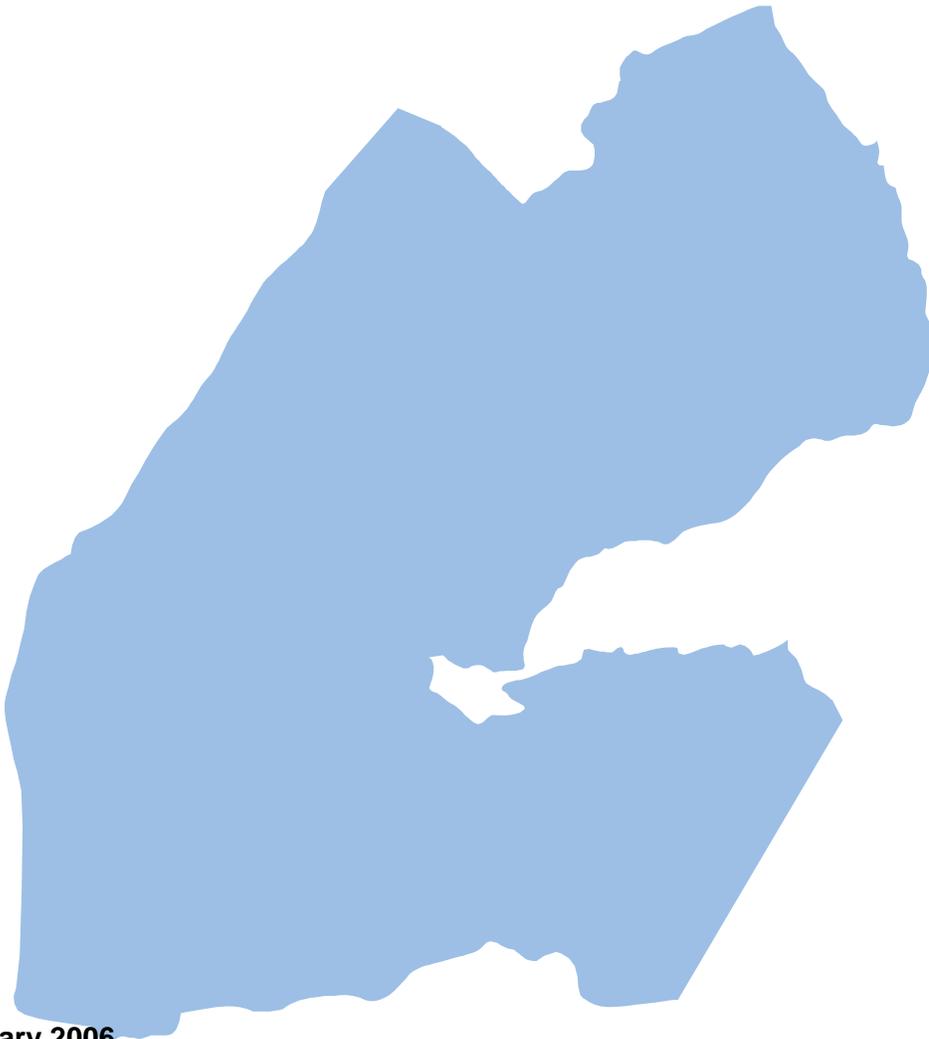




USAID
FROM THE AMERICAN PEOPLE

Djibouti

Economic Performance Assessment



February 2006

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Djibouti

Economic Performance

Assessment

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

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

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

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A NOTE ON DJIBOUTI DATA

The set of publicly accessible statistics for Djibouti is limited in scope, timeliness, and reliability. Many economic indicators are taken from the International Monetary Fund (IMF) First Review under the Staff Monitored Program IMF report (November 2004), which provides estimates for 2003 and projections for 2004 on the basis of work conducted in June 2004. Other important data sources include Djibouti's Poverty Reduction Strategy Paper (PRSP) of March 2004 and the World Bank's Country Assistance Strategy for Djibouti (March 2005). The summary table on notable strengths and weaknesses is unavoidably limited to indicators for which data are available.

The standard methodology for this Economic Performance Evaluation series includes benchmarking against comparator countries selected by the host USAID mission (in this case REDSO). In view of Djibouti's highly atypical economic structure, however, USAID agreed that the standard procedure of selecting comparator countries would be inappropriate. The benchmarking analysis is therefore based on comparisons to the median value for lower-middle-income countries globally, and, where relevant, to a regression estimate of the statistical norm for a country with Djibouti's characteristics.

HIGHLIGHTS OF DJIBOUTI'S PERFORMANCE

Economic Growth	Djibouti has achieved an economic growth rate of about 3 percent in recent years, but this is too low to have a significant impact on living standards or poverty reduction.
Poverty	Forty-two percent of Djibouti's population lives in extreme poverty; both poverty and inequality appear to be on the rise.
Gender	Gender inequity is a major impediment to economic development; women have been disproportionately deprived of access to education and productive opportunities.
Fiscal and Monetary Policy	Macroeconomic stability has been maintained, but government expenditure is well above the normal range for Djibouti's level of economic activity. Also, the fiscal framework is heavily dependent on donor funding.
Business Environment	Limited data indicate that institutional constraints severely impair private sector development. Scores for control of corruption, rule of law, and regulatory quality are all low.
Financial Sector	Data suggest that inefficiency in the financial sector constrains investment and business development; domestic credit to the private sector is shrinking relative to GDP.
External Sector	The balance of trade in goods is structurally in deficit, but the service and income balances are consistently in surplus. Aid is a major source of financing, and FDI has risen substantially in recent years.
Economic Infrastructure	Aside from the port, Djibouti's infrastructure is in poor condition. Utility costs, especially for water and power, are very high, and telephone density and Internet penetration are low compared to LMI standards.
Health	Health conditions are very poor, as reflected in a very low life expectancy, high maternal mortality rate, and high child malnutrition rate.
Education	Djibouti's human capital endowment is very weak, as reflected by low levels of educational attainment.
Employment and Workforce	Unemployment is extremely high and rising. Weak human resources, over-regulation in labor markets, and a weak enabling environment for private investment hinder improvements.
Agriculture	Agriculture contributes little to GDP, but more than one-fourth of the people depend on agriculture for their livelihood, at very low levels of productivity.

Note: Relative statements about performance are based on international benchmarking; the methodology used for this analysis are explained in the appendix.

NOTABLE STRENGTHS AND WEAKNESSES—SELECTED INDICATORS

Indicator, by Topic ^a	Strength	Weakness
Growth Performance		
Growth of labor productivity		X
Poverty and Inequality		
Human poverty index		X
Poverty headcount %, national poverty line		X
Demography and Environment		
Adult literacy rate		X
Age dependency rate		X
Gender		
Adult literacy rate, male to female ratio		X
Gross enrollment rate, male to female ratio		X
Fiscal and Monetary Policy		
Government expenditure, percentage of GDP ^b		X
Inflation rate	X	
Wages and salaries, percent of government expense		X
Business Environment		
Rule of Law Index		X
Regulatory Quality Index		X
Financial Sector		
Interest rate spread, lending rate minus deposit rate		X
Money supply (M2), percentage of GDP	X	
External Sector		
Aid, percentage of GNI		X
Debt service ratio, percentage of exports (2003)	X	
Trade, percentage of GDP	X	
Foreign Direct Investment, percentage of GDP (2004)	X	
Economic Infrastructure		
Internet users per 1,000 people		X
Telephone density, fixed line and mobile, per 1,000 people		X
Telephone cost, average local call		X
Health		
Maternal mortality rate, deaths per 100,000		X
HIV prevalence		X
Life expectancy at birth		X

Indicator, by Topic ^a	Strength	Weakness
Child immunization rate		X
Prevalence of child malnutrition (weight for age)		X
Education		
Persistence in school to grade 5, percentage of total	X	
Net primary enrollment rate (total)		X
Pupil-to-teacher ratio, primary school		X
Employment and Workforce		
Unemployment rate		X
Agriculture		
Agriculture value added per worker, constant 1995 USD		X
Cereal yield		X

^a The chart identifies selected indicators for which Djibouti's performance is particularly strong or weak relative to benchmark standards; details are discussed in the text. The separate Data Supplement presents a full tabulation of the data examined for this report, including the international benchmark data, along with technical notes on the data sources and definitions.

^b Government expenditures as a percentage of GDP are included in this table because their level was very high relative to the level of economic activity for a country as small as Djibouti.

1. Introduction

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

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

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

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

¹ The primary source for international data is the latest update from USAID’s internal Economic and Social Database. This database is compiled from a wide variety of original sources and maintained by the Development Information Service under PPC/CDIE. It is accessible through the USAID intranet. The report also uses readily accessible public information sources.

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.

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 environment⁴. 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 evaluation presented in this paper must be interpreted with caution, because a concise analysis of this sort cannot provide a definitive diagnosis of economic problems or simple answers to questions about programmatic priorities. Instead, the aim of the analysis is to spot signs of economic growth problems on the basis of a review of selected indicators, subject to limits of data availability and quality. For Djibouti, data constraints are particularly serious. Nonetheless, an analysis of the data available should provide insight into the potential paths for USAID intervention to complement on-the-ground knowledge and further in-depth studies.

The remainder of the report discusses the most important results of the diagnostic analysis, in three sections: Overview of the Economy; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topic coverage. The appendix briefly explains the criteria used for selecting indicators and the benchmarking methodology and includes all the indicators constituting the standard template for this report.

Table 1-1
Topic Coverage

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

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

2. Overview of the Economy

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

GROWTH PERFORMANCE

With an estimated GDP per capita of \$790 in 2004,⁶ Djibouti ranks at the low end of the World Bank's lower-middle-income (LMI) group. During the five years to 2004, GDP growth averaged just 2.2 percent per year. Although the growth rate improved to 3.2 percent in 2003 and an estimated 3.0 percent in 2004, it is still far below the median for LMI countries of 5.1 percent. In absolute terms, Djibouti's growth rate is far too low to yield tangible improvements in living standards for a population that has been expanding by nearly 2 percent per year (Figure 2-1). According to the country's PRSP, Djibouti needs to achieve at least 2 percent growth in per capita terms, along with a decline in income inequality of at least 2 percent per year, to yield any considerable impact on poverty.⁷ Even this modest target is insufficient to deliver better lives in the medium term for the people of Djibouti. Thus, there is a critical need to achieve and sustain higher growth rates. The fundamentals for rapid growth in Djibouti, however, are weak.

Growth is driven by investment and productivity gains. In 2004, gross fixed investment in Djibouti reached an estimated 18.3 percent of GDP (Figure 2-2) from a low of 8.3 percent in 2001. Even with this improvement, investment in Djibouti still stands below the average for LMI countries of 22.1 percent, and it is too low to support rapid growth. Moreover, it is too soon to say whether this recent increase will be sustained. A large share of capital formation is controlled by the public sector, with private investment averaging a meager 8.6 percent of GDP over the past five years (though the figure jumped to 12.3 percent in 2004).

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

⁶ The IMF World Economic Outlook database, which is the standard source for this indicator, reports this level of GDP per capita (in current U.S. dollars) for Djibouti in 2004. Different figures may be found in other data sources.

⁷ See Djibouti Poverty Reduction Strategy Paper (PRSP), IMF Country Report 04/152, March 2004, p. 5.

Figure 2-1
Real GDP Growth

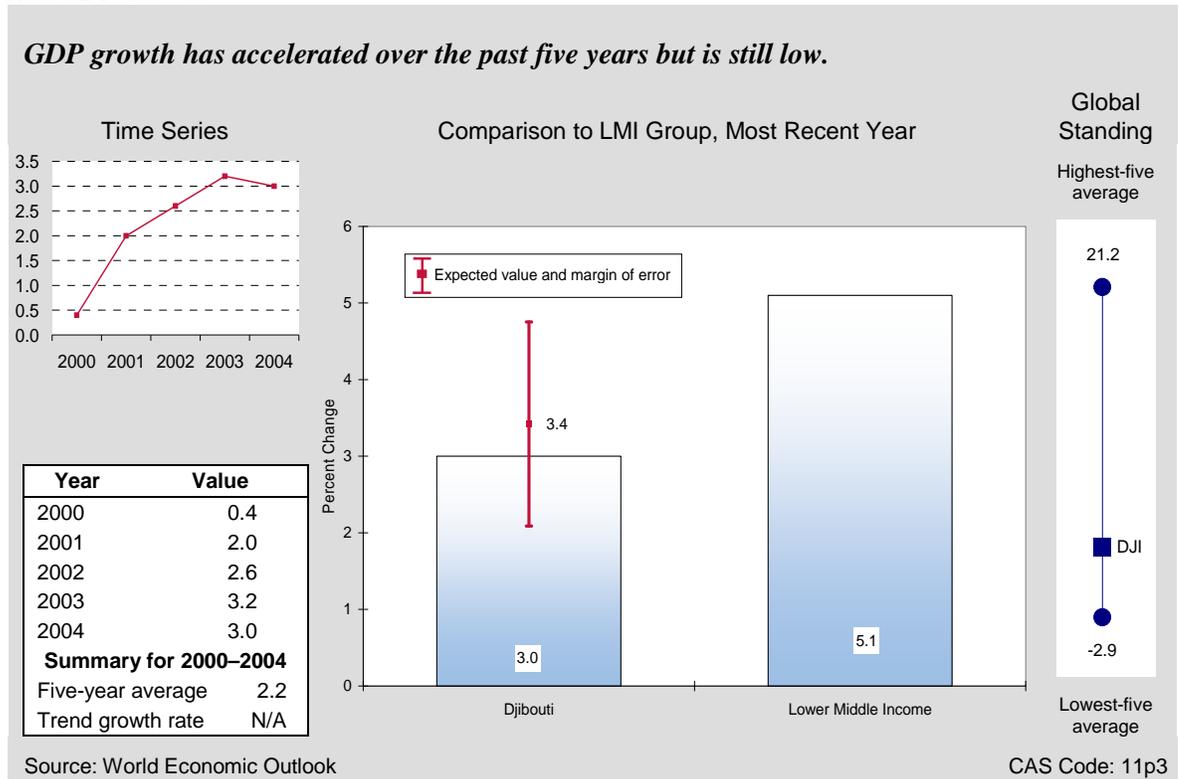
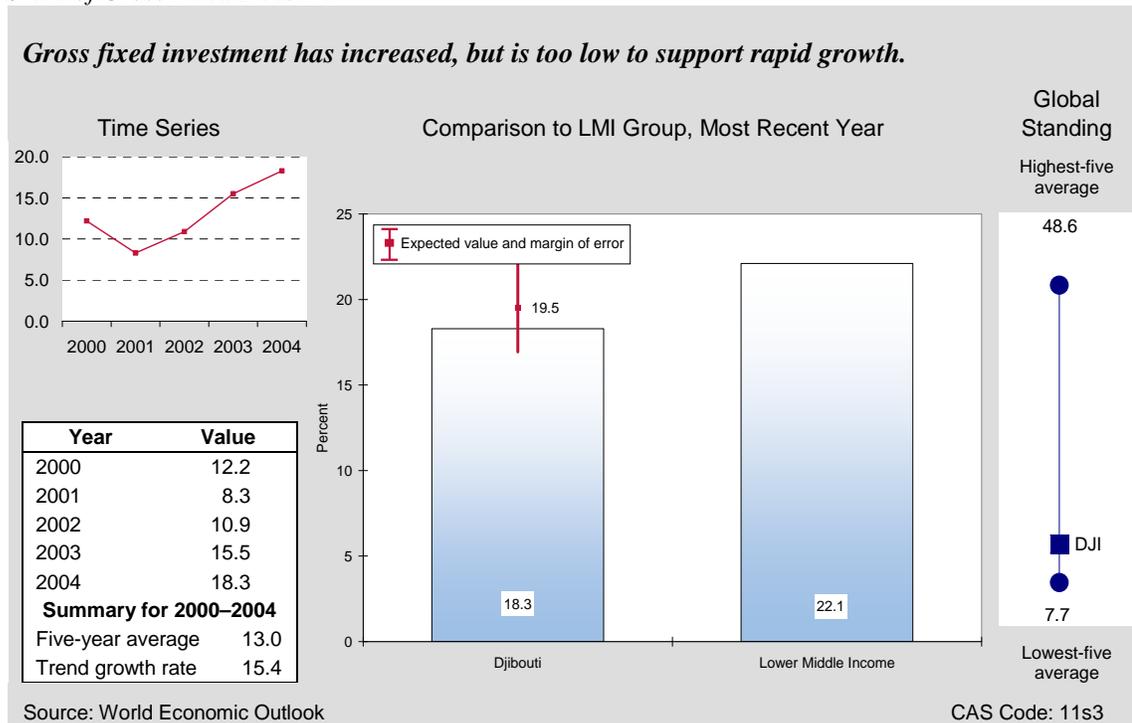
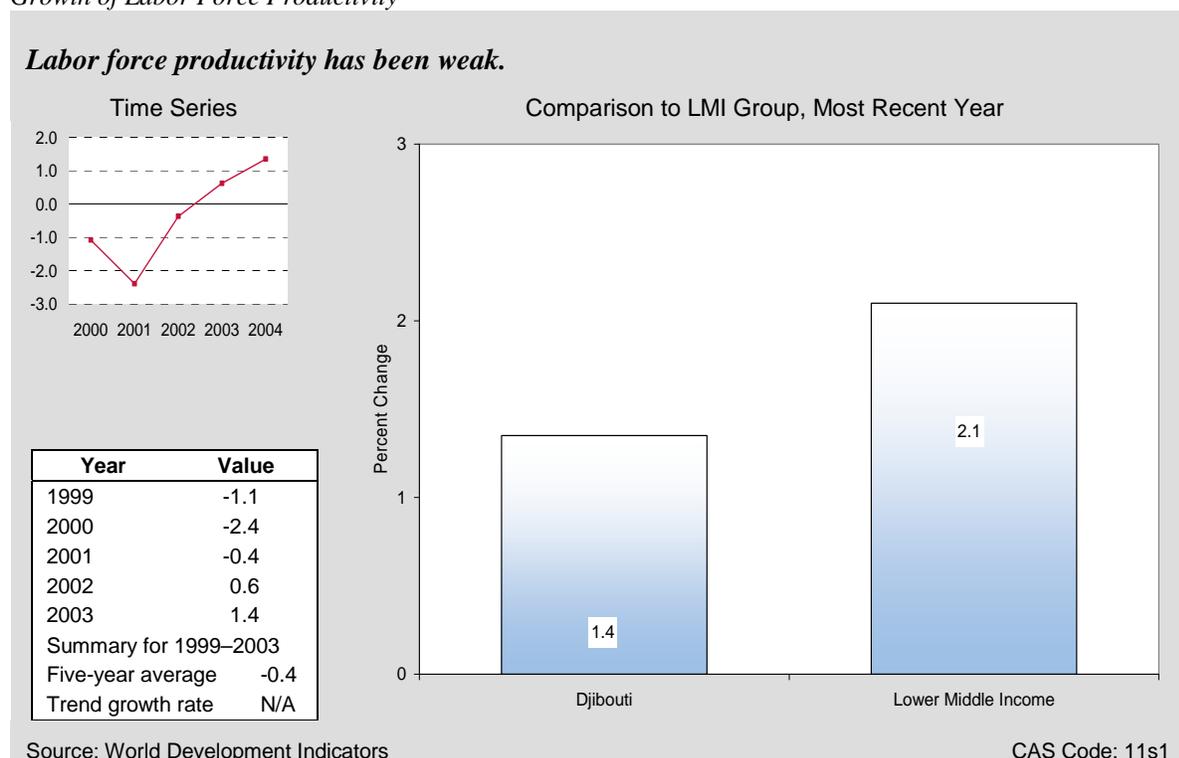


Figure 2-2
Share of Gross Fixed Investment



The productivity of investment has also been weak. This can be seen in the incremental capital-output ratio (ICOR) of 5.8 for the period 2000–2004, which indicates that nearly \$6 of gross investment has been needed per \$1 of extra output. Although this is not much different from the average ICOR of 5.6 for the LMI group, countries with efficient investment tend to have ICOR values of 4 or less, implying that each unit of output growth requires much less capital. Even worse is the growth of labor force productivity, which fell at an annual average rate of 0.4 percent during the five years to 2003 (Figure 2-3). Programs aimed at improving labor productivity are imperative for faster growth.

