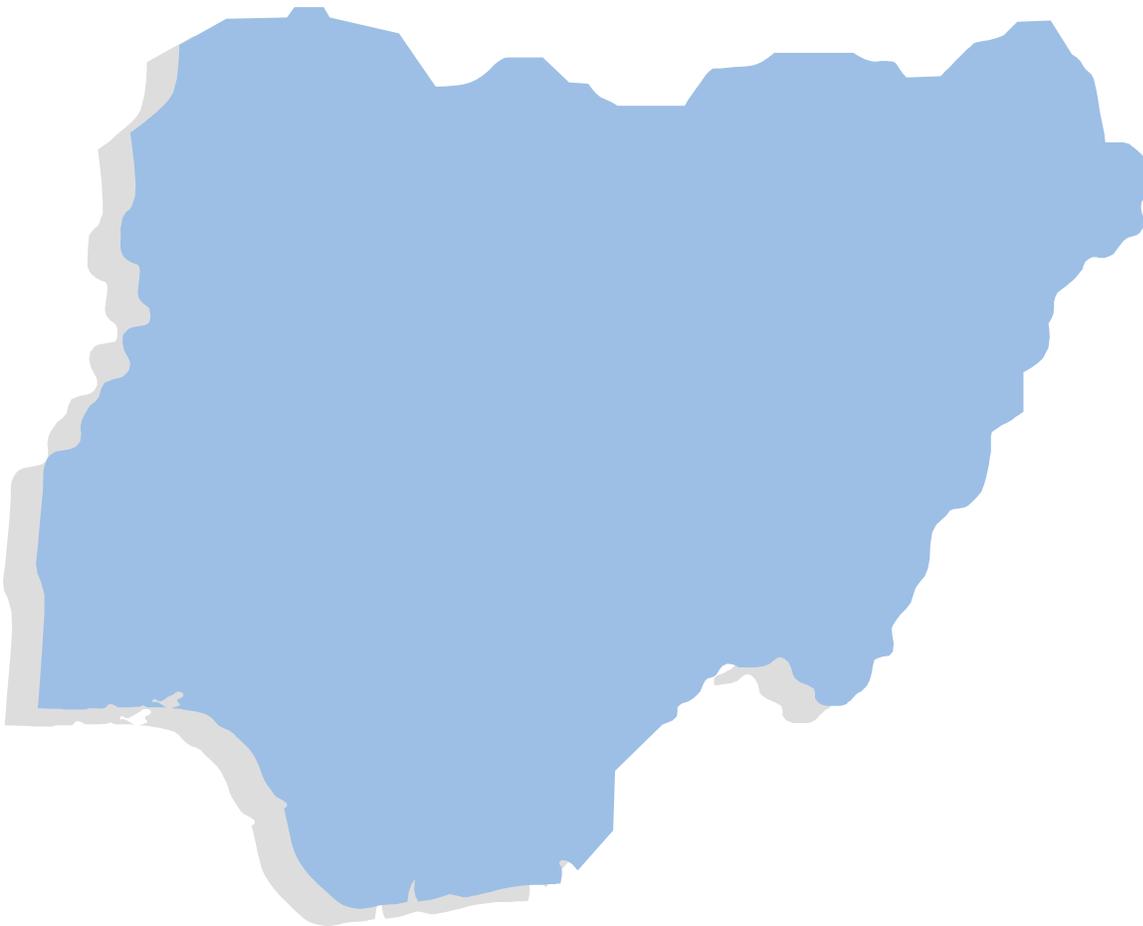




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# **Nigeria**

## **Economic Performance Assessment**



**May 2008**

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# Nigeria

## Economic Performance Assessment

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

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

Under Contract No. GEG-I-00-04-00002-00, Task Order 004, 2006-2008, Nathan Associates continues to provide support to the EGAT Bureau by producing analytical reports evaluating economic growth performance in designated host countries. Through the same task order, Nathan is also developing a special template for countries emerging from crisis, assessing data issues in countries with large gaps in their data; conducting in-depth sector reviews based on the diagnostic analysis in the country reports; and providing other analytical support to the EGAT Bureau.

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

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## HIGHLIGHTS OF NIGERIA'S PERFORMANCE

Economic Growth	Real GDP growth averaged a robust 7.8 percent from 2004 to 2007, and per capita GDP is high relative to rates in other countries in Africa. Growth in non-oil sectors, such as telecommunications, has been encouragingly high.
Poverty and Inequality	Poverty and inequality are alarmingly high. Greater productivity in labor-intensive sectors, including agriculture and services, could help raise incomes among large shares of the population.
Economic Structure	The services sector accounted for an increasing share of output, reaching 26.3 percent of GDP. Agriculture contributed to strong non-oil growth. Outside of oil production, industry and manufacturing still show weaknesses.
Demography and Environment	Youth dependency is high and puts pressure on the economy and the public sector. Poor environmental performance hampers poverty reduction efforts.
Gender	Gender disparities persist in health, education, and particularly employment. Gender inequities appear to be even more severe in some regions, such as the Northwest.
Fiscal and Monetary Policy	Huge inflows of oil revenue and the adoption of the Fiscal Responsibility Act have contributed to a healthy macroeconomic framework. Concerns remain about risks to macroeconomic stability posed by the possibility of sharing oil revenues with state governments eager to increase expenditures.
Business Environment	Nigeria's performance on regulatory constraints on doing business is mixed, with significant weaknesses in some key areas.
Financial Sector	Reforms in the banking sector have produced well-capitalized banks expanding regionally and internationally. The non-bank financial sector is undergoing similar reforms.
External Sector	Oil and gas dominate exports and are the focus of most foreign direct investment inflows; diversification thus remains a priority. Authorities have moderated the naira's appreciation in recent years, and debt relief has freed resources for other productive uses.
Economic Infrastructure	The lack of reliable infrastructure is a major constraint on the development of a competitive private sector. Transportation and the supply of electricity are particularly worrisome. Nigeria has invested significantly in recent years to upgrade its infrastructure networks.
Science and Technology	Nigeria's high score on the FDI Technology Transfer Index is encouraging, but better protection of intellectual property would favor development and transfer of science and technology.
Health	Health indicators, including life expectancy, are low. Increasing and improving the management of public resources for health must be a top priority.
Education	Some basic statistics show mediocre performance in the education sector. For instance, net primary enrollment rates are better than the medians but much lower than the rates of Kenya or Indonesia. Increasing investment in primary education must be a top priority.

Employment and Workforce	Though declining, unemployment is still high, and the labor force participation rate is relatively low. Nigeria's labor regulations are among the least rigid in the world.
Agriculture	The sector has grown over the past decade, but agricultural exports still account for only a very small share of GDP. Policy reforms, including removal of protectionist measures, and technological improvements could enhance productivity.

## NIGERIA: STRENGTHS AND WEAKNESSES—SELECTED INDICATORS

Selected Indicators, by Topic	Strengths	Weaknesses
<b>Growth Performance</b>		
Real GDP growth	X	
<b>Poverty and Inequality</b>		
Income share of the bottom 20 percent of households		X
Human Poverty Index		X
<b>Economic Structure</b>		
Industry value added, as a percentage of GDP		X
<b>Demography and Environment</b>		
Youth dependency rate		X
Environmental Performance Index		X
<b>Gender</b>		
Girls' primary completion rate		X
Labor force participation rates, female		X
<b>Fiscal and Monetary Policy</b>		
Government revenue, as a percentage of GDP	X	
Inflation rate		X
<b>Business Environment</b>		
Ease of doing business ranking		X
Government effectiveness index		X
<b>Financial Sector</b>		
Domestic credit to the private sector	X	
Money supply (M2), % GDP	X	
Credit information index		X
<b>External Sector</b>		
Gross international reserves, months of imports	X	
Current account balance	X	
Concentration of exports		X
Ease of Trading across Borders ranking		X
<b>Economic Infrastructure</b>		
Overall infrastructure quality		X
Quality of infrastructure—electricity supply		X
<b>Science and Technology</b>		
Intellectual property rights index		X

Selected Indicators, by Topic	Strengths	Weaknesses
<b>Health</b>		
HIV prevalence		<b>X</b>
Life expectancy at birth		<b>X</b>
<b>Education</b>		
Net primary school enrollment rate		<b>X</b>
Gross tertiary enrollment rate	<b>X</b>	
Primary education expenditure, as a percentage of GDP		<b>X</b>
<b>Employment and Workforce</b>		
Unemployment rate		<b>X</b>
Labor force participation rate		<b>X</b>
Rigidity of employment index	<b>X</b>	
<b>Agriculture</b>		
Growth in agricultural value-added	<b>X</b>	

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

# 1. Introduction

This report is one of a series of economic performance assessments prepared for the EGAT Bureau to provide USAID missions and regional bureaus with a concise evaluation of key indicators covering a broad range of issues relating to economic growth performance in designated host countries. The report draws on a variety of international data sources<sup>1</sup> and uses international benchmarking against reference group averages, comparator countries, and statistical norms to identify major constraints, trends, and opportunities for strengthening growth and reducing poverty. This study of Nigeria uses Kenya and Indonesia as comparators. Kenya is the dominant economy in East Africa, as Nigeria is in West Africa, yet the World Bank classifies both as low-income countries. Indonesia, a lower-middle-income country in Southeast Asia is, like Nigeria, an important producer of oil but has been far more successful in diversifying exports.<sup>2</sup>

## METHODOLOGY

The methodology used here is analogous to examining an automobile dashboard to see which gauges are signaling problems. Sometimes a blinking light has obvious implications—such as the need to fill the fuel tank. In other cases, it may be necessary to have a mechanic probe more deeply to assess the source of the trouble and determine the best course of action.<sup>3</sup> Similarly, the Economic Performance Assessment is based on an examination of key economic and social indicators, to see which ones are signaling problems. Some “blinking” indicators have clear implications, while others may require further study to investigate the problems more fully and identify appropriate courses for programmatic action.

The analysis is organized around two mutually supportive goals: transformational growth and poverty reduction.<sup>4</sup> Broad-based growth is the most powerful instrument for poverty reduction. At the same time, programs to reduce poverty and lessen inequality can help to underpin rapid

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

<sup>2</sup> Economist Intelligence Unit, *Country Profile 2007—Indonesia*, 45.

<sup>3</sup> Sometimes, too, the problem is faulty wiring to the indicator—analogue here to faulty data.

<sup>4</sup> In USAID’s white paper *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century* (January 2004), transformational growth is a central strategic objective, both for its innate importance as a development goal and because growth is the most powerful engine for poverty reduction.

and sustainable growth. These interactions can create 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.

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

In countries such as Nigeria, which have experienced ongoing conflict, there is also an interaction between security conditions and economic performance. Overt conflict, or even the risk of serious conflict, can adversely affect growth; conversely, an end to conflict can deliver a peace dividend. In addition to conflict affecting the economy, economic conditions may either exacerbate or help to ameliorate security problems. Thus, it is useful to view economic performance in Nigeria through a conflict lens. Accordingly, this report includes a section on conflict risk.

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

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

Table 1-1  
*Topic Coverage*

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

## DATA QUALITY AND FORMAT

Data for Nigeria are available for a wide range of economic indicators, but there are serious concerns about their quality. The International Monetary Fund summarizes these concerns as follows:

Macroeconomic data are broadly adequate for surveillance; however, serious data deficiencies continue to hamper policy design and monitoring. These deficiencies affect the national accounts, government finance, monetary and external accounts—including major inconsistencies between the balance of payments and customs data on trade. Numerous problems prevent the compilation of timely and internally consistent data, in particular lack of data sharing between data producing and collecting agencies, and insufficient computerization.<sup>5</sup>

Data on national accounts vary particularly widely among sources: the government published a revised data set in October 2007 with data revised back to 1981,<sup>6</sup> which estimated non-oil GDP at substantially higher levels and included higher estimates of real growth rates.<sup>7</sup> The IMF used the revised output data in its February 2008 Article IV report for Nigeria and in the April 2008 edition of its *World Economic Outlook* database, with minor adjustments to figures for 2007. The Fund, however, noted concerns about the quality of output data and argued that the data need additional adjustments.<sup>8</sup> In this report, we use the GDP figures from the Article IV report and *World Economic Outlook* and note when we have concerns about particular figures. Economic data are generally more recent than social data (e.g., health, education, and gender indicators), and discrepancies exist among sources for numerous indicators. We note discrepancies throughout the report.

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<sup>5</sup> IMF, *Nigeria: Article IV Consultation—Staff Report*, IMF Country Report No. 08/64, February 2008, 59. <http://www.imf.org/external/pubs/cat/longres.cfm?sk=21725.0>, accessed April 21, 2008.

<sup>6</sup> Nigeria National Bureau of Statistics, *National Accounts of Nigeria 1981–2006*.

<sup>7</sup> Article IV, 5.

<sup>8</sup> *Ibid.*, 59.



## 2. Overview of the Economy

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

### GROWTH PERFORMANCE

Nigeria's economy has experienced strong growth in recent years. Real GDP growth averaged 7.8 percent from 2004 to 2007, and growth of 6.4 percent in 2007 exceeded the low-income sub-Saharan (LI-SSA) median (4.0 percent), the LI median (6.0 percent), and the rate in Indonesia (6.3 percent), although it was lower than the rate in Kenya (7.0 percent) (see Figure 2-1). Oil accounts for nearly 40 percent of GDP, but from 2001 to 2006—except in 2003—real growth in other sectors outpaced growth in the oil sector.<sup>9</sup> Sectors that have experienced particularly strong growth include telecommunications, which has been liberalized and privatized over the past decade,<sup>10</sup> and wholesale and retail trade. Agriculture has also shown some growth, although it remains far from fulfilling its potential (see Agriculture).<sup>11</sup>

Nigeria's per capita GDP is high relative to GDP in other LI-SSA countries. In purchasing power parity dollars, GDP per capita grew from \$1,597.90 in 2003 to \$2,034.60 in 2007—an average annual growth rate of 5.6 percent. It is now far higher than the LI-SSA's median per capita GDP (\$1,018.00), and Kenya's (\$1,359.00) but still much lower than Indonesia's (\$3,234.00).<sup>12</sup>

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<sup>9</sup> Article IV, 32. While there is broad agreement that non-oil sector growth has been encouraging, the IMF expresses “concerns” about the government's estimates for growth in 2002 and 2004. For example, the government reported that agricultural value added grew by 55.2 percent in real terms in 2002; this number seems unrealistically high.

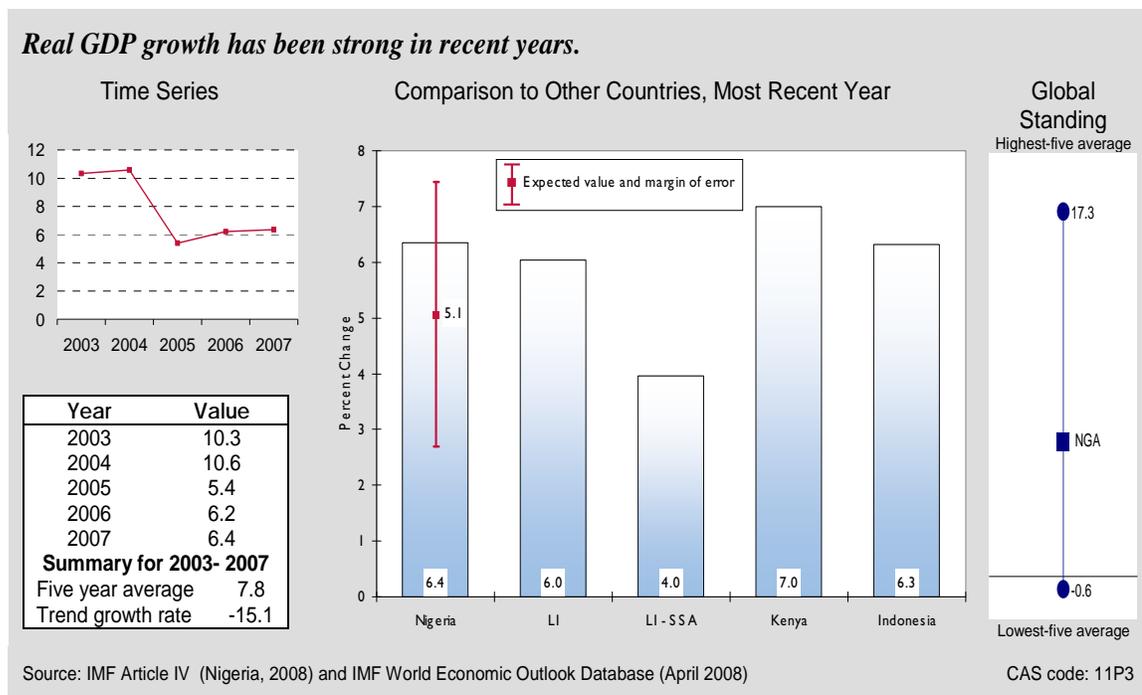
<sup>10</sup> Economist Intelligence Unit, *Nigeria—Country Profile 2008*, 20-21.

<sup>11</sup> The IMF has expressed concern about agricultural output statistics prepared by national authorities; it notes that the “increase in agricultural output was inconsistent with available data and inadequately documented.” However, other sources do support the contention that agriculture's performance has improved; see for example, Economist Intelligence Unit, *Nigeria—Country Profile 2008*, 33-34.

<sup>12</sup> The World Bank bases its income group classifications on GNI per capita calculated using the World Bank Atlas method. Low income countries are those with GNI of \$905 or less, and lower-middle income countries are those with GNI of \$906 to \$3,595. Nigeria released revised national accounts data in October 2007 that included substantial upward revisions to GDP figures. The World Bank's World Development Indicators database reports Nigeria's GNI per capita using the Atlas method as \$620 in 2006, but this figure does not appear to have been updated to reflect the recent revisions of national accounts data. If the real growth rate of GNI in 2007 was strong, and if GNI figures are adjusted upward in accordance with other

Despite Nigeria's relatively high per capita GDP, poverty remains widespread and there are wide disparities in income (see Poverty and Inequality).

Figure 2-1  
*Real GDP Growth*



Nigeria's labor force grew more productive by an average of 5.1 percent annually between 2003 and 2006,<sup>13</sup> but annual growth dipped from 7.5 percent in 2004 to 3.3 percent in 2006—lower than Kenya's 3.6 percent and Indonesia's 3.5 percent in 2005 (most recent year available). Nigeria has significant scope for increasing labor force productivity by improving health and education, introducing new technologies, and eliminating protectionist trade policies.

Nigeria may also be able to increase productivity and growth by improving the business-enabling environment and increasing fixed investment (expenditure on fixed assets such as buildings, equipment, and infrastructure) from both the private and public sectors. Reliable data on Nigeria's gross fixed investment are unavailable,<sup>14</sup> but the poor state of the country's infrastructure suggests that more fixed investment is needed.

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revisions to national accounts data, it is possible that Nigeria will "graduate" to lower-middle-income status in the World Bank's next set of country income group classifications (due on July 1, 2008).

<sup>13</sup> As measured by the annual percentage change in the ratio of GDP (in constant prices) to the size of the working age population (age 15-64). GDP data are from the World Economic Outlook (WEO) database (April 2008); data on the working age population are from WDI. Labor productivity may differ significantly among sectors, but we did not have the requisite data to complete sectoral calculations.

<sup>14</sup> IMF's April 2008 *International Financial Statistics* publication for Nigeria provided gross fixed capital formation data through 2004, but national accounts data in IFS differ substantially from revised

## POVERTY AND INEQUALITY

Poverty in Nigeria is worryingly high. In 2005, it scored 37.3 on the Human Poverty Index (on a 0–100 scale, from no deprivation to high deprivation). This relatively poor performance was due mainly to low life expectancy and limited access to an improved water source.<sup>15</sup> In 2003 (latest year available), an alarming 70.8 percent of the population lived on less than \$1 per day in purchasing power parity terms—a share far higher than that expected for a country with Nigeria’s characteristics (46.3 percent), the LI median (38.7 percent), and Indonesia’s share (7.5 percent) in 2002 (Figure 2-2). The extent of poverty is even more striking according to the \$2 PPP per day threshold: 92.4 percent of Nigerians lived on less in 2003, compared to the expected 81.9 percent, the LI median (78.2 percent), and the rate in Indonesia (52.4 percent).<sup>16</sup> Poverty rates are higher among women, young children, and the elderly than the population at large.<sup>17</sup>

Nigeria’s wealth is distributed unequally. In 2003, the poorest 20 percent earned only 5.0 percent of national income, below the expected range of values for a country with Nigeria’s characteristics (5.2–7.0 percent), and less than the LI median (7.0 percent) and the share in Indonesia (8.4 percent). Income disparities have a strong regional basis, as poverty is higher in northern Nigeria than in the south. Income poverty is also higher in rural areas and among people engaged in livelihoods dependent on natural resources (e.g., agriculture and small-scale mining). Yet poverty is present in urban areas, too: 1 in 25 of Nigeria’s poor live in the country’s largest city, Lagos.<sup>18</sup>

Nigeria’s 2004 Poverty Reduction Strategy Paper (NEEDS<sup>19</sup>) recognized that to substantially reduce poverty the country must diversify economic growth geographically and sectorally, and it emphasized promoting private sector performance to encourage non-oil sector growth.<sup>20</sup> NEEDS 2, which is expected to be formalized in May 2008, adopts these same objectives.

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figures published in the IMF’s February 2008 Article IV report for Nigeria and the WEO database for April 2008. World Development Indicators includes fixed investment data through 2006, but its national accounts data also differ substantially from the figures in Article IV and WEO.

<sup>15</sup> UNDP Human Development Reports, Nigeria factsheet, accessed April 18, 2008 at [http://hdrstats.undp.org/countries/country\\_fact\\_sheets/cty\\_fs\\_NGA.html](http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_NGA.html)

<sup>16</sup> Other data, measured in minimum amount of calorie consumption a day, show 54 percent of Nigerians living in extreme poverty and 34 percent in relative poverty as measured by minimum daily calorie intake (see MDG figures in IMF article IV, p. 34). However, the IMF/World Bank Poverty Reduction Strategy Paper (PRSP) Progress Report (August 2007, p.3) shows the same figures as cited in the text. These discrepancies, however, do little to eliminate the concern about, and need to address, poverty levels.

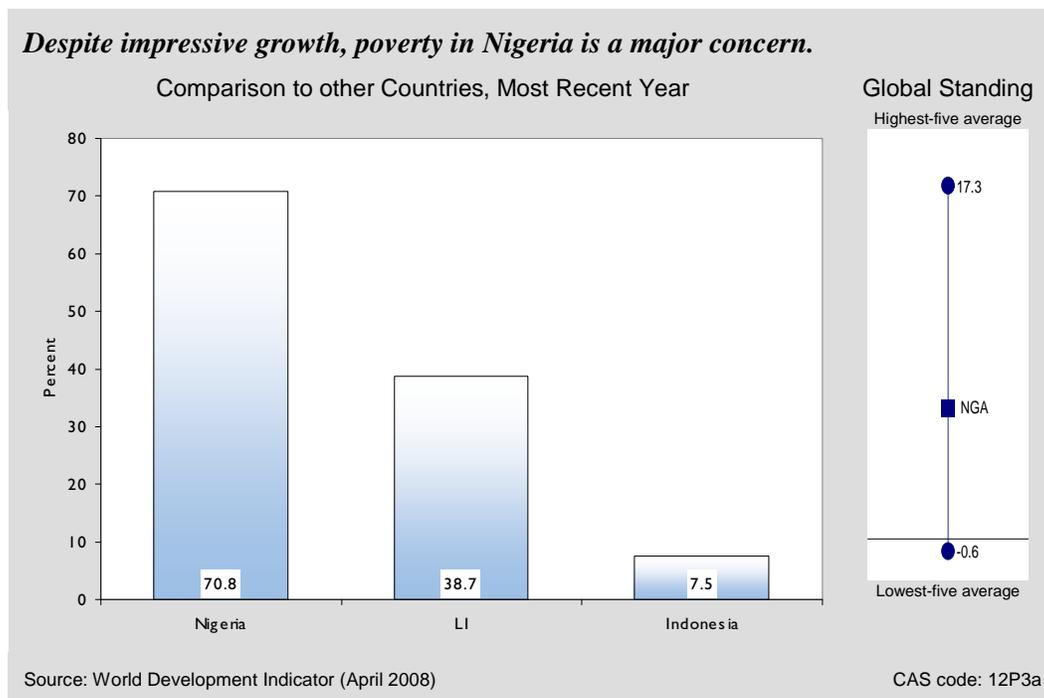
<sup>17</sup> World Bank Group and U.K. Department for International Development, *Country Partnership Strategy for the Federal Republic of Nigeria (2005-2009)*, June 2, 2005, 8. <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/NIGERIAEXTN/0,,menuPK:368909~pagePK:141132~piPK:141105~theSitePK:368896,00.html>, accessed April 17, 2008.

<sup>18</sup> Source: Country Partnership Strategy, p. 9.

<sup>19</sup> Nigerian National Planning Commission, *Meeting Everyone’s Needs—National Economic Empowerment and Development Strategy*, 2004. <http://www.imf.org/external/pubs/ft/scr/2005/cr05433.pdf>, accessed April 17, 2008.

