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# Peru

## Economic Performance Assessment



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## 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.
- A convenient summary of the main findings, in the form of a Highlights Table and a Performance Scorecard (in lieu of an Executive Summary)

The authors of the present report are Rose Mary Garcia, Marcos Arocha (from J.E. Austin Associates), Ursula Jessee, and Mario Gutierrez. Peter Miller assisted with data management.

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The COTR for the CAS project is Yoon Lee; C. Stuart Callison is the activity manager. USAID missions and bureaus may seek assistance and funding for country analytical studies or in-depth follow-on studies by contacting Mr. Callison at [ccallison@usaid.gov](mailto:ccallison@usaid.gov). For further information about the CAS project, contact Alex Greenbaum, chief of party of the CAS Project, Nathan Associates Inc., at [agreenbaum@nathaninc.com](mailto:agreenbaum@nathaninc.com).

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## HIGHLIGHTS OF PERU'S PERFORMANCE

Economic Growth	Annual GDP growth has averaged 7.6 percent and accelerated to an exceptional 9.8 percent in 2008, but because of the effects of the global financial crisis growth dropped to 1.5 percent for 2009.
Poverty	Peru's poverty indicators have improved less dramatically than its GDP growth. As of 2008, 36.2 percent of the population lived under the poverty line and 12.6 percent lived on less than \$1.25 per day. Decreases in poverty have occurred mainly in urban areas.
Economic Structure	The share of industry in GDP is higher than the share of agriculture but non-labor intensive extractive industries account for 80 percent of GDP originating in industry, which indicates the need to promote diversification of the country's productive base and its competitiveness.
Demography and Environment	Population growth rates have declined, resulting in lower youth dependency ratios and easing pressure on social spending and employment creation. Literacy among adults is improving. Resource depletion as a percentage of GNI has increased more than five-fold in recent years, indicating that efforts to improve environmental conservation need to be scaled up.
Gender	Peru performs well on every basic indicator of gender equity.
Fiscal and Monetary Policy	The government maintained general fiscal and monetary policy discipline in the period under review through legislation capping expenditure growth and inflation targeting. The government has also applied a package to combat economic crisis contagion effects. Government revenue dropped in 2009, reflecting lower earnings from mining.
Business Environment	Peru's Ease of Doing Business ranking of 56 is lower than the expected value of 92.9 for a country with similar characteristics. Although the business environment is improving, it is still weak in some areas.
Financial Sector	The financial sector remains underdeveloped and inefficient, which poses an important constraint on the business investment.
External Sector	Exports grew annually in the five years before the global economic crisis, but export concentration in primary products is excessive. The economy is in the process of integration with the rest of the world.
Economic Infrastructure	The quality of infrastructure—particularly roads, ports and air transport—needs improvement to support competitiveness.
Science and Technology	Peru lags behind most benchmarks in science and technology, which indicates the need for investment in scientific and technological innovation. Weakness in IPR protection is a concern.
Health	Despite large increases in economic growth, the Peruvian government spent less on health expenditure in 2006 than in 2004. As a result of low levels of expenditure in this sector, Peru's health statistics compare poorly.
Education	Although classroom sizes are small and primary enrollment and completion rates are high, Peru needs to increase spending on all three levels of schooling and to improve teacher quality.
Employment and Workforce	Despite significant increases in GDP growth since 2003, the unemployment rate decreased only 2.3 point from 2004 to 2007.
Agriculture	Agricultural exports have grown 13.9 percent per year on average, and crop and livestock production indexes show gains. Nevertheless, recent modest improvement in productivity has not been enough to improve agricultural value-added per worker, where Peru lags behind regional benchmarks.