Figure 2-3
Growth of Labor Force Productivity



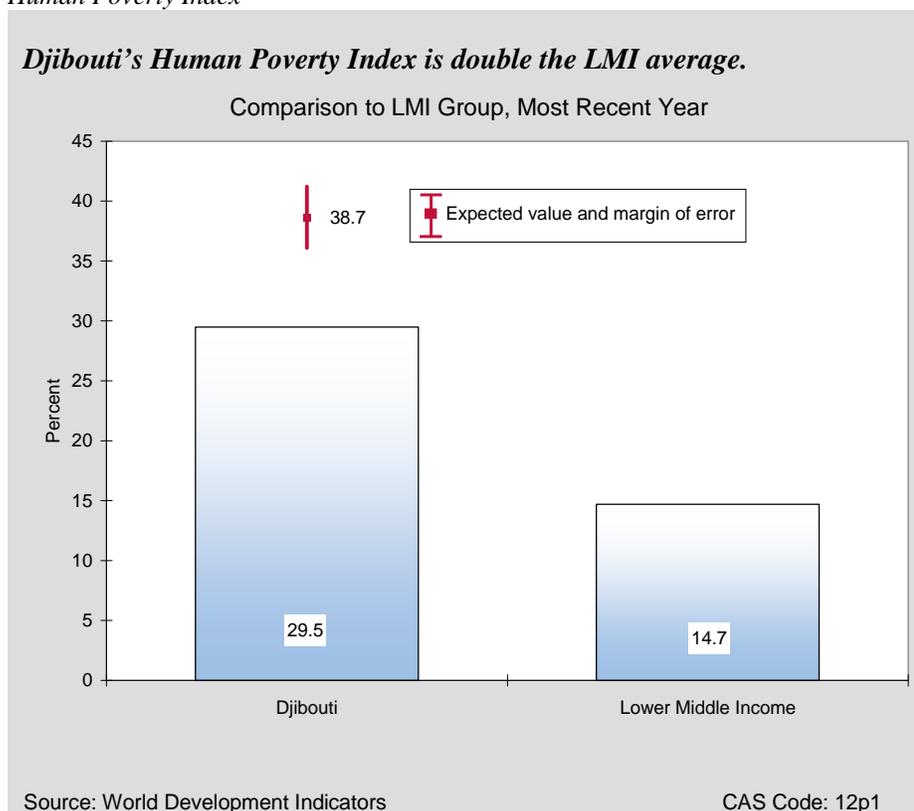
POVERTY AND INEQUALITY

Latest estimates for Djibouti show an increase in the poverty headcount, as measured by the national poverty line, from 34.5 percent in 1996 to 42.2 percent in 2002.⁸ Although the poverty rate is better than the LMI average of 49.0 percent, international comparisons for this indicator can be misleading because definitions of the poverty line differ from country to country. In absolute terms, the figures reveal serious problems with poverty in Djibouti and are corroborated by the UNDP’s Human Poverty Index, which measures deprivation in health and education, as well as income. On a scale of 0 (no deprivation) to 100 (maximum deprivation), Djibouti’s score improved from 34.3 in 2003 to 29.5 in 2004. This is significantly better than the regression

⁸ The national poverty line used here is defined as the extreme or indigent poverty line, which was evaluated at DF 114,096 per adult per year, or USD \$1.8 per day.

estimate of 38.7 for a country with Djibouti's income, but much worse than the LMI median of 14.7 (Figure 2-4).

Figure 2-4
Human Poverty Index



Income inequality in Djibouti is not high by international standards, as evidenced by a Gini coefficient of 40.9 in 2002; but the Gini value has increased from 39.5 in 1996,⁹ which suggests that income gains from growth have been skewed toward the non-poor. Furthermore, a large part of national income is derived from rents on the port, military base rentals, and financial support from donors (as discussed below), which are channeled mainly through the government budget. A significant part of this rent is passed on to government employees through relatively high wages, leaving inadequate resources for social expenditures, social transfers, and public investment.¹⁰

⁹ Economic Performance Assessments normally measure inequality by the share of income or expenditure accruing to the poorest 20 percent of households, but this indicator was unavailable for Djibouti. The Gini coefficient is a widely used alternative measure of inequality, with values ranging from 0 for total equality to 100 for total inequality. According to the World Bank, households in the highest 20 percent of the income distribution in Djibouti have an average expenditure eight times higher than those in the lower quintile. Source: Country Assistance Strategy for Djibouti, International Development Association (World Bank), Report No. 31613-DJ, March 2005, p. 4.

¹⁰ World Bank, Country Assistance Strategy, p. 1

Djibouti completed a PRSP in March 2004. The strategy focuses on four main themes: (1) strengthening Djibouti's competitiveness to create conditions for strong and sustainable growth; (2) accelerating the development of human resources through social programs aimed at reducing poverty and gender disparities; (3) regional and local development through investments in water and basic services in poor neighborhoods, in both rural and urban areas; and (4) improving governance and public sector management, including transparency and accountability to improve efficiency and the distribution of benefits to the poor. These are highly appropriate priority areas for donor support to help Djibouti reduce poverty and inequality.

ECONOMIC STRUCTURE

The structure of Djibouti's economy has changed little in the 25 years since independence. The only major changes in the past decade have been an upsurge in the use of the port since 1998 by landlocked neighbor Ethiopia and the establishment of a permanent U.S. military base.¹¹ The economy is based on services: the port, the railway, the civil service, the French military garrison, and German and U.S. military bases (since 2002). The service sector accounted for an average of 81.6 percent of GDP over the five years to 2001, while industry and agriculture accounted for 14.8 and 3.7 percent respectively. The manufacturing sector is miniscule, accounting for only 3.3 percent of GDP.¹² Manufacturing is limited mainly to food processing and shipbuilding, providing very limited employment opportunities. Djibouti's high factor costs and low labor productivity, as well as other weaknesses in the business environment (discussed below), have limited the country's potential for stimulating employment and investment in export-oriented manufacturing.

No data on employment per sector were available for Djibouti in standard international sources. However, the PRSP estimates that the rural sector employs 28.5 percent of the population.¹³ The sharp disparity between the share of workers in the rural sector and agriculture's tiny share of GDP reveals that rural productivity is extremely low in comparison to other sectors of the economy. Measures to enhance agricultural productivity or accelerate job creation outside agriculture can therefore have a strong impact on livelihoods and on overall productivity growth for the economy.

DEMOGRAPHY AND ENVIRONMENT

In 2004, Djibouti's population was estimated at 715,520 people. The estimated rate of population growth has been decelerating from 2.3 percent in 2000 to 1.4 percent in 2004. Because demographic changes usually occur over a much longer time, this rapid decline calls into question the accuracy of the figures. Taking the figures at face value, population growth in Djibouti is now on par with the median for LMI countries. Slower population growth will contribute to more rapid growth of per capita income over the next two decades, while easing the growth of demand for public services, including education and health. For the immediate future, however, the age

¹¹ Djibouti Country Profile July 2004, The Economist Intelligence Unit, London, pp. 20-21

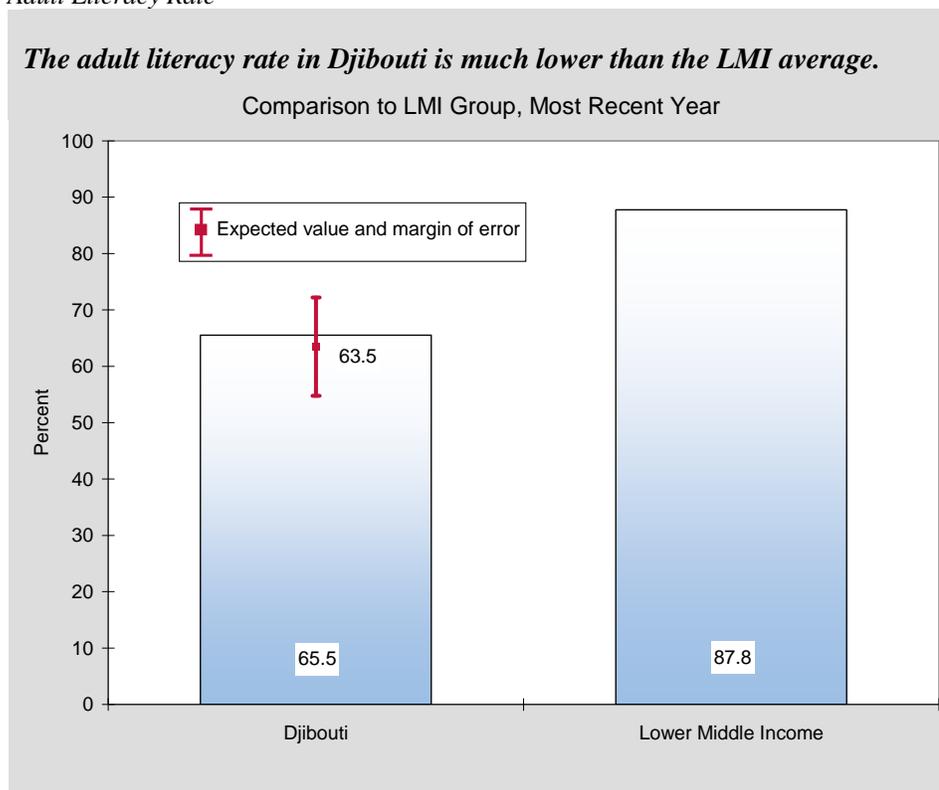
¹² Djibouti Country Profile July 2004, p. 26

¹³ See Djibouti PRSP, pp. 11, 84.

dependency ratio remains very high, with 0.85 dependents per person of working age, compared to an average of nearly 0.6 for LMI countries. A high age dependency rate is both a cause and a symptom of deep poverty.

The population is also poorly endowed with human capital. The adult literacy rate of 65.5 percent in 2003 is far below the average of 87.8 percent for LMI countries—a legacy of a weak education system (Figure 2-5). Adult literacy programs targeting the poor and women—groups with especially high illiteracy—could contribute greatly to faster socioeconomic progress.

Figure 2-5
Adult Literacy Rate



With 84.1 percent of the population living in urban areas in 2004,¹⁴ Djibouti has one of the highest urbanization rates on the African continent. Nearly two-thirds of the population resides in the metropolitan area of Djibouti-Ville. The urbanization rate has risen from 82.2 percent in 2000, as urban centers experience a rapid and unplanned expansion of precarious settlements that lack basic infrastructure such as safe drinking water, sewage treatment, housing, and transportation.

¹⁴ The source for the urbanization rate is the World Development Indicators 2005 database. This rate appears to be at odds with the estimate cited in the PRSP that the rural sector employs 28.5 percent of the population; these figures are not directly comparable—one refers to population and the other to employment.

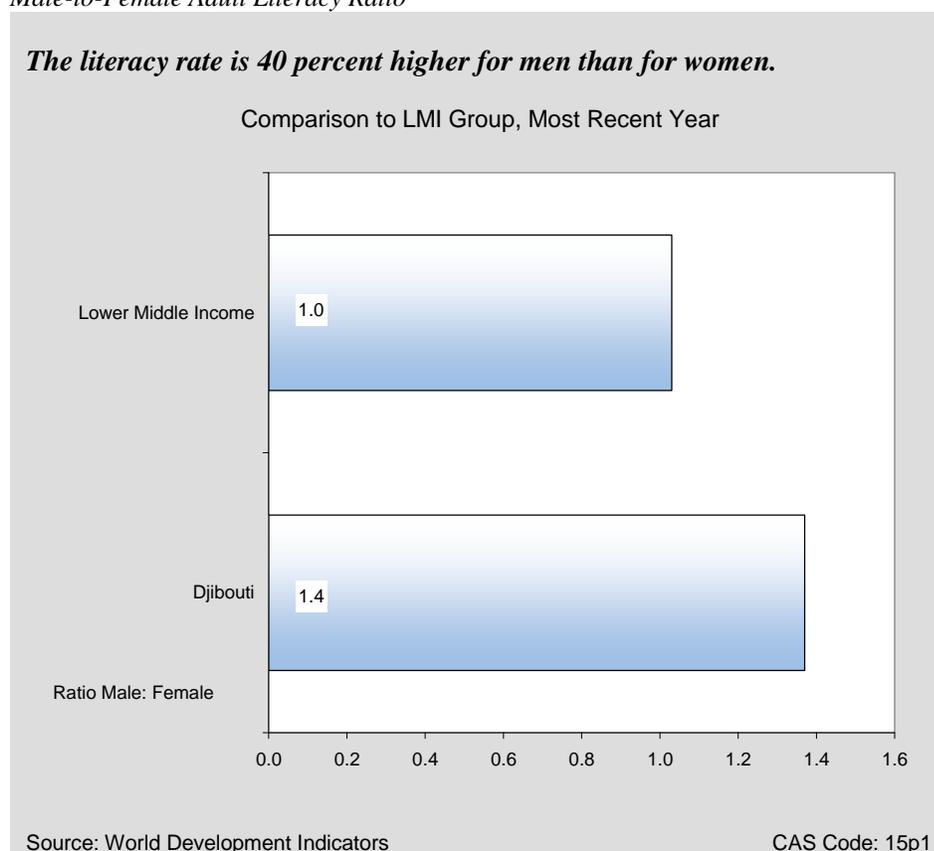
Rapid urban growth is a breeding ground for unemployment and exclusion.¹⁵ Programs aimed at urban development and workforce development may be priorities for donor intervention.

GENDER

Gender equity is central to poverty alleviation in countries such as Djibouti, where women have been disproportionately deprived of access to education and productive opportunities. These problems are reflected in the fact that the adult literacy rate was nearly 40 percent higher for men than for women in 2002 (latest year of data) (Figure 2-6). Educating women should be a top priority not only on principle, but also because female education plays a catalyzing role in economic growth: better educated women are more productive, have fewer children, are less prone to fall victim to HIV/AIDS, and pass along better health and education to their children.

Figure 2-6

Male-to-Female Adult Literacy Ratio



Focusing on the school-age population, Djibouti's gross enrollment rate at all levels in 2004 was 31 percent higher for males than for females, reflecting continued gender inequity in education. By comparison, the median LMI country has already achieved gender equity—with the male-to-female ratio at or near 1—for both adult literacy and gross enrollment. Reflecting the inequities in

¹⁵ Djibouti PRSP, p. 3

education, the integration of women into the labor force is still limited. The participation of women in the job market is marked by a very low employment supply rate: 35 percent, compared to 73 percent for men.¹⁶

Turning to equity in health, the male-to-female ratio for life expectancy is 0.96, reflecting that women live somewhat longer than men. This is comparable to the LMI average of 0.93. Even so, life expectancy in Djibouti is extremely low for both men and women, at just under 43 years. In all respects, gender themes are a vital cross-cutting consideration for donor programs.

¹⁶ Djibouti PRSP, p. 27

3. Private Sector Enabling Environment

This section reviews indicators for key components 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 basic institutional foundations, including secure property rights, an effective system for enforcing contracts, and an efficient regulatory environment that does not impose undue barriers on business activities. Financial institutions play a major role in mobilizing and allocating 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 efficiency and rising productivity. Equally important is development of the physical infrastructure to support production and trade. Finally, developing countries need to adapt and apply science and technology to attract efficient investment, improve competitiveness, and stimulate productivity growth.