<sup>20</sup> Country Partnership Strategy, p. 18

Figure 2-2  
*Percentage of Population Living on Less than \$1 PPP per Day*



## ECONOMIC STRUCTURE

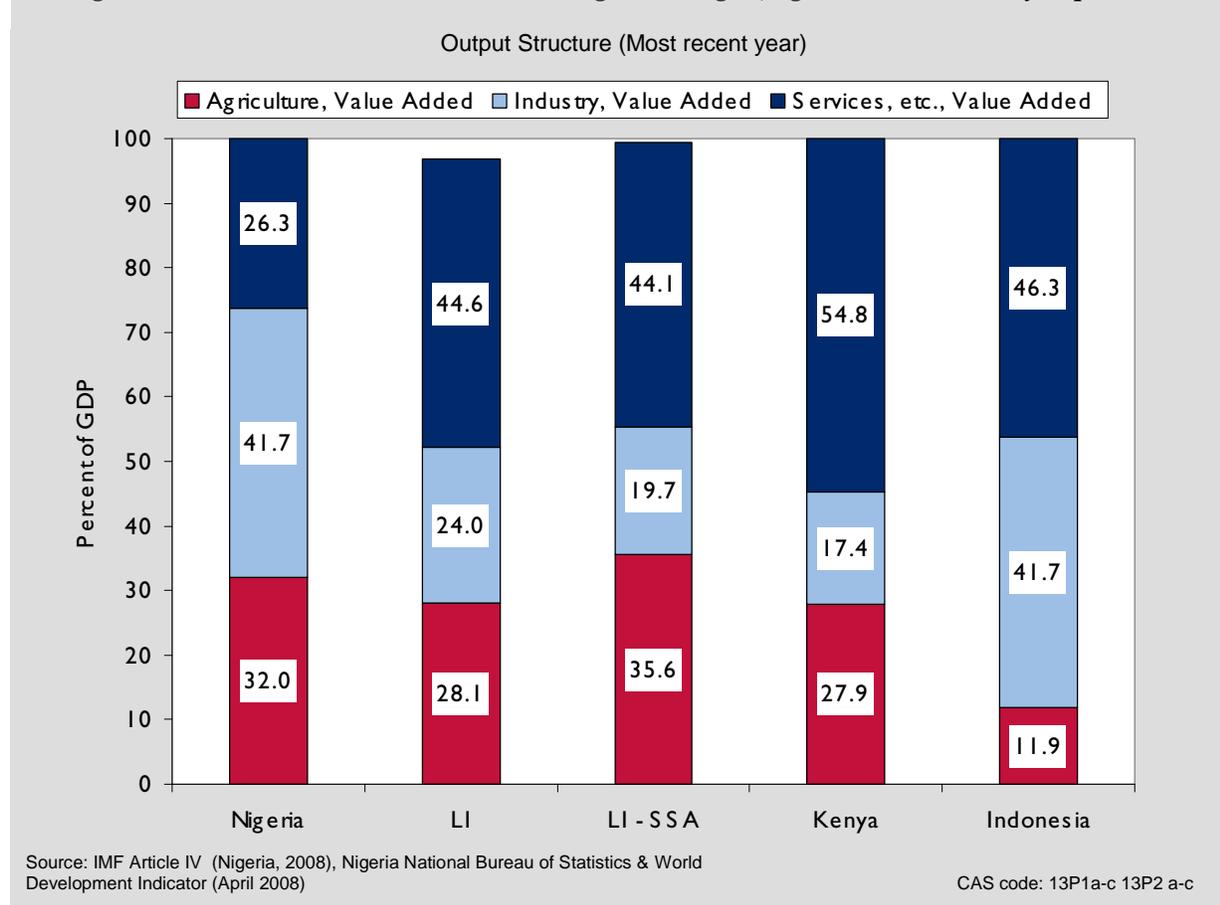
Nigeria neglected its strong agricultural and manufacturing base during the oil boom of the 1970s and 1980s, largely through the appreciation of the real exchange rate that occurred because of the very rapid expansion of oil exports. Through various initiatives of the NEEDS and its equivalent at the state level (SEEDS), Nigeria continues to pursue diversification to reduce dependence on crude oil production. Growth in non-oil sectors has been strong in recent years (see Growth Performance), but the sector still accounts for a large share of GDP. Dominated by oil, industrial output reached 41.7 percent of GDP in 2006, a share far higher than the median value for LI countries globally (24.0 percent). Indonesia's industrial output as a share of GDP is identical to Nigeria's, but output in Indonesia comes from a more diversified industrial base, which provided employment for 18.0 percent of the labor force in 2005. By contrast, the entire Nigerian industrial sector provided employment for only 3.4 percent of the workforce. This reflects the weak contribution of the oil sector to the job growth needed to transform the economy, and underlines the need for USAID and other donors to support non-oil-led growth in Nigeria. See Figure 2-3.

Agriculture is important in the Nigerian economy, not only because it employs a large share of the labor force (58.6 percent in 2005), but also because of its importance in the allocation of consumption. Subsistence farming and agricultural production of food and beverages dominate output, but the federal government and several state governments want to revive the prominence of commercial agriculture. The sector has grown in real terms, but its share in GDP has hovered at about one-third in the past few years as the price of oil in the world market has increased along with Nigeria's revenues from oil exports. This share of GDP for agriculture tracks well the expected value of 33.8 percent for a country with Nigeria's characteristics and the medians for low-income countries globally (28.1 percent) and in sub-Saharan Africa (35.6 percent). These

data contrast with figures for Indonesia, where only 11.9 percent of GDP comes from agriculture—providing an indication of Indonesia’s adjustment to a more industrialized economic base.

Figure 2-3  
Economic Structure

*Although the oil-dominated industrial sector is Nigeria’s largest, agriculture is still very important.*



The services sector’s share of output increased from 21.2 percent in 2002 to 26.3 percent in 2006, but remained well below the LI median (44.6 percent), the LI-SSA median (44.1 percent), and the shares in Kenya (54.8 percent) and Indonesia (46.3 percent). Reforms in the banking and insurance sectors,<sup>21</sup> as well as liberalization and privatization in telecommunications and transport have been helpful, as have reforms in the aviation and mobile phone industries (see Economic Infrastructure). Wholesale and retail trading has also grown. In addition, tourism, Nigeria’s movie industry (“Nollywood”), and the entertainment industry in general show potential for growth and employment generation.

<sup>21</sup> To strengthen the banking sector, the Central Bank of Nigeria granted commercial banks 15 months from July 2005 to improve their capital base from N 2 billion (approximately \$2 million at the time) to N 25 billion (approximately \$250 million). By the end of 2006, through mergers and other alliances, 89 banks had consolidated to 25 well-capitalized ones. The insurance sector is undergoing similar reforms.

In summary, growth in non-oil sectors has been promising but will need to outpace oil sector growth for a sustained period to lessen the economy's dependence on oil. By supporting Nigeria's efforts to diversify, donors can help to create jobs and alleviate poverty.

## DEMOGRAPHY AND ENVIRONMENT

The most populous country in sub-Saharan Africa, Nigeria had a population of 144.7 million in 2006.<sup>22</sup> Population growth averaged 2.4 percent annually in the period 2002–2006,<sup>23</sup> equal to the LI-SSA median of 2.5 percent and close to the rate in Kenya (2.6 percent), but far higher than in Indonesia (1.1 percent). The rate of real output growth must exceed the rate of population growth for a country to improve its potential to reduce poverty and increase prosperity.

In 2006, Nigeria's youth dependency rate was a high 83.1 percent, down from 86.2 percent in 2002 (Figure 2-4).<sup>24</sup> That rate is identical to the LI-SSA median but higher than Kenya's 78.6 percent and Indonesia's 42.1 percent (both 2006). Nigeria's high rate is the result of very low life expectancy and a high fertility rate (5.4 births per woman in 2006, compared to 2.2 births in Indonesia and 5.0 births in Kenya).<sup>25</sup> This high youth dependency rate is worrisome because it puts pressure on the country's education and health systems and increases demand for job creation.

Nigeria is urbanizing quickly. In 2006, 49.0 percent of the population was living in urban areas, a share well above the expected value of 32.5 percent and Kenya's 21.0 percent, but nearly identical to Indonesia's 49.2 percent. This level of urbanization reflects the lack of employment opportunities and greater poverty in rural areas, as well as the long tradition in Nigeria of living in urban centers. And for a country of modest development, high levels of urbanization put substantial pressure on urban governments to deliver employment, housing, education, and health care services.

Nigeria scored 56.2 percent on the environmental performance index (EPI) in 2007, on a scale of 0 to 100 (worst to best). Nigeria scores particularly low on water quality.<sup>26</sup> In urban areas, seasonal flooding and sewage backup are compounded by garbage and waste disposal problems. Another problem is gas flaring, a process by which unused and unsold gas is burned into the air to separate it from crude oil, a practice common in oil-producing areas. Flaring contributes to

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<sup>22</sup> Population estimates vary among sources; figures quoted here are from World Development Indicators, the source for population data in our template. The results of Nigeria's 2006 census were disputed within the country. See, for example, Sandra Yin, "Objections Surface over Nigerian Census Results," Population Reference Bureau, April 2007, <http://www.prb.org/Articles/2007/ObjectionsOverNigerianCensus.aspx>, accessed April 17, 2008.

<sup>23</sup> The WEO database estimates a higher population growth rate than the WDI figure quoted here. WEO estimates an average of 2.8 percent annually over the 2002–2006 period.

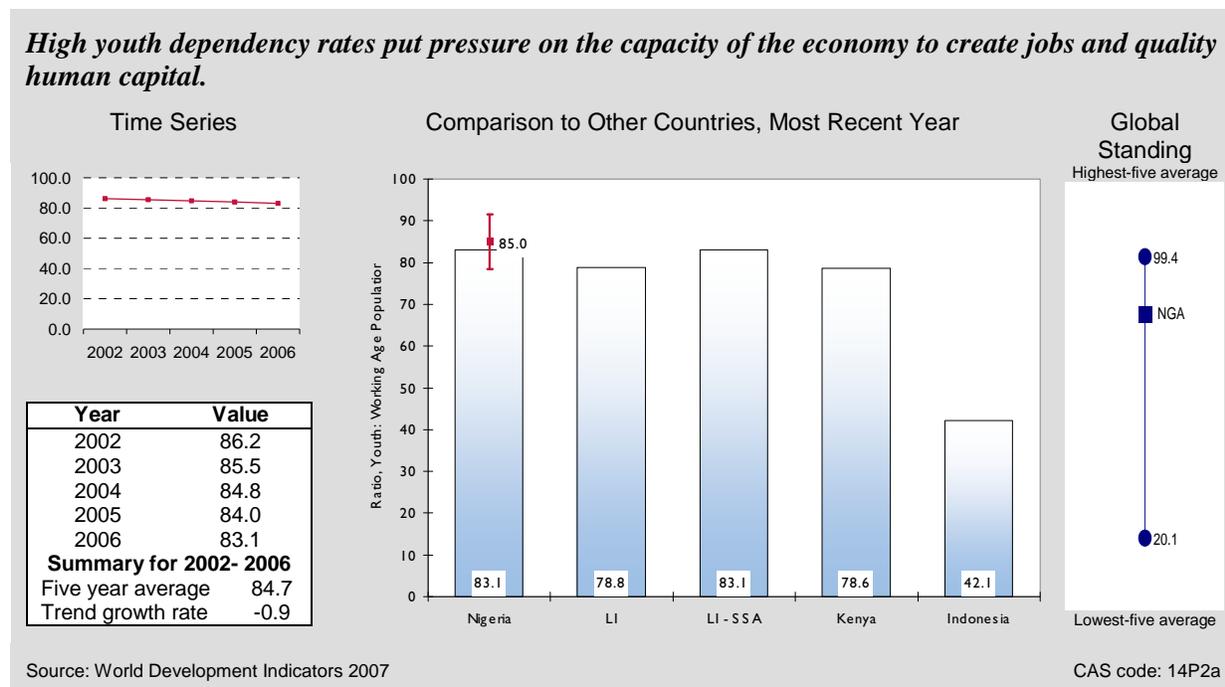
<sup>24</sup> The youth dependency rate is the population aged 5 to 14 years divided by the population aged 15 to 64; it measures the number of youth that depend on the working age population.

<sup>25</sup> World Development Indicators, 2007.

<sup>26</sup> Yale Nigeria EPI, accessed April 19, 2008 <http://epi.yale.edu/Nigeria>

greenhouse gas emissions, air and ground water pollution, and rain acidification.<sup>27</sup> These effects weaken the quality of soil for farming and undermine efforts to improve health outcomes.

Figure 2-4  
Youth Dependency Rate



## GENDER

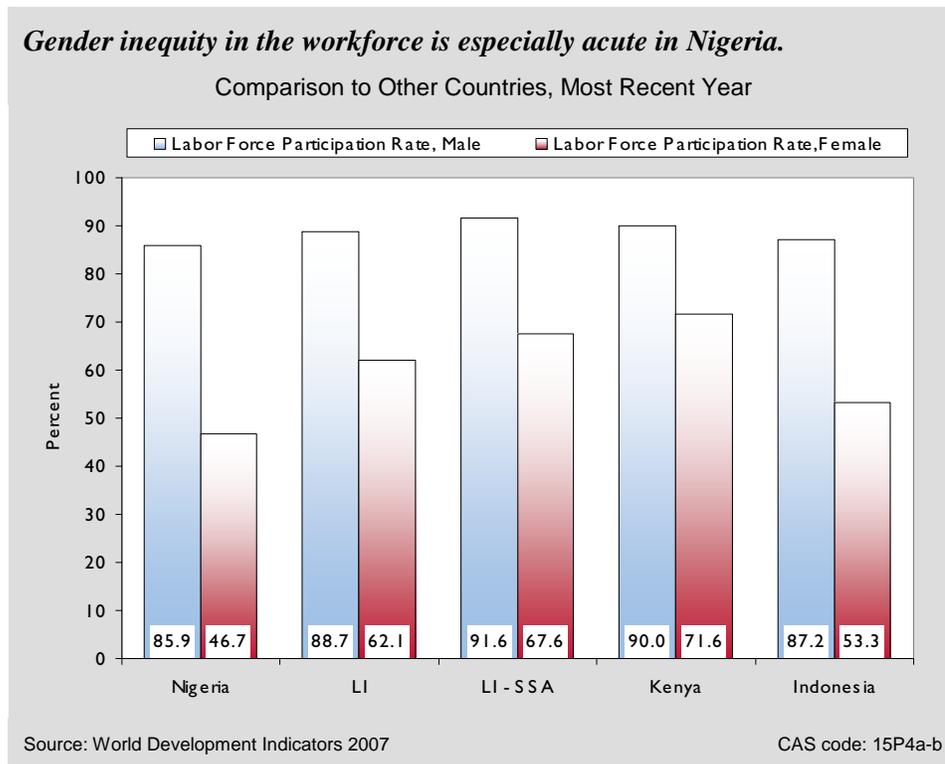
Gender equity promotes economic growth by ensuring that all citizens have the opportunity to develop and apply their full productive capacities. In Nigeria, some primary statistics on gender point to a need to address inequality in basic economic sectors such as health, education, and the labor force.

Life expectancy at birth is a fundamental indicator of health conditions. In Nigeria, life expectancy is extremely low for males and females. In 2005, the average life expectancy at birth was an estimated at 47.1 years for women and 46.0 years for men. These rates are lower than rates for all comparators, including the already low median rates in LI-SSA countries—49.8 years for women and 48.6 years for men. The low rates reflect the generally poor living and health status conditions in Nigeria (see Health). The differential between life expectancy for men and women is a crude indicator of gender differentials in health conditions. As in most countries, women outlive men in Nigeria—but by only about 1.1 years on average. The median differential between female and male life expectancy is higher in LI-SSA countries (1.2 years) and LI countries globally (3.7 years). The differential is higher for Kenya (2 years) and Indonesia (3.8 years) as well.

<sup>27</sup> “Another deadline goes up in flames,” *The Economist*, April 3, 2008.

Education statistics also point to a need to address gender inequality. For instance, there was a discrepancy of 10 percentage points between men and women in the gross enrollment rate at all education levels in 2004 (latest year of available data): female gross enrollment was only 50.0 percent, while male enrollment was 60.0 percent (still a low rate). This is slightly higher than disparities in median enrollment rates in LI and LI-SSA countries (7.0 percentage points and 6.5 percentage points respectively), as well as in Kenya (4.0 percentage points) and Indonesia (3.0 percentage points). Although the disparity appears slight, it may be masking more severe inequality in access to education. The World Bank and DFID note that the number of girls enrolled in primary education is 92 percent of the number of boys and that in some states, particularly in the northwest, girls' primary enrollment is less than 40 percent of the rate of boys.<sup>28</sup> Also worrying is Nigerian girls' low primary completion rate. At 67.8 percent in 2005, it was far lower than the rates in Kenya (91.6 percent) and Indonesia (100.0 percent).

Figure 2-5  
*Labor Force Participation Rate, Male and Female*



Finally, gender disparity in labor force participation in Nigeria is significant (Figure 2-5). In 2006, the differential between male and female labor force participation was 39.2 percentage points. Most developing countries have significant gender disparity in labor force participation; the median differences in labor force participation rates in LI and LI-SSA countries were 26.6 percentage points and 24.0 percentage points, respectively, and in Kenya and Indonesia, 18.4 percentage points and 33.9 percentage points. Still, the gender disparity in Nigeria is large. This

<sup>28</sup> The World Bank Group and Department for International Development (UK), *Country Partnership Strategy for the Federal Republic of Nigeria: 2005-2009* (June 2, 2005), 8.

degree of inequality in the labor market seriously undermines the country's productive potential. For all Nigerians to fulfill their potential and contribute to national development, it is imperative that policymakers create equitable opportunities for women in education and the workplace, including programs to train female workers and entrepreneurs.



## 3. Conflict and the Economy

Violent conflict and a lack of security can dampen economic growth as human and financial resources are lost or pulled into non-economically productive activities aimed at maintaining or restoring peace. Social disruption delays or relocates productive investment and erodes previous gains in political and economic development.<sup>29</sup>

This section reports on a rapid assessment of recent economic, political, and social factors that signal the extent of potential for violent conflict in Nigeria. The assessment looks mainly at indicators of the Conflict Assessment System Tool (CAST) developed by the Fund for Peace, but also considers indicators discussed in other parts of this report.

### METHODOLOGY

CAST gauges the extent to which states are vulnerable to violent internal conflict and societal dysfunction by rating 12 indicators in three categories: social, economic, and political/military. Each indicator is scored on a scale of 1 to 10 (with 10 the worst). The scores are based on a combination of daily computerized analysis of thousands of news articles and documents from around the world and analysis of other statistics. The higher the score, the greater the risk: a score of 90 or higher indicates “critical” risk and a score of 120, the highest possible, represents “state collapse.” The CAST method also assesses the capacity of the state to prevent or manage internal conflict, assigning values from 1 (poor) to 5 (excellent) to the institutional capacity of political leadership, the military, the police, the judiciary, and the civil service.

### CONFLICT ASSESSMENT

Group conflict in Nigeria has several dimensions, including ethnicity, political affiliation, and religious affiliation. In 2007, Nigeria’s overall score on the CAST was 95.7, signaling a high risk for conflict at the national or state level. Most military governments in power between 1966 and 1999<sup>30</sup> sought to suppress dissent and social agitation and often brutally suppressed civil conflict. Some institution building to mitigate and prevent conflict began with the return to civilian rule in 1999.

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<sup>29</sup> The ultimate form of conflict, civil war, reduced GDP per capita at an annual rate of 2.2 percent. Paul Collier, “On the Economic Consequences of Civil War,” *Oxford Economics Papers* 51 (1999), 168–83. <http://www.worldbank.org/research/conflict/papers/cw-consq.pdf>, accessed April 16, 2008.

<sup>30</sup> There was civilian rule between 1979 and 1983.

Table 3-1  
Nigeria's 2007 CAST Scores

Category	CAST Score
<b>S O C I A L</b>	
Mounting demographic pressures	8.2
Massive movement of refugees or internally displaced persons	5.1
Legacy of vengeance- seeking group grievance or group paranoia	9.4
Chronic and sustained human flight	8.2
<b>E C O N O M I C</b>	
Uneven economic development along group lines	9.2
Sharp and/or severe economic decline	5.9
<b>P O L I T I C A L A N D M I L I T A R Y</b>	
Criminalization and/or de-legitimization of the state	8.9
Progressive deterioration of public services	8.7
Suspension or arbitrary application of human rights	7.5
Security apparatus operates as a "state within a state"	9.2
Rise of factionalized elites	9.3
Intervention of other states or external political actors	6.1
<b>Overall Score</b>	<b>95.7</b>

## Social Indicators

The four social indicators assess the potential for conflict in specific groups or subgroups of society at a given time. Nigeria's population growth rate of 2.4 percent and its young population both exert pressure on society, hence the score of 8.2 for the mounting demographic pressure. Political agreements settling regional conflicts with Sierra Leone, Liberia, and Cote d'Ivoire have allowed refugees to return home, so risk associated with movements of refugees was scored at 5.1.

Nigeria's troubling score of 9.4 on the group grievance indicator reflects frequent religious, ethnic, and communal strife in northern and southern states; low-intensity armed insurgency driven by resentment of federal policies, economic marginalization, and environmental degradation; and rising criminal activity in the Niger Delta region, where oil wealth originates. Nigeria's worst internal conflict, the Biafran War (1967-1970), was due to the attempt of the former Eastern Region, which then included the Niger Delta, to secede from the Nigerian federation. Since then, internal conflicts have been mostly low intensity and confined to regions within states. These kinds of conflicts, however, can cause "ricochet riots," in which members of one group retaliate against members of another for violence that occurred elsewhere.<sup>31</sup> Nigeria experience several such riots in 2006 and 2007.

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<sup>31</sup> Wendy Marshall *et al.*, "Future Directions for USAID Support to Conflict Mitigation," submitted to USAID, July 2001 under USAID Contract No. AEP-I-00-99-00041-00.

## Economic Indicators

Nigeria's disproportionate dependence on oil from a relatively small part of the country has led to high growth but persistent poverty and inequality. With wide disparities in income, Nigeria scores 9.2 for on the economic development measure (see full discussion under Poverty and Inequality) Exhibit 3-1 summarizes the economic dimensions of the Niger Delta conflict.

### Exhibit 3-1 *Niger Delta Conflict*

Nigeria's oil wealth is concentrated in onshore and offshore deposits in the densely populated delta of the Niger River in the far south of the country. Nigerians refer to the region as the South-South. More than 2 million barrels of crude oil are pumped out of the region every day when there is no social unrest. Following the terms of a constitutionally backed agreement with the federal government in 1999, 13 percent of oil revenue goes to nine oil-producing states. The shares of the remaining 87 percent are established by acts of the National Assembly. As of February 2008, these funds were allocated as follows: 52.7 percent to the federal government, 26.7 percent to the states, and 20.6 percent to local governments.<sup>32</sup> The four largest oil-producing states—Delta, Rivers, Bayelsa, and Akwa Ibom—produce and receive

more than 90 percent of oil-derivation payments made to the states (about \$2 billion in 2005).<sup>33</sup> These states, however, are very poor, partly because of 30 years of neglect and suppressed dissent, including through executions, under military rule. Since 1999, the most serious challenge to civilian government and state authority has come from armed rebel groups that want more political inclusion and control of oil wealth. One of these groups is the Movement for the Emancipation of the Niger Delta (MEND). Frequent kidnappings and armed attacks by these groups present a continuing challenge for government. The latest government effort to address grievances is the Niger Delta Development Commission (NDDC), which still has a long way to go to secure the trust of the stakeholders in this conflict.

## Political/Military Indicators

Military governments in Nigeria came to power through coups d'état and governed by decree for much of the post-independence era. The judiciary was frequently bypassed and the national constitution circumvented. The presidential elections in 2007 brought about the first transfer of executive power from one civilian federal government to another. Nigeria's poor score of 8.9 on the state legitimacy indicator is due largely to continued perceptions of deep-rooted corruption in the government and national elections, which local and international observers said were riddled with irregularities. Sporadic violence followed the announcement of results of contests in several state and local government elections. The courts have overturned approximately one-third of the state elections.

<sup>32</sup> IMF, *Nigeria: 2007 Article IV Consultation – Staff Report* (February 2008), 8.

<sup>33</sup> World Bank, *Nigeria A Fiscal Agenda for Change. Public Expenditure Management and Financial Accountability Review*, May 25, 2007. The Obasanjo government expanded the definition of the Niger Delta to nine states including Abia, Cross River, Edo, Imo, and Ondo.

The federal government of Nigeria has been aggressive against some corruption, enacting laws to penalize financial crimes and government money laundering and pursuing high-profile prosecutions of state governors and other officials. In 2006 and 2007, *Servicom*, a “social contract” between the federal government and the citizenry, was introduced to help evaluate the quality of government service. Complaint boxes have been set up outside most government agencies, and parts of evaluation summaries are posted on the Internet.<sup>34</sup> Though public opinion of public service has improved, Nigeria scored a poor 8.7 for progressive deterioration of public services. High-profile cases of police brutality and human rights abuse were rare in 2007, but Nigeria still scored a relatively high 7.5 for “suspension or arbitrary application of human rights” because of allegations of abuse in the penal system and abuse of military power in the Niger Delta.

Politically fragmented groups of powerful elites, especially when divided along sociocultural lines, can be a source or symptom of conflict. Nigeria’s very poor scores for factionalized elites (9.3) and security apparatus (9.2), reflect the presence of armed groups hired for protection as well as for intimidation during the 2007 national elections and the rise of organized militancy and piracy in the Niger Delta.