*Note: The methodology used for diagnostic benchmarking is explained in Appendix s A.*



## PERU: NOTABLE STRENGTHS AND WEAKNESSES—SELECTED INDICATORS

Selected Indicators, by Topic	Notable Strengths	Notable Weaknesses
Growth Performance		
Real GDP growth	X	
Investment productivity—incremental capital-output ratio (ICOR)	X	
Gross fixed investment, percentage of GDP	X	
Growth of Labor Productivity	X	
Poverty and Inequality		
Population Living on Less than \$1 PPP per day, percent		X
Poverty Headcount, National Poverty Line, percent		X
Demography and Environment		
Youth dependency rate	X	
Resource Depletion, Percent GNI		X
Gender		
Girls' primary completion rate	X	
Labor force participation rates, female	X	
Fiscal and Monetary Policy		
Overall budget balance, percentage of GDP	X	
Inflation rate	X	
Taxes on International Trade (Composition of Gov't Revenue)		X
Business Environment		
Ease of doing business ranking	X	
Regulatory Quality Index	X	
Cost of starting a business, % of GNI per capita	X	
Senior Manager Time Spent Dealing with Gov't Regulations		X
Financial Sector		
Domestic credit to the private sector		X
Interest rate spread		X
Real Interest rate		X
Money Supply (M2), percent of GDP		X
Credit Information Index	X	
Legal Rights of Borrowers and Lenders Index	X	
External Sector		
Trade in goods and services, percentage of GDP		X
Export Growth, percent change	X	
Current account balance	X	

Selected Indicators, by Topic	Notable Strengths	Notable Weaknesses
Gross International Reserves	X	
Economic Infrastructure		
Roads, paved as percentage of total		X
Quality of infrastructure—ports		X
Quality of infrastructure-electricity	X	
Internet users per 1,000 people	X	
Telephone density, fixed line and mobile	X	
Science and Technology		
Scientific and Technology Journal Articles		X
IPR protection		X
Health		
Access to Improved Sanitation, percent		X
Maternal mortality rate		X
Access to Improved Water Source, percent		X
Child Immunization Rate, percent	X	
Public expenditure on health, percentage of GDP		X
Education		
Net primary, secondary and gross tertiary enrollment rates	X	
Primary Completion rate, total ( % )	X	
Expenditure per student, primary, secondary and tertiary		X
Employment and Workforce		
Rigidity of employment index		X
Agriculture		
Agriculture Value Added per Worker		X
Cereal Yields, kilograms per hectare	X	
Agricultural Export Growth	X	
Crop Production Index	X	
Livestock Production Index	X	
Fertilizer Consumption		X

*Note: The chart identifies selective indicators for which Peru's performance is particularly strong or weak relative to benchmark standard ( as explained in Appendix A). Details are discussed in the text. The data supplement in Appendix B provide a full tabulation of the standard CAS indicators.*

# 1. Introduction

This report is one of a series of economic performance assessments prepared for the EGAT Bureau to provide USAID missions and regional bureaus with a concise evaluation of 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 uses two other countries in the region, Colombia and Chile, as comparators. Colombia is also a lower-middle-income (LMI) country according to World Bank classification, providing a good baseline for direct comparison, whereas Chile, in the upper-middle-income group, represents an aspiration. In addition, Peru's performance is compared to the global median values of LMI countries.

## METHODOLOGY

The methodology used here is analogous to examining an automobile dashboard to see which gauges are signaling problems. Sometimes a blinking light has obvious implications—such as the need to fill the fuel tank. In other cases, it may be necessary to have a mechanic probe more deeply to assess the source of the trouble and determine the best course of action.<sup>2</sup> Similarly, 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>3</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 early February 2007.

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

<sup>3</sup> In USAID's white paper *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century* (January 2004), transformational growth is a central strategic objective, both for its innate importance as a 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.

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

The remainder of the report presents the most important results of the diagnostic analysis, in three sections: Overview of the Economy; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topical coverage. The appendix 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.