FISCAL AND MONETARY POLICY

Djibouti's macroeconomic performance has been mixed. Because Djibouti has a currency board, which pegs the Djibouti franc to the U.S. dollar,¹⁷ inflation (a Millennium Challenge Account [MCA] eligibility criterion) has remained very low, averaging 2 percent from 2000 through 2004. Nonetheless, the country faces some fiscal problems. The overall budget deficit (cash basis) widened from 2.0 percent of GDP in 2001 to 5.0 percent in 2003, though the IMF estimated that the deficit would decline to 0.9 percent in 2004 because of tighter spending and an increase in official grants.

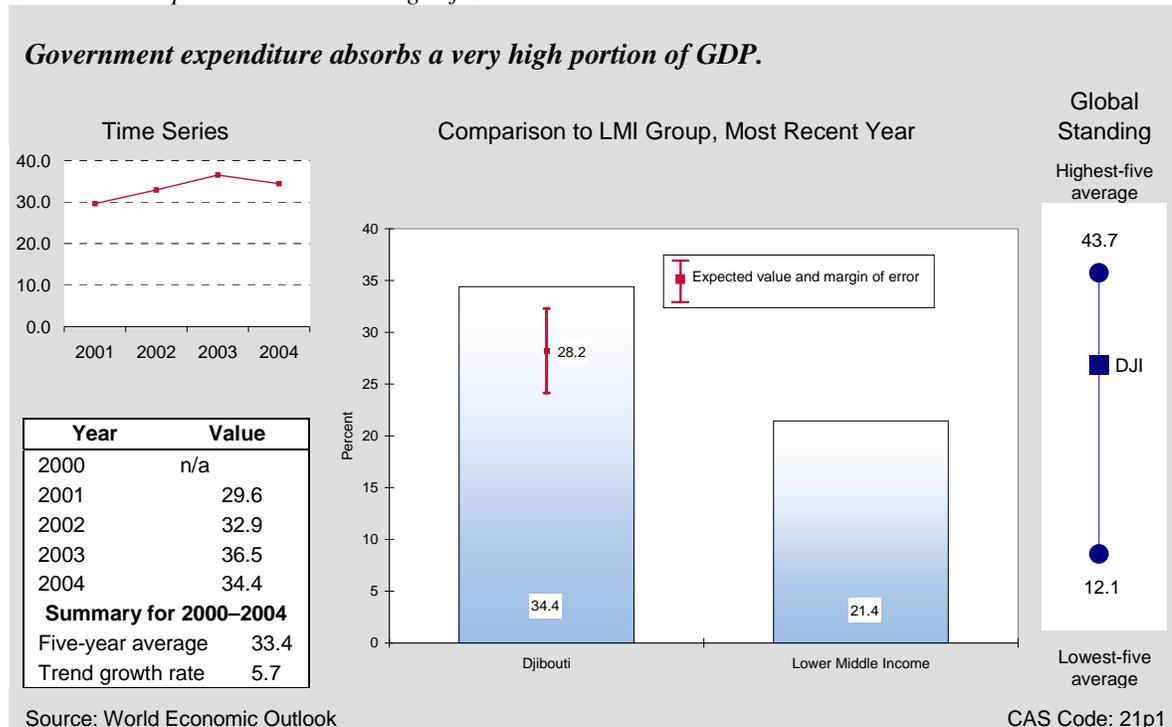
Government expenditure has been very high for a country with Djibouti's level of income, indicating that the public sector commands a disproportionate share of economic resources.¹⁸ Expenditures reached 34.4 percent of GDP in 2004, compared with a regression benchmark of

¹⁷ Dfr 177.72: US\$1.

¹⁸ The World Development Indicators 2005 database adopts new categories for government finance statistics. As a result, the database has fiscal data for very few developing countries, and group medians for these fiscal variables are not meaningful because of the limited sample size. The international benchmarking analysis for fiscal indicators is therefore based on data from WDI 2004.

28.2 percent and an average for LMI countries of 21.4 percent (Figure 3-1). Expenditures in 2004 were dramatically higher than in 2001, when the figure was 29.6 percent of GDP; over the same period, domestic revenues decreased slightly, from 23.3 percent of GDP in 2001 to 22.0 percent in 2004. The revenue yield is better than the LMI average, but well below the estimated regression benchmark for a country with Djibouti's characteristics (Figure 3-2). The main source of fiscal stress, however, is clearly on the expenditure side of the budget.

Figure 3-1
Government Expenditure as Percentage of GDP



Fiscal consolidation has been a major component of recent reform programs agreed on with the IMF. The main objectives have been to increase revenue and rationalize expenditures. The central problem with public spending has been an excessive wage bill. Although wages and salaries dropped from 49.9 percent of government expenditures in 2000 to 39.1 percent in 2004, they still crowd out resources needed for social expenditures (Figure 3-3). Furthermore, Djibouti remains heavily dependent on donor financing to fill the large gap between expenditure and domestic revenue. According to the Economist Intelligence Unit, the IMF is also concerned about the high level of unorthodox financing through arrears to suppliers, estimated at an extraordinary 23.1 percent of GDP in 2003.¹⁹

¹⁹ Djibouti Country Profile July 2004, p. 22

Figure 3-2
 Government Revenue as Percentage of GDP

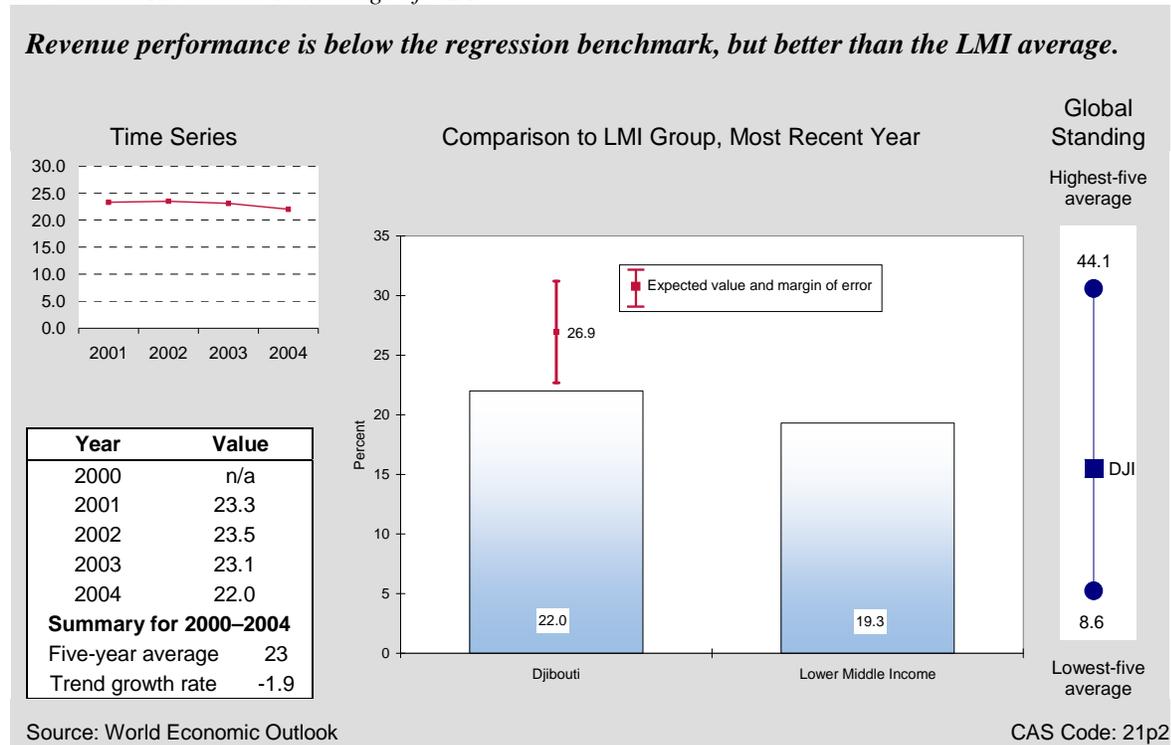
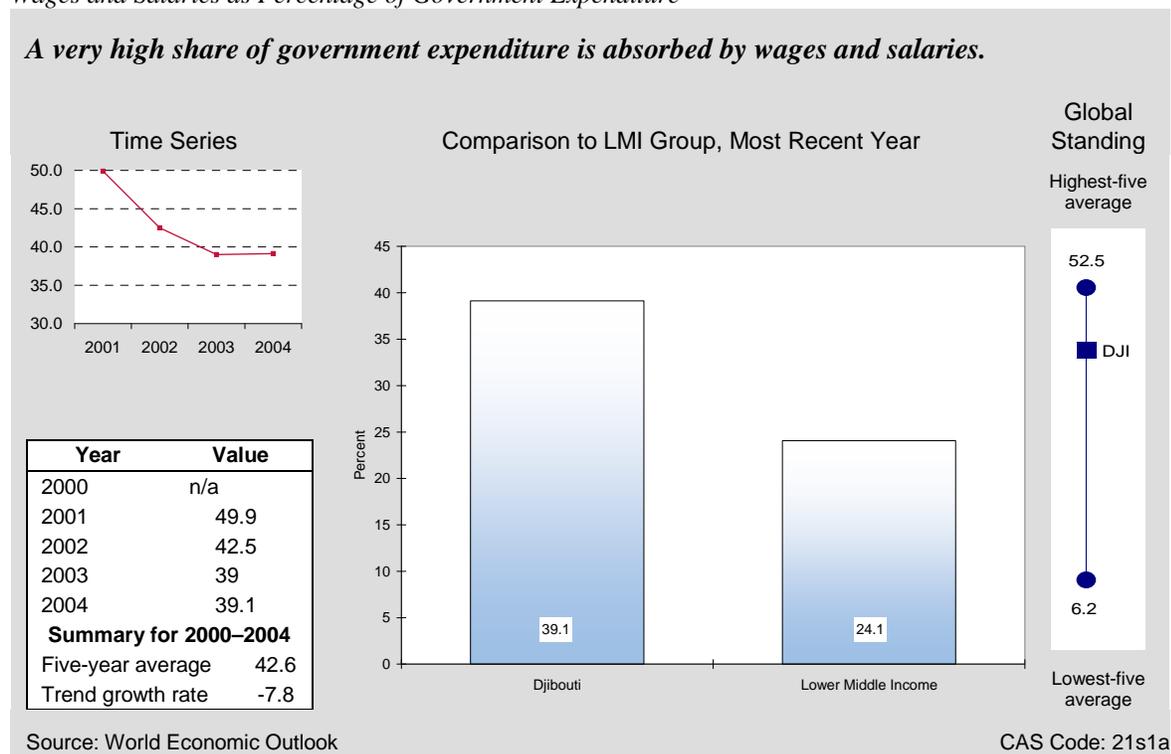


Figure 3-3
 Wages and Salaries as Percentage of Government Expenditure



IMF Program Status for Djibouti

Djibouti's Poverty Reduction and Growth Facility (PRGF) expired in January 2003. The IMF then implemented a Staff Monitored Program (SMP) to track performance before a new PRGF could be considered. An IMF mission in July 2005 reached an understanding with the authorities to extend the SMP to December 2005. Government performance during this period will determine whether a new three-year PRGF arrangement can be negotiated in 2006. The IMF team noted that the government has taken steps to

improve the fiscal accounts and welcomed the government's stated intention to improve external competitiveness through structural reforms in line with the PRSP, including reforms to the labor, commercial, and investment codes, and simplification of the tax exemption regime. The IMF urged consideration of policies other than selective tax exemptions to increase competitiveness, such as the planned construction of the Doraleh port, a new free trade zone, and expanded trade within the COMESA block.

This analysis suggests that programs to strengthen fiscal management, budget planning, and tax administration remain a high priority. The government needs to improve public services and pursue a more pro-poor expenditure policy while gradually reducing dependence on foreign aid.

BUSINESS ENVIRONMENT

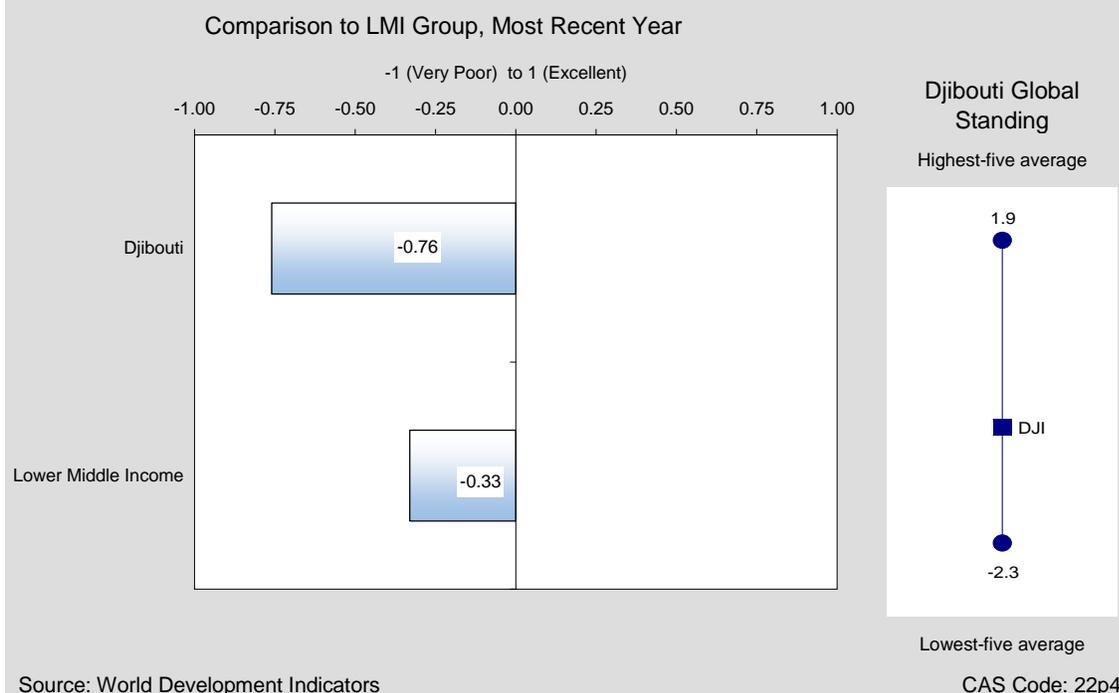
Institutional barriers to doing business, including corruption in government, are critical determinants of private sector development and prospects for achieving sustainable growth. Corruption in Djibouti is perceived as a pervasive and growing problem. This can be seen in the World Bank Institute's Control of Corruption Index. For 2004, Djibouti received a score of -0.94, on a scale of -2.5 (very poor) to +2.5 (excellent), with 0 as the global mean. Only 14 percent of countries received a lower rating than Djibouti. In addition, Djibouti's performance has worsened since 2002, when it received a score of -0.72.²⁰ These scores suggest that corruption is a serious impediment to growth in Djibouti, which must be taken into account in all donor programs.

The World Bank's Doing Business database does not cover Djibouti, but two other MCA indicators provide useful insight into the country's business environment. The World Bank's Rule of Law Index measures the extent to which citizens have confidence in and abide by the rules of society. Djibouti scored -0.61 (on a scale of -2.5 to +2.5). This is slightly below the average of -0.51 for LMI countries. The World Bank's Regulatory Quality Index measures the incidence of market-friendly policies, taking into account such factors as price controls, bank supervision, and perceptions of excessive regulation. On this index Djibouti scores -0.76, which is much worse than the LMI average of -0.33 (Figure 3-4).

²⁰ The World Bank's Control for Corruption Index is used here in lieu of Transparency International's Corruption Perception Index, which does not cover Djibouti. The World Bank's corruption score is a primary indicator for MCA eligibility. (See http://info.worldbank.org/governance/kkz2004/sc_country.asp)

Figure 3-4
Regulatory Quality Index

Djibouti's low score denotes less market friendly policies, which hinder private sector development.



The indicators available—despite the absence of more complete data—convey a consistent message that institutional constraints severely impair private sector development. Initiatives to control corruption and promote institutional reform clearly merit a high priority for donor agencies and government programs, particularly in view of the underlying need to increase investment and productivity. Donor agencies may also consider initiatives to develop better data on the business environment, including adding Djibouti to the Doing Business survey.

FINANCIAL SECTOR

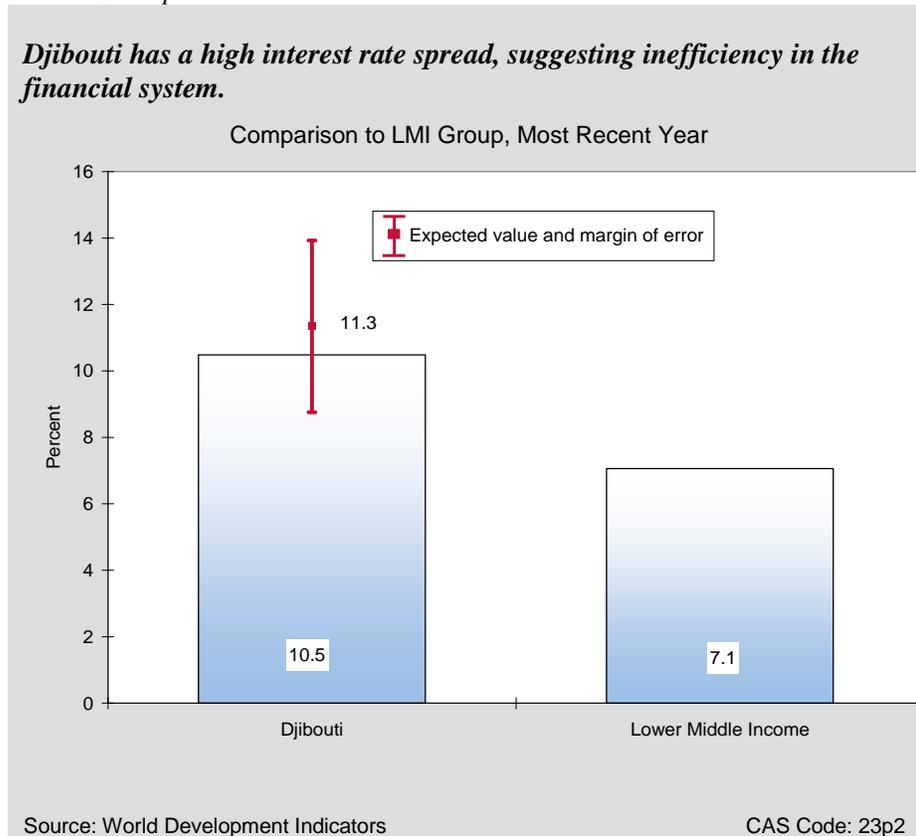
A sound, efficient, and competitive financial sector is fundamental for mobilizing saving, allocating financial resources, fostering entrepreneurship, and improving risk management. Djibouti's financial sector performance is comparable to LMI standards with respect to size, depth, and credit intermediation to the private sector. However, credit to the private sector has been decreasing and the efficiency of the financial sector appears to be weak. Much remains to be done to overcome these barriers to foster business and investment growth.