## **INSTITUTIONAL CAPACITY OF THE STATE**

After almost 30 years of military rule, Nigeria completed its first peaceful transfer of power from one civilian government to another. At the federal level, efforts to strengthen the ability of the government to manage its affairs have had some success, although much remains to be done to change decades of pervasive graft and institutional decay.

Nigeria’s score of 3 (or “moderate”) for military and leadership institutional capacity is encouraging, reflecting the professional competence and peacekeeping capacity of the military in and the peaceful resolution of a potential constitutional crisis over whether former President Olusegun Obasanjo and several state governors of the ruling People’s Democratic Party would bypass the legislature and seek third terms in office. The Parliament was also assertive in blocking Obasanjo’s move for a third term.

The police, the judiciary, and the civil service all scored 2 (or “weak) in 2007. The Economist Intelligence Unit reports that there is one policeman for every 1,300 people in Nigeria, compared with the United Nations’ recommendation of 1:400.<sup>35</sup> Training and equipment have marginally improved the professionalism of the force, but police brutality and extrajudicial killings are frequently reported. Corruption, including extortion at arbitrary road checkpoints and from small businesses through the inspection and licensing regimes, was widespread as well. The institutionalizing of systems to curb delays, corruption, inefficiency, political influence, and other malpractices in the judiciary and the civil service is still a work in progress.

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<sup>34</sup> [http://www.servenigeria.com/index.php?option=com\\_content&task=view&id=250&Itemid=161](http://www.servenigeria.com/index.php?option=com_content&task=view&id=250&Itemid=161) , accessed April 18, 2008.

<sup>35</sup> Economist Intelligence Unit, *Nigeria—Country Profile 2008*, 15.

There are so many potential conflict zones in Nigeria that it would be impossible to map them all.<sup>36</sup> There is a great need for donor support to improve institutional capacity for governance in this large country. This suggests that donor support for conflict resolution may need to target capacity building of the kind the USAID Office of Transition Initiatives provided with the Conflict Resolution Network between 2000 and 2001. Subsequent programs aimed at helping Nigeria sustain the transition to civilian rule and improve capacity for early warning systems, particularly at the federal and state levels, will help reduce conflict and insecurity and encourage productive investment.

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<sup>36</sup> Strategic Conflict Assessment Nigeria, Institute for Peace and Conflict Resolution, The Presidency 2002, [www.cidcm.umd.edu/.../ICT and Conflict/DEC%20Post%20Conflict%20Evaluations/nigeria%20cnflass%20usaid.pdf](http://www.cidcm.umd.edu/.../ICT_and_Conflict/DEC%20Post%20Conflict%20Evaluations/nigeria%20cnflass%20usaid.pdf), accessed on April 17, 2008.



# 4. Private Sector Enabling Environment

This section reviews key indicators of the enabling environment for encouraging rapid and efficient growth of the private sector. Sound fiscal and monetary policies are essential for macroeconomic stability, 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 aspect of a good enabling environment because the external sector is a source of potential markets, modern inputs, technology, and finance, as well as competitive pressure for improving efficiency and productivity. Equally important is development of the physical infrastructure to support production and trade. Finally, developing countries need to adapt and apply science and technology to attract efficient investment, improve competitiveness, and stimulate productivity.

## **FISCAL AND MONETARY POLICY**

Nigeria has employed prudent fiscal policies in recent years. It has used excess oil revenues to create a fiscal cushion and has contained expenditures, insulating the economy from potentially inflationary demand shocks due to the oil boom. Inflation has fallen to single digits and the fiscal balance is sustainable. States, however, are pressuring the federal government to distribute oil revenues to them, and this poses risks to macroeconomic stability as a sharp increase in state spending could create excess demand and spur inflation.

Nigeria established an “oil-price-based fiscal rule” (OPFR) in 2004 to shield the economy from domestic spending boom and bust cycles brought on by fluctuations in global crude oil prices.<sup>37</sup> Under the rule, revenue in excess of a budget price and volume are transferred into the Excess Crude Account at the Central Bank, which in effect restrains excess spending at all levels of government. Oil revenues based on the budget price and production levels are distributed among the various levels of governments according to a constitutional directive.<sup>38</sup> Nigeria’s Fiscal

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<sup>37</sup> The Nigerian Medium-Term Fiscal Strategy 2008-10 (MTFS) is based on a budgeted oil price of about \$55 per barrel (previously \$53.83 per barrel).

<sup>38</sup> The Nigerian constitution mandates that all tiers of government share oil revenues and that oil-producing states receive 13 percent upfront. The distribution of the remaining 87 percent is established by

Responsibility Act, signed into law in late 2007,<sup>39</sup> was meant to provide legal backing for the OPFR, but the extent to which the act is legally binding on state governments is still being debated.<sup>40</sup> Several of Nigeria's 36 states have expressed interest in accessing more of the national savings from the Excess Crude Account for development spending. The federal government, however, is concerned about macroeconomic stability and the risks that sharply increased spending by the states would incur.

The OPFR has helped keep consolidated government expenditure<sup>41</sup> at an average of 29.8 percent of GDP in the past four years, in line with the expected value of 26.3 percent of GDP for a country with Nigeria's characteristics. State and local government spending, which comprised more than 40 percent of the consolidated expenditure, declined from 47.9 percent of total expenditure in 2004 to 43.1 percent in 2007, while capital spending increased rapidly during the same period, from 8.2 percent to 17.4 percent, mainly because of large-scale spending to improve dilapidated infrastructure (see Economic Infrastructure). Spending on interest payments has declined significantly, from 9.0 percent of total expenditure in 2005 to 3.6 percent in 2007, as Nigeria received debt relief from the Paris Club, which substantially reduced its external debt (see External Sector).

Soaring oil prices have boosted government revenues. Total government revenue averaged 36.3 percent of GDP between 2004 and 2007, much higher than all benchmarks (Figure 4-1). This is well above the upper bound of the expected value of 17.7 percent of GDP and much higher than in Kenya (19.9 percent in 2004) or Indonesia (18.4 percent in 2006), as well as the medians for LI-SSA countries (16.8 percent) and LI countries (13.7 percent). The oil sector contributes the majority of government revenues—in 2007, direct and indirect oil revenue accounted for an estimated 77.4 percent of total revenues.<sup>42</sup> These huge oil revenues have increased the Excess Crude Account more than a three-fold, from US\$5.1 billion to an estimated US\$17.3 billion,<sup>43</sup> and led to rapid accumulation of foreign currency reserves (see External Sector). With world oil prices at a historic high and additional offshore production coming on line, further increases in revenue may be expected. Indeed, the IMF projects an increase in total government revenue of more than 65 percent between 2007 and 2010.<sup>44</sup>

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acts of the National Assembly. As of February 2008, these funds were allocated as follows: 52.7 percent to the federal government, 26.7 percent to the states, and 20.6 percent to local governments.

<sup>39</sup> "Nigeria: Yar'Adua Signs Fiscal Responsibility Bill Into Law," *This Day*, November 8, 2007, <http://allafrica.com/stories/200711090303.html>, accessed April 18, 2008.

<sup>40</sup> IMF, *Nigeria: 2007 Article IV Consultation – Staff Report* (February 2008), 8.

<sup>41</sup> Includes expenditure by federal, state, and local governments.

<sup>42</sup> IMF, *Nigeria: 2007 Article IV Consultation – Staff Report* (February 2008), 25

<sup>43</sup> IMF, *Nigeria: 2007 Article IV Consultation – Staff Report* (February 2008), 6

<sup>44</sup> IMF, *Nigeria: 2007 Article IV Consultation – Staff Report* (February 2008), 25. The figure cited for 2007 is an estimate, while that for 2010 is a projection by the IMF.

Figure 4-1  
Government Revenue as a Percentage of GDP

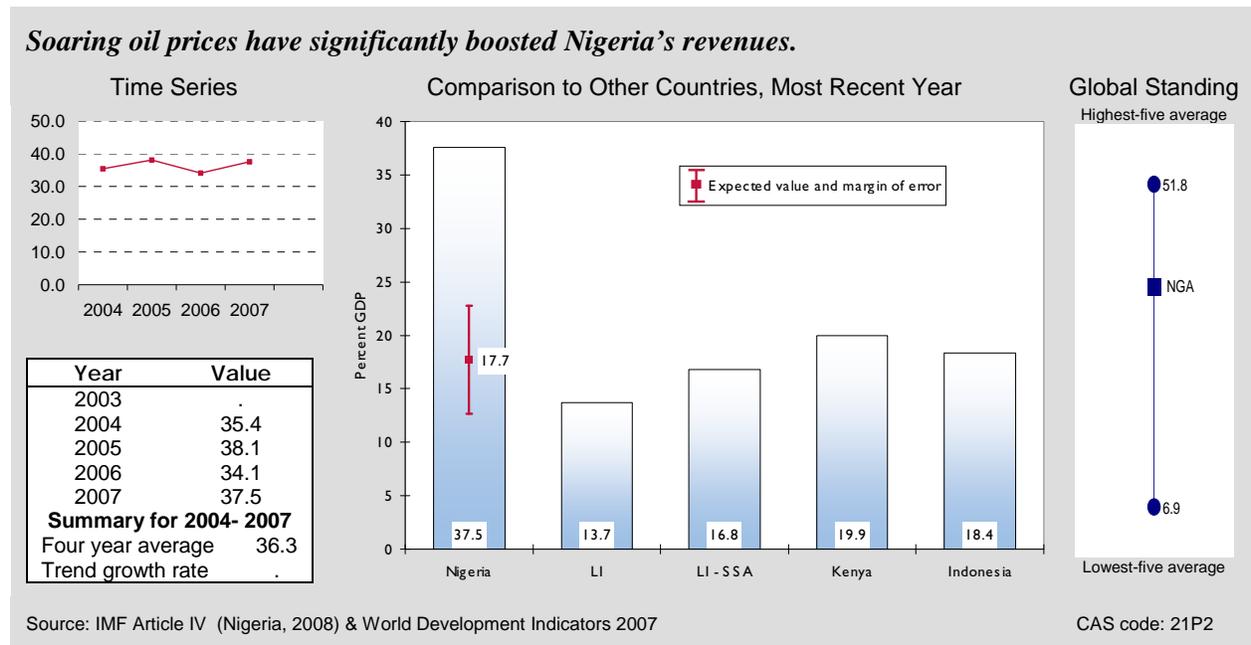
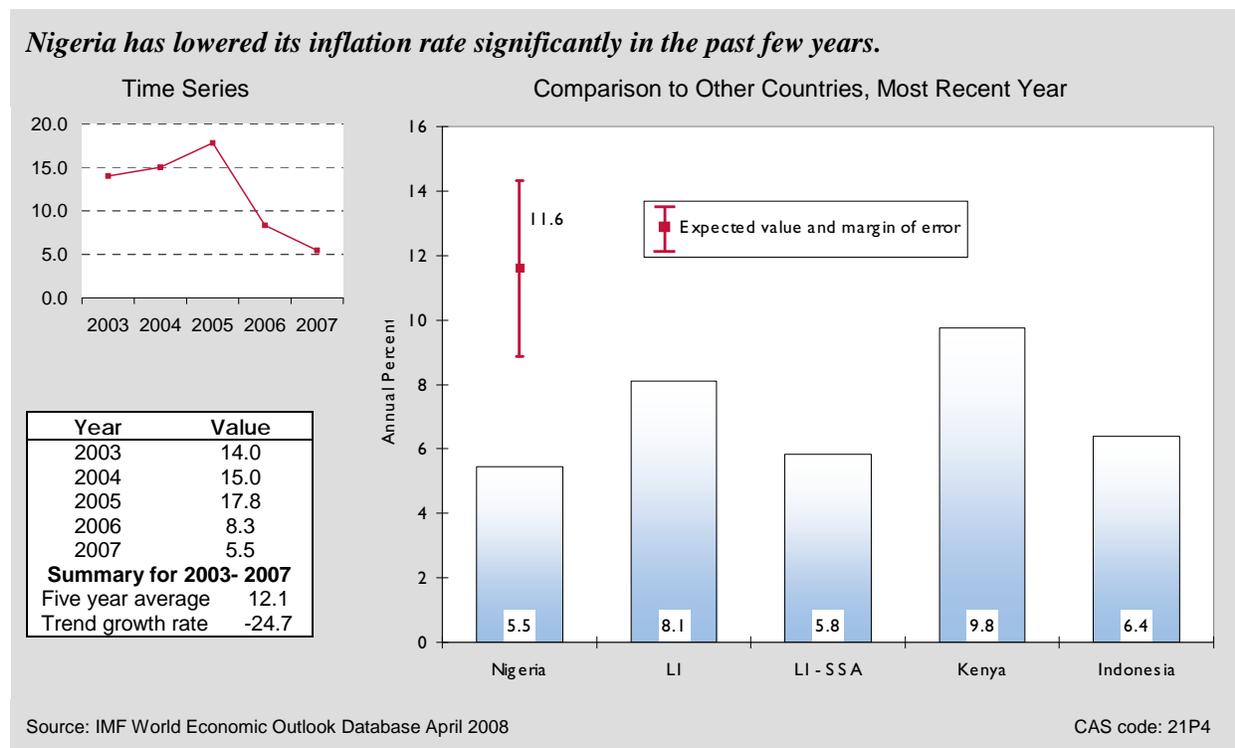


Figure 4-2  
Inflation Rate



Contained expenditure and increased revenue mean that fiscal sustainability has improved in recent years. The fiscal balance averaged a healthy 6.5 percent of GDP between 2004 and 2007, peaking at 9.4 percent in 2005, then dipping to a still healthy 0.6 percent in 2007. In contrast, all

comparator countries and LI countries (medians) ran a fiscal deficit of at least 1 percent. Inflation dropped considerably, from 17.8 percent in 2005 to just 5.5 percent in 2007, partly because consolidation of the foreign exchange market stimulated demand for local currency and led to appreciation of the naira.<sup>45</sup> Nigeria's inflation rate in 2007 was lower than Kenya's (9.8 percent) and Indonesia's (6.4 percent) (Figure 4-2).

Nigeria's money supply grew by 28.3 percent in 2007 because of rapid increases in domestic credit to the private sector and simultaneous rapid accumulation of net foreign assets from oil reserves in recent years. In 2006, the money supply in Kenya grew 18.0 percent and in Indonesia 14.9 percent, while median growth in LI-SSA countries was 20.4 percent and in LI countries 19.2 percent. Nigeria's money supply growth has been consistent with financial sector deepening and a burgeoning private sector. Nonetheless, the macroeconomic framework may not yet be sufficiently equipped to contend with increased domestic demand if the state and local governments were to substantially increase expenditures. The limited scope of the aggregate monetary policy instruments, including open market operations and bank reserve requirements, and the imminent possibility of inflationary pressures, have led the Central Bank to consider moving toward a monetary policy based on inflation targeting. This policy reduces the bank's flexibility but increases stability and investment by allowing investors to make decisions on the basis of expected interest rates. During the transition phase, however, current aggregate monetary variables will continue to drive monetary policy.

While Nigeria's macroeconomic framework has shown considerable strength, risks remain in the form of limited oversight capacity and insufficient scope of aggregate monetary instruments to maintain macroeconomic balance for growth. On the fiscal side, the states' adoption of the tenets of the Fiscal Responsibility Act will be essential to restraining demand and reducing the risk of inflationary pressures.

## **BUSINESS ENVIRONMENT**

Institutional barriers to doing business, including perceived corruption in government, are critical determinants of private sector development and prospects for sustainable growth. Backed by donors, the Government of Nigeria has been engaged in comprehensive investment climate reform at the federal and state levels over the past four years.

The World Bank's composite Doing Business indicators for 2007 ranked Nigeria at an unsatisfactory 108 of 175 world economies. Though this compares favorably to the LI median rank of 147 and Indonesia's 123, it is far behind Kenya's 72. Kenya was labeled a "top 10 reformer" in 2007.

Governance reforms, such as the establishment of the Economic and Financial Crimes Commission (EFCC), the Extractive Industry Transparency Initiative, and legislation establishing the National Council on Public Procurement, have institutionalized the fight against corruption, enabling successful prosecution of high-level cases and substantially reducing instances of

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<sup>45</sup> IMF, *Nigeria: 2007 Article IV Consultation – Staff Report* (February 2008), 4.

“419”<sup>46</sup> advance fee fraud. Graft in the bureaucracy is still a problem, however, and heightens risk for entrepreneurs. This is reflected in Nigeria’s score of -1.3 in 2006 on the Control of Corruption index (-2.5 for poor and 2.5 for excellent) and its scoring below the global median of zero on the World Bank’s governance indicators (Rule of Law Index, Regulatory Quality Index, Government Effectiveness Index). Scores on the Rule of Law Index and the Regulatory Quality Index, however, have improved since enactment of the Sea Island Compact of 2004.<sup>47</sup>

Nigeria’s performance on standard indicators of business–government interface is mixed. Administrative reforms at the Corporate Affairs Commission (CAC), the federal business registry, and other agencies have lowered both the cost—as a percentage of gross national income per capita—and number of procedures necessary to start a business. The cost of starting a business in Nigeria (56.6 percent of GNI per capita)<sup>48</sup> is lower than in Indonesia (80.0 percent) and the medians for LI and LI-SSA countries (103.6 percent and 134.9 percent, respectively), but higher than in Kenya (46.1 percent). Nigeria’s score is expected to improve once the CAC’s computerization initiative is complete and business registration and tax/stamp duty registration are fully integrated, further streamlining procedures. Still, state and local government controls create bottlenecks in post-registration procedures. In many states, duplication and lack of transparency about additional requirements for registration with state authorities (e.g., for business premises) hinder the move from registration to actual start up of business operations.

Automation of court transcripts, more effective use of alternative dispute resolution, and reform in judicial summary procedures in Lagos helped reduce the time to enforce a contract from 730 days to 457—a performance surpassing that of all comparators and benchmarks.<sup>49</sup> Nigerian enterprises pay 29.9 percent of total operating costs in taxes as calculated by the Doing Business Project—lower than both LI medians and rates in Indonesia and Kenya. This suggests that relative formal or official taxes are not a major constraint on businesses in Nigeria. Administration of taxes, however, is still a major problem.

Other key weaknesses in the business environment include serious deficiencies in property registration and business executives’ perception of crime and insecurity as constraints on business. The business cost of crime and violence illustrates how insecurity affects business performance (Figure 4-3). On this indicator, Nigeria performs worse than all benchmarks and better than Kenya, but only because of social unrest before and after that country’s presidential elections of 2007. Indeed, Nigeria’s “image problem” stems from a perceived lack of security and high crime rate, two problems that are acute in certain parts of the country such as the Niger

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<sup>46</sup> Named after Criminal Law Section 419 of the Nigerian Penal Code, which criminalizes obtaining property or entering into a business deal by false pretenses.

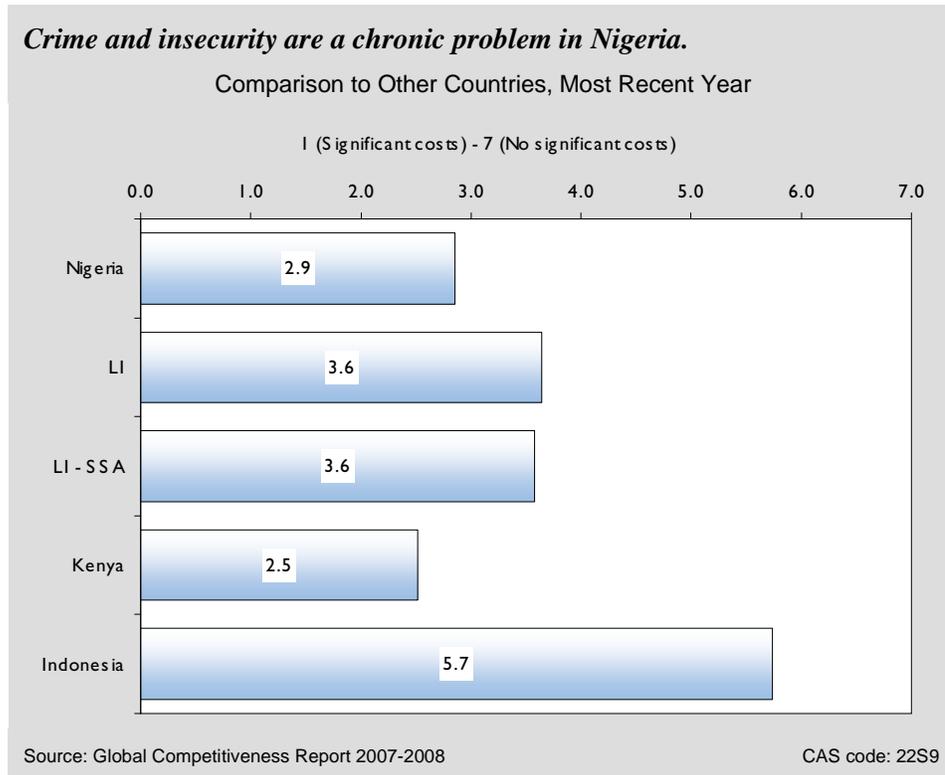
<sup>47</sup> The Sea Island Compact of 2004 is a partnership between the G8 countries and Nigeria to promote transparency and combat corruption. See <http://www.whitehouse.gov/news/releases/2004/06/20040610-34.html>

<sup>48</sup> The World Bank measures the cost of starting a business as a percentage of GNI per capita. We quote the Bank’s most recent figures but note that these figures do not appear to reflect recent revisions in Nigeria’s national accounts data.

<sup>49</sup> “Repairing a Car with the Engine Running.” [www.reformersclub.org/documents/reform/Nigeria.pdf](http://www.reformersclub.org/documents/reform/Nigeria.pdf).

Delta.<sup>50</sup> Recent reforms in land registration have reduced the time it takes to register in Nigeria from 274 to 82 days, better than the LI-SSA median of 94 days, but still time-consuming in comparison to the LI country median of 72 days, Kenya's 64 days, and Indonesia's 42 days.

Figure 4-3  
*Business Cost of Crime and Violence*



Multiple taxation and the often arbitrary manner of tax collection at the subnational level are not captured in the data but also pose a major risk and create uncertainty for small businesses,<sup>51</sup> in addition to encouraging unofficial payments. Donors should continue to support efforts to reduce business environment constraints at the state and local government levels.

Of all the problems facing Nigeria's small businesses by far the greatest is the cost of providing private electricity to compensate for deficiencies in the public supply.<sup>52</sup> A more detailed description of this problem is in the section on Economic Infrastructure.

<sup>50</sup> See also Chapter 3.

<sup>51</sup> Results of the Nigeria Firm Survey, November 2002, Africa Private Sector Group, the World Bank.

<sup>52</sup> Ibid.

## FINANCIAL SECTOR

A sound and efficient financial sector is key to mobilizing savings, fostering productive investment, and improving risk management. Nigeria's financial sector has performed much better than both LI medians but is not as broad and deep as sectors in Indonesia and Kenya.

Successful commercial bank consolidation that began in 2005 has resulted in regional and international expansion of a good number of well-capitalized banks. Backed by stronger balance sheets in the commercial banking sector, the ratio of broad money to GDP—a basic gauge of the degree of monetization of an economy and its role in economic activity—has increased steadily, reaching 30.1 percent of GDP in 2007. This is not bad, but lower than ratios in Indonesia (38.6 percent) and Kenya (39.0 percent). Ratios in these countries reflect in part a longer history of financial sector intermediation and less sector fragmentation than in Nigeria. When considered along with other macroeconomic factors, however, rapid monetization should be treated with caution because of inflationary risk. The IMF has recommended careful monitoring by the authorities.<sup>53</sup>

Nigeria's national strategy for financial system development beyond the commercial banking sector, FSS 2020,<sup>54</sup> seeks to strengthen the insurance, pension, microfinance banking, and related sectors. To replicate the successful reforms of the banking sector, FSS 2020 mandated increased minimum capital requirements for three subsectors of the insurance industry—general, life, and reinsurance.<sup>55</sup> By December 2007, the number of insurance companies had shrunk from 103 to 49, with a market value rising from N 30 billion to N 200 billion in three years,<sup>56</sup> likely due to more confidence in the industry. The Pensions Fund Reform Act was passed in 2004 with provisions for retirement savings accounts. The industry is therefore still in infancy, and the regulatory framework is developing.

Similar initiatives to deepen the financial sector resulted in the passage of a microfinance regulatory policy. The policy mandates increases in capital requirements as well as incentives for expansion into underserved locations and development of microlending activities by commercial banks. This process is referred to as bank downscaling. Credit to the private sector has increased in the past four years and was 27.8 percent of GDP in 2007, a share similar to Kenya's 27.7 percent (Figure 4-4). Trade and services make up the largest portion of sector lending.<sup>57</sup> Anecdotal evidence from the Central Bank and other sources suggests that increased credit has been due mostly to increased lending as commercial banks seek returns on equity.<sup>58</sup> This is a positive development, but much remains to be done to improve retail and SME lending.

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<sup>53</sup> IMF, *Article IV Consultation –Staff Report*, January 22, 2008, 12.

<sup>54</sup> Financial System Strategy 2020 Plan, *Our Dream*. <http://www.cenbank.org/fss/fsshhome.asp>, accessed April 18, 2008.