Table 1-1  
*Topic Coverage*

Overview of 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 Environment</li> <li>•Gender</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

The breadth and quality of economic data collected for Peru are good. The World Bank gave Peru a score of 79 percent on the 2008 Statistical Capacity Indicator Index, including a 90 percent in

the statistical practice subindex, an 88 percent in indicator availability, and a 60 percent in the data collection subindex. The IMF noted that the following areas could be improved: (1) coordination among agencies that compile statistics to avoid duplication of effort and confusion; (2) implementation of a new benchmark and base year for GDP; (2) expansion of the wholesale price index to include mining, oil and gas extraction, electricity and water, public transportation, and communication; (4) final migration to standardized report forms for monetary data, including the introduction of report forms for other depository corporations and financial corporations; and (5) expansion of the scope of data sources for compiling financial flows of individual residents.<sup>4</sup> These problems do not significantly affect the analysis in this report.

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<sup>4</sup> IMF, Peru: Third Review and Inflation Consultation Under the Stand-By Arrangement, IMF Country Report No. 08/258, July 2008, Appendix 4, p.7.



## 2. Overview of the Economy

This section reviews basic information on Peru'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**

Despite the global financial crisis Peru's growth performance is strong. In 2008, Peru's GDP per capita reached \$4,448 in current U.S. dollars, which is slightly below the global median of \$4,771 for LMI countries. Peru's GDP per capita is below Colombia's \$4,989 and far below Chile's \$10,117. The country's annual GDP growth rate averaged 7.6 percent from 2004 to 2008 and reached an exceptional 9.8 percent growth rate in 2008 (see Figure 2-1). Although this is more than half again, the growth rate for a country with Peru's characteristics (6.0 percent) and outpaces GDP growth in both Chile and Colombia (3.2 percent and 2.5 percent), respectively. However, in 2009, the growth rate dropped to 1.5 percent because of the contagion effects from the global financial crisis.<sup>5</sup>

Peru's strong growth has benefited from high commodity prices, and strengthening domestic demand, underpinned by increased investment. In fact, gross fixed investment rose from 17.9 percent of GDP in 2004 to 25.9 percent in 2008. This is better than the LMI-LAC median investment rate of 21 percent and is equal to Chile's rate of 25.8 percent. The rate is also higher than the expected value of 20.9 percent for a country with Peru's characteristics. It surpassed the global LMI median of 20.5 percent and Colombia's gross fixed investment rate of 23.2 percent of GDP. The private sector accounted for most of the increase, as gross private fixed investment rose from 16.1 percent of GDP in 2004 to 21.7 percent in 2008 (Figure 2-2).

Additionally, investment productivity, measured by the incremental capital-output ratio (ICOR), has been efficient. An ICOR of 3.7 means that it takes \$3.70 of capital investment to achieve one extra dollar of annual output. Investment efficiency in Peru is enviable when compared to the LMI-LAC median of 9.9, Chile's ICOR of 4.4, or Colombia's ICOR of 18.9. The exceptional growth rates have also lifted labor productivity, which averaged 2.1 percent from 2004 to 2008.

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<sup>5</sup> IMF, Peru: Staff Report for the 2008 Article IV Consultation, Fourth Review and Inflation Consultation Under the Stand-By Arrangement and Request for Waiver of Applicability of Performance Criteria, January 14, 2009, pp. 5–6.

Figure 2-1  
Real Annual GDP Growth (percent)