For a country at this level of income, Djibouti has a large banking system. It has a high ratio of broad money (mainly deposit balances) to GDP—reaching 64.2 percent in 2003. This monetization indicator is well above the regression benchmark of 38.8 percent for a country with Djibouti's characteristics as well as the LMI median of 40.5.

Some signs are troubling, however. Most notably, domestic credit to the private sector has shrunk from 32 percent of GDP in 2000 to 22.5 percent in 2003, slightly below the LMI median of

24.6 percent. Additionally, the interest rate spread between loan and deposit rates climbed from 8.7 percent in 2001 to 10.5 percent in 2003 (Figure 3-5). A high interest rate spread suggests inefficiency in the banking sector. The figure for Djibouti is below the regression benchmark of 11.3, but well above the LMI average of 7.1 percent, which is high in absolute terms. Furthermore, the trend toward a higher interest rate spread points to deteriorating loan conditions for borrowers. A similar inference can be drawn from the real interest rate, which has been high in recent years, averaging nearly 10 percent.

Figure 3-5
Interest Rate Spread



Part of the problem with the banking system is a weak institutional environment to facilitate lending and reduce risks. For most countries, the World Bank's Doing Business survey provides valuable information on the institutional environment for lending (such as the cost to create collateral and an index of legal rights of borrowers and lenders). Unfortunately, this information is not available for Djibouti. Nevertheless, the IMF reports that banks seem to be reluctant to increase credit in an environment of nonperforming loans (about 26 percent of total loans), and long delays in pursuing delinquent borrowers in court.²¹ Furthermore, competition in the sector is very weak, with two banks accounting for about 95 percent of deposits and issuing more than 85

²¹ Djibouti: First Review Under the Staff Monitored Program, IMF Country Report No. 04/372, November 2004, p. 6

percent of credit.²² The concentrated market undoubtedly contributes to the high interest rate spread. All of these factors seriously constrain borrowing by the private sector, inhibiting business growth and investment.

EXTERNAL SECTOR

Fundamental changes in international commerce and finance, including reduced transport costs, advances in telecommunications technology, and lower 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 Djibouti 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. Globalization also creates new challenges in the need for institutions, policies, and regulations to take full advantage of international markets, develop cost-effective approaches to cope with adjustment costs, and establish systems for monitoring and mitigating the associated risks.

As could be expected from Djibouti's geography, the economy is strongly integrated with international markets. The ratio of trade (exports plus imports of goods and services) to GDP reached 107 percent in 2001, compared to an average of 78.1 percent for LMI countries. Despite a slight decline in 2004, exports of goods and services have grown by an average of 6.3 percent per year in the past five years, a rate that compares favorably to the regression benchmark of 3.6 percent and to the average of 5.8 percent growth for LMI countries. The trade statistics for Djibouti, though, can be misleading, because they include a large volume of re-exports. For 2002, the Economist Intelligence Unit reports that re-exports constituted more than 80 percent of the total. This is not surprising given the absence of significant production capacity in the country. Merchandise exports from Djibouti are mainly live animals and skins. Imports, which are the main source of manufactured goods, foodstuffs, and capital goods, have grown rapidly, in part because of the construction of the Doraleh port complex. The narcotic qat has accounted for about 10 percent of imports.²³

Services are by far the largest source of foreign exchange. Although the merchandise trade balance is structurally in deficit, the service and income balances are consistently in surplus.²⁴ Still, the overall current account balance has been consistently negative, with an average deficit of 7 percent of GDP during the period 2001–2004.

International aid plays a central role in Djibouti's economy and has been a major source of balance-of-payments financing as well as budget financing. Aid inflows averaged 12.2 percent of gross national income (GNI) over the five years to 2003. This figure exceeds the LMI average by

²² Djibouti Country Profile July 2004, p. 27

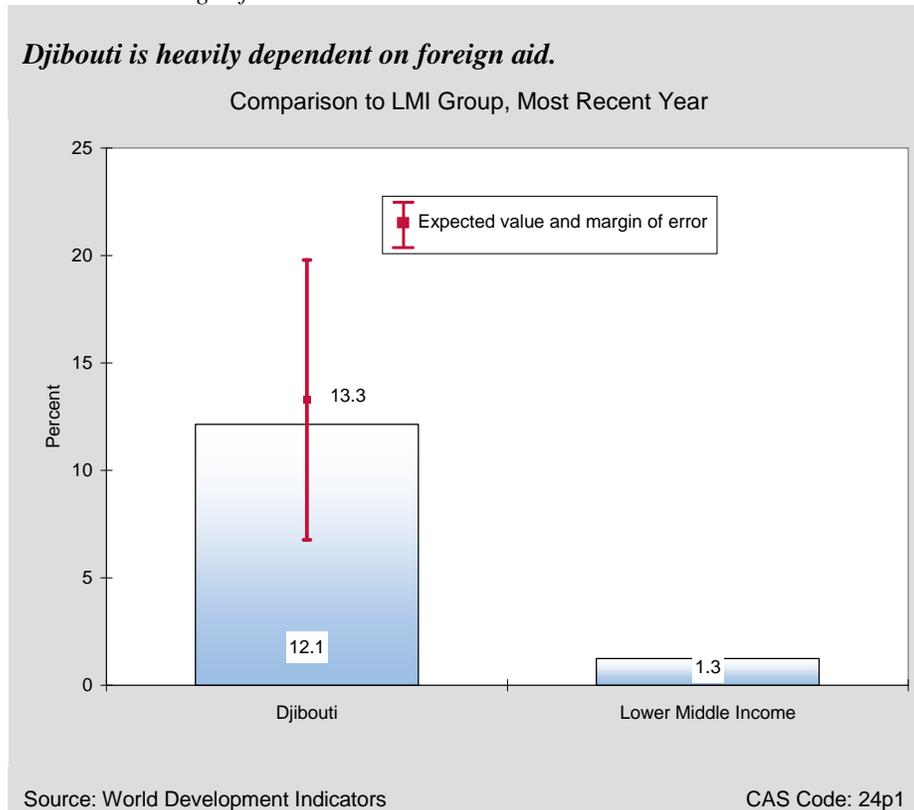
²³ Djibouti Country Profile July 2004, p. 28. According to this source, Djiboutians are major consumers of qat, a stimulant with a chemical structure similar to that of amphetamine. The drug is imported daily from Ethiopia. Some estimates suggest that qat accounts for 25–40 percent of household expenditures. Its health effects are disputed, but its economic impact—loss of working time and productivity—is clearly negative. Qat has been banned in Eritrea, Tanzania, and Somalia, but is legal in Djibouti.

²⁴ Ibid, p. 29

more than 10 percentage points, but it is in line with the regression estimate for a country with Djibouti's characteristics (Figure 3-6).

Figure 3-6

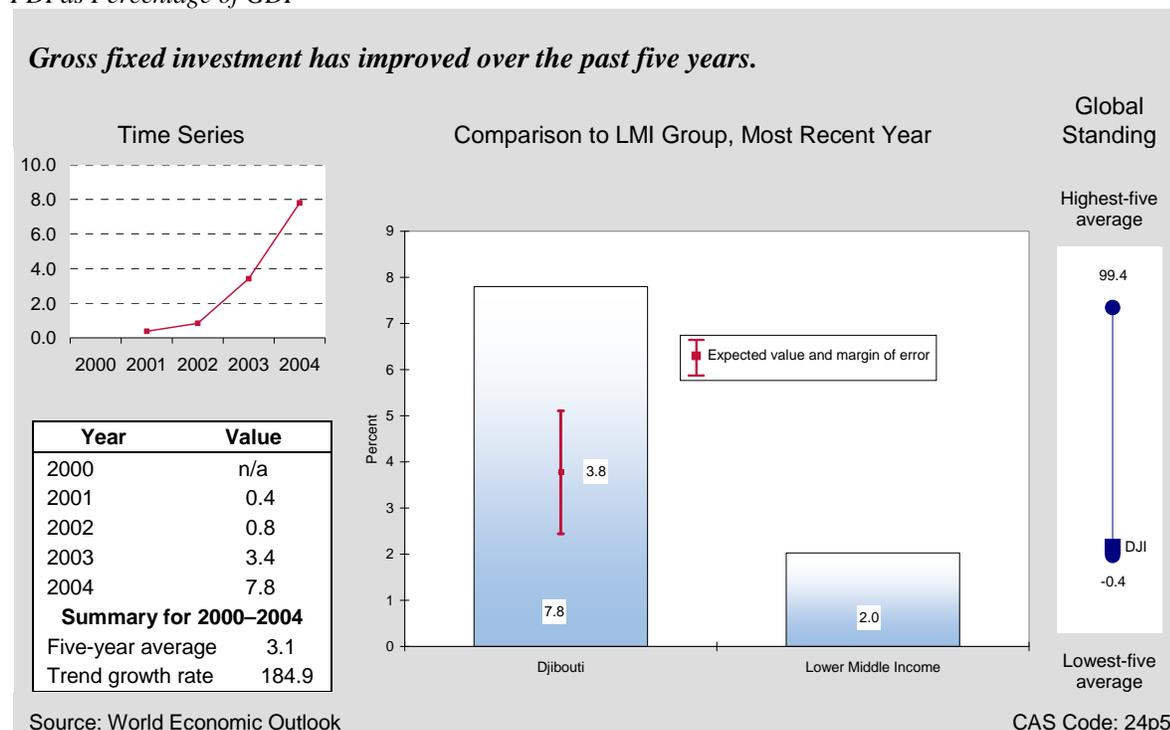
Aid as a Percentage of GDP



Djibouti's external debt is not a major problem. The majority of debt financing is contracted on concessional terms, and the present value of debt is just 43.7 percent of GNI. Although this is a sharp increase from 31.5 percent in 2000, it is near the low end of the normal range indicated by the regression benchmark for Djibouti and equal to the average for LMI countries. In addition, debt service obligations averaged just 7.5 percent of exports over the five years to 2004, which compares favorably to the average of 11.6 percent for LMI countries. Although the debt burden is manageable now, the recent trend of new borrowing can lead to major problems if it continues.

One way to reduce aid dependence and the need for borrowing is to attract more foreign direct investment (FDI). FDI rose substantially in the past five years, to 7.8 percent of GDP in 2004. This is well above the regression benchmark of 3.8 percent and the average of 2.0 percent for LMI countries (Figure 3-7). FDI into Djibouti, however, amounted to just 0.4 and 0.8 percent of GDP in 2001 and 2002, respectively, and the recent increase reflects the implementation of just three projects: the oil terminal, a new port facility, and the free zone. Efforts to improve the business environment, the infrastructure, and other production factors must not be relaxed, or FDI may fall back to very low levels after the current projects are finished.

Figure 3-7
FDI as Percentage of GDP



A more immediate problem with the external sector is that the level of foreign exchange reserves is very low. For the past five years, reserves have averaged 3.2 months of import cover, barely above the three-month threshold that is usually considered a sign of high susceptibility to external shocks. Such shocks could jeopardize the stability of the currency board arrangement. The low level of reserves underscores the importance of measures to expand foreign exchange earnings and attract larger net inflows of FDI.

ECONOMIC INFRASTRUCTURE

A country needs good physical infrastructure—for transportation, communications, power, and information technology—to strengthen competitiveness and expand productive capacity. It is difficult to benchmark the quality of Djibouti's infrastructure because of the lack of data. The main source for infrastructure indicators in this series of country reports is the Global Competitiveness Report, from the World Economic Forum,²⁵ but it does not cover Djibouti. Neither are standard World Development Indicators data on electricity production and consumption, the rail network, or paved roads available for Djibouti.

Data on the telecommunications infrastructure are available, and they indicate that conditions in Djibouti are not very good. For example, 2003 estimates indicate a telephone density of only 49.7 lines per 1,000 people. Although this is in line with the estimated regression benchmark of 44.6

²⁵ This section normally relies on perception indicators to assess infrastructure quality and adequacy because objective measures of infrastructure quantity often have little diagnostic value. For example, a low value for kilometers of paved roads does not imply that there is a problem to be fixed. Because unpaved all-weather roads may be more efficient than paving secondary and tertiary roads in poor countries.

lines per 1,000 people, it is merely one-fifth the LMI average (272.6). The trend, however, is impressive, with telephone density increasing four-fold in the past four years, from 14.7 lines per 1,000 in 1999. This increase reflects rapid growth in the cellular phone system. Djibouti's Internet infrastructure is similarly experiencing rapid growth from an extremely low base. The country reported 9.7 Internet users per 1,000 people in 2003, compared to 2.2 in 1999. Even so, the latest figure is far below the LMI average of 39.8 users per 1,000 people.

One notable area of infrastructure improvement is the country's international port, which has benefited greatly from higher traffic volume since the Ethiopian–Eritrean war in 1998. Djibouti derives substantial revenue from port rents. The port is a lifeline to the interior and is being developed as the engine for growth and employment. This major project, including private investment to upgrade infrastructure such as an oil terminal, a deep-water container terminal, and an industrial and commercial free zone in the Doraleh area, is at the heart of the PRSP strategy. Expansion of Ethiopian transit traffic and of trade with the African hinterland is also a high priority for the government, which is reflected in its plans to rehabilitate the Djibouti–Galafi road and prepare for a concession to develop the rail link between Djibouti and Addis Ababa.

The PRSP identifies utilities as a serious obstacle to improving competitiveness. The high costs of water and power—sectors in which the government maintains a monopoly—constrain private sector growth and bar access to utilities by the poor. According to the World Bank, the prices for electricity and water are much higher than in other countries in the region. In Djibouti, tariffs for electricity and water service are the highest in the Middle East and North Africa: an average of US\$0.20 per kWh for electricity and US\$1.10 per m³ for water, compared to the Middle East and North Africa average of US\$0.07 per kWh for electricity and US\$0.28 per m³ for water.²⁶

High utility costs particularly deter prospective manufacturing. An overhaul or privatization of these industries will be central to Djibouti's success in becoming a regional trans-shipment hub. The government should also consider liberalizing or tendering for concession other infrastructure services such as telecom and future port activities. This opening up of service provision, in turn, will attract more foreign investment, boost productivity, and potentially attract more donor support for improving transportation links.

SCIENCE AND TECHNOLOGY

Science and technology are central to dynamic growth because technical knowledge is a driving force for productivity and competitiveness. For LMI countries such as Djibouti, transformational development increasingly depends on acquiring and adapting technology from the global economy and applying it in ways that are appropriate to their level of development. A lack of capacity to acquire and use technology prevents an economy from benefiting fully from globalization.

Unfortunately, few international indicators of science and technology are available. Information on Djibouti is especially sparse because the country is not included in the World Economic Forum's FDI technology transfer index, which measures executive perceptions of the extent to

²⁶ Country Assistance Strategy for Djibouti, p. 15.

which FDI brings in new technology. Similarly, data are unavailable for standard indicators such as spending on research and development (R&D) or the number of patent applications. Countries in the LMI group average just 0.3 percent of GDP on R&D expenditures and 13 patents filed by residents per year. The average score on the FDI technology transfer index is 4.6 (on a scale of 1 to 7).

About the only data available for Djibouti are on Internet users. As discussed above in the technology section, Internet use has risen rapidly in recent years, but remains very low by all standards.

Given the vital role of technology in modern economic growth, Djibouti should seek investment projects with the potential for technology transfer while strengthening local capacity to absorb technology through education and training, particularly in math, science, and technical skills. Furthermore, collecting data on science and technology indicators would help the government monitor improvements in this area.

4. Pro-Poor Growth Environment

Although rapid growth is the most powerful and dependable instrument for poverty reduction, the link between growth and poverty reduction is not mechanical. In some cases, income growth for poor households outpaces the overall rise in per capita income, while in others, growth benefits the non-poor far more than the poor. A pro-poor growth environment stems from policies and institutions that improve opportunities and capabilities for the poor while reducing their vulnerabilities. Pro-poor growth is associated with improvements in primary health and education, the creation of jobs and income opportunities, the development of skills, access to microfinance, agricultural development (in countries with a large rural population), and gender equity.²⁷ This section focuses on four of these issues: health, education, employment and the workforce, and agricultural development.

HEALTH

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

Djibouti's performance on health indicators shows critical difficulties, though the country has made progress in a few areas. Life expectancy is commonly used as an indicator of overall health conditions. Djibouti's average life expectancy is alarmingly low, at 43.0 years (in 2003). This is one of the lowest figures in the world. By comparison, the LMI average is 69.5 years, and the regression benchmark for Djibouti, which includes an adjustment to reflect low life expectancy in Africa, is 49.8 years (Figure 4-1).