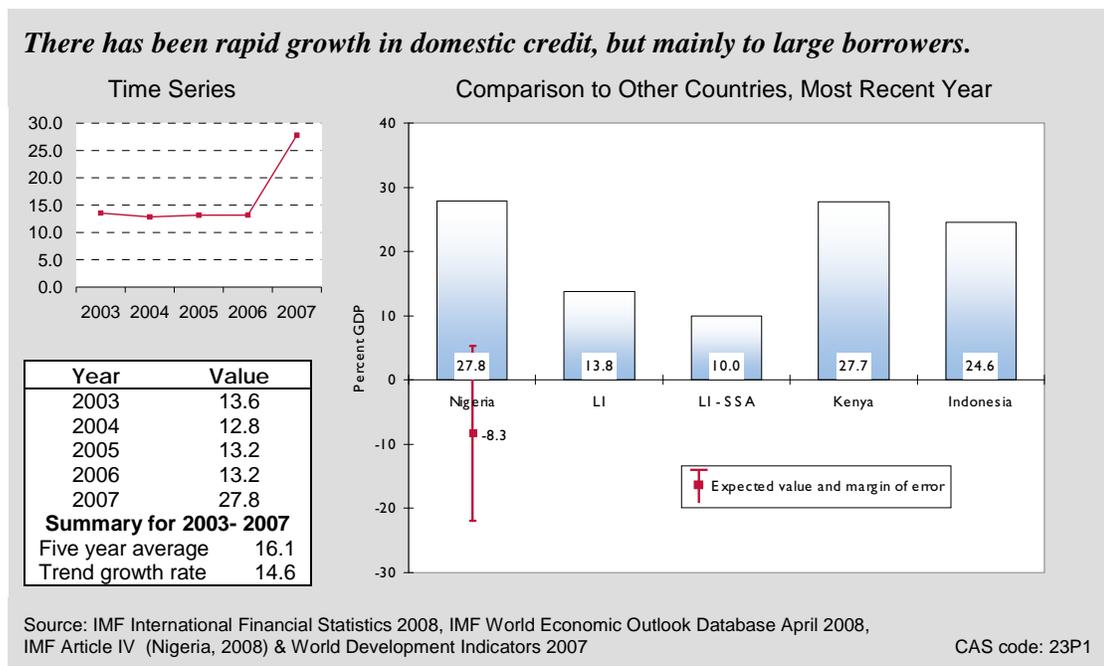
<sup>55</sup> Life insurance from N 150 million to N 2 billion; general insurance from N 300 million to N 3 billion; Reinsurance from N 350 million to N 10 billion.

<sup>56</sup> <http://allafrica.com/stories/200802150136.html> accessed April 2, 2008.

<sup>57</sup> *Ibid*, Table 4, p. 30.

<sup>58</sup> <http://allafrica.com/stories/200711270005.html>

Figure 4-4  
*Domestic Credit to the Private Sector as a Percentage of GDP*



The spread between lending and deposit rates has fluctuated over the past five years. In 2006, it was 7.2 percent, better than the expected value of 12.8 percent but was worse than Indonesia's 4.6 percent. This spread typically results from a number of factors, including risks assessments, operational costs, and competition among lending institutions. The data indicate reasonable efficiency and competition among banks but also a need to improve the efficiency of financial intermediation and reduce transaction costs. The data also show that the interest rate after accounting for inflation has trended negative in the past few years.<sup>59</sup> Negative real interest rates tend to correlate with rapid and inefficient growth in the demand for credit. A government may affect this trend and restore positive real interest rates by intervening to check potential or existing inflation (see Fiscal and Monetary Policy). This may have partially spurred the Central Bank of Nigeria to raise its benchmark interest rate recently from 9.5 percent to 10 percent, citing inflationary pressures.<sup>60</sup>

Stock market performance is an important gauge of capital market development. Turnover on the Nigerian Stock Exchange (NSE) has grown by more than 75 percent in the past two years.<sup>61</sup> Driven by banks' successes in raising capital and improved perceptions about Nigeria's economic prospects, the ratio of stock market capitalization to GDP (22.4 percent in 2006) is more than

<sup>59</sup> IFS data was used for the lending rate. World Economic Outlook numbers for the GDP deflator.

<sup>60</sup> <http://allafrica.com/stories/200804020525.html>

<sup>61</sup> A Review of the Performance of the Nigerian Stock Exchange.

twice the LI median (9.3 percent) and higher than the expected value but still much lower than Kenya's 53.7 percent.<sup>62</sup>

Recent reforms have improved the legal and institutional environment for credit provision: for instance, dispute resolution in the banking sector has benefited from strengthening of commercial courts and out-of-court settlement procedures. Nevertheless, further reforms are needed to improve the supply of credit. Relative to all benchmarks, it scores poorly on the Credit Information Index, with a score of 0.0 in 2007 on a scale of 0 to 6, with higher values indicating the availability of more credit information. This score compares to 4.0 in Kenya and 3.0 in Indonesia. When legislation that supports the sharing of credit information among banks is finalized creditworthy borrowers will have better access to financing and Nigeria's score on this indicator should improve. Nigeria's score of 7.0 on the Legal Rights of Borrowers and Lenders Index, which ranges from 0 (very poor) to 10 (excellent), is better than that of all comparators except Kenya (8.0). Nigeria's high score in this index has been further enhanced by recent reforms in rules governing bankruptcy and insolvency. Growth in lending to small businesses could further improve if the general environment for lending against the forms of collateral available to small enterprises is improved. Nigeria's financial sector appears to have the foundations for positive structural growth.

## EXTERNAL SECTOR

Fundamental changes in international commerce and finance, including reduced transport costs, advances in telecommunications technology, and fewer policy barriers, have fueled a rapid increase in global integration. The international flow of goods and services, capital, technology, ideas, and people offers great opportunities for Nigeria 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. Nigeria's aggregate export and inward foreign direct investment (FDI) statistics suggest healthy engagement in the global economy but mask a heavy dependence on a single sector—oil and gas. To foster growth throughout the economy and the country, Nigeria must diversify exports and increase the attractiveness of foreign investment in sectors besides oil and gas. The alleviation of external debt has freed resources for investment to increase productivity and growth.

### International Trade and the Current Account Balance

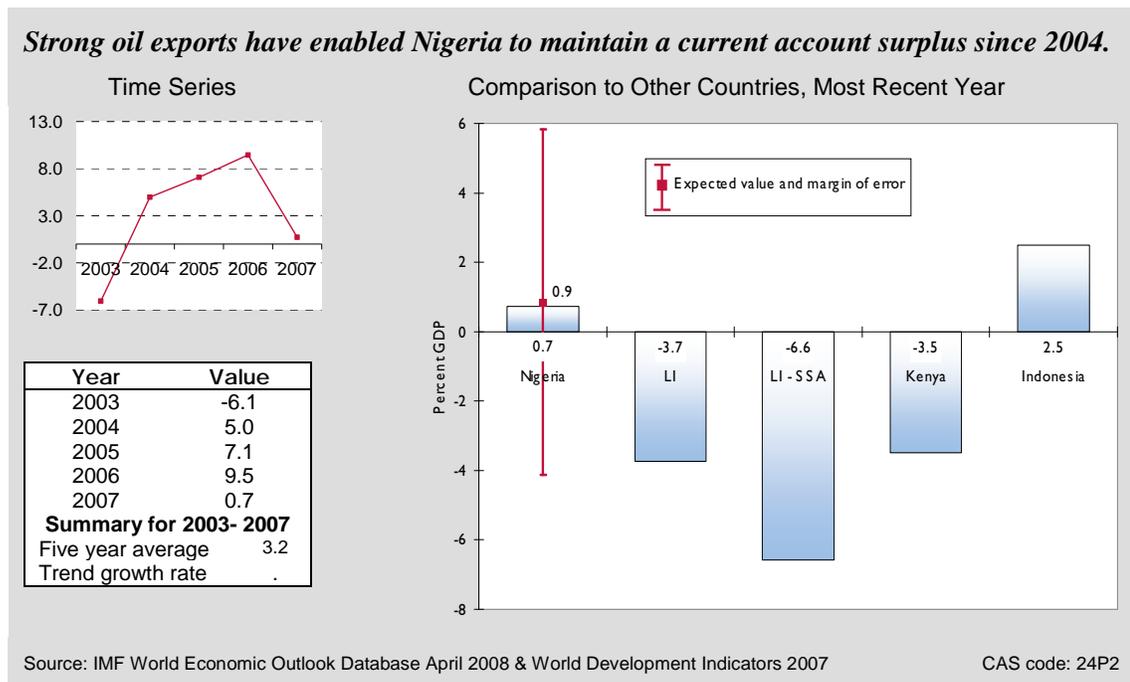
At first glance, trade's relatively robust share of GDP in Nigeria suggests a high level of integration into the global economy: imports and exports of goods and services equaled 68.3 percent of GDP in 2007, higher than Kenya's 57.6 percent in 2006, Indonesia's 58.8 percent in 2006, and the LI-SSA median of 55.5 percent, and close to the LI median of 69.1 percent. But oil and gas dominate in Nigeria, accounting for at least 97 percent of the value of exports

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<sup>62</sup> In South Africa, home of the largest stock market in sub-Saharan Africa, the figure was over 210 percent in 2006 (Financial Structure Database, World Bank). Estimates of equity market capitalization in Nigeria's stock market vary; for example, the IMF estimates that it was nearly 40 percent of GDP in 2006.

(measured in current U.S. dollars) between 2004 and 2007.<sup>63</sup> Nigeria's oil and gas exports grew in current dollar terms from \$35.7 billion in 2004 to \$60.1 billion in 2007 on the strength of rising oil prices and increased production, although hostilities in the Niger Delta stifled output in 2006 and 2007.<sup>64</sup> Strong oil exports enabled Nigeria to maintain a current account surplus that averaged 3.2 percent of GDP between 2003 and 2007; the modest surplus of 0.7 percent in 2007 still compared favorably to the medians for LI-SSA countries (a deficit of 3.7 percent) and LI countries (a deficit of 6.6 percent), and the figure in Kenya (a deficit of 3.5 percent), although it was lower than the surplus in Indonesia (2.5 percent).<sup>65</sup> See Figure 4-5.

Figure 4-5  
*Current Account Balance as a Percentage of GDP*



Other exports have remained stagnant. The impact of dominant and rapidly growing petroleum exports on the exchange rate has tended to keep non-oil exports uncompetitive, although this has been less of a problem recently (see below). Other factors that prevent expansion of non-oil exports include high tariffs that protect inefficient producers of numerous agricultural and industrial products and costly, cumbersome procedures that make Nigeria less competitive in the production of higher value-added, time-sensitive goods.<sup>66</sup> In the World Bank's Ease of Trading

<sup>63</sup> Article IV, 31. Oil and gas also account for a large share of the value of imports (at least 39 percent in every year since 2004), given Nigeria's limited refining capacity (Article IV, 31 and U.S. Energy Information Administration, <http://www.eia.doe.gov/emeu/cabs/Nigeria/Oil.html>, accessed April 15, 2008).

<sup>64</sup> Export data from Article IV, 31; production information from EIU Nigeria Country Profile 2008, 35.

<sup>65</sup> Current account balance data from the IMF World Economic Outlook Database, April 2008.

<sup>66</sup> A couple of examples illustrate the scope of Nigeria's problems: the cost to export per container in Nigeria is \$1,026, compared to \$667 in Indonesia; customs clearance and technical control for imports takes 15 days in Nigeria, compared to 4 days in Indonesia ([www.doingbusiness.org](http://www.doingbusiness.org)).

Across Borders rankings for 2007, Nigeria was 138 among 178 countries, above the LI-SSA median rank of 147 and Kenya's rank of 148, but far lower than Indonesia's rank of 41.

## Foreign Investment and External Debt

Foreign direct investment can catalyze productivity gains and growth by transferring technology, developing human capital, and enhancing competition. In extractive industries such as oil and gas, however, FDI is less likely to have such effects.<sup>67</sup> Nigeria's FDI inflows have been high in recent years.<sup>68</sup> At 6.2 percent of GDP in 2007, they far exceeded the expected value of 3.0 percent, the LI median of 1.6 percent, and Kenya's 0.1 percent (2005), and Indonesia's 3.3 percent (2006).<sup>69</sup> But inflows have been concentrated in the oil and gas sector, which accounted for 80 percent of all inflows in 2005 (most recent year available).<sup>70</sup> To attract FDI to other sectors, Nigeria must address weaknesses in legal and regulatory procedures for business, reduce corruption, simplify border procedures, improve infrastructure, and reduce the risk of conflict.

Despite weaknesses in the business environment, investors' interest in Nigerian assets is increasing because of the country's strong growth, moderate inflation, declining external debt, high international reserves, and expectations of continued strength in the naira.<sup>71</sup> By late 2007, stock market capitalization was four times its level in 2005, and government securities were trading at five times their rate in 2005.<sup>72</sup>

Debt forgiveness by Paris Club creditors under a 2005 agreement<sup>73</sup> has alleviated much of Nigeria's historically high debt burden: in 2006, the present value of debt equaled 4 percent of GDP<sup>74</sup> compared to Kenya's 26.1 percent and Indonesia's 45.1 percent. The ratio of debt service

<sup>67</sup> Roger Manring, *Foreign Direct Investment: Putting It to Work for Developing Countries*, USAID/Nathan Associates, February 2007, 19.

<sup>68</sup> Sources report widely varying FDI figures for Nigeria. For example, the IMF's International Financial Statistics report for Nigeria (April 2008) reported that net FDI inflows equaled \$2.0 billion in 2005, while the IMF's February 2008 Article IV report listed "Net FDI" at \$6.5 billion. The report uses the same figure for "Direct and Portfolio Investment (net)"; however, a member of the team that prepared the report indicated that the \$6.5 billion figure is essentially an estimate of FDI inflows. We use the estimate from the Article IV report here.

<sup>69</sup> Indonesia figure from Article IV, August 2007, 34.

<sup>70</sup> Country Profile 2008, 46.

<sup>71</sup> Article IV, 5 and 10.

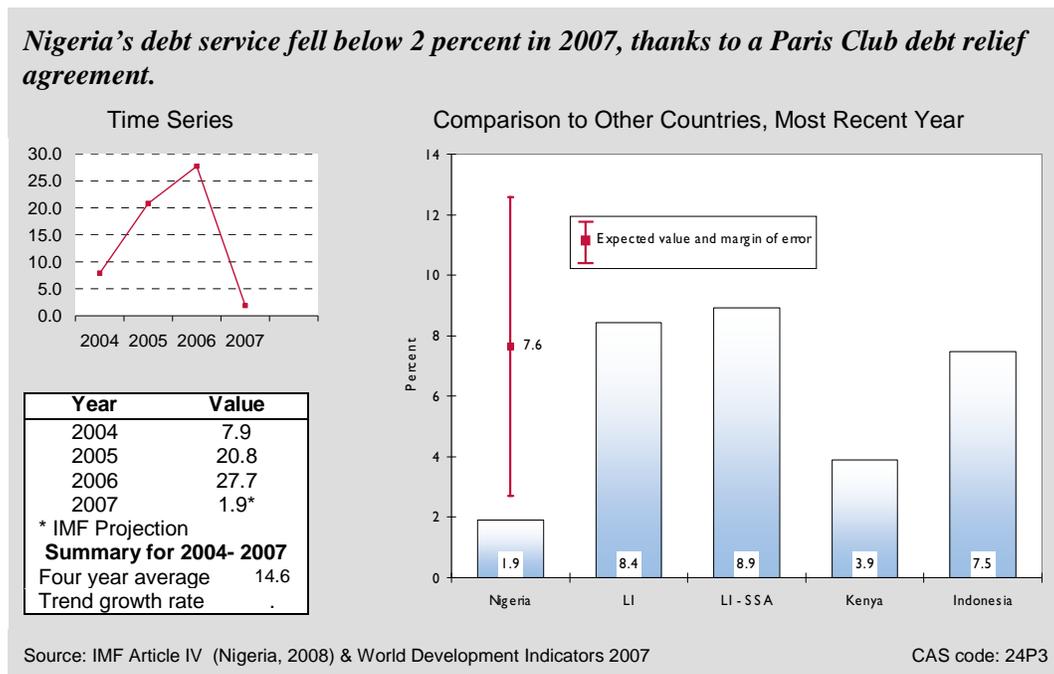
<sup>72</sup> "IMF Public Information Notice—IMF Executive Board Concludes 2007 Article IV Consultation with Nigeria," February 15, 2008, 2. <http://www.imf.org/external/pubs/cat/longres.cfm?sk=21725.0>, accessed April 16, 2008.

<sup>73</sup> According to its website ([www.clubdeparis.org](http://www.clubdeparis.org)), the Paris Club is "an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor nations." Details of Nigeria's Paris Club agreement may be found at <http://www.clubdeparis.org/sections/traitements/nigeria-20051020/viewLanguage/en>, accessed April 15, 2008.

<sup>74</sup> The CAS template measures the present value of debt as a percentage of GNI. We use GDP instead of GNI because GNI figures for Nigeria have not been updated to reflect adjustments to national accounts data. Debt data for Nigeria are from Article IV, 41; debt data for Kenya and Indonesia come from WDI, and GDP data for these countries are from the WEO database, April 2008.

to exports rose from 7.9 percent in 2004 to 27.7 percent in 2006, reflecting Nigeria's payments under the Paris Club agreement. The IMF projects that this ratio fell to 1.9 percent in 2007.<sup>75</sup> This compares favorably to the LI-SSA median of 8.4 percent and Kenya's 3.9 percent (2005) and Indonesia's 7.5 percent (2005) (Figure 4-6). The reduced debt burden has given Nigeria fiscal space to finance development programs and, by reducing the likelihood of debt default, has raised investor confidence. The Paris Club agreement also led Fitch and Standard & Poor's to issue their first sovereign credit ratings for Nigeria,<sup>76</sup> an important step in inspiring confidence in investing in the country.

Figure 4-6  
*Debt Service Ratio*



Unlike many sub-Saharan African countries, Nigeria does not depend heavily on donor assistance. Aid rose from 0.7 percent of GDP in 2004 to 7.8 percent of GDP in 2006,<sup>77</sup> reflecting implementation of debt relief. Nigeria's aid as a percentage of GDP was thus higher than Kenya's 4.1 percent of GDP and Indonesia's 0.4 percent in 2006. However, aid's share of GDP should fall considerably now that the debt relief package has been implemented.

<sup>75</sup> Article IV, 41. The IMF explicitly describes this figure as a "projection" rather than an estimate.

<sup>76</sup> "Nigeria Receives Its First Sovereign Credit Ratings," [http://blogs.cgdev.org/globaldevelopment/2006/02/nigeria\\_receives\\_its\\_first\\_sov.php](http://blogs.cgdev.org/globaldevelopment/2006/02/nigeria_receives_its_first_sov.php), accessed April 21, 2008.

<sup>77</sup> We use foreign aid as a percentage of GDP, as opposed to GNI (as specified in our template) because GNI figures for Nigeria have not been updated to reflect adjustments to national accounts data. Foreign aid totals are from OECD's Aid Statistics website (<http://www.oecd.org/dataoecd/23/55/1882649.gif>); GDP figures are from the WEO Database, April 2008.

## Foreign Exchange

Strong oil prices boosted Nigeria's international reserves from 5.8 months of imports in 2004 to 11.2 months of imports in 2007—far more than the expected value of 6.3 months, the LI-SSA median of 3.5 months, Indonesia's 4.1 months, and Kenya's 3.2 months in 2005. Robust reserves allay investors' concerns about a balance-of-payments crisis and debt default.

Nigeria's currency, the naira, tends to appreciate in real terms along with real oil prices.<sup>78</sup> Nigeria is often cited as an exemplar of Dutch Disease, whereby a rise in foreign currency inflows, often associated with a boom in exports from an extractive sector, leads to a real appreciation in the currency and a decline in the competitiveness of other sectors. Previous governments exacerbated overvaluation by seeking to keep the naira strong as a symbol of national prestige.<sup>79</sup> But Nigeria now has a more flexible exchange rate policy, and the Central Bank has moderated real appreciation in recent years, such that appreciation did not exceed 5.0 percent between 2004 and 2007 and the naira depreciated by 1.5 percent in 2006.<sup>80</sup> Nevertheless, economic policymakers continue to face choices regarding the appropriate exchange rate. A strong naira makes Nigerian assets attractive to foreign investors, but real depreciation could promote growth of non-oil exports and production of goods to compete with imports on the domestic market.

## ECONOMIC INFRASTRUCTURE

Reliable physical infrastructure—for transportation, communications, power, and information technology—is critical to competitiveness and productive capacity. Nigeria's infrastructure deteriorated severely beginning in the early 1980s because of neglect<sup>81</sup> as well as fraud and abuse of appropriations for infrastructure spending. The government has rightly made restoring infrastructure a top priority and has budgeted for large infrastructure projects in its medium-term fiscal strategy (2008–2010).

Although Nigeria's infrastructure is comparable to or better than regional standards, the private sector finds it unsatisfactory by international standards. The 2007 World Economic Forum's annual index of infrastructure quality scored Nigeria 2.3, on a 0 to 7 scale, worse than Kenya (2.7), Indonesia (2.6), and the LI-SSA median (2.4).<sup>82</sup> The quality of electrical supply was judged particularly poor, scoring only 1.7. Most Nigerian enterprises provide their own back up electrical generators because public supply is not reliable. The high cost of acquiring and maintaining

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<sup>78</sup> Article IV, 15.

<sup>79</sup> EIU Country Profile 2008, 48.

<sup>80</sup> Article IV, 45. Nigeria has adopted an exchange rate policy described as a “managed float without a pre-determined path” (Article IV, 15). Contrary to IMF advice, Nigeria retains multiple foreign exchange markets, but the IMF notes that the exchange rate “has effectively been unified” since May 2006 (Article IV, 47), and foreign exchange is “readily available” (Article IV, 21).

<sup>81</sup> US State Department Country Page, <http://www.state.gov/r/pa/ei/bgn/2836.htm>

<sup>82</sup> The WEF indices of infrastructure quality are based on responses to surveys of executives in each country. Comparisons between countries should be interpreted with caution because the data are based on respondents' perceptions.

generators severely hampers productivity and investment. Indeed, Nigeria's private sector is estimated to pay six to seven times as much for electrical supply as international competitors.<sup>83</sup>

Transportation infrastructure is crucial for domestic and international trade. Nigeria's paved roads and highways, including interstate arteries, are comparable to or better than those of its neighbors, but a lack of access roads—including rural and farm-to-market roads—is a major constraint on growth. Nigeria's agricultural markets are not functioning well, partly because of this lack of interconnectivity in the chain linking growers, producers, distributors, and consumers. Other key transportation infrastructure systems—seaports, airports, and railroads—are also perceived to be of poor quality. In 2007, Nigeria scored 1.7 on the WEF Rail Development Index and 2.7 on the Port Infrastructure Quality Index. These are in line with the comparators, although the former is slightly below Kenya's 2.1 and Indonesia's 2.7. Nigeria scored 3.5 on the Air Transport Infrastructure Index, on par with medians for LI-SSA and LI countries (3.4), but much lower than Kenya's 5.1 and Indonesia's 4.1.

Nigeria's ICT infrastructure, although developing rapidly in recent years, can still be improved.<sup>84</sup> Liberalization and privatization in the communications sector in 2000 has greatly improved and expanded telecommunications services. In 2001, only one person per 1,000 had Internet access; by 2006, the rate had climbed to 35.4 per 1,000—a huge leap but still lower than in Indonesia (72.5) and far behind the average of the five best performers worldwide (720). Telephone density, measured as fixed and mobile phone connections per 1,000 people, expanded at an annual average rate of 67.3 percent between 2002 and 2006, rising from 17.6 lines per 1,000 in 2001 to 235 lines by 2006 (see Figure 4-7).

In light of Nigeria's great infrastructure needs, it is encouraging that the government is investing in capital expenditures. According to the IMF, expenditure on large scale infrastructure projects was nonexistent in 2004 but is estimated at N 235 billion in 2007.<sup>85</sup> Authorities are considering additional ways to leverage funds, such as through public–private partnerships and additional privatizations.<sup>86</sup>

## SCIENCE AND TECHNOLOGY

Science and technology are central to dynamic growth because technical knowledge is a driving force for increasing productivity and competitiveness. Even for low-income countries such as Nigeria, transformational development increasingly depends on acquiring and adapting technology from the global economy. Lack of capacity to access and use technology prevents an economy from leveraging the benefits of globalization. Unfortunately, because of a lack of data, very few international indicators can be used to judge performance in this area for low- and lower-middle-income countries.