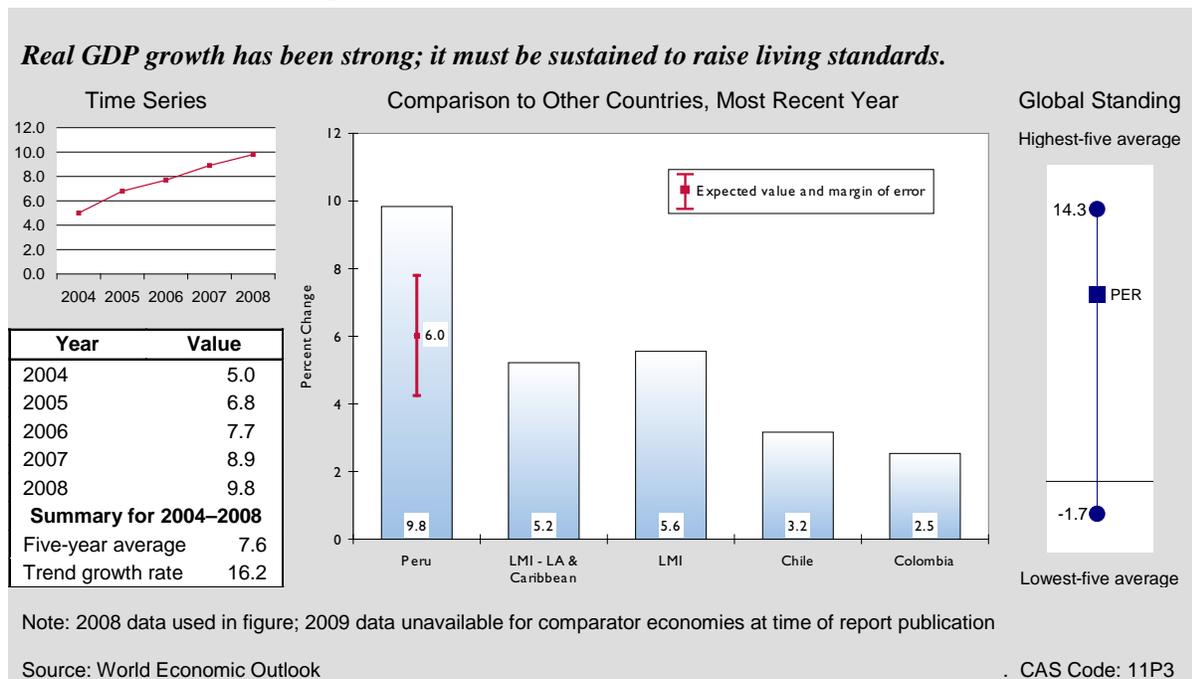
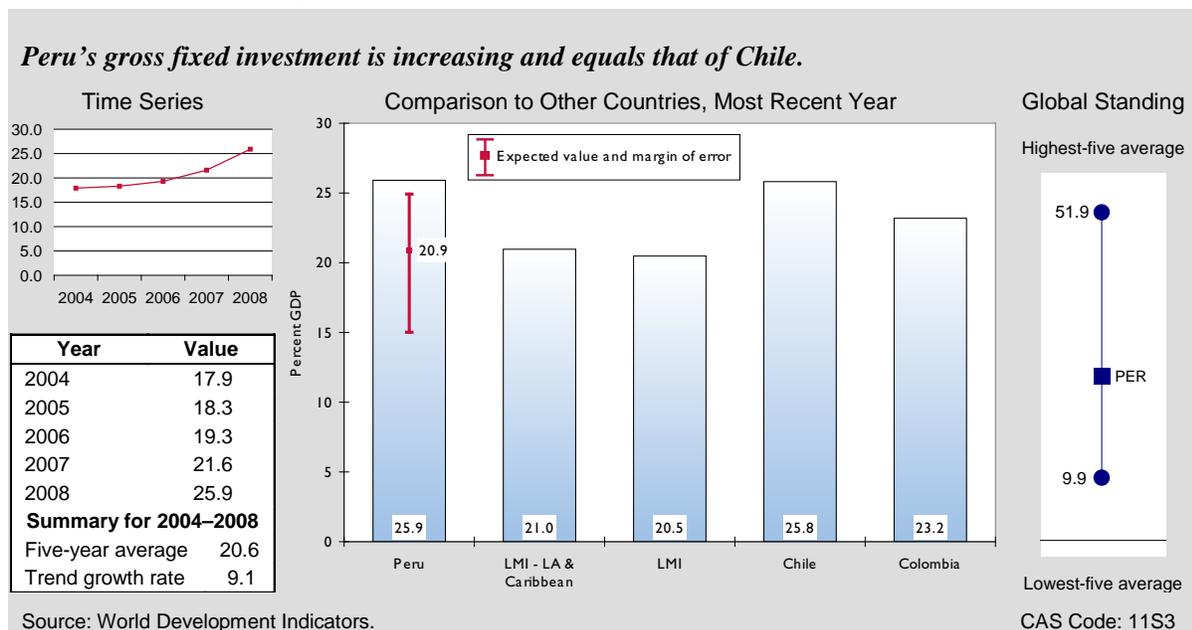