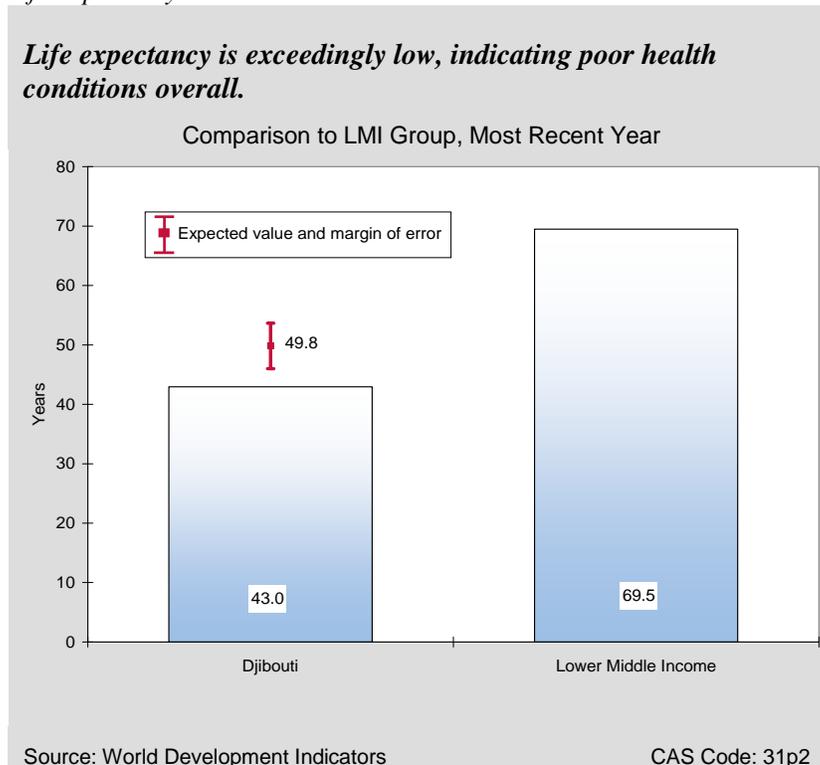
Another very troubling indicator is the maternal mortality rate, estimated at 730 per 100,000 live births (compared to the LMI average of 110), and the infant mortality rate of 103.1 per 1,000 live births (compared to the LMI average of 7). In addition, the World Bank estimates that 14 percent of children under the age of five suffer from acute malnutrition, while 31 percent have chronic malnutrition.²⁸ Diarrheic illnesses—stemming in part from a lack of access to improved

²⁷ For economic growth programming, the template does not cover emergency relief.

²⁸ The 2005 World Development Indicators database gives a figure of 18.0 percent for the prevalence of child malnutrition. The higher figures cited in the text are from the 2005 Country Assistance Strategy for Djibouti.

sanitation services—and respiratory infections are the most common causes of infant and child mortality. Indeed, only 50 percent of the Djibouti population has access to improved sanitation, which is well below the 74 percent LMI average. Improvement in these health indicators, including halving maternal and infant mortality rates by 2015, is a major objective of the 2004 PRSP.

Figure 4-1
Life Expectancy at Birth



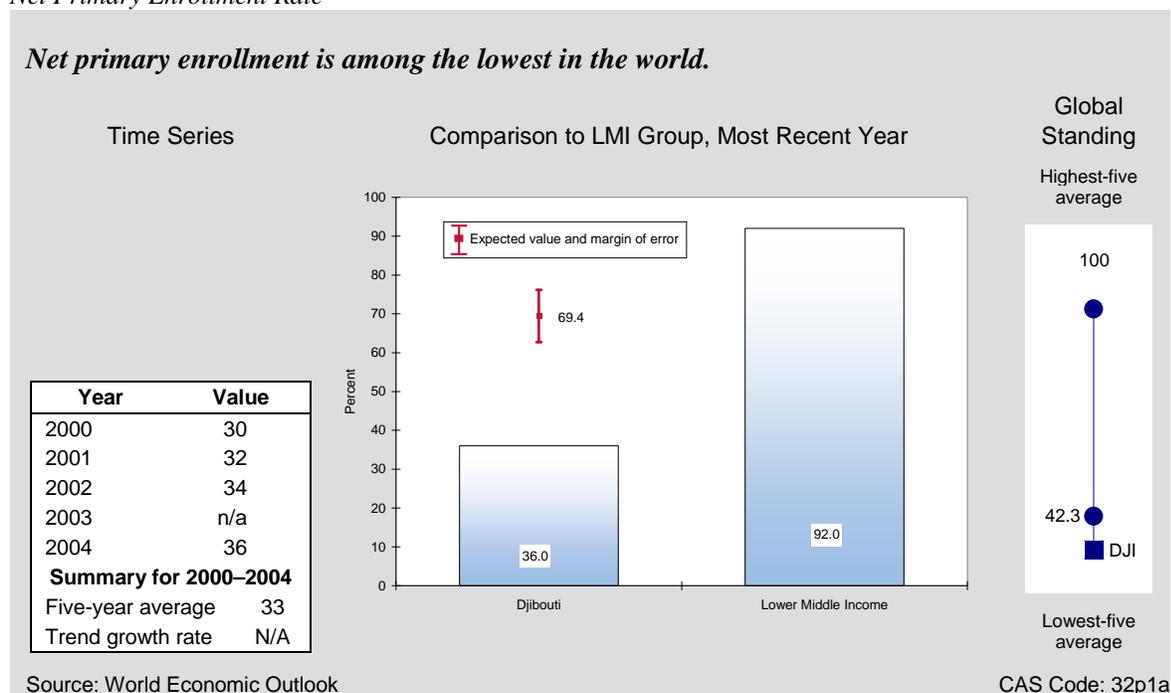
Two encouraging signs of progress can be seen: in the fight against HIV/AIDS and in child immunization. HIV prevalence declined from double-digit rates five years ago—11.8 percent in 1999—to an estimated 2.9 percent in 2003. Similarly, the child immunization rate has improved markedly, from an extremely low 23 percent in 1999 to 67 percent in 2003. These improvements have occurred while health expenditure remained steady at 3.3 percent of GDP (latest data for 2002), which is on par with the average for LMI countries. Despite this progress, overall health conditions remain poor, HIV/AIDS is still a serious problem, and child immunization still has a long way to go to match the LMI average of 93 percent coverage. Both donor support and intensified efforts by the government are needed to improve health services and conditions as an end in itself and also as means to higher productivity and more rapid growth.

EDUCATION

Although the data on Djibouti's education system are limited, the indicators available show that Djibouti is not on track to meet the Millennium Development Goals in this area. One remarkably low indicator is the primary enrollment rate. For 2004, net enrollment is estimated at 36 percent,

just a fraction of the LMI average and less than half the regression benchmark (Figure 4-2). The difference between male and female primary enrollment rates—40 percent and 32 percent, respectively—is large.

Figure 4-2
Net Primary Enrollment Rate



Although enrollment rates are extremely low, most children who do enter the school system reach fifth grade. According to World Bank data, persistence to grade 5 was 88 percent in 2002 (the latest year of data). This is better than the LMI group average of 81.2 percent and well above the regression benchmark of 71.4 percent for a country with Djibouti’s characteristics. The estimates for male and female students are 89 percent and 85 percent, respectively, for 2001.

Net enrollment rates have been increasing slowly: in 1999 net enrollment was at 30 percent, and in 2004, 36 percent. UNESCO’s estimate of the gross primary enrollment rate—which includes all primary students rather than just those of the appropriate age group—is also extremely low, at 42 percent in 2004. Thus, the PRSP objective of increasing the primary enrollment rate to 73 percent by 2005 is highly unrealistic. The longer-term goal of achieving universal primary enrollment by 2015 could still be achieved with a major policy effort and a commitment to large financial support.

It is difficult to gauge education quality from the numbers, but a rough proxy is the pupil–teacher ratio for primary schools. For Djibouti, the pupil–teacher ratio was 34 in 2002 (latest estimate), compared to the LMI average of 21.6. Public expenditure on education has amounted to 2.2 percent of GDP, only slightly below the LMI average of 2.4 percent.. However, because Djibouti’s income is near the bottom of the LMI group, spending on education is much lower

than the LMI average in absolute terms. The best remedy for this is rapid and sustained growth, to increase the resources available for investment in human capital.

Djibouti must do a better job of addressing its education deficiencies, using its resources as effectively as possible. Sustained donor support is also essential to help Djibouti improve its education outcomes, which are crucial for enhancing labor productivity, attracting investment, reducing unemployment, improving health conditions, and alleviating poverty.

EMPLOYMENT AND WORKFORCE

Faced with an unemployment rate estimated at 59 percent in 2002 (latest data), along with low educational attainment, and relatively slow growth, Djibouti confronts a huge challenge to create productive jobs and income-generating opportunities for the growing population.²⁹ In addition to absorbing the current excess of low-productivity labor, the demographic statistics show that a large youth bulge will enter the labor force each year in the medium term. If jobs are lacking, these conditions create the risk of civil instability. More income opportunities are also needed to improve gender equity in the labor force; as mentioned in the gender section, only 35 percent of women participate in the labor market (compared to 73 percent for men).

In view of this supply pressure on the labor market, the over-riding policy priority must be to attract job-creating investments by improving the business climate, while creating a foundation for productivity growth through education, training, and better health care. Programs to facilitate earning opportunities in the informal sector are also vital because formal employment will not be available for all job seekers. Furthermore, the legal and regulatory framework of the labor market hinders investment, job creation, and labor reallocation. The World Bank's Index of Rigidity of Employment does not cover Djibouti, so no direct measure of the difficulty of hiring and firing is available. However, the 2004 PRSP gives a high priority to making the labor market more competitive to increase employment. An important part of the strategy includes the revision of labor legislation and the introduction of more flexibility in hiring and in the setting of salaries by the market.³⁰ Laws and regulations that unduly reduce labor market flexibility are a significant cause of poor employment performance and a drag on dynamic efficiency. Although the issues are politically very sensitive, labor market reforms may be a high priority for long-term success in stimulating growth and reducing poverty.

AGRICULTURE

Djibouti's economy is not heavily dependent on agriculture. As discussed in the Economic Structure section, agriculture contributes just 3.7 percent of GDP. For the most part the country is a food importer rather than a food producer. The small role of agriculture reflects more the country's natural resource base, with little arable land, an arid climate, and a limited water

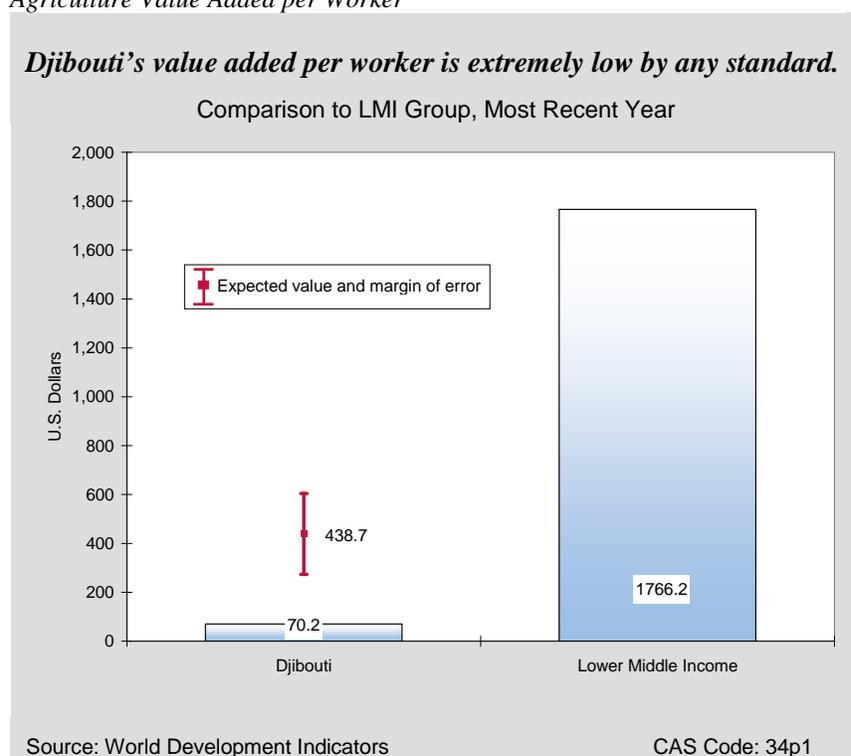
²⁹ Djibouti PRSP, p. 35.

³⁰ Djibouti PRSP, p. 53

supply. Nonetheless, the rural sector provides the livelihood, however meager, for 28.5 percent of the total population.³¹

The poor conditions for agriculture are evident in figures for value added per worker, which averaged just \$71 in the sector from 1995 to 2000. These figures are extraordinarily low compared to the LMI average of \$1,766 per worker (Figure 4-3). Conditions have not improved since 2000; the FAO estimates that total crop production in 2004 was virtually unchanged from 15 years ago, and livestock production has hardly increased. The estimated yield in cereal cultivation, likewise, has remained fixed at an estimated 1,625 kg per hectare during the five years to 2004, well below while LMI average of nearly 2,434 kg per hectare.

Figure 4-3
Agriculture Value Added per Worker



The main agricultural products are coffee, coffee derivatives, and livestock. Opportunities exist to expand livestock production. Djibouti is already a regional hub for livestock trade and is better equipped than its neighbors to gain access to raw materials (feed and cereals) and to export livestock cost-effectively. Donors may want to explore supporting the development of fisheries. Djibouti's long coast offers considerable potential, but the country has no fish-processing activities. Oasis farming, which encompasses irrigated palm plantations, orchards, market gardens, and small-scale livestock breeding to reduce the ongoing problem of desertification, is

³¹ Djibouti PRSP, p.84

another initiative to be considered. These activities would contribute to food security in rural areas, reduce poverty where it is most prevalent, and provide new opportunities for women.

The agricultural sector could therefore generate employment, income, and foreign exchange. The overall trend of low productivity and low growth, however, is not expected to change. This expectation is mirrored in the government's focus on initiatives and projects addressing other sectors that are more productive to spur economic growth.

Appendix. Indicators

CRITERIA FOR SELECTING INDICATORS

The scope of the paper is constrained by the availability of suitable indicators. Indicators have been chosen to balance the need for broad coverage and diagnostic value on the one hand and the need for brevity and clarity on the other. The analysis covers 15 economic growth–related topics, examining 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 important problems, which suggests possible priorities for USAID intervention. The accompanying table lists all the indicators constituting the standard template for this report. The separate Data Supplement contains the complete data set for Djibouti, including data for the benchmark comparisons, and technical notes for every indicator.

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

In areas of weak performance, the analysis proceeds to review a limited set of *diagnostic supporting indicators*. These Level II indicators provide more details about the problem or shed light on *why* the primary indicators may be weak. For example, if economic growth is poor, one can examine data on investment and productivity as diagnostic indicators. If a country performs poorly on educational achievement, as measured by the youth literacy rate, one can examine determinants such as expenditure on primary education, and the pupil-teacher ratio.³²

The indicators have been selected on the basis of several criteria. Each must be accessible through USAID’s Economic and Social Database or public sources, particularly those available on the Internet. The indicators must be available for a large number of countries, including most USAID client states. The data must be sufficiently timely to support an assessment of country performance that is suitable for strategic planning purposes. Data quality is another consideration. For example, subjective survey responses are used only when actual measurements are not available. Besides 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 different indicators provide similar information, preference is given to the one that is simplest to understand. For example, both the Gini

³² Deeper analysis of the topic using more detailed data (Level III) is beyond the scope of this series.

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

BENCHMARKING METHODOLOGY

Comparative benchmarking is the main tool used to evaluate each indicator. The analysis draws on several criteria rather than a single mechanical rule. The starting point is a comparison of performance in Djibouti relative to the average for countries in the same income group globally—in this case, LMI countries.³³ For added perspective, the average for the five best- and five worst-performing countries globally is also examined. Most comparisons are framed in terms of values for the latest year of data from available sources. Five-year trends are also taken into account if they shed light on the performance assessment.³⁴

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.³⁵ This approach has three advantages. First, the benchmark is customized to Djibouti's specific level of income. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology allows quantifying the margin of error and establishing a "normal band" for a country with Djibouti's characteristics. An observed value falling outside this band on the side of poor performance signals a serious problem.³⁶

Finally, where relevant, Djibouti's performance is weighed against absolute standards. For example, the unemployment rate in Djibouti 2002 was 59 percent. Regardless of the regional comparisons or regression results, this is high and needs to be reduced.

³³ Income groups as defined by the World Bank for 2004. For this study, the average is defined in terms of the mean; future studies will use the median instead, because the values are not distorted by outliers.

³⁴ 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.

³⁵ 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 Djibouti is computed by plugging in Djibouti-specific values for PCI and Region. Where applicable, the regression also controls for population size and petroleum exports (as a percentage of GDP).

³⁶ 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.

