: Not available for draft.

CAS Code # 34S4