Figure 2-2  
Gross Fixed Investment (percentage of GDP)



Despite Peru's strong performance, the country must address its vulnerabilities to sustain its exceptional growth. Although exports should increase because of ongoing investments in natural gas and mining, Peru remains vulnerable to the deterioration of external conditions because its exports remain concentrated in primary products. Other challenges Peru will face are the

continuing existence of social inequality, the high degree of informality in the labor market, and an underdeveloped financial sector. The poor quality of public education and deficiencies in the agriculture sector are also key challenges to economic development. Broader-based growth should be achieved through greater and more efficient investments in human capital and the creation of more opportunities for Peru's poor.

## POVERTY AND INEQUALITY

Although Peru's real GDP has increased steadily over the past few years, Peru's poverty indicators have improved less dramatically. In 2008, 36.2 percent of the population lived under the poverty line and 12.6 percent lived on less than \$1.25 per day.<sup>6</sup> The percent of people living under the poverty line declined by 9.3 percentage points from 2004 to 2007. The government began poverty alleviation programs such as the cash-transfer program *Juntos*, and in 2009 allocated more resources in the budget for rural areas and targeted social programs. The authorities recognize that part of the problem is the difficulty in providing public services in rural areas.<sup>7</sup>

Peru also fares poorly when compared with the comparator countries on a different measure of poverty. The Human Poverty Index (HPI) which measures the percent of people who are not expected to survive to age 40, the percent of adults who are illiterate, the percent of people who do not attain a "decent" standard of living as measured by access to water and health services, and the percent of underweight children shows average performance. Peru's 2007 HPI score is 10.2 (0 means no deprivation and 100 means high deprivation), worse than the median HPI for the region (7.6), much higher than the global LMI median (7.8), and also higher than Chile's score of 3.3 and Colombia's 8.1.

Although the number of people living in poverty has decreased, income and wealth disparity remains a problem. In 2000 the poorest 20 percent of the population owned only 3.0 percent of the country's wealth. By 2006 this share had improved only slightly, to 3.9 percent. Wealth inequality is similarly severe in Chile (4.1 percent) and is worse in Colombia (2.3 percent). Social exclusion is correlated with race, resource endowments, and the government's ability to deliver services,<sup>8</sup> and Peru's high degree of income inequality poses a threat to sustainable growth and fuels social tension. To improve the long-term prospects for growth, Peru must reduce the level of inequality, especially by focusing on the inclusion of marginalized groups. Although authorities recognize the need to reform poverty alleviation and inequity programs, implementing any major reform may be politically difficult.<sup>9</sup>

The Peruvian government has been trying to strengthen efforts to reduce poverty throughout the country. The poverty reduction strategy released in 2007 and the Inter-ministerial Committee for

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<sup>6</sup> Figures provided by USAID/Peru mission.

<sup>7</sup> IMF, Peru: Article IV Consultation, Fourth Review and Inflation Consultation Under the Stand-By Arrangement and Request for Waiver of Applicability of Performance Criteria—Staff Report, February 2009, p.21.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid., p. 22.

Social Affairs (CIAS) Multi-Annual Social Framework outlining ways to improve social programs<sup>10</sup> need to be implemented widely. In 2009, resources were allocated to the Fund for Regional and Local Public Investment (FONIPREL), to attempt to address the regional disparity and address the subnational government spending needs and revenue collection capacity.<sup>11</sup>

## ECONOMIC STRUCTURE

Peru's economy did not exhibit major shifts in the composition of output in the period 2003–2007. In 2008, 6.6 percent of its GDP was in agriculture, 38.1 percent was in industry, and 55.3 percent was in services. Although services are a large portion of GDP, Peru does not rely as heavily on services as its comparators. The output median for LMI-LAC countries is 7.2 percent of GDP in agriculture, 29.1 percent in industry, and 62.2 percent in services.