INDICATORS

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

Indicator, by Category	Level ^a	MDG, MCA, or EcGov ^b	CAS Code
Overall govt. budget balance, including grants, % GDP	I	EcGov	21P5
Composition of govt. expenditure	II		21S1
Composition of govt. revenue	II		21S2
Composition of money supply growth	II		21S3
Business Environment			
Corruption perception index	I	EcGov	22P1
Doing business composite index	I	EcGov	22P2
Rule of law index	I	MCA / EcGov	22P3
Cost of starting a business, % GNI per capita	II	EcGov	22S1
Procedures to enforce contract	II	EcGov	22S2
Procedures to register property	II	EcGov	22S3
Procedures to start a business	II	EcGov	22S4
Time to enforce a contract	II	EcGov	22S5
Time to register property	II	EcGov	22S6
Time to start a business	II	EcGov	22S7
Financial Sector			
Domestic credit to private sector, % GDP	I		23P1
Interest rate spread	I		23P2
Money supply, % GDP	I		23P3
Stock market capitalization rate, % of GDP	I		23P4
Cost to create collateral	II		23S1
Country credit rating	II	MCA	23S2
Legal rights of borrowers and lenders index	II		23S3
Real Interest rate	I		23S4
External Sector			
Aid , % GNI	I		24P1
Current account balance, % GDP	I		24P2
Debt service ratio, % exports	I	MDG	24P3
Export growth of goods and services	I		24P4
Foreign direct investment, % GDP	I		24P5
Gross international reserves, months of imports	I	EcGov	24P6
Gross Private capital inflows, % GDP	I		24P7
Present value of debt, % GNI	I		24P8
Remittance receipts, % exports	I		24P9
Trade, % GDP	I		24P10
Concentration of Exports	II		24S1
Inward FDI Potential Index	II		24S2
Net barter terms of trade	II		24S3
Real effective exchange rate (REER)	II	EcGov	24S4

Indicator, by Category	Level ^a	MDG, MCA, or EcGov ^b	CAS Code
Structure of merchandise exports	II		24S5
Trade policy index	II	MCA / EcGov	24S6
Economic Infrastructure			
Internet users per 1000 people	I	MDG	25P1
Overall infrastructure quality	I	EcGov	25P2
Telephone density, fixed line and mobile	I	MDG	25P3
Quality of infrastructure—railroads, ports, air transport, and electricity	II		25S1
Telephone cost, average local call	II		25S2
Science and Technology			
Expenditure for R&D, % GNI	I		26P1
FDI and technology transfer index	I		26P2
Patent applications filed by residents	I		26P3
PRO-POOR GROWTH ENVIRONMENT			
Health			
HIV prevalence	I		31P1
Life expectancy at birth	I		31P2
Maternal mortality rate	I	MDG	31P3
Access to improved sanitation	II	MDG	31S1
Access to improved water source	II	MDG	31S2
Births attended by skilled health personnel	II	MDG	31S3
Child immunization rate	II		31S4
Prevalence of child malnutrition (weight for age)	II		31S5
Public health expenditure, % GDP	II	EcGov	31S6
Education			
Net primary enrollment rate	I	MDG	32P1
Persistence in school to grade 5	I	MDG	32P2
Youth literacy rate	I		32P3
Education expenditure, primary, % GDP	II	MCA/ EcGov	32S1
Expenditure per student, % GDP per capita—primary, secondary, and tertiary	II	EcGov	32S2
Pupil-teacher ratio, primary school	II		32S3
Employment and Workforce			
Labor force participation rate, females, males, total	I		33P1
Rigidity of employment index	I	EcGov	33P2
Size and growth of the labor force	I		33P3
Unemployment rate	I		33P4
Agriculture			
Agriculture value added per worker	I		34P1

Indicator, by Category	Level ^a	MDG, MCA, or EcGov ^b	CAS Code
Cereal yield	I		34P2
Growth in agricultural value-added	I		34P3
Agricultural policy costs index	II	EcGov	34S1
Crop production index	II		34S2
Livestock production index	II		34S3

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

^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.



USAID
FROM THE AMERICAN PEOPLE

Djibouti

Economic Performance Assessment

Data Supplement



February 2006

This publication was produced by Nathan Associates Inc. for review by the United States Agency for International Development.

Djibouti

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DISCLAIMER

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

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

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

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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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Growth Performance							
	Per capita GDP, purchasing power parity Dollars	Per capita GDP, current U.S. Dollars	Real GDP growth	Growth of labor productivity	Investment productivity - incremental capital- output ratio (ICOR)	Share of gross fixed investment in GDP, current prices	Share of gross fixed private investment in GDP, current prices
Indicator Number	11P1	11P2	11P3	11S1	11S2	11S3	11S4
<i>Djibouti Data</i>							
<i>Latest Year (T)</i>	<i>2004</i>	<i>2004</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2004</i>	<i>2004</i>
Value Year T	1,878	790	3.0	1.4	5.8	18.3	12.3
Value Year T-1	1,815	766	3.2	0.6	.	15.5	8.8
Value Year T-2	1,773	750	2.6	-0.4	.	10.9	6.5
Value Year T-3	1,752	748	2.0	-2.4	.	8.3	5.8
Value Year T-4	1,729	742	0.4	-1.1	.	12.2	9.6
Average Value, 5 year	1,789	759	2.2	-0.4	.	13.0	8.6
Growth Trend	2.0	1.5		.	.	15.4	9.6
<i>Benchmark Data</i>							
Regression Benchmark	.	.	3.4	.	.	19.5	.
Lower Bound	.	.	2.1	.	.	.	.
Upper Bound	.	.	4.8	.	.	.	.
LMI-SSA Avg.	5,858	2,172	3.7	0.9	6.1	19.8	.
Lower Middle Income Avg.	5,573	2,130	5.1	2.1	5.6	22.1	.
High Five Avg.	42,809	52,715	21.2	14.1	70.2	48.6	.
Low Five Avg.	664	121	-2.9	-13.3	-302.9	7.7	.

Poverty and Inequality							
	Human poverty index	Income share/expenditure accruing to poorest 20%	Population (%) living on less than \$1 PPP per day	Poverty headcount (%), by national poverty line	PRSP Status	Population (%) below minimum dietary energy consumption	Poverty gap at \$1 PPP a day
Indicator Number	12P1	12P2	12P3	12P4	12P5	12S1	12S2
<i>Djibouti Data</i>							
Latest Year (T)	2004	.	.	2002	.	.	.
Value Year T	29.5	.	.	42.2	Yes	.	.
Value Year T-1	34.3	.	.	.	.	.	.
Value Year T-2	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.
<i>Benchmark Data</i>							
Regression Benchmark	38.7	5.4	26.0	48.8	.	25.2	.
Lower Bound	33.0	4.6	18.2	40.6	.	17.3	.
Upper Bound	44.3	6.3	33.7	56.9	.	33.2	.
LMI-SSA Avg.	33.0	3.5	10.7	40.0	.	9.5	1.7
Lower Middle Income Avg.	14.7	8.2	4.2	49.0	.	11.0	1.2
High Five Avg.	58.7	8.7	33.5	41.2	.	66.0	11.8
Low Five Avg.	3.9	5.9	2.0	37.1	.	3.0	0.5

Economic Structure						
	Employment or labor force in agriculture, % total	Employment or labor force in industry, % total	Employment or labor force 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
<i>Djibouti Data</i>						
<i>Latest Year (T)</i>	.	.	.	2001	2001	2001
Value Year T	.	.	.	3.7	14.2	82.1
Value Year T-1	.	.	.	3.7	14.3	82.0
Value Year T-2	.	.	.	3.8	14.4	81.8
Value Year T-3	.	.	.	3.7	15.2	81.1
Value Year T-4	.	.	.	3.8	15.8	80.7
Average Value, 5 year	.	.	.	3.7	14.8	81.6
Growth Trend	.	.	.	-0.1	-2.4	0.5
<i>Benchmark Data</i>						
Regression Benchmark	.	.	.	27.6	23.7	.
Lower Bound	.	.	.	21.5	17.7	.
Upper Bound	.	.	.	33.7	29.7	.
LMI-SSA Avg.	31.1	12.2	56.0	8.8	28.3	64.4
Lower Middle Income Avg.	25.3	22.0	50.3	12.2	30.4	55.8
High Five Avg.	41.5	37.1	72.8	56.0	66.2	77.7
Low Five Avg.	0.3	12.9	36.0	0.8	12.3	15.4

Indicator Number	Demography and Environment						Gender		
	Adult literacy rate	Age dependency rate	Environmental sustainability index	Population size (millions)	Population growth rate	Urbanization rate	Ratio of male to female - adult literacy rate	Ratio of male to female - gross enrollment rate, all levels	Ratio of male to female - life expectancy at birth
	14P1	14P2	14P3	14P4a	14P4b	14P5	15P1	15P2	15P3
<i>Djibouti Data</i>									
<i>Latest Year (T)</i>	2003	2003	.	2004	2004	2004	2002	2004	2004
Value Year T	65.5	0.85	.	0.7	1.4	84.1	1.4	1.3	1.0
Value Year T-1	.	0.85	.	0.7	1.7	83.6	.	1.4	.
Value Year T-2	.	0.86	.	0.7	2.0	83.2	.	1.4	.
Value Year T-3	.	0.87	.	0.7	2.1	82.7	.	1.4	.
Value Year T-4	.	0.88	.	0.7	2.3	82.2	.	1.4	.
Average Value, 5 year	.	0.86	.	0.7	1.9	83.2	.	1.4	.
Growth Trend	.	-0.94	.	1.8	-9.7	0.6	.	-1.6	.
<i>Benchmark Data</i>									
Regression Benchmark	63.5	0.9	53.1	.	2.1	39.3	.	.	.
Lower Bound	54.7	0.8	49.4	.	1.7	30.1	.	.	.
Upper Bound	72.2	0.9	56.8	.	2.5	48.5	.	.	.
LMI-SSA Avg.	82.1	0.83	53.1	1.1	1.6	59.2	1.0	1.01	0.93
Lower Middle Income Avg.	87.8	0.58	49.5	8.2	1.4	57.8	1.0	1.00	0.93
High Five Avg.	99.7	1.03	71.3	607.0	4.6	100.0	2.4	1.69	1.01
Low Five Avg.	35.7	0.38	29.9	0.0	-0.8	9.0	0.9	0.84	0.85

Fiscal and Monetary Policy											
Indicator Number	Government expenditure, % GDP	Government revenue, % GDP	Growth in the broad money supply	Inflation rate	Cash Surplus/Deficit (% 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 (other expense)	Composition of government revenue (Taxes of income, profits and capital gains)
	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S1e	21S2a
<i>Djibouti Data</i>											
<i>Latest Year (T)</i>	2004	2004	2004	2004	2004	2004	2004	2004	2004	.	2004
Value Year T	34.4	22.0	13.3	3.1	-0.9	39.1	18.0	1.4	13.7	.	25.9
Value Year T-1	36.5	23.1	17.8	2.0	-5.0	39.0	19.7	1.0	11.6	.	27.1
Value Year T-2	32.9	23.5	15.7	0.6	-4.2	42.5	18.9	0.7	12.5	.	31.7
Value Year T-3	29.6	23.3	7.5	1.8	-2.0	49.9	15.6	1.0	13.4	.	32.1
Value Year T-4	.	.	.	2.4	.	.	.	.	.	.	.
Average Value, 5 year	33.4	23.0	13.6	2.0	.	42.6	18.1	1.0	12.8	.	29.2
Growth Trend	5.7	-1.9	.	5.7	19.9	-7.8	4.8	14.3	-0.2	.	-7.7
<i>Benchmark Data</i>											
Regression Benchmark	28.2	26.9	12.3	5.6	-2.6	.	.	.	.	.	.
Lower Bound	24.2	22.7	3.7	2.3	-4.2	.	.	.	.	.	.
Upper Bound	32.3	31.2	20.8	8.9	-0.9	.	.	.	.	.	.
LMI-SSA Avg.	28.9	27.0	14.1	3.0	-2.5	14.9	13.4	13.3	55.8	2.6	52.0
Lower Middle Income Avg.	21.4	19.3	14.2	5.5	-1.3	24.1	15.7	8.9	30.4	5.6	16.7
High Five Avg.	43.7	44.1	134.4	85.3	3.9	52.5	47.7	18.8	71.8	22.1	53.7
Low Five Avg.	12.1	8.6	-8.5	-2.7	-8.1	6.2	6.0	1.9	2.6	0.3	3.3

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 (Other taxes)	Composition of government revenue (Social Security Contributions)	Other net revenue (grants less interest payments)	Grants and other revenue (% of revenue)	Composition of money supply growth (Net credit to government)	Composition of money supply growth (Credit to the private sector)	Composition of money supply growth (Net credit to non-financial public enterprises)	Composition of money supply growth (Net foreign assets)	Composition of money supply growth (Other items, net)
Indicator Number	21S2b	21S2c	21S2d	21S2e	21S2f	21S2g	21S3a	21S3b	21S3c	21S3d	21S3e
<i>Djibouti Data</i>											
<i>Latest Year (T)</i>	.	.	.	.	.	2004	2004	2004	.	2004	2004
Value Year T	.	.	.	.	.	67.8	-0.4	-0.8	.	14.0	-0.7
Value Year T-1	.	.	.	.	.	39.6	0.5	-1.2	.	19.4	-1.6
Value Year T-2	.	.	.	.	.	28.4	2.8	-2.9	.	15.7	0.0
Value Year T-3	.	.	.	.	.	27.5	1.1	-8.2	.	16.1	-8.6
Value Year T-4	.	.	.	.	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	40.8	1.0	-3.3	.	16.3	-2.7
Growth Trend	.	.	.	.	.	35.5	.	54.5	.	-2.1	.
<i>Benchmark Data</i>											
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.	.
LMI-SSA Avg.	34.5	2.2	4.1	2.3	.	5.1	.	.	.	.	.
Lower Middle Income Avg.	38.1	7.8	1.8	8.7	.	15.8	.	.	.	.	.
High Five Avg.	57.9	34.1	5.4	45.0	.	65.4	.	.	.	.	.
Low Five Avg.	5.0	0.5	0.0	0.5	.	3.2	.	.	.	.	.

Business Environment											
	Corruption perception index	Doing business composite index	Rule of law index	Regulatory quality index	Cost of starting a business, % GNI per capita	Procedures to enforce a contract	Procedures to register property	Procedures to start a business	Time to enforce a contract	Time to register property	Time to start a business
Indicator Number	22P1	22P2	22P3	22P4	22S1	22S2	22S3	22S4	22S5	22S6	22S7
<i>Djibouti Data</i>											
Latest Year (T)	.	.	2004	2004	.	.	.	.	.	.	.
Value Year T	.	.	-0.61	-0.76	.	.	.	.	.	.	.
Value Year T-1	.	.	.	.	.	.	.	.	.	.	.
Value Year T-2	.	.	-0.57	-0.65	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.	.	.	.	.
Value Year T-4	.	.	-0.55	-0.66	.	.	.	.	.	.	.
Average Value, 5 year	.	.	-0.6	-0.7	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.	.	.	.
<i>Benchmark Data</i>											
Regression Benchmark	2.9	58.6	-0.7	.	.	.	.	.	.	.	.
Lower Bound	2.4	53.7	-1.0	.	.	.	.	.	.	.	.
Upper Bound	3.4	63.5	-0.5	.	.	.	.	.	.	.	.
LMI-SSA Avg.	4.4	69.5	0.22	0.27	14	28.5	7.5	9.5	274	24	62
Lower Middle Income Avg.	3.1	64.9	-0.54	-0.33	20	29.0	7.0	10.0	339	45	43
High Five Avg.	9.5	82.5	1.98	1.88	726	55.4	15.6	17.2	1,178	485	172
Low Five Avg.	1.6	41.8	-1.92	-2.29	0	13.4	1.6	2.4	51	2	4

Financial Sector								
	Domestic credit to private sector, % GDP	Interest rate spread, lending rate minus deposit rate	Money supply (M2), % GDP	Stock market capitalization rate, % GDP	Cost to create collateral	Country credit rating	Legal rights of borrowers and lenders index	Real interest rate
Indicator Number	23P1	23P2	23P3	23P4	23S1	23S2	23S3	23S4
<i>Djibouti Data</i>								
<i>Latest Year (T)</i>	2003	2003	2003	.	.	2005	.	2003
Value Year T	22.5	10.5	64.2	.	.	28.0	.	9.2
Value Year T-1	24.4	10.1	58.0	.	.	26.8	.	10.6
Value Year T-2	26.4	8.7	53.6	.	.	.	.	9.5
Value Year T-3	32.0	.	53.2	.	.	.	.	-2.3
Value Year T-4	28.9	.	55.7	.	.	.	.	-2.0
Average Value, 5 year	26.8	9.7	56.9	.	.	.	.	5.0
Growth Trend	-7.4	.	3.7	.	.	.	.	.
<i>Benchmark Data</i>								
Regression Benchmark	18.3	11.3	38.8	24.0	.	.	.	.
Lower Bound	3.5	8.8	25.2	0.7	.	.	.	.
Upper Bound	33.0	13.9	52.5	47.2	.	.	.	.
LMI-SSA Avg.	36.9	7.0	60.7	9.3	15.3	29.8	6.0	9.2
Lower Middle Income Avg.	24.6	7.1	40.5	25.1	11.2	29.7	5.0	8.9
High Five Avg.	171.0	46.9	188.2	238.9	121.6	51.5	9.6	36.2
Low Five Avg.	1.6	1.0	4.8	1.0	0.0	9.4	1.2	-4.6

External Sector										
	Aid, % 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
Indicator Number	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24P10
<i>Djibouti Data</i>										
<i>Latest Year (T)</i>	2003	2004	2004	2004	2004	2004	.	2003	.	2001
Value Year T	12.1	-8.0	7.5	-1.6	7.8	3.1	.	43.7	.	107.4
Value Year T-1	12.9	-7.6	7.9	6.5	3.4	3.5	.	37.6	.	.
Value Year T-2	9.8	-6.8	7.4	6.3	0.8	3.1	.	31.1	.	.
Value Year T-3	12.6	-5.6	7.3	7.2	0.4	3.1	.	31.5	.	.
Value Year T-4	13.7	.	.	13.3	.	.	.	.	.	.
Average Value, 5 year	12.2	-7.0	7.5	6.3	3.1	3.2	.	36.0	.	104.6
Growth Trend	-2.1	-12.5	1.5	.	184.9	1.2	.	.	.	2.7
<i>Benchmark Data</i>										
Regression Benchmark	13.3	-11.6	6.2	3.6	3.8	2.2	.	69.6	.	98.9
Lower Bound	6.8	-16.4	1.1	-3.1	1.8	0.7	.	45.8	.	80.1
Upper Bound	19.8	-6.8	11.4	10.2	5.7	3.6	.	93.3	.	117.7
LMI-SSA Avg.	3.2	-2.7	5.7	-2.5	1.8	1.9	7.4	35.0	16.8	93.1
Lower Middle Income Avg.	1.3	-1.7	11.6	5.8	2.0	4.0	11.2	43.7	8.1	78.1
High Five Avg.	66.1	18.0	61.5	21.6	99.4	18.6	875.4	380.0	86.5	228.0
Low Five Avg.	-0.3	-27.8	0.9	-19.8	-0.4	0.3	1.8	9.1	0.0	27.1