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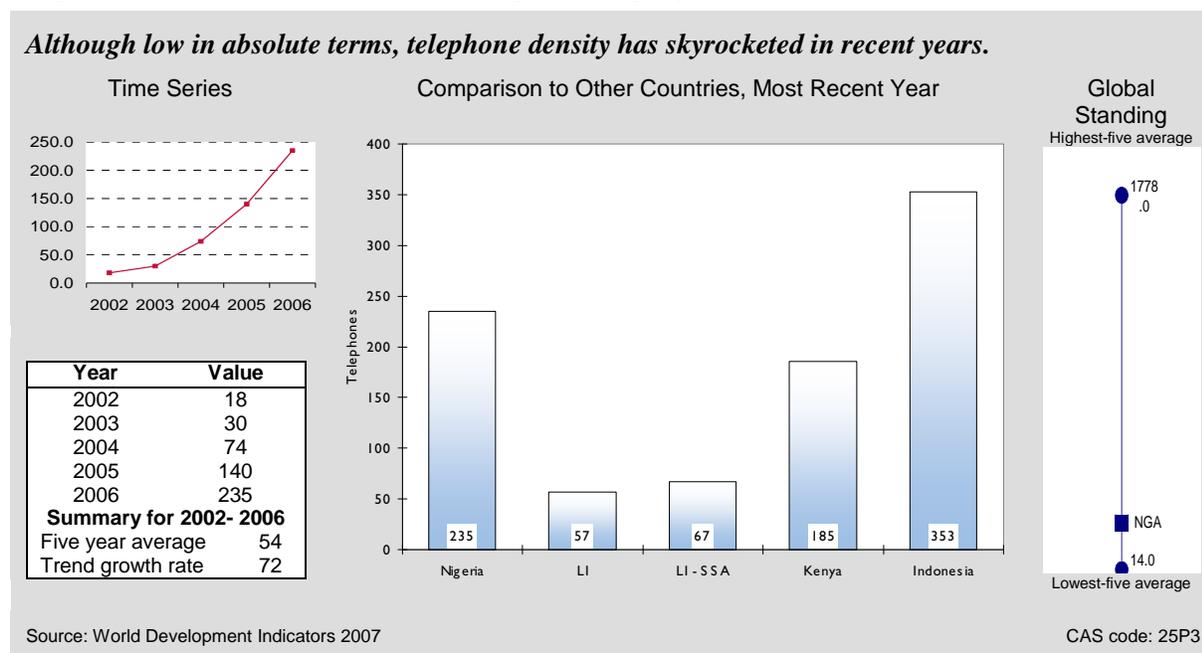
<sup>83</sup> IMF, *Nigeria: 2007 Article IV Consultation – Staff Report* (February 2008), 17

<sup>84</sup> Telephone density and internet usage have been increasing rapidly in many parts of the developing world. Regional and income group medians for these indicators are from 2005. It is likely that these figures are higher for more recent years, but these data are not yet available.

<sup>85</sup> *Ibid.*, 25.

<sup>86</sup> *Ibid.*, 18.

Figure 4-7  
*Telephone Density, Fixed Line and Mobile per 1,000 people*



Available indicators indicate significant scope for increasing scientific and technological capacity in Nigeria. Nigeria's score of 5.1 on the FDI Technology Transfer Index in 2007 (ascending scale of 0 to 7) suggests that FDI is an important source of new technology and that increasing FDI in sectors other than oil and gas could help spread new technologies broadly throughout the economy. Nigeria's low score of 2.9 on the Intellectual Property Rights Protection Index (same 0 to 7 scale), however, may discourage investment in innovative technologies. The Office of the U.S. Trade Representative's 2008 National Trade Estimate Report for Nigeria suggests that the government lacks capacity to address rampant piracy.<sup>87</sup> IPR reform and capacity building are areas in which donor intervention may be needed.

In 2003, 384 science and technology journal articles were published per million people in Nigeria—more than in Kenya (258 per million) and Indonesia (178 per million). Though this is only a fraction of the output of similar literature in developed countries, it speaks to Nigeria's legacy of university-based research. Between 1960 and 1980, Nigeria had some of the best universities and university-based research outputs in sub-Saharan Africa. From the late 1980s on, however, research in Nigerian universities declined, mainly because of underfunding but also because research subjects were no longer relevant to the needs of the economy.<sup>88</sup> Restoring the relevance and quality of Nigeria's university research programs could help increase productivity, efficiency, and innovation throughout the economy.

<sup>87</sup>[http://www.ustr.gov/Document\\_Library/Reports\\_Publications/2008/2008\\_NTE\\_Report/Section\\_Index.html](http://www.ustr.gov/Document_Library/Reports_Publications/2008/2008_NTE_Report/Section_Index.html) (accessed: April 22, 2008)

<sup>88</sup> Bako, Sabo. 2005. Universities, Research, and Development in Nigeria: Time for a Paradigm Shift. Ahmadu Bello University.



# 5. Pro-Poor Growth Environment

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

## HEALTH

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

Health performance in Nigeria is alarmingly poor. The HIV prevalence rate of 3.9 percent (2005) is lower than Kenya's 6.1 percent but higher than the LI-SSA median (3.0 percent) and Indonesia's rate (0.1 percent).<sup>89</sup> According to the Country Partnership Strategy for the Federal Republic of Nigeria (2005), Nigeria has the highest absolute number of persons affected by AIDS after South Africa and India, and prevalence can be explained by denial, cultural practices, stigmatization, and limited access to treatment and condoms.<sup>90</sup>

Life expectancy at birth is a good measure of the state of health conditions. Life expectancy in Nigeria fell between 2002 and 2005 and is a disturbingly low 43.8 years—lower than the LI-SSA median of 47.0 years, Kenya's 49.0 years, and the LI median of 54.9 years, and much lower than life expectancy in Indonesia (67.8 years). The low rate of child immunization (30.0 percent in 2005) and the low share of births attended by skilled health personnel (35.2 percent) contribute to high infant and child mortality. The low percentages of the population with access to improved

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<sup>89</sup> The figure for Nigeria cited here is from UNAIDS, the standard source for the CAS indicator. However, the Country Partnership Strategy for the Federal Republic of Nigeria (2005) places Nigeria's prevalence rate at 5 percent.

<sup>90</sup> *Ibid.*, p. 10.

sanitation and water sources (44 percent and 48 percent, respectively) also help explain the poor health outcomes. Access to improved water sources in Nigeria is substantially less than in all comparators.

In 2005, Nigeria's public health expenditure as a percentage of GDP was 1.2 percent, slightly more than expenditures in Indonesia (1.0 percent) but less than the LI-SSA median (1.9 percent), the LI median (2.1 percent), and expenditure in Kenya (2.1 percent). Public health expenditure per capita in 2004 was less than \$10 (PPP).<sup>91</sup> These levels of expenditure are low by all standards and signal a need to increase investment in the health sector, a need emphasized in Nigeria's 2004 Poverty Reduction Strategy Paper (NEEDS).<sup>92</sup> One encouraging initiative is Nigeria's Health Sector Reform Program (2004). Its goals include strengthening the national health system and improving the availability and management of health resources.<sup>93</sup> Although the PRSP progress report does not mention the strategy, it notes that improvements have been made in the health sector.

## EDUCATION

Like health, education is a fundamental investment in human capital and a basic input for transformational growth and poverty reduction. Education is strongly associated with better family health and nutrition, greater economic opportunities, smaller family size, and other profound socioeconomic changes. Nigeria's performance in higher education is commendable, but performance in basic education is relatively weak.

With nearly half its population aged 15 and under,<sup>94</sup> Nigeria has an urgent need to expand and improve educational services. In 2004 (latest data), an estimated 84.2 percent of Nigeria's youth were literate, with a male literacy rate 5.7 percentage points higher than the female rate. The total youth literacy rate compares favorably with medians for LI-SSA countries (69.5 percent) and LI countries (70.3 percent), and the rate in Kenya (80.3 percent in 2006), but falls short of Indonesia's 98.7 percent (2006).

Nigeria's high youth literacy rate reflects the high rate of gross enrollment in primary education (ages 6–11) of 92 percent.<sup>95</sup> Nonetheless, net primary enrollment, which measures enrollment as a percentage of primary school-aged children, was an estimated 61.5 percent in 2006 (see Figure 5-1). This is well below Kenya's 75.8 percent, Indonesia's impressive 94.5 percent (both 2005), and the median for LI countries (75.2 percent). The big difference in gross and net primary education enrollment suggests that many over-age or under-age children are enrolled in primary education. Retention rates are mediocre, with about 74.0 percent of those enrolled in primary education making it to the fifth grade. Although this rate is above the regional medians (LI-SSA

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<sup>91</sup> Health Sector Reform Program, p. 5.

<sup>92</sup> NEEDS, 38.

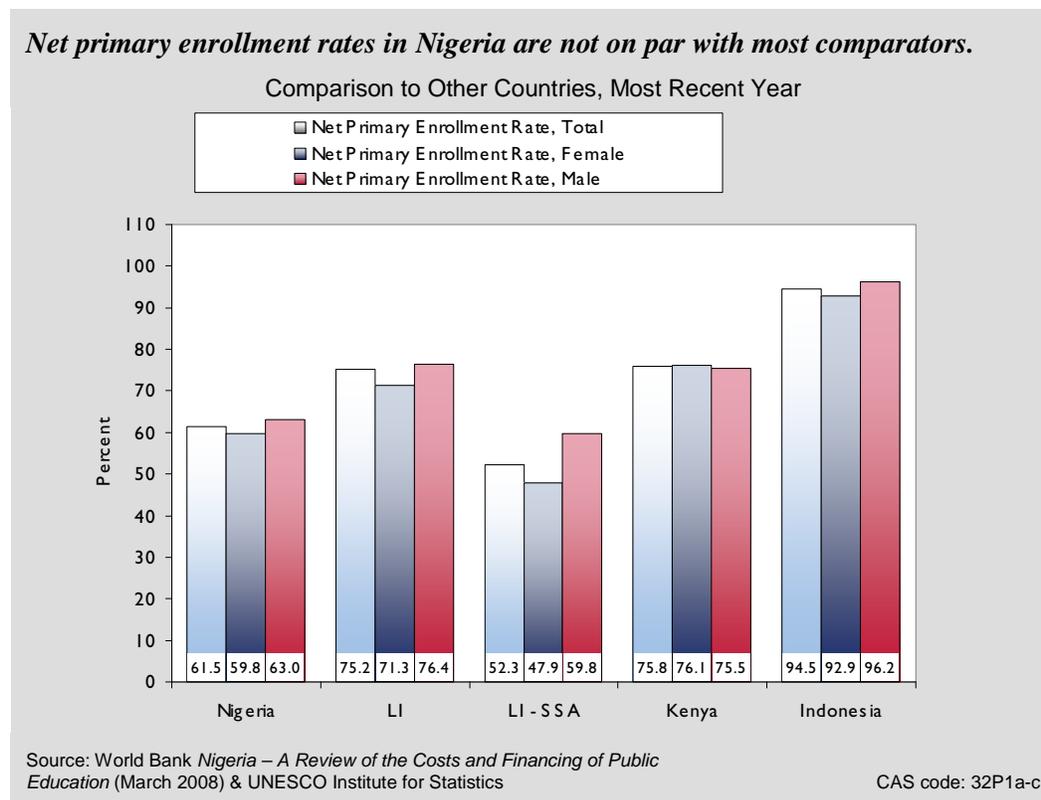
<sup>93</sup> Country Partnership Strategy, p. 5.

<sup>94</sup> World Development Indicators Database Online (accessed April 16, 2007).

<sup>95</sup> World Bank, *Nigeria: A Review of the Costs and Financing of Public Education* (March 3, 2008), 4.

had 44.9 percent and LI 52.4 percent), it is far below rates in Kenya (82.9 percent) and Indonesia (89.5 percent).

Figure 5-1  
*Net Primary Enrollment Rate*



Nigeria’s secondary and tertiary education statistics are slightly better. The net enrollment rate in secondary education was estimated to be 45.6 percent in 2006,<sup>96</sup> which is better than the LI median (19.1 percent), the LI-SSA median (16.3 percent), and the rate in Kenya (41.5 percent in 2005), but lower than the rate in Indonesia (57.4 percent in 2005). The gross tertiary enrollment rate—an estimated 10.2 percent in 2004—follows a similar pattern, comparing well to the medians and Kenya (LI-SSA, 2.1 percent; LI, 2.8 percent; Kenya, 2.7 percent), but not Indonesia (17.0 percent in 2005). In 1973, Nigeria sought to link education to development and job creation by establishing the National Youth Service Corps, which places university and polytechnic graduates in entry-level jobs. Despite good intentions, the scheme has been tarnished by charges of delinquency and corruption.

Although enrollment rates provide an indication of the breadth of access to education, educational quality is often difficult to measure. At the primary level, a crude but common proxy is the pupil–teacher ratio. The primary level pupil–teacher ratio was 37.2 in 2005, which is better than the LI-

<sup>96</sup> Ibid.

SSA median (45.2), the LI median (44.5) and the ratio in Kenya (39.5), but well above the ratio in Indonesia (20.4).

Trends in enrollment often mask disparities in access within a country, and Nigeria's educational statistics suggest disparities by gender and region.<sup>97</sup> For instance, gender gaps persist against boys in the southeast states and against girls in the northeast states, where only about 20 percent of school-age girls are enrolled in primary schools. Similarly, gross enrollment in tertiary education is only about 1.4 percent in Jigawa, but is as high as 11.8 percent in Lagos.

Following the advent of multiparty democracy in 1999, the government introduced the Universal Basic Education program to provide six years of free basic primary education and three years of junior secondary education to all children by 2015. Enrollment rates, however, have not improved much since the program was introduced. One reason may be the low level of public investment in primary education. The Millennium Challenge Corporation's scorecard for Nigeria in Fiscal Year 2008 notes that primary education expenditure makes up only about 0.2 percent of GDP.<sup>98</sup> This is extremely low by any measure and much lower than the LI-SSA and LI medians of 2.1 percent and Kenya's 4.4 percent, and even Indonesia's low 0.4 percent. The government has recently shown a commitment to increasing public investment in education, as indicated by the real increase of about 47 percent in the federal education budget in the past five years.<sup>99</sup> Increasing investment and implementing reforms must remain priorities for the foreseeable future in order to improve educational performance.

## EMPLOYMENT AND WORKFORCE

As with many other census statistics for Nigeria, data on employment and workforce are not devoid of inaccuracies and discrepancies among sources. For instance, Nigeria's National Bureau of Statistics (NBS) reported an unemployment rate of 11.8 percent for 2004, while the IMF and World Bank cited a rate of 17 percent.<sup>100</sup> Regardless of the estimate used, unemployment is a pressing problem in Nigeria, averaging 12.9 percent between 2001 and 2005, which is high compared to the already high rate for Indonesia (10.3 percent in 2006).

The unemployment rate may be masking a much deeper problem of underemployment and a large informal sector. Although mostly outdated, official estimates indicate that only about 10 to 20 percent of new entrants into the labor force find jobs while the rest move into the informal sector.<sup>101</sup> The informal sector may be a short-term solution for jobseekers, but it is chronically underproductive. Job creation in the formal sector, therefore, remains a high priority for the

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<sup>97</sup> Data on regional and gender disparities in this paragraph are from World Bank, *Nigeria: A Review of the Costs and Financing of Public Education* (March 3, 2008), 5.

<sup>98</sup> This figure should be interpreted with care, as it is not clear whether in reporting this indicator, the MCC takes into account the revision of national accounts in Nigeria.

<sup>99</sup> World Bank, *Nigeria: A Review of the Costs and Financing of Public Education* (March 3, 2008), 15.

<sup>100</sup> NBS, Statistical Fact Sheets on Economic and Social Development (2006); World Bank Nigeria Poverty Reduction Strategy Paper Progress Report (2007).

<sup>101</sup> World Bank/DFID Nigeria Report *Value Chain Analyses: Sector Choice and Market Analyses Report* (March 2008), 21.

Nigerian economy for the optimal use of its human capital. There are signs of progress in job creation. The NBS reports that unemployment declined from 13.7 percent in 2001 to 11.9 percent in 2005, while the IMF and World Bank note an even steeper decline, from 17 percent in 2004 to 10 percent in 2006. Over the five-year period between 2002 and 2006, Nigeria's labor force grew at an average annual rate of about 2.7 percent, reaching 52.6 million in 2006.<sup>102</sup> Each year, then, Nigeria's labor market needed to absorb about 1.3 million entrants. Simultaneous growth in real GDP of more than 7.8 percent annually helped to sop up some of workforce growth, particularly given strong growth in non-oil sectors. Still, labor force participation is much lower than all benchmarks. In 2005, only 66.2 percent of the working age population was active in the labor market, compared to 83.2 percent in Kenya, 73.3 percent in Indonesia, and the LI-SSA and LI medians of 75.7 percent and 80.0 percent, respectively. Nigeria's performance is also far below the lower band of expected values for a country with similar characteristics of 75.4 percent. In addition, significant disparity in the male and female labor force participation rates persists; the male rate is more than 40 percentage points higher than the female rate (see Gender discussion above).

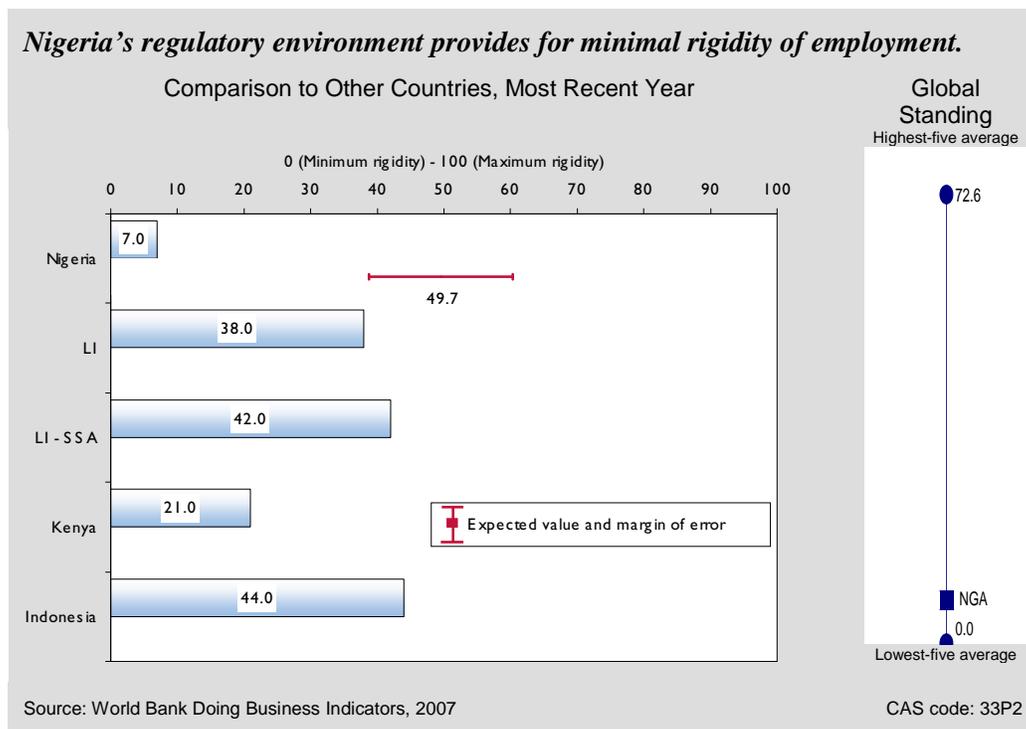
Creating jobs requires improving the business environment to attract private sector investment—widely recognized as the engine of job creation and growth—and removing institutional impediments in the labor market. If government policies and regulations raise the cost of firing workers, it is riskier for employers to hire in the first place. The World Bank's Rigidity of Employment index measures the difficulty of hiring and firing workers on a scale of 0 (minimum rigidity) to 100 (maximum). With a score of 7 in 2007, Nigeria performs extraordinarily well on this indicator, better than Kenya (21), LI countries (38), LI-SSA countries (42), and Indonesia (44), and showing improvement since 2005, when it scored 18 on the index (Figure 5-2). Nevertheless, the cost of firing workers in Nigeria has remained stagnant at 50 weeks of wages for the past five years—higher than in all comparators except Indonesia, where firing costs are equivalent to an extraordinary 108 weeks of wages.

Although Nigeria appears to have the regulatory foundations for flexible labor market, employment statistics signal a need for rapid job creation, particularly if high GDP growth rates are to reduce poverty and the pressures of an extremely high youth dependency rate and a rapidly growing population. The government has rightly identified increasing employment opportunities as one of the seven top-priority reforms in NEEDS-2, which is nearing completion.

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<sup>102</sup> World Bank/DFID Nigeria Report *Value Chain Analyses: Sector Choice and Market Analyses Report* (March 2008) estimates the growth in the work force at the rate of 3.5 percent per annum.

Figure 5-2  
*Rigidity of Employment Index*



## AGRICULTURE

Nigeria's agricultural sector has grown in recent years but is far from fulfilling its potential. In 2005 (latest year of data available), the leading crops by volume were cassava, yams, sorghum, and maize.<sup>103</sup> Agricultural production grew by 29 percent between 1999 and 2006,<sup>104</sup> and the government reports that agricultural value-added grew at an average annual rate of 7.0 percent over the last four years of this period—higher than the LI-SSA median of 2.4 percent and the rates in Kenya in 2006 (3.0 percent) and Indonesia in 2006 (3.7 percent). However, the IMF has serious concerns about the accuracy of these figures.<sup>105</sup> Despite signs of progress, agricultural exports, such as cocoa and rubber, account for only a tiny share of merchandise exports, whereas agriculture was the leading export sector before the rise of oil in the early 1970s.<sup>106</sup>

<sup>103</sup> National Bureau of Statistics, *Nigerian Statistical Fact Sheets on Economic and Social Development*, November 2006.

<sup>104</sup> Based on Nigeria's score on the UN Food and Agriculture Association's Agricultural Production Index. <http://faostat.fao.org/site/601/default.aspx>, accessed April 16, 2008.

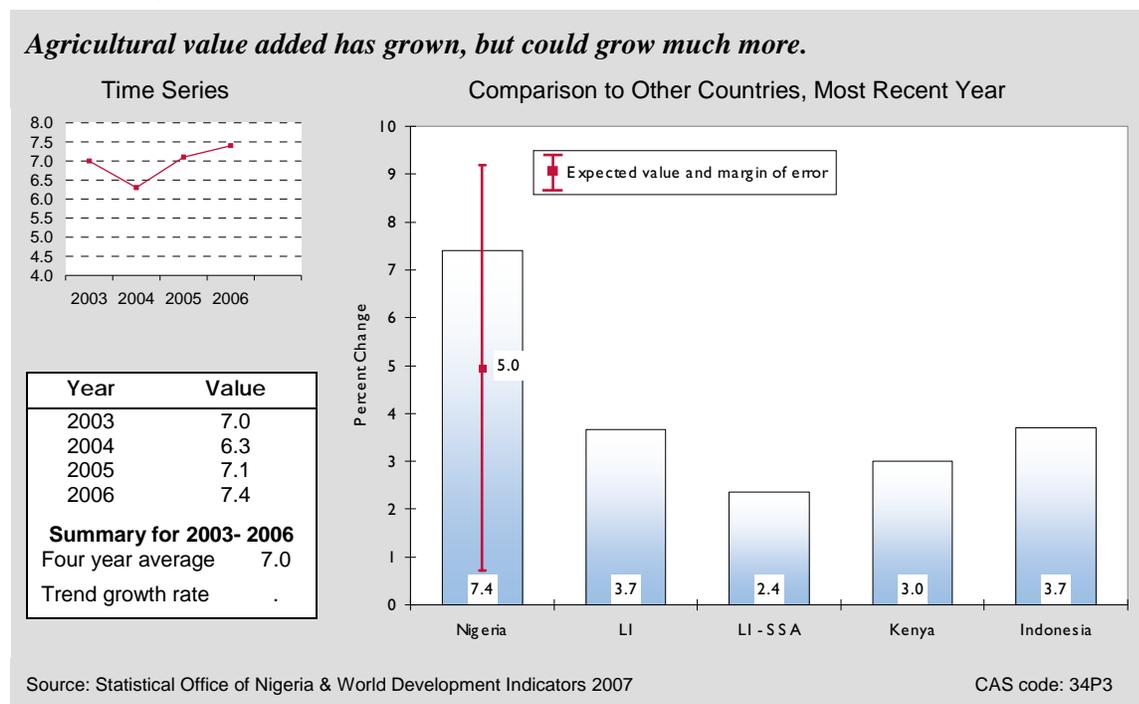
<sup>105</sup> Statistics on growth in agricultural value-added Article IV, 32, which draws on *National Accounts of Nigeria 1981-2006*, published by the Nigeria National Bureau of Statistics in 2007. The IMF has expressed concerns about the accuracy of the government's estimates of growth in the agricultural sector, noting that the reported "increase in agricultural output was inconsistent with available data and inadequately documented" (Article IV, 59).

<sup>106</sup> World Bank, *Getting Agricultural Growth Going in Nigeria*, 2006, 18.

The decline of Nigeria’s agricultural exports and import-competing domestic products is often blamed on Dutch Disease, but other numerous other factors have contributed: low private investment; low productivity due to minimal mechanization and irrigation and poor access to credit; weak and fragmented support institutions; inconsistent and poorly coordinated improvement initiatives;<sup>107</sup> land ownership laws that complicate use of land as collateral;<sup>108</sup> poor infrastructure; and protectionist policies that discourage competitive production. Nigeria’s score on the World Economic Forum’s Agricultural Policy Costs Index reflects these problems: 3.9 on a scale of 1 (“excessively burdensome”) to 7 (“balances all economic agents’ interests”) in 2007, the same as Kenya and slightly better than the LI-SSA median (3.7) but well below Indonesia’s 5.0.