Peru has slightly less involvement in agriculture than the LMI-LAC median and greater industrial output, but most (about 80 percent) of the industrial sector is composed of extractive industries (which are not labor intensive). Manufacturing accounts for only 7 percent of GDP. The manufacturing industry, in spite of being small, is “fairly diverse, with food, fishmeal, metals, steel, textiles and petroleum-refining being the largest sectors.”<sup>12</sup> Expanding the manufacturing sector could provide more jobs and reduce Peru's unemployment rate.

The portion of the labor force engaged in agriculture dropped from 12.1 percent in 2003 to 9.3 percent in 2007, coinciding with a marginal decline in its share of output. Although these figures might indicate better labor productivity, in Peru's case they are probably a result of an increase in the informal labor rate. In 2007, 60 percent of Peru's labor force was informal.<sup>13</sup> The involvement of a high proportion of informal labor makes reaching any conclusion about labor productivity difficult. Yet in both Colombia and Chile the share of the labor force involved in agriculture is disproportionate to the output ratio of agriculture. In Colombia, 18.4 percent of the workforce was engaged in agriculture but produced only 8.8 percent of GDP, and in Chile 12.3 percent of the workforce was engaged in agriculture but produced only 4.2 percent of output. In the industrial sector, labor productivity appears to be much higher in Chile, where 23.4 percent of the labor force produces 47.1 percent of total output while in Peru 42.1 percent of the workforce generates only 38.1 percent of GDP.

Diversifying Peru's productive base could help Peru become more competitive (see External Sector). This could be accomplished by increasing investment and jobs in the industrial manufacturing and services sectors. Furthermore, programs to boost productivity in agriculture could also improve Peru's competitiveness and help reduce rural poverty and inequality by providing more jobs and income in rural areas.

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<sup>10</sup> IMF, Peru: Third Review, July 2008, p. 13.

<sup>11</sup> IMF, Peru: Article IV Consultation, February 2009, p.22.

<sup>12</sup> Economic Intelligence Unit (EIU), Peru: Country Profile, London, April 2008, pp. 22, 29.

<sup>13</sup> Ibid., p. 22, 27.

## DEMOGRAPHY AND ENVIRONMENT

The population growth rate for Peru declined from 2004 to 2008, from 1.3 percent to 1.1 percent, which is close to the LMI-LAC and global LMI median of 1.0 percent. The decrease in population growth rates may be due to lower fertility rates and emigration. The Economic Intelligence Unit (EIU) estimates that 1.1 million Peruvians emigrated from 2000 to 2005.<sup>14</sup> This high rate of emigration highlights the lack of employment opportunities in the country,<sup>15</sup> which should improve with an increased growth rate.

Lower fertility rates also appear to be having an effect on the youth dependency ratio, which is also declining. The youth dependency ratio was 0.52 dependents per person of working age in 2003, but had declined to 0.48 dependents by 2008. The Instituto Nacional de Estadística e Informática (INEI) estimates that this trend probably will continue and that the dependency ratio will reach historically low levels by 2030, when two people will be working for every child or elderly person.<sup>16</sup> This trend eases pressure on social spending and the need to generate employment and represents a great opportunity for growth. Despite the drop in Peru's youth dependency ratio, Colombia and Chile's ratios of 0.45 and 0.34 are lower.

Although literacy among Peruvian adults is improving—the rate increased from 87.7 percent in 2004 to 89.6 percent in 2007—it falls short of Colombia's 92.7 percent literacy rate and Chile's rate of 96.5 percent. The relatively low literacy rate in Peru reflects the lack of educational attainment and the high poverty rate in the country. There are also wide urban–rural disparities. “In the rural departments of Apurímac, Huacavelica and Ayacucho, the illiteracy rate stood at over 14 percent according to the 2005 census, compared with less than 2 percent in the capital, Lima, and Callao.”<sup>17</sup> The Peruvian government and donors should consider increasing adult literacy programs in rural areas, which could lead to socioeconomic progress there.