External Sector (cont'd)										
	Concentration of exports (top three exports, 3-digit SITC)	Inward FDI potential index	Net barter terms of trade (1995=100)	Real effective exchange rate index (1995=100)	Structure of merchandise exports (agricultural raw materials)	Structure of merchandise exports (fuel)	Structure of merchandise exports (manufactured goods)	Structure of merchandise exports (ores and metals)	Structure of merchandise exports (food)	Trade policy index
Indicator Number	24S1	24S2	24S3	24S4	24S5a	24S5b	24S5c	24S5d	24S5e	24S6
<i>Djibouti Data</i>										
<i>Latest Year (T)</i>	2005
Value Year T	.	.	.	-3.7	.	.	.	.	.	5
Value Year T-1	.	.	.	-11.5	.	.	.	.	.	5
Value Year T-2	.	.	.	-8.4	.	.	.	.	.	4
Value Year T-3	.	.	.	3.3	.	.	.	.	.	4
Value Year T-4	4
Average Value, 5 year	.	.	.	-5.1	.	.	.	.	.	4.4
Growth Trend	4.6
<i>Benchmark Data</i>										
Regression Benchmark	.	0.1	.	.	11.4	.	.	.	.	.
Lower Bound	.	0.1	.	.	5.0	.	.	.	.	.
Upper Bound	.	0.1	.	.	17.8	.	.	.	.	.
LMI-SSA Avg.	.	0.17	100.0	.	2.1	5.4	49.5	13.3	29.1	4
Lower Middle Income Avg.	.	0.17	98.0	.	2.3	5.8	48.1	3.2	14.3	4
High Five Avg.	.	0.50	149.8	.	30.8	92.8	94.2	51.5	91.0	5.0
Low Five Avg.	.	0.06	71.8	.	0.0	0.0	2.6	0.0	0.5	1.4

Economic Infrastructure								
	Internet users per 1000 people	Overall infrastructure quality index	Telephone density, fixed line and mobile, per 1000 people	Quality of infrastructure index - air transport	Quality of infrastructure index - ports	Quality of infrastructure index - railroads	Quality of infrastructure index - electricity	Telephone cost, average local call
Indicator Number	25P1	25P2	25P3	25S1a	25S1b	25S1c	25S1d	25S2
<i>Djibouti Data</i>								
Latest Year (T)	2003	.	2003	.	.	.	.	2003
Value Year T	9.73	.	49.7	.	.	.	.	0.08
Value Year T-1	6.9	.	38.3	.	.	.	.	0.20
Value Year T-2	5.1	.	20.1	.	.	.	.	0.20
Value Year T-3	2.2	.	15.7	.	.	.	.	0.20
Value Year T-4	.	.	14.7	.	.	.	.	0.20
Average Value, 5 year	6.0	.	27.7	.	.	.	.	0.18
Growth Trend	.	.	39.5	.	.	.	.	-16.5
<i>Benchmark Data</i>								
Regression Benchmark	-10.4	2.6	44.6	.	.	.	.	.
Lower Bound	-47.2	2.1	44.2	.	.	.	.	.
Upper Bound	26.4	3.0	45.0	.	.	.	.	.
LMI-SSA Avg.	33.8	5.2	155.5	5.4	4.8	4.4	5.75	0.07
Lower Middle Income Avg.	39.8	3.3	272.6	4.1	3.7	2.3	4.10	0.03
High Five Avg.	585.8	6.7	1,686.0	6.7	6.6	6.5	6.90	0.41
Low Five Avg.	0.9	1.5	9.8	2.4	1.3	1.1	1.40	0.00

Indicator Number	Science and Technology			Health								
	Expenditure for R&D, % GDP	FDI technology transfer index	Patent applications filed by residents	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
	26P1	26P2	26P3	31P1	31P2	31P3	31S1	31S2	31S3	31S4	31S5	31S6
<i>Djibouti Data</i>												
<i>Latest Year (T)</i>	.	.	.	2003	2003	2000	2002	2002	2003	2003	2003	2002
Value Year T	.	.	.	2.9	43.0	730.0	50.0	80.0	61.0	67.0	18.0	3.3
Value Year T-1	.	.	.	.	43.6	.	.	.	.	62.0	.	3.1
Value Year T-2	.	.	.	2.8	.	.	.	.	.	51.0	.	3.3
Value Year T-3	.	.	.	.	.	.	.	.	.	48.0	.	3.3
Value Year T-4	.	.	.	11.8	.	.	.	.	.	23.0	.	3.3
Average Value, 5 year	.	.	.	5.8	.	.	.	.	.	50.2	.	3.3
Growth Trend	.	.	.	.	.	.	.	.	.	27.1	.	-0.3
<i>Benchmark Data</i>												
Regression Benchmark	.	4.2	.	.	49.8	6.0	.	.	57.7	.	.	.
Lower Bound	.	3.8	.	.	46.0	4.6	.	.	47.1	.	.	.
Upper Bound	.	4.6	.	.	53.7	7.4	.	.	68.3	.	.	.
LMI-SSA Avg.	0.4	4.9	92.0	21.4	43.0	300.0	50.0	80.0	61.0	76.0	17.2	3.6
Lower Middle Income Avg.	0.3	4.6	13.0	0.1	69.5	110.0	74.0	85.5	69.0	92.5	7.0	3.3
High Five Avg.	3.5	5.9	153,540.2	30.2	80.5	1,720.0	100.0	100.0	.	99.0	36.3	8.7
Low Five Avg.	0.1	3.3	0.0	0.1	37.3	1.8	8.0	26.4	20.8	39.0	7.3	0.6

Education												
	Net primary enrollment rate (total)	Net primary enrollment rate (female)	Net primary enrollment rate (male)	Persistence in school to grade 5 (total)	Persistence in school to grade 5 (female)	Persistence in school to grade 5 (male)	Youth literacy rate	Education expenditure, primary, %GDP	Expenditure per student, % GDP per capita, primary	Expenditure per student, % GDP per capita, secondary	Expenditure per student, % GDP per capita, tertiary	Pupil-teacher ratio, primary school
Indicator Number	32P1a	32P1b	32P1c	32P2a	32P2b	32P2c	32P3	32S1	32S2a	32S2b	32S2c	32S3
<i>Djibouti Data</i>												
Latest Year (T)	2004	2004	2004	2002	2001	2001	.	2005	.	.	.	2002
Value Year T	36.0	32.0	40.0	87.7	85.2	89.6	.	2.20	.	.	.	34.0
Value Year T-1	.	.	.	.	.	.	.	2.20	.	.	.	36.0
Value Year T-2	34.0	30.0	38.0	76.7	84.9	71.2	.	.	.	.	.	32.0
Value Year T-3	32.0	28.0	36.0	.	.	.	.	.	.	.	.	40.0
Value Year T-4	30.0	26.0	35.0	.	.	.	.	.	.	.	.	.
Average Value, 5 year	33.0	29.0	37.3	.	.	.	.	.	.	.	.	35.5
Growth Trend	.	.	.	.	.	.	.	.	.	.	.	-3.6
<i>Benchmark Data</i>												
Regression Benchmark	69.4	.	.	71.4	.	.	76.5	.	.	.	.	.
Lower Bound	62.7	.	.	64.5	.	.	68.0	.	.	.	.	.
Upper Bound	76.2	.	.	78.4	.	.	85.0	.	.	.	.	.
LMI-SSA Avg.	83.6	85.1	82.2	86.0	88.2	79.54	91.50	1.95	18.0	23	284.9	29.5
Lower Middle Income Avg.	92.0	91.5	92.3	81.2	80.4	79.54	96.81	2.37	11.5	15	35.5	21.6
High Five Avg.	100.0	100.0	100.0	99.2	99.8	99.30	99.82	5.54	31.3	47	344.3	65.5
Low Five Avg.	42.3	36.9	47.6	52.3	51.5	51.78	46.44	0.17	6.2	6	9.8	11.7

Employment and Workforce							
	Labor force participation rate (total)	Labor force participation rate (male)	Labor force participation rate (female)	Rigidity of employment index	Size of labor force	Labor force growth rate	Unemployment rate
Indicator Number	33P1a	33P1b	33P1c	33P2	33P3a	33P3b	33P4
<i>Djibouti Data</i>							
Latest Year (T)	.	.	.	.	2000	.	2002
Value Year T	.	.	.	.	282,000	.	59
Value Year T-1	.	.	.	.	.	.	.
Value Year T-2	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.
<i>Benchmark Data</i>							
Regression Benchmark	83.8	.	.	50.1	.	2.4	.
Lower Bound	78.6	.	.	38.8	.	1.9	.
Upper Bound	89.0	.	.	61.4	.	2.8	.
LMI-SSA Avg.	71.2	90.3	52.6	.	605,376	1.7	30
Lower Middle Income Avg.	69.7	85.0	53.8	.	4,374,291	2.3	9
High Five Avg.	102.4	112.6	97.0	.	316,912,650	5.7	24
Low Five Avg.	50.4	70.9	21.5	.	125,147	-0.3	2

Agriculture						
	Agriculture value added per worker	Cereal yield	Growth in agricultural value-added	Agricultural policy costs index	Crop production index (1989-91=100)	Livestock production index (1989-91=100)
Indicator Number	34P1	34P2	34P3	34S1	34S2	34S3
<i>Djibouti Data</i>						
<i>Latest Year (T)</i>	2000	2004	2000	.	2004	2004
Value Year T	70.2	1,625	2.0	.	100.4	108.5
Value Year T-1	70.4	1,625	0.2	.	100.4	108.5
Value Year T-2	72.3	1,625	5.7	.	100.4	99.6
Value Year T-3	70.4	1,625	-0.7	.	100.4	99.6
Value Year T-4	72.7	1,625	4.1	.	100.2	99.4
Average Value, 5 year	71.2	1,625	2.3	.	100.4	103.1
Growth Trend	-0.7	.	.	.	0.0	2.6
<i>Benchmark Data</i>						
Regression Benchmark	438.7	.	5.5	.	.	.
Lower Bound	273.3	.	1.2	.	.	.
Upper Bound	604.2	.	9.8	.	.	.
LMI-SSA Avg.	1,428	1,160	2.0	4.5	98.5	108.5
Lower Middle Income Avg.	1,766	2,434	2.5	3.5	105.3	105.1
High Five Avg.	40,135	7,775	22.0	5.3	134.9	145.5
Low Five Avg.	108	312	-13.4	2.4	69.5	78.3

Technical Notes

The following technical notes (updated as of August, 2005) 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.

GROWTH PERFORMANCE

Per capita GDP, 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

Per capita GDP, purchasing power parity dollars

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P1

Real GDP growth

Source: IMF World Economic Outlook database, updated every 6 months; latest country data from IMF Article IV Review Reports available at:

www.imf.org/external/np/sec/aiv/index.htm

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P3

Growth of labor productivity

Source: World Development Indicators 2005. Estimated by calculating the annual percentage change of the ratio of GDP (constant 1995 US\$) (NY.GDP.MKTP.KD) to the population age 15-64, which in turn is the product of the total population (SP.POP.TOTL) times the percentage of total population that is in this age group (SP.POP.1564.IN.ZS).

Definition: Labor productivity is defined here as the ratio of GDP (in constant prices) to the size of the working age population (ages 15 to 64 years). The more familiar calculation, based on employment, labor force, or work hours, is not used here because low participation or employment rates are themselves structural productivity problems; also, many low-income countries do not report

data needed to compute these alternative measures of labor productivity.

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 2005, 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 (a) the investment share of GDP to (b) 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 Reports for latest country data; international benchmark from the World Development Indicators 2005 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 Reports, for latest country data; World Development Indicators 2004, for international comparison data (explanation below). The estimation of this indicator involves taking the difference between gross fixed capital formation (% of GDP) (NE.GDI.FTOT.ZS) and government capital expenditure (% of GDP). The latter term is the product of government capital expenditure (% of total expenditure) (GB.XPK.TOTL.ZS) and total government expenditure (% of GDP) (GB.XPD.TOTL.GD.ZS).

Definition: This indicator measures gross fixed capital formation by non-government 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 Reports 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 includes elements of current expenditure.

CAS Code #11S4

POVERTY AND INEQUALITY

Human poverty index

Source: UNDP, Human Development Report.

<http://hdr.undp.org/statistics/data/indicators.cfm?x=18&y=1&z=1> for 2005 edition; updates may be found at http://hdr.undp.org/reports/view_reports.cfm?type=1

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 (for zero deprivation incidence) to 100 (for high deprivation incidence).

Coverage: Data are available for about 60 USAID countries.

CAS Code #12P1

Income share held by lowest 20%

Source: World Development Indicators 2005 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. Alternate source for target countries: Country Poverty Reduction Strategy Paper:

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

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

Coverage: 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 2005 series SI.POV.DDAY, original data from National Surveys. Alternate 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 which can differ widely; even similar surveys may not be strictly comparable because of difference in quality.

CAS Code #12P3

Population below minimum dietary energy consumption

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

Definition: Proportion of the population 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 a light physical activity.

Coverage: Data are available for about 82 USAID countries.

CAS Code # 12S1

Poverty headcount, national poverty line

Source: World Development Indicators 2005 series SI.POV.NAHC. Alternate source: Country Poverty Reduction Strategy Paper (PRSP):

<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 due to 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 (PRSP) can be found at <http://www.imf.org/external/np/prsp/prsp.asp>

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

Coverage: All countries having PRSPs are so indicated.

CAS Code #12P5

Poverty gap at \$1 PPP a day

Source: World Development Indicators 2005 series SI.POV.GAPS, original data from national surveys. Alternate source: the country’s Poverty Reduction Strategy Paper: <http://www.imf.org/external/np/prsp/prsp.asp>

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

Coverage: Data are available for about 58 USAID countries going back to 1997; data for 2000 or later are available for about 32 USAID countries.

CAS Code #12S2

ECONOMIC STRUCTURE

Labor force or employment structure

Source: World Development Indicators 2005 series SL.AGR.EMPL.ZS for agriculture, series SL.IND.EMPL.ZS for industry, and series SL.SRV.EMPL.ZS for services. Alternate source: CIA World Fact Book .
<http://www.cia.gov/cia/publications/factbook/>.

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 from International Labor Organization. Some countries report labor force structure instead of employment, thus the data must be checked carefully prior to making comparisons.

CAS Code #13P1

Output structure

Source: World Development Indicators 2005 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 comprised of value added by major sectors of the economy (agriculture, industry, and services) as percentages of GDP, where value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. Value added is calculated without making 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 should be 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 2005 series SE.ADT.LITR.ZS, based on UNESCO calculations.

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

Coverage: Data are available for about 66 USAID countries.

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

CAS Code # 14P1

Age dependency rate

Source: World Development Indicators 2005 series SP.POP.DPND.

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

Coverage: Data are available for about 89 USAID countries.

CAS Code #14P2

Environmental Sustainability Index

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

Definition: The index measures the likelihood that a country will be able to preserve valuable environmental resources effectively. It is a composite index integrating 76 data sets tracking natural resource endowments, pollution levels, environmental management efforts, and the capacity of a society to improve its environmental performance. The index values range from a low of 0 (for countries that are positioned poorly to maintain favorable environmental conditions into the future) to a high of 100 (for countries that are positioned very well to maintain favorable environmental conditions into the future); most scores cluster between 40 and 60.

Coverage: Data are available for about 83 USAID countries.

CAS Code #14P3

Population size (in millions) and growth

Source: World Development Indicators 2005 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

Urbanization rate

Source: World Development Indicators 2005 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

GENDER

Adult literacy rate, ratio of male to female

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #15P1

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

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

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

Coverage: Data are available for about 83 USAID countries.

CAS Code # 15P2

Life expectancy, ratio of male to female

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

Definition: The ratio of life expectancy at birth (years) for males, divided by the life expectancy at birth (years) for females. Life expectancy at birth indicates the number of years a newborn infant would live if current age-specific mortality were to stay the same throughout its life. The ratio shows the disparity in life expectancies between males and females.

Coverage: Data are available for about 85 USAID countries.

CAS Code #15P3

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 quite limited. For these reasons, the template will continue to use some data from WDI 2004, along with new data from WDI 2005 data, as appropriate.

Overall budget balance (including grants), or Cash surplus/deficit, as percentages 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 2005 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 is obtained from national data sources or from IMF Article IV Reviews: www.imf.org/external/np/sec/aiv/index.htm.

Definition: The cash surplus/deficit is revenue (including grants) minus expenses, minus net acquisition of non-financial assets. This is close to the previous concept *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 2005 for 41 USAID countries.

CAS Code # 21P5

Composition of government expenditure (for countries not using GFS 2001 system)

Source: Benchmarking data are from World Development Indicators 2004. Country data constructed from national data sources or from IMF Article IV Consultative Reports: www.imf.org/external/np/sec/aiv/index.htm.

Definition: Central government expenditure, broken down using categories from WDI 2004: (1) subsidies and other current transfers, (2) wages and salaries, (3) interest payments, (4) goods and services expenditure, and (5) capital expenditure, all as a percent of total expenditure.