Nigeria’s 2004 Poverty Reduction Strategy Paper<sup>109</sup> emphasizes addressing the policy and technological constraints on agricultural performance. Though the goal of raising the value of agricultural exports to \$3 billion by 2007<sup>110</sup> was not met, the government’s commitment to the sector and recent growth in output are encouraging. Donor support for additional reforms and productivity enhancements could help Nigeria achieve sustainable growth in the sector.

Figure 5-3  
*Growth in Agriculture Value-added*



<sup>107</sup> Ibid., 2-3 and 51-52.

<sup>108</sup> EIU Country Profile, 34.

<sup>109</sup> NEEDS, 68.

<sup>110</sup> NEEDS, 69.



# Appendix A. CAS Methodology

## CRITERIA FOR SELECTING INDICATORS

The economic performance evaluation in this report balances the need for broad coverage and diagnostic value with the requirement of brevity and clarity. The analysis covers 15 economic growth–related topics, and just over 100 variables. For the sake of brevity, the main text highlights issues for which the “dashboard lights” appear to be signaling problems, which suggest priorities for USAID intervention. The table below provides a full list of indicators examined for this report. Appendix B contains the complete data set for Nigeria, including for 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 set of primary indicators also includes descriptive variables such as per capita income, the poverty head count, and the age dependency rate.

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

Indicators have been selected on the basis of the following criteria. Each must be accessible through USAID’s Economic and Social Database or convenient public sources, particularly on the Internet. They should be available for a large number of countries, including most USAID client states, to support the benchmarking analysis. The data should be sufficiently timely to support an assessment of country performance that is suitable for strategic planning purposes. Data quality is another consideration. For example, subjective survey responses are used only when actual measurements are not available. Aside from a few descriptive variables, the indicators must also be useful for diagnostic purposes. Preference is given to measures that are widely used, such as Millennium Development Goal indicators, or evaluation data used by the Millennium Challenge Corporation. Finally, an effort has been made to minimize redundancy. If two indicators provide similar information, preference is given to one that is simplest to understand, or most widely used. For example, both the Gini coefficient and the share of income

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

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 Nigeria relative to the average for countries in the same income group and region—in this case, low-income countries in sub-Saharan Africa (LI-SSA).<sup>2</sup> For added perspective, three other comparisons are examined: (1) the global average for this income group; (2) values for two comparator countries (Kenya and Indonesia) approved by the USAID/Nigeria mission; and (3) the average for the five best- and five worst-performing countries globally. Most comparisons are framed in terms of values for the latest year of data from available sources. Five-year trends are also taken into account when this information sheds light on the performance assessment.<sup>3</sup>

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.<sup>4</sup> This approach has three advantages. First, the benchmark is customized to Nigeria's level of income. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology allows the quantification of the margin of error and establishment of a "normal band" for a country with Nigeria's characteristics. An observed value falling outside this band on the side of poor performance signals a serious problem.<sup>5</sup>

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

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<sup>2</sup> Income groups as defined by the World Bank for 2004. For this study, the average is defined in terms of the median so that the values are not distorted by outliers.

<sup>3</sup> 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 diverge from the underlying trend.

<sup>4</sup> 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 Nigeria is computed by plugging in Nigeria-specific values for PCI and Region. Where applicable, the regression also controls for population size and petroleum exports (as a percentage of GDP).

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

## STANDARD CAS INDICATORS

Indicator	Level	MDG, MCA, or EcGov <sup>a</sup>
Statistical Capacity Indicator	I	EcGov
<b>Growth Performance</b>		
Per capita GDP, in purchasing power parity dollars	I	
Per capita GDP, in current US dollars	I	
Real GDP growth	I	
Growth of labor productivity	II	
Investment productivity, incremental capital-output ratio (ICOR)	II	
Gross fixed investment, % GDP	II	
Gross fixed private investment, % GDP	II	
<b>Poverty and Inequality</b>		
Human poverty index (0 for excellent to 100 for poor)	I	
Income-share, poorest 20%	I	
Population living on less than \$1 PPP per day (lower income countries)/ \$2 PPP per day (lower middle income countries)	I	MDG
Poverty headcount, by national poverty line	I	MDG
PRSP status	I	EcGov
Population below minimum dietary energy consumption	II	MDG
<b>Economic Structure</b>		
Employment or labor force structure	I	
Output structure	I	
<b>Demography and Environment</b>		
Adult literacy rate	I	
Youth dependency rate/ elderly dependency rate (elderly rate for Eastern European and Former Soviet Union countries)	I	
Environmental performance index (0 for poor to 100 for excellent)	I	
Population size and growth	I	
Urbanization rate	I	
<b>Gender</b>		
Girls' primary completion rate	I	MCA
Gross enrollment rate, all levels, male, female	I	MDG
Life expectancy at birth, male, female	I	
Labor force participation rate, male, female	I	
<b>Fiscal and Monetary Policy</b>		
Government expenditure, % GDP	I	EcGov
Government revenue, excluding grants, % GDP	I	EcGov
Growth in the broad money supply	I	EcGov
Inflation rate	I	MCA
Overall government budget balance, including grants, % GDP	I	MCA, EcGov
Composition of government expenditure	II	
Composition of government revenue	II	
Composition of money supply growth	II	

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

Indicator	Level	MDG, MCA, or EcGov <sup>a</sup>
Structure of merchandise exports	II	
Trade policy index (0 for poor to 100 for excellent)	II	MCA, EcGov
Ease of trading across borders ranking	II	EcGov
<b>Economic Infrastructure</b>		
Internet users per 1,000 people	I	MDG
Overall infrastructure quality index (1 for poor to 7 for excellent)	I	EcGov
Telephone density, fixed line and mobile	I	MDG
Quality of infrastructure—railroads, ports, air transport, and electricity	II	
Roads paved, % total roads	II	
<b>Science and Technology</b>		
Expenditure for R&D, % GDP	I	
FDI and technology transfer index (1 for poor to 7 for excellent)	I	
Availability of scientists and engineers index (1 for poor to 7 for excellent)	I	
Science & technology journal articles per million people	I	
IPR protection index (1 for poor to 7 for excellent)	I	
<b>Health</b>		
HIV prevalence	I	
Life expectancy at birth	I	
Maternal mortality rate	I	MDG
Access to improved sanitation	II	MDG
Access to improved water source	II	MDG
Births attended by skilled health personnel	II	MDG
Child immunization rate	II	MCA
Prevalence of child malnutrition (weight for age)	II	
Public health expenditure, % GDP	II	MCA, EcGov
<b>Education</b>		
Net primary enrollment rate – female, male, total	I	MDG
Persistence in school to grade 5	I	MDG
Youth literacy rate, all, male, female	I	
Net secondary enrollment rate	I	
Gross tertiary enrollment rate	I	
Education expenditure, primary, % GDP	II	MCA, EcGov
Expenditure per student, % GDP per capita—primary, secondary, and tertiary	II	EcGov
Pupil-teacher ratio, primary school	II	
<b>Employment and Workforce</b>		
Labor force participation rate, total	I	
Rigidity of employment index (0 for minimum to 100 for maximum)	I	EcGov
Size and growth of the labor force	I	
Unemployment rate	I	
Economically active children, % children ages 7-14	I	
Firing costs, weeks of wages	II	EcGov

Indicator	Level	MDG, MCA, or EcGov <sup>a</sup>
Agriculture		
Agriculture value added per worker	I	
Cereal yield	I	
Growth in agricultural value-added	I	
Agricultural policy costs index (1 for poor to 7 for excellent)	II	EcGov
Crop production index	II	
Livestock production index	II	
Agricultural export growth	II	

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

<sup>b</sup> MDG—Millennium Development Goal indicator

MCA—Millennium Challenge Account indicator

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

# Appendix B. Data Supplement

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

	Growth Performance							
	Statistical Capacity Indicator	Per capita GDP, in Purchasing Power Parity Dollars	Per capita GDP, in current U.S. Dollars	Real GDP Growth	Growth of Labor Productivity	Investment Productivity, Incremental Capital-Output Ratio (ICOR)	Gross Fixed Investment, % of GDP	Gross Fixed Private Investment, % of GDP
Indicator Number	11P0	11P1	11P2	11P3	11S1	11S2	11S3	11S4
<b>Nigeria Data</b>								
Latest Year (T)	2007	2007	2007	2007	2006	.	.	.
Value Year T	62	2,035	1,159	6.4	3.3	.	.	.
Value Year T-1	51	1,915	1,049	6.2	2.5	.	.	.
Value Year T-2	51	1,796	824	5.4	7.5	.	.	.
Value Year T-3	40	1,773	656	10.6	7.2	.	.	.
Value Year T-4	.	1,598	518	10.3	.	.	.	.
Average Value, 5 year	.	1,823	841	7.8	.	.	.	.
Growth Trend	.	5.6	20.8	.	.	.	.	.
<b>Benchmark Data</b>								
Regression Benchmark	.	.	.	5.1	.	.	.	.
Lower Bound	.	.	.	2.7	.	.	.	.
Upper Bound	.	.	.	7.4	.	.	.	.
Latest Year Kenya	2007	2007	2007	2007	2005	2006	2006	.
Kenya Value Latest Year	57	1,359	495	7.0	3.6	4.3	17.1	.
Latest Year Indonesia	2007	2007	2007	2007	2005	2006	2006	.
Indonesia Value Latest Year	88	3,234	1,925	6.3	3.5	4.1	21.7	.
LI Median	59	1,183	431	6.0	2.6	4.2	20.5	.
LI-SSA Median	57	1,018	264	4.0	2.1	4.8	17.6	.
High Five Avg.	91	50,789	67,174	17.3	14.8	30.0	47.2	30.5
Low Five Avg.	25	592	162	-0.6	-4.4	-19.9	10.3	4.4

Poverty and Inequality							
Indicator Number	Human Poverty Index (0 for no deprivation to 100 for high deprivation)	Income Share, Poorest 20%	Percentage of Population Living on Less Than \$1 PPP per Day	Percentage of Population Living on Less Than \$2 PPP per Day	Poverty Headcount, National Poverty Line	PRSP Status	Population % Below Minimum Dietary Energy Consumption
	12P1	12P2	12P3a	12P3b	12P4	12P5	12S1
<b>Nigeria Data</b>							
<i>Latest Year (T)</i>	2005	2003	2003	2003	.	2004	2002
Value Year T	37.3	5.0	70.8	92.4	.	yes	9.0
Value Year T-1	40.6	.	.	.	.	.	.
Value Year T-2	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.
<b>Benchmark Data</b>							
Regression Benchmark	44.9	6.1	46.3	81.9	56.2	.	.
Lower Bound	39.3	5.2	38.4	73.5	48.1	.	.
Upper Bound	50.4	7.0	54.3	90.3	64.4	.	.
<i>Latest Year Kenya</i>	2005	.	.	.	.	2003	2002
Kenya Value Latest Year	30.8	.	.	.	.	yes	31.0
<i>Latest Year Indonesia</i>	2005	2002	2002	2002	.	2003	2002
Indonesia Value Latest Year	18.2	8.4	7.5	52.4	.	yes	6.0
LI Median	39.7	7.0	38.7	78.2	.	.	29.0
LI-SSA Median	40.7	.	.	.	.	.	33.0
High Five Avg.	62.4	9.5	61.8	88.7	67.5	.	67.0
Low Five Avg.	3.7	2.2	2.0	2.0	13.6	.	2.5

Economic Structure						
Indicator Number	Labor Force Structure (Employment in agriculture, % total) 13P1a	Labor Force Structure (Employment in industry, % total) 13P1b	Labor Force Structure (Employment in services, % total) 13P1c	Output structure (Agriculture, value added, % GDP) 13P2a	Output structure (Industry, value added, % GDP) 13P2b	Output structure (Services, etc., value added, % GDP) 13P2c
<b>Nigeria Data</b>						
<i>Latest Year (T)</i>	2005	2005	2005	2006	2006	2006
Value Year T	58.6	3.4	38.0	32.0	41.7	26.3
Value Year T-1	59.3	3.3	37.4	32.8	43.3	23.9
Value Year T-2	59.5	3.3	37.2	34.2	41.9	23.9
Value Year T-3	59.9	2.9	37.5	42.7	36.5	20.8
Value Year T-4	54.7	3.4	41.8	48.6	30.3	21.2
Average Value, 5 year	58.4	3.3	38.4	38.0	38.7	23.2
Growth Trend	1.3	1.0	-1.9	-11.0	8.1	5.8
<b>Benchmark Data</b>						
Regression Benchmark	67.0	8.9	20.6	33.8	40.5	32.1
Lower Bound	60.4	5.6	15.5	27.9	34.8	25.9
Upper Bound	73.6	12.1	25.7	39.7	46.2	38.2
<i>Latest Year Kenya</i>	.	.	.	2006	2006	2006
Kenya Value Latest Year	.	.	.	27.9	17.4	54.8
<i>Latest Year Indonesia</i>	2005	2005	2005	2006	2006	2006
Indonesia Value Latest Year	44.0	18.0	38.0	11.9	41.7	46.3
LI Median	.	.	.	28.1	24.0	44.6
LI-SSA Median	.	.	.	35.6	19.7	44.1
High Five Avg.	75.3	38.4	78.7	55.4	61.1	82.4
Low Five Avg.	0.8	5.8	16.6	0.5	11.8	21.8

Demography and Environment							
	Adult Literacy Rate	Youth Dependency Rate	Elderly Dependency Rate	Environmental Performance Index (1 to 100)	Population Size (Millions)	Population Growth, Annual %	Percent of Population Living in Urban Areas
Indicator Number	14P1	14P2a	14P2b	14P3	14P4a	14P4b	14P5
<b>Nigeria Data</b>							
<i>Latest Year (T)</i>	2004	2006	2006	2007	2006	2006	2006
Value Year T	69.1	83.1	5.7	56.2	144.7	2.4	49.0
Value Year T-1	.	84.0	5.7	44.5	141.4	2.4	48.2
Value Year T-2	.	84.8	5.7	.	138.0	2.5	47.3
Value Year T-3	.	85.5	5.7	.	134.7	2.5	46.5
Value Year T-4	.	86.2	5.7	.	131.3	2.5	45.6
Average Value, 5 year	.	84.7	5.7	.	138.0	2.4	47.3
Growth Trend	.	-0.9	0.0	.	2.4	.	1.8
<b>Benchmark Data</b>							
Regression Benchmark	53.1	85.0	3.0	48.3	.	.	32.5
Lower Bound	43.8	78.4	1.0	43.1	.	.	22.5
Upper Bound	62.3	91.6	5.0	53.4	.	.	42.4
<i>Latest Year Kenya</i>	2006	2006	2006	2007	2005	2006	2006
Kenya Value Latest Year	73.6	78.6	5.1	69.0	34.3	2.6	21.0
<i>Latest Year Indonesia</i>	2006	2006	2006	2007	2005	2006	2006
Indonesia Value Latest Year	90.4	42.1	8.5	66.2	220.6	1.1	49.2
LI Median	58.3	78.8	5.9	54.8	11.5	2.2	31.3
LI-SSA Median	53.2	83.1	5.9	53.9	11.4	2.5	34.8
High Five Avg.	99.7	99.4	28.3	86.9	620.5	4.4	98.6
Low Five Avg.	24.7	20.1	2.7	31.8	0.1	-0.7	11.9

Gender							
Indicator Number	Girls' Primary Completion Rate	Gross Enrollment Rate, All Levels of Education, Male	Gross Enrollment Rate, All Levels of Education, Female	Life Expectancy, Male	Life Expectancy, Female	Labor Force Participation Rate, Male	Labor Force Participation Rate, Female
	15P1	15P2a	15P2b	15P3a	15P3b	15P4a	15P4b
<b>Nigeria Data</b>							
<i>Latest Year (T)</i>	2005	2004	2004	2005	2005	2006	2006
Value Year T	67.8	60.0	50.0	46.0	47.1	85.9	46.7
Value Year T-1	63.7	.	.	43.2	43.5	86.0	46.8
Value Year T-2	64.1	.	.	.	.	86.1	46.9
Value Year T-3	.	.	.	.	.	85.2	46.8
Value Year T-4	.	.	.	.	.	86.4	47.3
Average Value, 5 year	.	.	.	.	.	85.9	46.9
Growth Trend	.	.	.	.	.	0.0	-0.3
<b>Benchmark Data</b>							
Regression Benchmark	45.7	50.1	40.6	45.9	47.4	90.6	68.1
Lower Bound	36.3	43.9	33.6	42.3	43.3	87.0	59.8
Upper Bound	55.0	56.3	47.6	49.6	51.5	94.3	76.4
<i>Latest Year Kenya</i>	2005	2004	2004	2005	2005	2006	2006
Kenya Value Latest Year	91.6	62.0	58.0	51.1	53.1	90.0	71.6
<i>Latest Year Indonesia</i>	2005	2004	2004	2005	2005	2006	2006
Indonesia Value Latest Year	100.0	70.0	67.0	67.8	71.6	87.2	53.3
LI Median	.	53.0	46.0	54.1	57.8	88.7	62.1
LI-SSA Median	.	49.5	43.0	48.6	49.8	91.6	67.6
High Five Avg.	122.3	101.2	106.8	78.9	84.4	98.4	91.9
Low Five Avg.	20.3	28.2	21.8	39.5	40.4	66.6	19.6

Fiscal and Monetary Policy											
Indicator Number	Government Expenditure, % of GDP	Government Revenue, % of GDP	Growth in the Money Supply	Inflation Rate	Overall Budget Balance, Including Grants, % of GDP	Composition of Government Expenditure (Wages and salaries)	Composition of Government Expenditure (Goods and services)	Composition of Government Expenditure (Interest payments)	Composition of Government Expenditure (Subsidies and other current transfers)	Composition of Government Expenditure (Capital expenditure)	Composition of Government Expenditure (Other expenditure)*
	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S1e	21S1f
<b>Nigeria Data</b>											
<i>Latest Year (T)</i>	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007
Value Year T	37.0	37.5	28.3	5.5	0.6	12.1	4.7	3.6	18.3	17.4	43.1
Value Year T-1	26.4	34.1	39.9	8.3	7.7	10.7	4.5	3.8	18.8	15.3	46.8
Value Year T-2	28.7	38.1	16.0	17.8	9.4	10.5	4.8	9.0	20.1	9.3	46.3
Value Year T-3	27.2	35.4	14.0	15.0	8.1	11.6	4.0	7.3	20.9	8.2	47.9
Value Year T-4	.	.	24.1	14.0	.	.	.	.	.	.	.
Average Value, 5 year	.	.	24.5	12.1	.	.	.	.	.	.	.
Growth Trend	.	.	.	-24.7	.	.	.	.	.	.	.
<b>Benchmark Data</b>											
Regression Benchmark	26.3	17.7	22.6	11.6	-2.0	.	.	.	.	.	.
Lower Bound	19.2	12.7	16.2	8.9	-4.3	.	.	.	.	.	.
Upper Bound	33.4	22.8	29.1	14.3	0.4	.	.	.	.	.	.
<i>Latest Year Kenya</i>	.	2004	2006	2007	2004	.	.	.	.	.	.
Kenya Value Latest Year	.	19.9	18.0	9.8	-1.5	.	.	.	.	.	.
<i>Latest Year Indonesia</i>	2006	2006	2007	2007	2006	.	.	.	.	.	.
Indonesia Value Latest Year	.	18.4	14.9	6.4	-1.1	.	.	.	.	.	.
LI Median	.	13.7	19.2	8.1	-3.0	.	.	.	.	.	.
LI-SSA Median	.	16.8	20.4	5.8	.	.	.	.	.	.	.
High Five Avg.	48.1	51.8	196.2	1,179.8	5.2	48.7	77.2	35.6	69.2	43.7	.
Low Five Avg.	9.8	6.9	-1.3	0.6	-11.1	4.6	16.2	0.9	2.1	2.3	.

\*Other expenditure refers to Nigerian State and local governments

**Fiscal and Monetary Policy (cont'd)**

Indicator Number	21S2a	21S2b	21S2c	21S2d	21S2e	21S2f	21S3a	21S3b	21S3c	21S3d	21S3e
<b>Nigeria Data</b>											
<i>Latest Year (T)</i>	2007	2007	2007	2007	.	2007	2005	2005	2005	2005	2005
Value Year T	26.1	9.3	0.7	0.7	.	63.2	-145.6	120.4	0.1	340.0	-214.9
Value Year T-1	26.5	6.4	0.5	0.5	.	66.3	-272.0	112.0	0.6	451.3	-192.0
Value Year T-2	26.2	7.4	0.6	0.4	.	65.4	31.0	65.3	0.0	27.5	-23.8
Value Year T-3	23.2	9.1	0.8	0.4	.	66.5	137.0	39.5	-0.3	-14.2	-61.9
Value Year T-4	.	.	.	.	.	.	42.1	85.1	0.0	56.3	-83.6
Average Value, 5 year	.	.	.	.	.	.	-41.5	84.5	0.1	172.2	-115.2
Growth Trend	.	.	.	.	.	.	.	17.4	.	.	-30.2
<b>Benchmark Data</b>											
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.	.
<i>Latest Year Kenya</i>	2004	2004	2004	2004	2004	2004	.	.	.	.	.
Kenya Value Latest Year	28.6	40.0	11.2	0.1	0.0	20.1	.	.	.	.	.
<i>Latest Year Indonesia</i>	2004	2004	2004	2004	2004	2004	.	.	.	.	.
Indonesia Value Latest Year	28.2	32.0	3.0	2.8	3.9	30.2	.	.	.	.	.
LI Median	15.1	31.3	19.5	.	3.6	28.8	.	.	.	.	.
LI-SSA Median	.	.	.	.	.	.	.	.	.	.	.
High Five Avg.	56.9	58.4	45.5	47.3	20.8	79.5	.	.	.	.	.
Low Five Avg.	1.7	3.2	-0.2	0.3	0.0	3.7	.	.	.	.	.

Business Environment									
	Control of Corruption Index (-2.5 for poor to 2.5 for excellent)	Ease of Doing Business Ranking (1 to 178)	Rule of Law Index (-2.5 for very poor to 2.5 for excellent)	Regulatory Quality Index (-2.5 for very poor to 2.5 for excellent)	Government Effectiveness Index (-2.5 for very poor to 2.5 for excellent)	Cost of Starting a Business % GNI per Capita	Procedures to Enforce a Contract	Procedures to Register Property	Procedures to Start a Business
Indicator Number	22P1	22P2	22P3	22P4	22P5	22S1	22S2	22S3	22S4
<b>Nigeria Data</b>									
<i>Latest Year (T)</i>	2006	2007	2006	2006	2006	2007	2007	2007	2007
Value Year T	-1.29	108	-1.27	-0.89	-0.96	56.6	39	14	9
Value Year T-1	-1.23	108	-1.40	-0.92	-0.91	54.4	39	14	9
Value Year T-2	-1.32	.	-1.58	-1.28	-0.94	73.8	40	19	9
Value Year T-3	-1.24	.	-1.66	-1.12	-0.82	95.6	40	19	10
Value Year T-4	-1.37	.	-1.50	-1.18	-0.98	89.6	40	.	10
Average Value, 5 year	-1.29	.	-1.48	-1.08	-0.92	74.0	39.6	.	9.4
Growth Trend	1.32	.	5.03	7.66	-0.58	-14.8	-0.8	.	-3.2
<b>Benchmark Data</b>									
Regression Benchmark	-1.27	144	-1.43	-1.30	-1.40	.	.	.	.
Lower Bound	-1.53	123	-1.71	-1.57	-1.64	.	.	.	.
Upper Bound	-1.01	165	-1.15	-1.03	-1.16	.	.	.	.
<i>Latest Year Kenya</i>	2006	2007	2006	2006	2006	2007	2007	2007	2007
Kenya Value Latest Year	-0.97	72	-0.98	-0.21	-0.69	46.1	44	8	12
<i>Latest Year Indonesia</i>	2006	2007	2006	2006	2006	2007	2007	2007	2007
Indonesia Value Latest Year	-0.77	123	-0.82	-0.26	-0.38	80.0	39	7	12
LI Median	-0.85	147	-0.94	-0.84	-0.87	103.6	40.5	6.0	10.0
LI-SSA Median	-0.82	155	-0.82	-0.84	-0.82	134.9	40.0	6.0	11.0
High Five Avg.	2.37	176	.	1.80	2.15	574.0	53.7	13.9	18.5
Low Five Avg.	-1.57	3	.	-2.31	-1.78	0.5	23.1	1.6	2.4

Business Environment (cont'd)						
Indicator Number	Time to Enforce a Contract 22S5	Time to Register Property 22S6	Time to Start a Business 22S7	Total Tax Payable by Business, % operating profit 22S8	Business Costs of Crime, Violence and Terrorism (1 for poor to 7 for excellent) 22S9	Senior Manager Time Spent Dealing with Government Regulations (%) 22S10
<b>Nigeria Data</b>						
Latest Year (T)	2007	2007	2007	2007	2007	.
Value Year T	457	82	34	29.9	2.9	.
Value Year T-1	457	81	43	29.9	3.0	.
Value Year T-2	730	274	43	29.9	.	.
Value Year T-3	730	274	44	.	.	.
Value Year T-4	730	.	44	.	.	.
Average Value, 5 year	621	.	41.6	.	.	.
Growth Trend	-14.1	.	-5.4	.	.	.
<b>Benchmark Data</b>						
Regression Benchmark	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.
Latest Year Kenya	2007	2007	2007	2007	2007	2003
Kenya Value Latest Year	465	64	44	50.9	2.5	11.7
Latest Year Indonesia	2007	2007	2007	2007	2007	2003
Indonesia Value Latest Year	570	42	105	37.3	5.7	4.0
LI Median	533	72	43.2	44.9	3.6	.
LI-SSA Median	545	94	40.0	48.1	3.6	.
High Five Avg.	1,612	486	287.7	251.2	6.6	21.3
Low Five Avg.	183	2	4.3	12.2	2.0	1.5

Financial Sector								
	Domestic Credit to Private Sector, % GDP	Interest Rate Spread	Money Supply (M2), % GDP	Stock Market Capitalization Rate, % GDP	Credit Information Index (0 for poor to 6 for excellent)	Legal Rights of Borrowers and Lenders (0 for poor to 10 for excellent)	Real Interest Rate	Number of Microfinance Borrowers
Indicator Number	23P1	23P2	23P3	23P4	23P5	23S1	23S2	23S3
<b>Nigeria Data</b>								
<i>Latest Year (T)</i>	2007	2006	2007	2006	2007	2007	2007	.
Value Year T	27.8	7.2	30.1	22.4	0.0	7.0	-4.6	.
Value Year T-1	13.2	7.4	19.6	17.2	0.0	7.0	-2.2	.
Value Year T-2	13.2	5.5	17.8	16.6	0.0	7.0	-1.5	.
Value Year T-3	12.8	6.5	19.4	.	0.0	7.0	-1.3	.
Value Year T-4	13.6	8.1	22.7	.	0.0	.	8.6	.
Average Value, 5 year	16.1	6.9	.	.	0.0	.	-0.2	.
Growth Trend	14.6	-1.2	.	.	.	.	.	.
<b>Benchmark Data</b>								
Regression Benchmark	.	12.8	6.0	19.5	0.9	.	.	.
Lower Bound	.	9.7	-8.7	-8.7	-0.3	.	.	.
Upper Bound	.	15.8	20.8	47.6	2.2	.	.	.
<i>Latest Year Kenya</i>	2006	2006	2006	2006	2007	2007	2006	.
Kenya Value Latest Year	27.7	8.5	39.0	53.7	4.0	8.0	14.1	.
<i>Latest Year Indonesia</i>	2006	2006	2006	2006	2007	2007	2006	.
Indonesia Value Latest Year	24.6	4.6	38.6	38.1	3.0	5.0	2.1	.
LI Median	13.8	12.1	25.7	9.3	0.2	4.0	7.9	.
LI-SSA Median	10.0	12.9	22.4	.	0.3	4.0	13.4	.
High Five Avg.	198.4	36.4	194.8	241.5	6.0	9.4	35.7	.
Low Five Avg.	2.9	1.4	9.4	0.3	0.0	0.6	-35.6	.