Peru's high urbanization is the result of the migration of “millions of Peruvians from the Andean highlands to the coastal cities in the past 30 years, in search of a better standard of living, and health and educational services usually lacking in the less accessible hinterland.” The trend towards urbanization has “slowed in the past decade as more peaceful conditions in the countryside have stemmed the flow of migrants, and farming families have returned to their lands.”<sup>18</sup> As of 2008 Peru was highly urbanized—71.4 percent of the people lived in urban centers. This level of urbanization is similar to the global LMI and LMI-LAC medians—slightly lower than the 68.2 percent of the global median but lower than the 73.6 percent of the LMI-LAC median. Colombia and Chile are more urbanized than Peru, with rates of 74.5 percent and 88.4 percent, respectively.

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<sup>14</sup> Ibid., p. 14.

<sup>15</sup> Ibid.

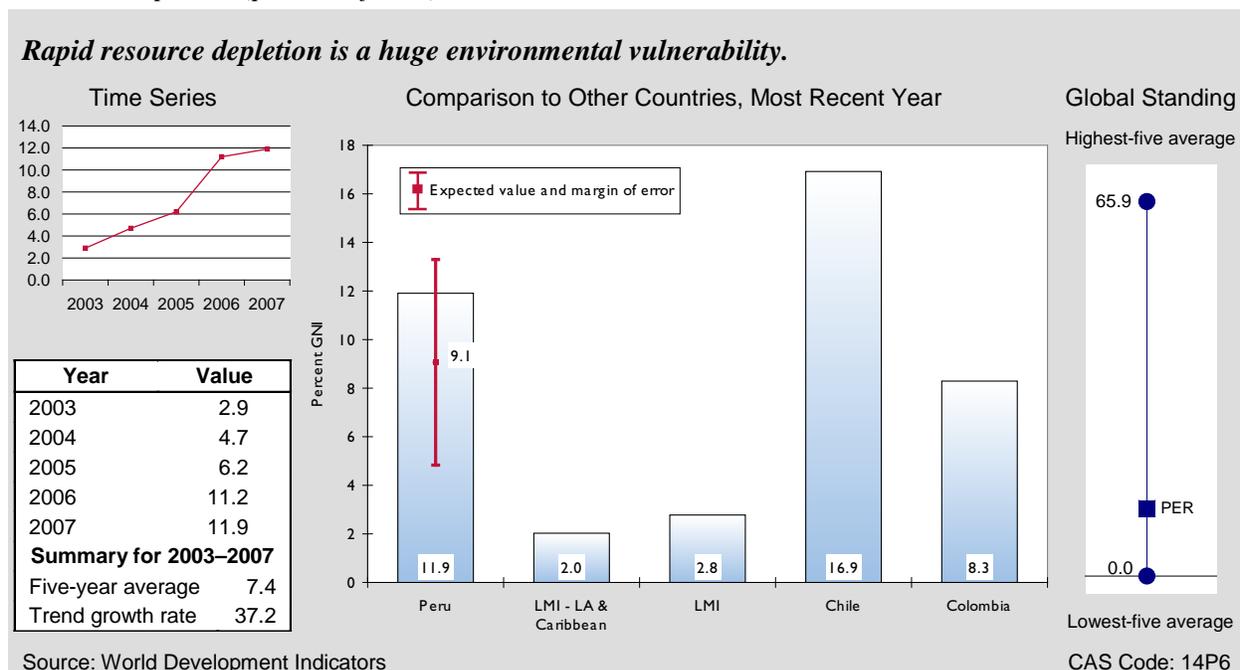
<sup>16</sup> Peru's National Statistics Institute, *Compendio Estadístico 2008*, <http://www.inei.gob.pe/> (accessed December 10, 2009).