Coverage: Data are available for about 37 USAID countries from World Development Indicators 2004. As explained at the beginning of this section, WDI no longer reports government *expenditures* starting in 2005. The template will include this variable when the required data can be obtained from IMF Article IV Consultation Reports or national data sources for the target country and the comparison countries. Group. The group benchmarks will still be computed from WDI 2004 (since group averages tend to be relatively stable).

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

CAS Code # 21S1

Composition of government expenses (for countries using GFS 2001 system)

Source: Group benchmarking data are from the World Development Indicators 2005. Latest country data are constructed from national sources or from IMF Article IV Reports: www.imf.org/external/np/sec/aiv/index.htm.

Definition: WDI 2005 disaggregates central government expenses into five categories: compensation of employees, goods and services, interest payments, subsidies and other transfers, and other expenses. The expense in each category is expressed as a percentage of total expenses.

Coverage: Data are available for about 42 USAID countries from the World Development Indicators 2005.

CAS Code # 21S1

Composition of government revenue

Source: The latest country and comparison country data is taken from national data sources or from IMF Article IV Reviews: 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 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 from WDI 2005 for about 46 USAID countries.

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

CAS Code # 21S2

Composition of money supply growth

Source: Constructed using or national data sources or IMF Article IV Reviews from:

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 credit to government, (2) credit to the private sector, (3) net credit to public enterprises, (4) net foreign assets (reserves), 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

Government expense, percentage of GDP (for countries using GFS 2001 system)

Source: Benchmarking data obtained from World Development Indicators 2005 series GC.XPN.TOTL.GD.ZS. Original source of WDI data is the International Monetary Fund, International Financial Statistics Yearbook, World Bank and OECD estimates. Latest country data obtained from national sources or from IMF Article IV Reviews: www.imf.org/external/np/sec/aiv/index.htm;

Definition: Expense is an accrued obligation to pay for operating activities of the government in providing goods and services. It includes compensation of employees (such as

wages and salaries), interest and subsidies, grants, social benefits, and other expenses such as rent and dividends.¹

Coverage: Data are available for about 42 USAID countries.

CAS Code # 21P1

Government expenditure, percentage of GDP (for countries not using GFS 2001 system)

Source: Benchmarking data obtained from World Development Indicators 2004, series GB.XPD.TOTL.GD.ZS.² Original source of WDI data is the International Monetary Fund, Government Finance Statistics Yearbook, and World Bank estimates. Latest country data are obtained from national sources or IMF Article IV Reports: www.imf.org/external/np/sec/aiv/index.htm.

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

Coverage: Data are available for about 41 USAID countries.

CAS Code # 21S2

Government revenue, excluding grants, percentage of GDP

Source: Latest country data obtained from national data sources or IMF Article IV Reviews: www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005 series GC.REV.XGRT.GD.ZS. Original source of WDI data is the International Monetary Fund, Government Finance Statistics Yearbook and data file, and World Bank estimates.

Definition: Revenue consists of cash receipts from taxes, social contributions, and other revenues such as fines, fees, rent, and income from property or sales. Grants are also a form of revenue but are excluded here to focus on domestic revenue mobilization.

Coverage: Data are available for about 47 USAID countries.

CAS Code # 21P2

Inflation rate

Source: IMF World Economic Outlook database, updated every 6 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 specified 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

Money supply growth

Source: Latest country data are from national data sources or from IMF Article IV Reviews: www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data are from World Development Indicators 2005, series FM.LBL.MQMY.ZG. Original source of WDI data is

¹ In the technical notes to WDI 2005, expense is defined as "cash payments." This is inconsistent with the original source, GFS, which defines expense on an accrual basis as indicated here.

² This variable is no longer available in WDI 2005.

International Monetary Fund, 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 International Monetary Fund's (IMF) International Financial Statistics (IFS).

Coverage: Data are available for about 81 USAID countries.

CAS Code #21P3

BUSINESS ENVIRONMENT

Corruption perception index

Source: Transparency International:

http://www1.transparency.org/cpi/2005/dnld/media_pack_en.pdf.

Definition: Corruption Perceptions Index (CPI) is a composite index that ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. The index ranges from 1 (for most corruption) to 10 (for least corruption). Values below 3.0 are considered to indicate rampant corruption. This threshold is used in the template as an absolute benchmark standard.

Coverage: Data are available for about 79 USAID countries.

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

CAS Code # 22P1

Ease of doing business ranking

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

Definition: The ease of doing business index ranks economies from 1 to 155. The index is calculated as the ranking on the simple average of country percentile rankings on each of the 10 topics covered in Doing Business in 2006 – starting a business, dealing with licenses, hiring and firing, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business.

Coverage: Data are available for about 74 USAID countries.

CAS Code # 22P2

Rule of law index

Source: World Bank Institute,

<http://www.worldbank.org/wbi/governance/govdata2002/index.html>. This indicator is based on the perceptions of the legal system, drawn from 12 separate data sources.

Definition: The Rule of Law Index is an aggregation of various indicators which measure the extent to which agents have confidence in and abide by the rules of society. 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. 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 #22P3

Regulatory Quality Index

Source: World Bank Institute;

<http://www.worldbank.org/wbi/governance/govdata2002/index.html>.

Definition: The regulatory quality index measures the incidence of market-unfriendly policies such as price controls or inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development. It is computed from survey data from multiple sources. The index values range from -2.5 (for very poor performance) to +2.5 (for 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

Cost to start a business, % of GNI per capita

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #22S1

Procedures to enforce a contract

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 22S2

Procedures to register property

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #22S3

Procedures to start a business

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 22S4

Time to enforce a contract

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 22S5

Time to register property

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #22S6

Time to start a business

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

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

Definition: 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 about 74 USAID countries.

CAS Code #22S7

FINANCIAL SECTOR

Cost to Create Collateral

Source: World Bank Doing Business; Getting Credit category:

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

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

Coverage: Data are available for about 74 USAID countries.

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

CAS Code #23S1

Country credit rating

Source: Millennium Challenge Corporation. Original data comes from the Institutional Investor Magazine.

<http://www.mca.gov/countries/rankings/index.shtml>

Definition: Bankers' and fund managers' perception of the country's risk of default based on a semi-annual survey. Index ranges in value from 0 (for very poor performance) to 100 (for excellent performance).

Coverage: Data are available for about 58 USAID countries.

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

CAS Code # 23S2

Domestic credit to private sector, percent of GDP

Source: IMF Article IV Reviews or national data sources for latest country data; World Development Indicators 2005 series FS.AST.PRVT.GD.ZS for benchmarking data. The WDI data originate from the International Monetary Fund, International Financial Statistics and data files, and World Bank estimates.

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

Coverage: Data are available for about 82 USAID countries.

CAS Code # 23P1

Interest rate spread

Source: World Development Indicators 2005 series FR.INR.LNDP. Original data from International Monetary Fund, 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

Legal rights of borrowers and lenders

Source: World Bank Doing Business; Getting Credit category:

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

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. Index ranges in value from 0 (for very poor performance) to 10 (for excellent performance). It includes three aspects related to legal rights in bankruptcy, and seven aspects found in collateral law.

Coverage: Data are available for about 74 USAID countries.

CAS Code # 23S3

Money supply, percent of GDP

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005 series FM.LBL.MQMY.GD.ZS. WDI data originate from International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates.

Definition: Money supply (M2), also called broad money, and is defined as non-bank private sector's holdings of notes, coins and demand deposits plus savings deposits and foreign currency deposits. 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 (CDs), money market instruments, and/or treasury bills.

CAS Code # 23P3

Real interest rate

Source: World Development Indicators 2005 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 # 23S4

Stock Market Capitalization Rate, % of GDP

Source: World Development Indicators 2005, series CM.MKT.LCAP.GD.ZS.

Definition: The 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

EXTERNAL SECTOR

Aid, % of GNI

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005 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 does 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

Concentration of exports

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

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

Coverage: Available for about 74 USAID countries.

Data Quality: Smuggling represents a serious problem in a number of 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 non-reporting countries; trans-shipments 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

Current Account Balance, percent of GDP

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005 series BN.CAB.XOKA.GD.ZS, based on International Monetary Fund, Balance of Payments Statistics Yearbook and data files, and World Bank staff estimates, and World Bank and OECD GDP estimates.

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

Coverage: 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 Reviews:

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005, 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

Foreign Direct Investment, percent of GDP

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005, series

BX.KLT.DINV.DT.GD.ZS, based on International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, Global Development Finance, and World Bank and OECD GDP estimates.

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

Coverage: Data are available for about 82 USAID countries.
CAS Code #24P5

Gross international reserves, months of imports

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005, 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 International Monetary Fund (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

Private capital inflows, percent of GDP

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data derived from the International Financial Statistics (sum of lines 78BED and 78BGD, divided by GDP).

Definition: Private capital inflows flows are the sum of the absolute values of 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 International Monetary Fund's average official exchange rate for the year shown.

CAS Code #24P7

Exports growth, goods and services

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005, 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

Inward FDI Potential Index

Source: UNCTAD. Indicator is available online at <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=2471&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 un-weighted 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 2005, 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 1995.

Coverage: Data are available for about 51 USAID countries.
CAS Code # 24S3

Present value of debt, percent of GNI

Source: World Development Indicators 2005 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. 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 due to the wide spectrum of debt instruments, the unwillingness on the part of the government to provide information, and lack of capacity in reporting. Discrepancies are significant when the exchange rate fluctuations, debt cancellations and re-scheduling occur.

CAS Code # 24P8

Real effective exchange rate (REER)

Source: IMF Article IV Reviews:

www.imf.org/external/np/sec/aiv/index.htm;

Definition: The REER is an index number with base 1995=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

Remittances receipts, percent of exports

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data is obtained from World Development Indicators 2005. It is constructed by dividing Worker's Remittances (receipts), series BX.TRF.PWKR.CD, by Exports of Goods and Services, series BX.GSR.GNFS.CD.

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 24P9

Structure of merchandise exports

Source: World Development Indicators 2005. 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 in goods and services, as a percentage of GDP

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005, 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 Policy Index

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

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 custom service. The index ranges in value from 1 (for low levels of barriers to trade) to 5 (for high levels of barriers to trade).

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

ECONOMIC INFRASTRUCTURE

Internet users per 1,000 people

Source: World Development Indicators 2005 series IT.NET.USER.P3, derived from the International Telecommunication Union database.

Definition: Indicator quantifies the number of internet users, defined as those with access to the world-wide network, per 1,000 people.

Coverage: Data are available for about 88 USAID countries.

CAS Code # 25P1

Overall Infrastructure Quality

Source: Global Competitiveness Report 2005-2006, World Economic Forum. The indicator can be found in the Data Tables, Section V. General Infrastructure; 5.01.

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 (1) poorly developed, or (7) among the best in the world.

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 25P2

Telephone density, fixed line and mobile

Source: World Development Indicators 2005 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 1,000 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

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

Source: Global Competitiveness Report 2005-2006, World Economic Forum. The indicators can be found in the Data Tables, Section V. General Infrastructure; 5.02, 5.03, 5.04, and 5.05 for Railroad, Port; Air Transport, and Electricity, respectively.

Definitions: 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 (1) poorly developed, or (7) among the best in the world.

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #25S1

Telephone cost, average local call

Source: World Development Indicators 2005 series IT.MLT.CLCL.CD, , derived from the International Telecommunication Union database.

Definition: Cost of local call is measured by the cost of a three-minute, peak rate, fixed line call within the same

exchange area using the subscriber's equipment (i.e., not from a public phone).

Coverage: Data are available for about 82 USAID countries.
CAS Code #25S2

SCIENCE AND TECHNOLOGY

Expenditure in Research and Development, percent of GDP

Source: World Development Indicators 2005, series GB.XPD.RSDV.GD.ZS, based on data from the UNESCO Institute of Statistics.

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

Coverage: Data are available for about 26 USAID countries.
CAS Code #26P1

FDI technology transfer index

Source: Global Competitiveness Report 2005-2006, World Economic Forum. The indicator can be found in the Data Tables, Section III. Technology: Innovation and Diffusion; 3.04.

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 (1) brings little new technology, or (7) is an important source of new technology.

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #26P2

Patent applications filed, by residents

Source: World Development Indicators 2005 series IP.PAT.RESD, based on WIPO data.

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

Coverage: Data are available for about 63 USAID countries.
CAS Code #26P3

HEALTH

HIV prevalence rate

Source: UNAIDS for most recent country data:

<http://www.unaids.org/Unaid/EN/Resources/epidemiology.asp>. World Development Indicators 2005 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, as well as other surveillance information.

CAS Code #31P1

Life expectancy at birth

Source: World Development Indicators 2005, (SP.DYN.LE00.IN)

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

Coverage: Data are available for about 88 USAID countries.

Data Quality: Life expectancy at birth is estimated based on 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/mi/mi_series_results.asp?rowId=553 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 survivorships 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 2005, 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.

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

CAS Code #31S1

Access to improved water source

Source: World Development Indicators 2005 series SH.H2O.SAFE.ZS

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

Coverage: 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 2005, series SH.STA.BRTC.ZS.

Definition: The indicator is 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 2005, 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 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 2005, series SH.STA.MALN.ZS.

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

Coverage: Data are available for about 55 USAID countries.

CAS Code # 31S5

Public health expenditure, percent of GDP

Source: Latest data for host country is obtained from the MCC <http://www.mca.gov/countries/rankings/index.shtml>.

International benchmarking data from World Development Indicators 2005, (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 as often teachers are paid proportional to the number of pupils enrolled. The indicator does not measure the quality of the education provided.

CAS Code # 32P1

Persistence to grade 5 – female, male, and total

Source: World Development Indicators 2005 series SE.PRM.PRS5.FE.ZS (female); SE.PRM.PRS5.MA.ZS (male); and SE.PRM.PRS5.ZS (total).

Definition: The indicator is an estimate of the proportion of the population entering primary school who reach grade 5, for female, male, and total students.

Coverage: Data are available for about 48 USAID countries.

CAS Code # 32P2

Youth literacy rate

Source: World Development Indicators 2005, 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 2-3 years.

CAS Code #32P3

Expenditure on primary education, percent GDP

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

Definition: 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 via US embassies.

CAS Code #32S1

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

Source: World Development Indicators 2005 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 2005 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 – total, male, female

Source: Derived from World Development Indicators, but the precise computation differs depending on whether a particular country study uses the 2004 or 2005 WDI.

To calculate the *total* labor force participation rate using WDI 2004: the numerator is Labor force, total (SL.TLF.TOTL.IN), and the denominator is Population ages 15-64, total (SP.POP.1564.TO). Using WDI 2005, the denominator is calculated as the total population (SP.POP.TOTL) times the percentage of the population in the age group 15-64 (SP.POP.1564.IN.ZS).

To calculate the *female* labor force participation rate using WDI 2004: the numerator is the Labor force, female (% of total labor force) (SL.TLF.TOTL.FE.ZS) times Labor force, total (SL.TLF.TOTL.IN); the denominator is simply Population ages 15-64, female (SP.POP.1564.FE.IN). Using WDI 2005, the denominator (female population, ages 15-64), can only be estimated by multiplying the total population (SP.POP.TOTL) times the percentage of the population ages 15-64 (SP.POP.1564.IN.ZS) times the percentage of females in the total population (SP.POP.TOTL.FE.ZS).

To calculate the *male* labor force participation rate using WDI 2004: the numerator is calculated by subtracting the female labor force, derived above, from the total labor force (SL.TLF.TOTL.IN). The denominator is Population ages 15-64, male (SP.POP.1564.MA.IN). Using WDI 2005, the denominator is an estimated of the male population, ages 15-64, calculated as the total population (SP.POP.TOTL) times the percentage ages 15-64 (SP.POP.1564.IN.ZS) times the percentage of males in the total population, where the final factor is computed as 100 minus the percentage of females in the total population (SP.POP.TOTL.FE.ZS)..

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #33P1

Rigidity of employment index

Source: World Bank, Doing Business in 2005, Hiring and Firing Workers Category:

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

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 a Difficulty of firing Index. Index ranges in value from 0 (minimum rigidity) to 100 (maximum rigidity).

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 33P2

Size and growth of the labor force

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

Definition: The indicator measures the size of the labor supply, and its annual percent change. Labor force comprises of people who meet the International Labour 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 employed and the unemployed. While national practices vary in the treatment of such groups as the armed forces and seasonal or part-time workers; in general, the labor force includes the armed forces, the unemployed, and first-time job-seekers, but excludes homemakers and other unpaid caregivers and workers in the informal sector.

Coverage: Data are available for about 88 USAID countries.

CAS Code #33P3

Unemployment rate

Source: World Development Indicators 2005 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 being 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

AGRICULTURE

Agriculture value added per worker

Source: World Development Indicators 2005 series EA.PRD.AGRI.KD, derived from World Bank national accounts files and Food and Agriculture Organization, Production Yearbook and data files.

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

Coverage: Data are available for about 80 USAID countries.

CAS Code # 34P1

Cereal yield

Source: World Development Indicators 2005 series AG.YLD.CREL.KG based on Food and Agriculture Organization (FAO), Production Yearbook and data files.

Definition: Cereal yield is 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 Reviews: www.imf.org/external/np/sec/aiv/index.htm. The benchmarking data are from World Development Indicators 2005 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 adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources.

Coverage: Data are available for about 84 USAID countries.

CAS Code # 34P3

Agricultural policy costs index

Source: Global Competitiveness Report 2005-2006, World Economic Forum. The indicator can be found in the Data Tables, Section II. Macroeconomic Environment; 2.20.

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 (1) excessively burdensome, or (7) balances all economic agents' interests.

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 34S1

Crop production index

Source: World Development Indicators 2005 series AG.PRD.CROP.XD, based on FAO statistics.

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

Coverage: Data are available for about 85 USAID countries.

Data Quality: Regional and income group aggregates for the FAO's production indices are calculated from the underlying

values in international dollars, normalized to the base period 1999-2001. The FAO obtains data from official and semiofficial 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 2005 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