External Sector											
	Aid, % of GNI	Current Account Balance, % GDP	Debt Service ratio, % Exports	Exports Growth, Goods and Services	Foreign Direct Investment, % GDP	Gross International Reserves, Months of Imports	Gross Private Capital Inflows, % GDP	Present Value of Debt, % GNI	Remittance Receipts, % Exports	Trade, % GDP	Trade in Services, % GDP
Indicator Number	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24P10	24P11
<b>Nigeria Data</b>											
<i>Latest Year (T)</i>	2005	2007	2007	2006	2007	2007	2005	.	2005	2007	2007
Value Year T	.	0.7	1.9	.	6.2	11.2	4.3	.	6.4	68.3	8.3
Value Year T-1	.	9.5	27.7	.	6.2	10.1	2.4	.	6.0	70.5	9.1
Value Year T-2	.	7.1	20.8	.	5.8	8.3	3.3	.	3.9	77.5	9.9
Value Year T-3	.	5.0	7.9	.	5.5	5.8	3.4	.	6.7	75.8	11.0
Value Year T-4	.	-6.1	.	.	.	.	4.6	.	5.9	.	.
Average Value, 5 year	.	3.2	.	.	.	.	.	.	5.8	.	.
Growth Trend	.	.	.	.	.	.	.	.	0.3	.	.
<b>Benchmark Data</b>											
Regression Benchmark	12.3	0.9	7.6	4.4	3.0	6.3	.	38.7	11.1	63.2	13.1
Lower Bound	7.5	-4.1	2.7	-1.7	0.7	4.8	.	17.3	2.4	40.6	2.9
Upper Bound	17.1	5.8	12.6	10.6	5.4	7.9	.	60.0	19.8	85.8	23.4
<i>Latest Year Kenya</i>	2005	2007	2005	2006	2005	2005	2005	2005	2005	2006	2005
Kenya Value Latest Year	4.0	-3.5	3.9	6.4	0.1	3.2	0.2	28.5	15.7	57.6	15.7
<i>Latest Year Indonesia</i>	2005	2007	2005	2006	2006	2005	2005	2005	2005	2006	2005
Indonesia Value Latest Year	0.9	2.5	7.5	8.9	3.3	4.1	4.7	55.2	5.5	58.8	12.8
LI Median	12.2	-3.7	8.4	7.9	1.6	3.5	1.6	39.8	13.1	69.1	16.5
LI-SSA Median	14.9	-6.6	8.9	6.2	1.9	3.0	2.3	39.8	6.9	55.5	13.3
High Five Avg.	49.6	15.5	38.2	43.5	87.5	16.2	197.8	364.0	102.3	307.5	90.4
Low Five Avg.	0.0	-28.2	0.7	-5.8	-5.6	0.4	-3.5	11.1	0.0	28.9	4.1

External Sector (Cont'd)											
Indicator Number	Concentration of Exports	Inward FDI Potential Index (0 for poor to 1 for excellent)	Net Barter Terms of Trade (2000 = 100)	Real Effective Exchange Rate (REER) (2000 = 100)	Structure of Merchandise Exports (Agricultural raw materials exports)	Structure of Merchandise Exports (Fuel exports)	Structure of Merchandise Exports (Manufactures exports)	Structure of Merchandise Exports (Ores and metals exports)	Structure of Merchandise Exports (Food exports)	Trade Policy Index (0 for very poor to 100 for excellent)	Ease of Trading Across Borders Ranking
	24S1	24S2	24S3	24S4	24S5a	24S5b	24S5c	24S5d	24S5e	24S6	24S7
<b>Nigeria Data</b>											
<i>Latest Year (T)</i>	2003	2005	2005	.	2003	2003	2003	2003	2003	2007	2007
Value Year T	99.0	0.2	146.2	.	0.0	97.9	2.1	0.0	0.0	56.6	138
Value Year T-1	95.7	0.1	116.9	.	0.3	94.0	5.0	0.0	0.6	46.2	135
Value Year T-2	99.8	0.1	97.9	.	0.0	99.7	0.3	0.0	0.0	48.4	.
Value Year T-3	.	0.1	90.2	.	0.0	99.6	0.2	0.0	0.1	60.0	.
Value Year T-4	.	0.2	89.4	.	0.1	98.9	0.6	0.0	0.3	60.0	.
Average Value, 5 year	.	0.2	108.1	.	0.1	98.0	1.6	0.0	0.2	54.2	.
Growth Trend	.	0.4	12.4	.	-14.8	-0.8	56.5	13.1	-35.7	-3.8	.
<b>Benchmark Data</b>											
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.	.
<i>Latest Year Kenya</i>	2004	2005	2005	.	2004	2004	2004	2004	2004	2007	2007
Kenya Value Latest Year	50.9	0.1	94.0	.	12.0	23.0	21.1	4.2	39.7	65.0	148
<i>Latest Year Indonesia</i>	2005	2005	2005	.	2005	2005	2005	2005	2005	2007	2007
Indonesia Value Latest Year	29.5	0.1	59.9	.	5.0	27.5	47.1	8.4	11.7	69.0	41
LI Median	69.1	0.1	97.0	.	3.9	1.5	17.3	3.3	27.1	57.3	147.0
LI-SSA Median	77.4	0.1	96.3	.	10.9	1.4	16.6	2.7	48.2	52.5	147.5
High Five Avg.	59.4	0.5	119.1	.	50.2	93.7	94.2	55.4	88.8	96.7	175.3
Low Five Avg.	0.2	0.1	77.8	.	0.0	0.0	1.2	0.0	0.2	25.8	3.0

Economic Infrastructure								
Indicator Number	Internet Users per 1,000 people	Overall Infrastructure Quality (1 for poor to 7 for excellent)	Telephone Density, Fixed Line and Mobile per 1,000 people	Quality of Infrastructure - Air Transport Infrastructure Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Port Infrastructure Quality Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Rail Development Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Quality of Electricity Supply Index (1 for poor to 7 for excellent)	Roads, Paved (% total)
	25P1	25P2	25P3	25S1a	25S1b	25S1c	25S1d	25S2
<b>Nigeria Data</b>								
<i>Latest Year (T)</i>	2005	2007	2006	2007	2007	2007	2007	2004
Value Year T	35.4	2.3	235.0	3.5	2.7	1.7	1.7	15.0
Value Year T-1	12.8	2.6	140.1	3.9	3.1	1.8	1.9	.
Value Year T-2	5.6	.	73.7	.	.	.	.	.
Value Year T-3	3.2	.	30.0	.	.	.	.	.
Value Year T-4	0.9	.	17.6	.	.	.	.	.
Average Value, 5 year	11.6	.	99.3	.	.	.	.	.
Growth Trend	87.4	.	67.3	.	.	.	.	.
<b>Benchmark Data</b>								
Regression Benchmark	6.6	2.3	.	.	.	.	.	.
Lower Bound	2.5	1.8	.	.	.	.	.	.
Upper Bound	10.7	2.7	.	.	.	.	.	.
<i>Latest Year Kenya</i>	2005	2007	2006	2007	2007	2007	2007	2004
Kenya Value Latest Year	32.4	2.7	185.4	5.1	3.4	2.1	3.4	14.1
<i>Latest Year Indonesia</i>	2005	2007	2006	2007	2007	2007	2007	2002
Indonesia Value Latest Year	72.5	2.6	352.5	4.1	2.7	2.7	4.0	58.0
LI Median	9.7	2.4	56.5	3.4	2.5	1.8	2.7	16.5
LI-SSA Median	9.3	2.4	66.9	3.4	2.5	1.6	2.5	.
High Five Avg.	720.0	6.6	1,777.9	6.6	6.6	6.5	6.8	100.0
Low Five Avg.	1.3	1.8	13.7	2.4	1.4	1.1	1.5	2.6

<b>Science and Technology</b>					
	Expenditure in Research and Development, % GDP	FDI Technology Transfer Index (1 for poor to 7 for excellent)	Availability of Scientists and Engineers (1 for poor to 7 for excellent)	Scientific and Technology Journal Articles, per Million People	IPR Protection (1 for poor to 7 for excellent)
Indicator Number	26P1	26P2	26P3	26P4	26P5
<b><i>Nigeria Data</i></b>					
<i>Latest Year (T)</i>	.	2007	2007	2003	2007
Value Year T	.	5.1	4.2	384	2.9
Value Year T-1	.	5.0	4.3	353	3.0
Value Year T-2	.	.	.	332	.
Value Year T-3	.	.	.	428	.
Value Year T-4	.	.	.	451	.
Average Value, 5 year	.	.	.	390	.
Growth Trend	.	.	.	-5.1	.
<b><i>Benchmark Data</i></b>					
Regression Benchmark	0.4	4.7	3.6	358	2.4
Lower Bound	0.2	4.3	3.2	318	2.0
Upper Bound	0.6	5.1	4.0	398	2.7
<i>Latest Year Kenya</i>	.	2007	2007	2003	2007
Kenya Value Latest Year	.	5.3	4.6	258	3.0
<i>Latest Year Indonesia</i>	2001	2007	2007	2003	2007
Indonesia Value Latest Year	0.1	5.9	5.1	178	3.1
LI Median	.	4.7	4.0	.	2.9
LI-SSA Median	.	4.8	4.0	.	3.0
High Five Avg.	3.7	6.1	6.1	75712	6.3
Low Five Avg.	0.0	3.6	2.7	0	2.0

Health									
	HIV Prevalence	Life Expectancy at Birth	Maternal Mortality Rate, per 100,000 Live Births	Access to Improved Sanitation	Access to Improved Water Source	Births Attended by Skilled Health Personnel	Child Immunization Rate	Prevalence of Child Malnutrition, Weight for Age	Public Health Expenditure, % GDP
Indicator Number	31P1	31P2	31P3	31S1	31S2	31S3	31S4	31S5	31S6
<b>Nigeria Data</b>									
<i>Latest Year (T)</i>	2005	2005	2000	2004	2004	2003	2005	2003	2005
Value Year T	3.9	43.8	800	44.0	48.0	35.2	30.0	28.7	1.2
Value Year T-1	.	.	.	.	.	.	30.0	.	1.2
Value Year T-2	3.7	45.0	.	.	.	.	30.0	.	1.3
Value Year T-3	.	46.6	.	.	.	.	30.0	.	1.3
Value Year T-4	.	.	.	.	.	41.6	29.5	27.3	1.7
Average Value, 5 year	.	.	.	.	.	.	29.9	.	.
Growth Trend	.	.	.	.	.	.	0.3	.	.
<b>Benchmark Data</b>									
Regression Benchmark	7.5	46.7	960.0	.	.	.	.	.	.
Lower Bound	3.8	42.8	793.0	.	.	.	.	.	.
Upper Bound	11.2	50.5	1,127.0	.	.	.	.	.	.
<i>Latest Year Kenya</i>	2005	2005	2000	2004	2004	2003	2005	2003	2005
Kenya Value Latest Year	6.1	49.0	1,000	43.0	61.0	41.6	72.5	19.9	2.1
<i>Latest Year Indonesia</i>	2005	2005	2000	2004	2004	2004	2005	2003	2005
Indonesia Value Latest Year	0.1	67.8	230	55.0	77.0	71.5	71.0	28.2	1.0
LI Median	1.7	54.9	740.0	35.0	61.0	46.2	74.5	26.0	2.1
LI-SSA Median	3.0	47.0	990.0	34.5	60.5	47.9	73.6	25.6	1.9
High Five Avg.	.	81.3	1,800.0	100.0	100.0	100.0	99.0	48.2	11.2
Low Five Avg.	.	37.0	2.6	11.4	34.0	11.4	33.2	2.1	0.6

Education						
	Net Primary Enrollment Rate, Total	Net Primary Enrollment Rate, Female	Net Primary Enrollment Rate, Male	Persistence to Grade 5, Total	Persistence to Grade 5, Female	Persistence to Grade 5, Male
Indicator Number	32P1a	32P1b	32P1c	32P2a	32P2b	32P2c
<b><i>Nigeria Data</i></b>						
<i>Latest Year (T)</i>	2006	2006	2006	2005	2003	2003
Value Year T	61.5	59.8	63.0	74.0	74.6	71.1
Value Year T-1	63.4	58.6	68.1	.	.	.
Value Year T-2	61.4	56.5	66.1	72.6	.	.
Value Year T-3	62.1	56.7	67.4	.	.	.
Value Year T-4	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.
<b><i>Benchmark Data</i></b>						
Regression Benchmark	68.1	.	.	66.4	.	.
Lower Bound	60.2	.	.	58.9	.	.
Upper Bound	76.0	.	.	74.0	.	.
<i>Latest Year Kenya</i>	2005	2005	2005	2004	2004	2004
Kenya Value Latest Year	75.8	76.1	75.5	82.9	85.1	80.9
<i>Latest Year Indonesia</i>	2005	2005	2005	2004	2004	2004
Indonesia Value Latest Year	94.5	92.9	96.2	89.5	86.9	92.0
LI Median	75.2	71.3	76.4	52.4	47.8	56.2
LI-SSA Median	52.3	47.9	59.8	44.9	43.4	52.2
High Five Avg.	99.4	99.3	99.8	99.7	99.9	99.9
Low Five Avg.	40.6	36.5	43.5	43.2	39.6	43.6

Education (Cont'd)										
Indicator Number	Youth Literacy Rate, Total	Youth Literacy Rate, Male	Youth Literacy Rate, Female	Net Secondary Enrollment Rate, Total	Gross Tertiary Enrollment Rate, Total	Expenditure on Primary Education, % GDP	Educational Expenditure per Student, % GDP per capita, Primary	Educational Expenditure per Student, % GDP per capita, Secondary	Educational Expenditure per Student, % GDP per capita, Tertiary	Pupil-teacher Ratio, Primary School
	32P3a	32P3b	32P3c	32P4	32P5	32S1	32S2a	32S2b	32S2c	32S3
<b>Nigeria Data</b>										
<i>Latest Year (T)</i>	2004	2004	2004	2006	2004	2007	.	.	.	2005
Value Year T	84.2	87.0	81.3	45.6	10.2	0.2	.	.	.	37.2
Value Year T-1	.	.	.	.	9.7	.	.	.	.	36.4
Value Year T-2	.	.	.	.	9.6	.	.	.	.	36.4
Value Year T-3	.	.	.	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.	.	.
<b>Benchmark Data</b>										
Regression Benchmark	62.2	.	.	18.6	-5.7	.	.	.	.	.
Lower Bound	53.7	.	.	10.5	-13.1	.	.	.	.	.
Upper Bound	70.7	.	.	26.7	1.7	.	.	.	.	.
<i>Latest Year Kenya</i>	2006	2006	2006	2005	2004	2007	2006	2006	2004	2005
Kenya Value Latest Year	80.3	79.8	80.7	41.5	2.7	4.4	21.0	20.7	284.5	39.5
<i>Latest Year Indonesia</i>	2006	2006	2006	2005	2005	2007	2003	2003	2003	2005
Indonesia Value Latest Year	98.7	98.9	98.5	57.4	17.0	0.4	2.6	4.9	13.4	20.4
LI Median	70.3	76.5	64.8	19.1	2.8	2.1	10.9	.	.	44.5
LI-SSA Median	69.5	72.6	63.1	16.3	2.1	2.1	.	.	.	45.2
High Five Avg.	99.9	99.9	99.9	97.0	79.4	7.1	31.0	55.0	689.4	71.2
Low Five Avg.	32.8	45.9	21.3	6.8	0.5	0.4	3.4	5.0	5.1	10.4

Employment and Workforce							
Indicator Number	Labor Force Participation Rate, Total	Rigidity of Employment Index (0 for minimum rigidity to 100 for maximum rigidity)	Size of the Labor Force	Growth of the Labor Force, Labor Force, Annual % Change	Unemployment Rate	Economically Active Children, % Children Ages 7-14	Firing Costs, Weeks of Wages
	33P1	33P2	33P3a	33P3b	33P4	33P5	33S1
<b>Nigeria Data</b>							
<i>Latest Year (T)</i>	2005	2007	2006	2006	2005	.	2007
Value Year T	66.2	7.0	52,668,284	2.7	11.9	.	50.0
Value Year T-1	66.2	7.0	51,301,245	2.7	11.8	.	50.0
Value Year T-2	66.4	18.0	49,958,966	3.7	14.8	.	50.0
Value Year T-3	65.9	14.0	48,195,134	1.6	12.2	.	50.0
Value Year T-4	66.7	14.0	47,418,066	2.0	13.7	.	50.0
Average Value, 5 year	66.3	12.0	49,908,339	2.5	12.9	.	50.0
Growth Trend	-0.1	-20.8	2.7	.	-3.2	.	0.0
<b>Benchmark Data</b>							
Regression Benchmark	80.0	49.5	.	2.6	6.1	38.7	.
Lower Bound	75.4	38.8	.	1.1	3.6	28.0	.
Upper Bound	84.6	60.3	.	4.1	8.6	49.3	.
<i>Latest Year Kenya</i>	2006	2007	2006	2006	.	2000	2007
Kenya Value Latest Year	83.2	21.0	15,900,000	2.6	.	4.1	47.0
<i>Latest Year Indonesia</i>	2005	2007	2006	2006	2006	.	2007
Indonesia Value Latest Year	73.3	44.0	109,000,000	1.9	10.3	.	108.0
LI Median	75.7	38.0	4,354,731	2.7	.	35.4	37.0
LI-SSA Median	80.0	42.0	4,272,327	2.8	.	38.4	38.0
High Five Avg.	92.4	72.6	313,014,657	6.0	29.7	70.2	226.3
Low Five Avg.	49.8	0.0	7,986	-1.0	1.7	2.8	0.0

Agriculture							
Indicator Number	Agriculture Value Added per Worker 34P1	Cereal Yield 34P2	Growth in Agricultural Value-Added 34P3	Agricultural Policy Costs Index (1 for poor to 7 for excellent) 34S1	Crop Production Index (1999-2001 = 100) 34S2	Livestock Production Index (1999-2001 = 100) 34S3	Agricultural Export Growth 34S4
<b>Nigeria Data</b>							
<i>Latest Year (T)</i>	2004	2005	2006	2007	2004	2004	.
Value Year T	949.4	1,056.6	7.4	3.9	105.9	108.8	.
Value Year T-1	890.3	1,056.6	7.1	3.5	102.8	106.4	.
Value Year T-2	836.0	1,056.9	6.3	.	101.4	104.6	.
Value Year T-3	802.4	1,034.6	7.0	.	99.0	102.8	.
Value Year T-4	774.2	1,045.5	.	.	100.7	97.9	.
Average Value, 5 year	850.4	1,050.0	.	.	102.0	104.1	.
Growth Trend	5.1	0.4	.	.	1.4	2.5	.
<b>Benchmark Data</b>							
Regression Benchmark	209.7	1,086.2	5.0	.	.	.	.
Lower Bound	127.8	487.1	0.7	.	.	.	.
Upper Bound	291.6	1,685.2	9.2	.	.	.	.
<i>Latest Year Kenya</i>	2004	2005	2006	2007	2004	2004	2004
Kenya Value Latest Year	326.2	1,322.3	3.0	3.9	101.6	108.7	23.3
<i>Latest Year Indonesia</i>	2004	2005	2006	2007	2004	2004	2005
Indonesia Value Latest Year	594.4	4,312.2	3.7	5.0	117.3	133.2	8.7
LI Median	286.5	1,263.2	3.7	3.7	106.0	107.3	5.5
LI-SSA Median	224.7	1,147.3	2.4	3.7	104.9	106.6	-0.5
High Five Avg.	44,368.0	8,429.8	14.8	5.1	146.2	148.4	1,079.1
Low Five Avg.	94.8	319.0	-13.9	2.6	67.5	86.1	-23.4

# Technical Notes

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

## STATISTICAL CAPACITY

### Statistical Capacity Indicator

*Source:* World Bank, updated annually, at <http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,contentMDK:20541648~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html>

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

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

*CAS Code # 01P1*

## GROWTH PERFORMANCE

### Per capita GDP, in Purchasing Power Parity Dollars

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

### Per capita GDP, in current US Dollars

*Source:* IMF World Economic Outlook database, updated every 6 months, at <http://www.imf.org/external/ns/cs.aspx?id=28>

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

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

*CAS Code #11P2*

### Real GDP Growth

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

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

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

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

*CAS Code #11P3*

### Growth of Labor Productivity

*Source:* Best labor market data available for target country, or World Development Indicators. If using WDI, 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 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 (age 15–64). The more familiar calculation, based on employment, labor force, or work hours, is used where available.

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

*CAS Code # 11S1*

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

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

*Definition:* The ICOR shows the amount of capital investment incurred per extra unit of output. A high value represents low investment productivity. The ICOR is calculated here as the ratio of the investment share of GDP to the growth rate of GDP, using five-year averages for both the numerator and denominator.

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

*CAS Code #11S2*

### Gross Fixed Investment, Percentage of GDP

*Source:* IMF Article IV consultation report for latest country data; international benchmark from the World Development Indicators, most recent publication series NE.GDI.FTOT.ZS.

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

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

*CAS Code # 11S3*

### Gross Fixed Private Investment, Percentage of GDP

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

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

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

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

CAS Code #11S4

## POVERTY AND INEQUALITY

### Human Poverty Index

*Source:* UNDP, Human Development Report.

<http://hdr.undp.org/statistics/data/indicators.cfm?x=18&y=1&z=1> for most recent edition; updates may be found at [http://hdr.undp.org/reports/view\\_reports.cfm?type=1](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 (zero deprivation incidence) to 100 (high deprivation incidence).

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

CAS Code #12P1

### Income Share, Poorest 20%

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

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

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

CAS Code # 12P2

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

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

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

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

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

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

CAS Code #12P3a

### Percentage of Population Living on Less than \$2 PPP per Day

*Source:* World Development Indicators, most recent publication series SI.POV.2DAY, original data from national surveys. Alternative source for target countries: the country’s Poverty Reduction Strategy Paper:

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

*Definition:* The indicator captures the percentage of the population living on less than \$2.15 a day at 1993 international prices.

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

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

CAS Code #12P3b

### Poverty Headcount, National Poverty Line

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

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

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

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

CAS Code #12P4

### PRSP Status

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

*Definition:* Yes or no variable showing whether a country has (or not) completed a PRSP (introduced by the World Bank

and IMF to ensure host-country ownership of poverty reduction programs).

*Coverage:* All countries having PRSPs are so indicated.

*CAS Code #12P5*

### Percent of Population below Minimum Dietary Energy Consumption

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

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

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

*CAS Code # 12S1*

## ECONOMIC STRUCTURE

### Employment or Labor Force Structure

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

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

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

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

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

*CAS Code #13P1*

### Output Structure

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

*Definition:* The output structure is composed of value added by major sector of the economy (agriculture, industry, and services) as percentages of GDP, where value added is the net output of a sector after all outputs are added up and intermediate inputs are subtracted. Value added is calculated without deductions for depreciation of fabricated assets or depletion and degradation of natural resources. Agriculture includes forestry, hunting, and fishing, as well as cultivation of crops and livestock production. Industry includes manufacturing, mining, construction, electricity, water, and gas. Services include wholesale and retail trade (including

hotels and restaurants), transport, and government, financial, professional, and personal services such as education, health care, and real estate services.

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

*Data Quality:* A major difficulty in compiling national accounts is the extent of unreported activity in the informal economy. In developing countries a large share of agricultural output is either not exchanged (because it is consumed within the household) or not exchanged for money. This production is estimated indirectly using estimates of inputs, yields, and area under cultivation. This approach can differ from the true values over time and across crops. Ideally, informal activity in industry and services is measured through regular enterprise censuses and surveys. In most developing countries such surveys are infrequent, so prior survey results are extrapolated.

*CAS Code #13P2*

## DEMOGRAPHY AND ENVIRONMENT

### Adult Literacy Rate

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

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

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

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

*CAS Code # 14P1*

### Youth Dependency Rate

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

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

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

*CAS Code #14P2a*

### Elderly Dependency Rate

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

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

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

*CAS Code #14P2b*

### Environmental Performance Index

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

*Definition:* The Environmental Performance Index (EPI) is a composite index of national environmental protection, which tracks (1) environmental health, (2) air quality, (3) water resources, (4) biodiversity and habitat, (5) productive natural

resources, and (6) sustainable energy. The index is a weighted average of these six policy categories, with more weight given environmental health, (i.e.,  $EPI = 0.5 \times \text{environmental health} + 0.1 \times (\text{air quality} + \text{water resources} + \text{productive natural resources} + \text{biodiversity and habitat} + \text{sustainable energy})$ ). The index values range from 0 (very poor performance) to 100 (very good performance). The 2006 edition is considered a work in progress.

*Coverage:* Data are available for about 80 USAID countries.  
*CAS Code #14P3*

### Population Size and Growth

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

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

*Coverage:* Data are available for about 88 USAID countries.  
*CAS Code # 14P4*

### Percent of Population Living in Urban Areas

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

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

*Coverage:* Data are available for about 86 USAID countries.  
*Data Quality:* The estimates are based on national definitions of what constitutes an urban area; since these definitions vary greatly, cross-country comparisons should be made with caution.

*CAS Code #14P5*

## GENDER

### Girls' Primary Completion Rate

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

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

*Coverage:* Data are available for about 80 USAID countries.  
*Data Quality:* Completion rates are based on data collected during annual school surveys, typically conducted at the beginning of the school year. The indicator does not measure the quality of the education.

*CAS Code #15P1*

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

*Source:* UNDP Human Development Report <http://hdr.undp.org/hdr2006/statistics/indicators/225.html> and <http://hdr.undp.org/hdr2006/statistics/indicators/224.html>

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

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

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

*CAS Code #15P2*

### Life Expectancy, Male and Female

*Source:* Estimated from UNDP Human Development Indicators:  
<http://hdr.undp.org/hdr2006/statistics/indicators/221.html>.

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

*Coverage:* Data are available for about 85 USAID countries.  
*CAS Code #15P3*

### Labor Force Participation Rate, Male and Female

*Source:* Derived from World Development Indicators, but the precise computation differs depending on the edition of WDI used for the data.

To calculate the female labor force participation rate using WDI 2007: 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 2006, 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 2006 and subsequent years, the denominator is an estimate 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 is made up of 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 #15P4*

## FISCAL AND MONETARY POLICY

In the World Development Indicators for 2005, the World Bank has adopted a new system for government budget statistics, switching from data based on cash outlays and receipts to a system with revenues booked on receipt and expenses booked on accrual, in accordance with the IMF's *Government Financial Statistics Manual, 2001*. On the revenue side, the changes are minor, and comparisons to the old system may still be valid. There is a major change, however, in the reporting of capital outlays, which are now treated as balance sheet entries; only the annual capital consumption allowance (depreciation) is reported as an expense. Hence, the data on total *expense* is not comparable

to the former data on total *expenditure*. In addition, WDI 2005 now provides data on the government's cash surplus/deficit; this differs from the previous concept of the overall budget balance by excluding net lending minus repayments (which are now a financing item under net acquisition of financial assets). Many countries do not use the new GFS system, so country coverage of fiscal data in WDI 2005 is limited. For these reasons, the template will continue to use some data from WDI 2004, along with new data from WDI 2005 and subsequent WDI series, as appropriate.

#### Government Expenditure, Percentage of GDP

*Source:* IMF Article IV consultation report for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); International Financial Statistics database for benchmarking (line item 82 divided by GDP).

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

*Gaps:* Data available for about 70% of USAID countries.

*CAS Code # 21P1*

#### Government Revenue, excluding grants, Percentage of GDP

*Source:* IMF Article IV consultation report for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data (GB.RVC.TOTL.GD.ZS). Original data from the IMF, Government Finance Statistics Yearbook and data file, and World Bank estimates.

*Definition:* Government revenue includes all revenue to the central government from taxes and non-repayable receipts (other than grants), measured as a share of GDP. Grants represent monetary aid going to the central government that has no repayment requirement.

*Gaps:* Data missing for about 24 USAID countries.

*CAS Code # 21P2*

#### Growth in Broad Money Supply

*Source:* Latest country data are from national data sources or from IMF Article IV consultation report: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Benchmarking data are from World Development Indicators, most recent publication, series FM.LBL.MQMY.ZG. Original source of WDI data is IMF, International Financial Statistics, and World Bank estimates.

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

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

*CAS Code #21P3*

#### Inflation Rate

*Source:* IMF World Economic Outlook database, updated every six months, at <http://www.imf.org/external/ns/cs.aspx?id=28>

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

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

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

*CAS Code # 21P4*

#### Overall Budget Balance, Including Grants, Percentage of GDP

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

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

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

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

*Coverage:* Data are available in WDI 2006 for less than half USAID countries.

*CAS Code # 21P5*

#### Composition of Government Expenditure

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

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

*Coverage:* Data are available for the majority of USAID countries. As explained at the beginning of this section, WDI stopped reporting government *expenditures* in 2005. The template will include this variable when the required data can be obtained from IMF Article IV consultation report or national data sources for the target country and the comparison countries. *Data Quality:* Many countries report their revenue in noncomparable categories. Budget data are compiled by fiscal year. If the fiscal year differs from the calendar year, ratios to GDP may be calculated by interpolating budget data from two adjacent fiscal years.

*CAS Code # 21S1*

#### Composition of Government Revenue

*Source:* The latest country and comparison country data are taken from national data sources or from IMF Article IV consultation reports: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Benchmarking

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

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

*Coverage:* Data are available from WDI 2005 for about 46 USAID countries.

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

*CAS Code # 21S2*

### Composition of Money Supply Growth

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

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

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

*CAS Code # 21S3*

## BUSINESS ENVIRONMENT

### Control of Corruption Index

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

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

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

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

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

*CAS Code # 22P1*

### Ease of Doing Business Index

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

*Definition:* The Ease of Doing Business index ranks economies from 1 to 178. 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 2007: starting a business, dealing with licenses, hiring and firing, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business.

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

*CAS Code # 22P2*

### Rule of Law Index

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

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

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

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

*Data Quality:* This index is best used with caution for relative comparisons between countries in a single year, because the standard errors are large. Using the index to track a country's progress over time is also difficult because the index does not compensate for changes in the world average. For instance, if the world average decreases in a given year, a country whose score appears to increase may not actually have tangible improvements in its legal environment.

*CAS Code #22P3*

### Regulatory Quality Index

*Source:* World Bank Institute;

<http://www.govindicators.org>

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

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

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

*Data Quality:* This index is best used with caution for relative comparisons between countries in a single year, because the standard errors are large. It is also difficult to use the index to track a country's progress over time because the index does not compensate for changes in the world average. For instance, if the world average decreases in a given year, a country whose score appears to increase may not actually have tangible improvements in their legal environment.

*CAS Code #22P4*

### Government Effectiveness Index

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

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

-2.5 (very poor performance) to +2.5 (excellent performance).

*Coverage:* Data are available for nearly all USAID countries.  
CAS Code #22P5

### Cost of Starting a Business

*Source:* World Bank, Doing Business; Starting a Business category: <http://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 nearly all 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:* The number of procedures required to enforce a valid contract through the court system, with *procedure* defined as any interactive step the company must take with government agencies, lawyers, notaries, etc. to proceed with enforcement action.

*Coverage:* Data are available for nearly all USAID countries.  
CAS Code # 22S2

### Procedures to Register Property

*Source:* World Bank, Doing Business; Registering Property category: <http://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 or individual and a third party that is necessary to complete the property registration process.

*Coverage:* Data are available for nearly all USAID countries.  
CAS Code #22S3

### Procedures to Start a Business

*Source:* World Bank, Doing Business; Starting a Business category: <http://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/CompareAll.aspx>

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

*Coverage:* Data are available for nearly all USAID countries.  
CAS Code # 22S4

### Time to Enforce a Contract

*Source:* World Bank, Doing Business; Enforcing Contracts category: <http://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 nearly all 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 a property title from the seller to the buyer when a business purchases land and a building in a peri-urban area of the country's most populous city. Every required procedure is included whether it is the responsibility of the seller, the buyer, or where it is required to be completed by a third party on their behalf.

*Coverage:* Data are available for nearly all USAID countries.  
CAS Code #22S6

### Time to Start a Business

*Source:* World Bank, Doing Business; Starting a Business category: <http://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/CompareAll.aspx>

*Definition:* The number of calendar days needed to complete the required procedures for legally operating a business. If a procedure can be speeded up at additional cost, the fastest procedure, independent of cost, is chosen.

*Coverage:* Data are available for nearly all USAID countries.  
CAS Code #22S7

### Total Tax Payable by Business

*Source:* World Bank, Doing Business, Paying Taxes Category: <http://www.doingbusiness.org/ExploreTopics/PayingTaxes/>

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

*Coverage:* Data are available for nearly all USAID countries  
CAS Code #22S8

### Business Costs of Crime, Violence and Terrorism Index

*Source:* Global Competitiveness Report 2006-2007, World Economic Forum. The indicators can be found in the Data Tables, Section VI.

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

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

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

CAS Code #22S9

### Senior Manager Time Spent Dealing with Government Regulations

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

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

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

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

*CAS Code #22S10*

## FINANCIAL SECTOR

### Domestic Credit to Private Sector, Percentage of GDP

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

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

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

*CAS Code # 23P1*

### Interest Rate Spread

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

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

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

*CAS Code # 23P2*

### Money Supply, Percentage of GDP

*Source:* Latest country data obtained from national data sources or IMF Article IV consultation reports: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Benchmarking data from World Development Indicators, most recent publication series FM.LBL.MQMY.GD.ZS. WDI data originate from IMF, International Financial Statistics and data files, and World Bank and OECD GDP estimates.

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

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

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

*CAS Code # 23P3*

### Stock Market Capitalization Rate, Percentage of GDP

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

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

*Coverage:* Data are available for about 54 USAID countries.

*CAS Code # 23P4*

### Credit Information Index

*Source:* World Bank, Doing Business; Getting Credit Category: <http://www.doingbusiness.org/ExploreTopics/GettingCredit/Default.aspx?direction=asc&sort=2>

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

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

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

*CAS Code # 23P5*

### Legal Rights of Borrowers and Lenders Index

*Source:* World Bank Doing Business; Getting Credit category: <http://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. It ranges in value from 0 (very poor performance) to 10 (excellent performance). It includes three aspects related to legal rights in bankruptcy, and seven aspects found in collateral law.

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

*CAS Code # 23S1*

### Real Interest Rate

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

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

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

*CAS Code # 23S2*

### Number of Active Microfinance Borrowers

*Source:* The Mix Market.

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

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

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

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

*CAS Code # 2353*

## EXTERNAL SECTOR

### Aid, Percentage of GNI

*Source:* Latest country data obtained from national data sources or IMF Article IV consultation reports: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Benchmarking data from World Development Indicators, most recent publication series DT.ODA.ALLD.GN.ZS.

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

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

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

*CAS Code #24P1*

### Current Account Balance, Percentage of GDP

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

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

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

*CAS Code # 24P2*

### Debt Service ratio

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

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Benchmarking data from World Development Indicators, most recent publication, series DT.TDS.DECT.EX.ZS, based on World Bank, Global Development Finance data.

*Definition:* Total debt service is the sum of principal repayments and interest actually paid in foreign currency, goods, or services on long-term debt, interest paid on short-term debt and repayments (repurchases and charges) to the IMF. Debt is considered as a percent of exports of goods and services, which includes income and workers' remittances.

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

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

*CAS Code # 24P3*

### Exports Growth, Goods and Services

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

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Benchmarking data from World Development Indicators, most recent

publication, series NE.EXP.GNFS.KD.ZG, based on World Bank national accounts data, and OECD National Accounts data files.

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

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

*CAS Code # 24P4*

### Foreign Direct Investment, Percentage of GDP

*Source:* Latest country data obtained from national data sources or IMF Article IV consultation reports: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Benchmarking data from World Development Indicators, most recent publication, series BX.KLT.DINV.DT.GD.ZS, based on IMF, International Financial Statistics and Balance of Payments databases, World Bank, Global Development Finance, and World Bank and OECD GDP estimates.

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

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

*CAS Code #24P5*

### Gross International Reserves, Months of Imports

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

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Benchmarking data from World Development Indicators, most recent publication, series FI.RES.TOTL.MO.

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

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

*CAS Code # 24P6*

### Gross Private Capital Inflows, Percentage of GDP

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

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

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

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

*CAS Code #24P7*

### Present Value of Debt, Percentage of GNI

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

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

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

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

*CAS Code # 24P8*

### Remittances Receipts, Percentage of Exports

*Source:* Latest country data obtained from national data sources or IMF Article IV consultation reports: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Benchmarking data are obtained from World Development Indicators, most recent publication. The figure is constructed by dividing workers' remittances (receipts), series BX.TRF.PWKR.CD, by exports of goods and services, series BX.GSR.GNFS.CD.

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

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

*CAS Code # 24P9*

### Trade, Percentage of GDP

*Source:* Latest country data obtained from national data sources or IMF Article IV consultation reports: [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Benchmarking data from World Development Indicators, most recent publication, series NE.TRD.GNFS.ZS.

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

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

*CAS Code # 24P10*

### Trade in Services, Percentage of GDP

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

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

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

*CAS Code # 24P11*

### Concentration of Exports

*Source:* Constructed with ITC COMTRADE data by aggregating the value for the top three export product groups (SITC Rev.3) and dividing by total exports. Raw data: <http://www.intracen.org/tradstat/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 is a serious problem in some countries. For countries that do not report trade data to the United Nations, ITC uses partner country data. There are a number of shortcomings with this approach: ITC does not cover trade with other nonreporting countries; transshipments may hide the actual source of supply; and reporting standards include transport cost and insurance in measuring exports but exclude these items when measuring imports.

*CAS Code # 24S1*

### Inward FDI Potential Index

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

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

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

*CAS Code # 24S2*

### Net Barter Terms of Trade

*Source:* World Development Indicators, most recent publication, series TT.PR1.MRCH.XD.WD

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

*Coverage:* Data are available for about 51 USAID countries.

*CAS Code # 24S3*

### Real Effective Exchange Rate (REER)

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

*Definition:* The REER is an index number with base 2000=100, which measures the value of a currency against a weighted average of foreign currencies. It is calculated as the nominal effective exchange rate divided by a price deflator or index of costs. The IMF defines the REER so that an increase in the value represents a real appreciation of the home currency, and a decrease represents a real depreciation.

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

*Data Quality:* Changes in real effective exchange rates should be interpreted with caution. For many countries the weights from 1990 onward take into account trade in 1988-90, and an index of relative changes in consumer prices is used as the deflator.

*CAS Code # 24S4*

### Structure of Merchandise Exports

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

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

*Coverage:* Data are available for about 78 USAID countries.

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

*CAS Code # 24S5*

### Trade Policy Index

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

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

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

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

*CAS Code # 24S6*

### Ease of Trading Across Borders Ranking

*Source:* World Bank, Doing Business, Trading Across Borders category: <http://www.doingbusiness.org/ExploreTopics/TradingAcrossBorders/>

*Definitions:* The 178 economies covered by the Doing Business report are ranked on the ease with which one may import into and export out of the economy. The ranking is based on a simple average of the economy's ranking on each of the composite indicators for Trading Across Borders: number of documents to import and export, cost to import and export, and time to import and export.

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

*CAS Code # 24S7*

## ECONOMIC INFRASTRUCTURE

### Internet Users per 1,000 people

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

*Definition:* Indicator quantifies the number of Internet users, defined as those with access to the worldwide network, per 1,000 people.

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

*CAS Code # 25P1*

### Overall Infrastructure Quality Index

*Source:* Global Competitiveness Report 2006–2007, 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 poorly developed (1) or among the best in the world (7).

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

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

*CAS Code # 25P2*

### Telephone Density, Fixed Line and Mobile

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

*Definition:* The indicator is the sum of subscribers to telephone mainlines and mobile phones per 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 2006-2007, 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 poorly developed (1) or among the best in the world (7).

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

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

*CAS Code #25S1*

### Roads, paved (% total)

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

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

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

*CAS Code #25S2*

## SCIENCE AND TECHNOLOGY

### Expenditure in Research and Development, Percentage of GDP

*Source:* World Development Indicators, most recent publication, 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 2006-2007, 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 brings little new technology (1), or is an important source of new technology (7).

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

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

CAS Code # 26P2

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

*Source:* Global Competitiveness Report 2006-2007, World Economic Forum. The indicators can be found in the Data Tables, Section IX. Innovation; 9.05.

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

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

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

CAS Code #26P3

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

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

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

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

CAS Code #26P4

### **IPR Protection Index**

*Source:* Global Competitiveness Report 2006-2007, World Economic Forum. The indicators can be found in the Data Tables, Section IV. Innovation; 9.07.

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

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

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

CAS Code #26P5

## **HEALTH**

### **HIV Prevalence**

*Source:* UNAIDS for most recent country data:

[http://data.unaids.org/pub/GlobalReport/2006/2006\\_GR\\_AN](http://data.unaids.org/pub/GlobalReport/2006/2006_GR_AN)

[N2\\_en.pdf](#). World Development Indicators, most recent publication for benchmark data, series SH.DYN.AIDS.ZS.

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

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

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

CAS Code # 31P1

### **Life Expectancy at Birth**

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

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

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

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

CAS Code # 31P2

### **Maternal Mortality Rate**

*Source:* UN Millennium Indicators Database, <http://millenniumindicators.un.org/unsd/mdg/Data.aspx> based on WHO, UNICEF and UNFPA data.

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

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

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

CAS Code # 31P3

### **Access to Improved Sanitation**

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

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

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

CAS Code #31S1

### **Access to Improved Water Source**

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

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

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

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

CAS Code # 31S2

### Births Attended by Skilled Health Personnel

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

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

*Coverage:* Data are available for about 62 USAID countries.

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

*CAS Code # 31S3*

### Child Immunization Rate

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

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

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

*CAS Code #31S4*

### Prevalence of Child Malnutrition—Weight for Age

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

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

*Coverage:* Data are available for about 55 USAID countries.

*CAS Code # 31S5*

### Public Health Expenditure, Percentage of GDP

*Source:* Latest data for host country is obtained from the MCC: <http://www.mcc.gov/selection/scorecards/2007/index.php>.

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

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

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

*CAS Code #31S6*

## EDUCATION

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

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

*Definition:* The indicator measures the proportion of the population of the official age for primary, secondary, or tertiary education according to national regulations who are

enrolled in primary schools. Primary education provides children with basic reading, writing, and mathematics skills along with an elementary understanding of such subjects as history, geography, natural science, social science, art, and music.

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

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

*CAS Code # 32P1*

### Persistence to Grade 5—Female, Male, and Total

*Source:* World Development Indicators, most recent publication 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—Female, Male, and Total

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

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

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

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

*CAS Code #32P3*

### Net Secondary Enrollment Rate, Total

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

*Definitions:* Net enrollment ratio is the ratio of children of official school age based on the International Standard Classification of Education 1997 who are enrolled in school to the population of the corresponding official school age. Secondary education completes the provision of basic education that began at the primary level and aims at laying the foundations for lifelong learning and human development by offering more subject- or skill-oriented instruction using more specialized teachers.

*Coverage:* Not available for draft.

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

*CAS Code #32P4*

### Gross Tertiary Enrollment Rate, Total

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

*Definitions:* Gross enrollment ratio is the ratio of total enrollment, regardless of age, to the population of the age

group that officially corresponds to the level of education shown. Tertiary education, whether or not to an advanced research qualification, normally requires, as a minimum condition of admission, the successful completion of education at the secondary level.

*Coverage:* Not available for draft.

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

CAS Code #32P5

### **Expenditure on Primary Education, Percentage of GDP**

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

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

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

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

CAS Code #32S1

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

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

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

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

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

CAS Code # 32S2

### **Pupil-teacher Ratio, Primary School**

*Source:* World Development Indicators, most recent publication series SE.PRM.ENRL.TC.ZS.

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

*Coverage:* Data are available for about 76 USAID countries.

*Data Quality:* The indicator does not take into account differences in teachers' academic qualifications, pedagogical training, professional experience and status, teaching methods, teaching materials and variations in classroom conditions – all factors that could also affect the quality of teaching/learning and pupil performance.

CAS Code # 32S3

## **EMPLOYMENT AND WORKFORCE**

### **Labor Force Participation Rate**

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

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

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

CAS Code #33P1

### **Rigidity of Employment Index**

*Source:* World Bank, Doing Business in 2007, Employing workers category:

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

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

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

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

CAS Code # 33P2

### **Size and Growth of the Labor Force**

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

*Definition:* The indicator measures the size of the labor supply, and its annual percent change. Labor force is made up of people who meet the International Labor Organization definition of the economically active population: all people who are able to supply labor for the production of goods and services during a specified period, including both the employed and the unemployed. Although national practices vary in the treatment of groups such as the armed forces and seasonal or part-time workers, in general, the labor force includes the armed forces, the unemployed, and first-time job-seekers, but excludes homemakers and other unpaid caregivers and workers in the informal sector.

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

CAS Code #33P3

### **Unemployment Rate**

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

*Definition:* The unemployment rate refers to the share of the labor force that is without work but available for and seeking employment. For this purpose, informal sector workers and

own-account workers (including subsistence farmers) are counted as employed.

*Coverage:* Data are available for about 50 USAID countries.

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

*CAS Code # 33P4*

### **Economically Active Children, Percentage Children Ages 7-14**

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

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

*CAS Code # 33P5*

### **Firing Costs, Weeks of Wages**

*Source:* World Bank, Doing Business, Employing Workers

Category: <http://www.doingbusiness.org/MethodologySurveys/EmployingWorkers.aspx>.

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

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

*CAS Code # 33S1*

## **AGRICULTURE**

### **Agriculture Value Added per Worker**

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

*Definition:* Agriculture value added per worker is a basic measure of labor productivity in agriculture. Value added in agriculture measures the output of the agricultural sector (ISIC divisions 1–5)—forestry, hunting, fishing, cultivation of crops, and livestock production—less the value of intermediate inputs. Data are in constant 2000 U.S. dollars.

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

*CAS Code # 34P1*

### **Cereal Yield**

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

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

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

*Data Quality:* Data on cereal yield may be affected by a variety of reporting and timing differences. The FAO allocates production data to the calendar year in which the bulk of the harvest took place. But most of a crop harvested near the end of a year will be used in the following year. Cereal crops harvested for hay or harvested green for food,

feed, or silage, and those used for grazing, are generally excluded. But millet and sorghum, which are grown as feed for livestock and poultry in Europe and North America, are used as food in Africa, Asia, and countries of the former Soviet Union. So some cereal crops are excluded from the data for some countries and included elsewhere, depending on their use.

*CAS Code # 34P2*

### **Growth in Agricultural Value-Added**

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

[www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). The benchmarking data are from World Development Indicators, most recent publication series NV.AGR.TOTL.KD.ZG

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

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

*CAS Code # 34P3*

### **Agricultural Policy Costs Index**

*Source:* Global Competitiveness Report 2006-2007, 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 excessively burdensome (1), or balances all economic agents' interests (7).

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

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

*CAS Code # 34S1*

### **Crop Production Index**

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

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

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

*Data Quality:* Regional and income group aggregates for the FAO's production indices are calculated from the underlying values in international dollars, normalized to the base period 1999–2001. The FAO obtains data from official and semi-official reports of crop yields, area under production, and livestock numbers. If data are not available, the FAO makes estimates. To ease cross-country comparisons, the FAO uses international commodity prices to value production expressed in international dollars (equivalent in purchasing power to the U.S. dollar). This method assigns a single price to each commodity so that, for example, one metric ton of wheat has the same price regardless of where it was

produced. The use of international prices eliminates fluctuations in the value of output due to transitory movements of nominal exchange rates unrelated to the purchasing power of the domestic currency.

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

*CAS Code # 34S2*

#### **Livestock Production Index**

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

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

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

*Data Quality:* See comments on the Crop Production Index.

*CAS Code # 34S3*

#### **Agriculture Export Growth**

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

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

*Coverage:* Not available for draft.

*CAS Code # 34S4*