<sup>17</sup> EIU, Peru Country Profile 2008, p. 16.

<sup>18</sup> Ibid., p. 15.

Peru has made significant improvement with regard to the environment, according to a new international environmental performance index that measures environmental stress and ecosystem vitality on a scale of 0 for very poor performance to 100 for very good performance. Peru increased its ranking by more than 10 points, from 2006 to 2008, from 65.4 to 78.1. This is above the global LMI score of 77.1 but behind Chile's score of 83.4 and Colombia's score of 88.3. Peru's dependence on natural resources such as minerals, fuels, and fish has led to degradation of the environment, biodiversity, and human health. "The highlands have suffered severe deforestation, mostly as a result of small-scale wood cutting." Although legislation on environmental standards for fishing and mining are being implemented, resource depletion is on the rise and "parts of the Pacific Coast still suffer from the massive dumping of waste by fishmeal plants [and] many mines also dump tailings into nearby rivers."<sup>19</sup> Furthermore, "the absence of a strong and independent regulatory agency undermines the effectiveness of the many environmental regulations that have been adopted in Peru."<sup>20</sup> Resource depletion as a percentage of GNI increased more than five-fold from 2003 to 2007, from 2.9 percent to 11.9 percent, far exceeding the LMI-LAC and LMI global medians of 2.0 percent and 2.8 percent respectively, and Colombia's resource depletion rate of 8.3 percent of GNI. Chile's resource depletion is even worse, at 16.9 percent (Figure 2-3). In spite of recent measures to improve environmental conservation, much work still needs to be done.

Figure 2-3  
*Resource Depletion (percent of GNI)*



<sup>19</sup> Ibid., p. 18.

<sup>20</sup> Inter-American Development Bank (IDB), Country Strategy with Peru 2007–2011, p. 21.

## **GENDER**

Gender equity enables faster economic growth by ensuring that the productive capacities of all citizens can be developed and fully utilized. Peru performs well on every basic indicator of gender equity, with scores above the expected value for a country with Peru's characteristics.

Life expectancy at birth is a fundamental indicator of health conditions. For Peru, the average life expectancy in 2006 (latest year of data) was 73.6 years for women, compared to 68.5 years for men. In countries with an advanced level of human development, women live longer than men by five to 10 years. The difference in Peru is 5.1 years. In Chile, where the life expectancy for women is 81.4 years, women live 6 years longer than men, and in Colombia, the life expectancy for women is 76.3 years, 7.4 years longer than men. Overall life expectancy is lower in Peru than in the comparator countries (see Health, p. 27).

Females remain in school longer than males in Peru. The female gross enrollment ratio at all levels of schooling (primary through tertiary) is higher than the male gross enrollment ratio: in 2006, 89.9 percent for females and 86.4 percent for males.

Women's participation in the workforce is higher in Peru than in the comparators. The labor force participation rate in Peru is 82.3 percent for males and 63.8 percent for females. The LMI-LAC median labor rate for women is much lower, at 51.5 percent, than Peru's rate, but so is the male labor force participation rate (78.6 percent). Chile's labor force participation rate is also low for both sexes: 39.0 percent for females and 71.6 percent for males.



# 3. Private Sector Enabling Environment

This section reviews key indicators of the enabling environment for encouraging rapid and efficient growth of the private sector. Sound fiscal and monetary policies are essential for macroeconomic stability, which is a necessary (though not sufficient) condition for sustained growth. A dynamic market economy also depends on basic institutional foundations, including secure property rights, an effective system for enforcing contracts, and an efficient regulatory environment that does not impose undue barriers on business activities. Financial institutions play a major role in mobilizing and allocating saving, facilitating transactions, and creating instruments for risk management. Access to the global economy is another pillar of a good enabling environment because the external sector is a central source of potential markets, modern inputs, technology, and finance, as well as competitive pressure for 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**

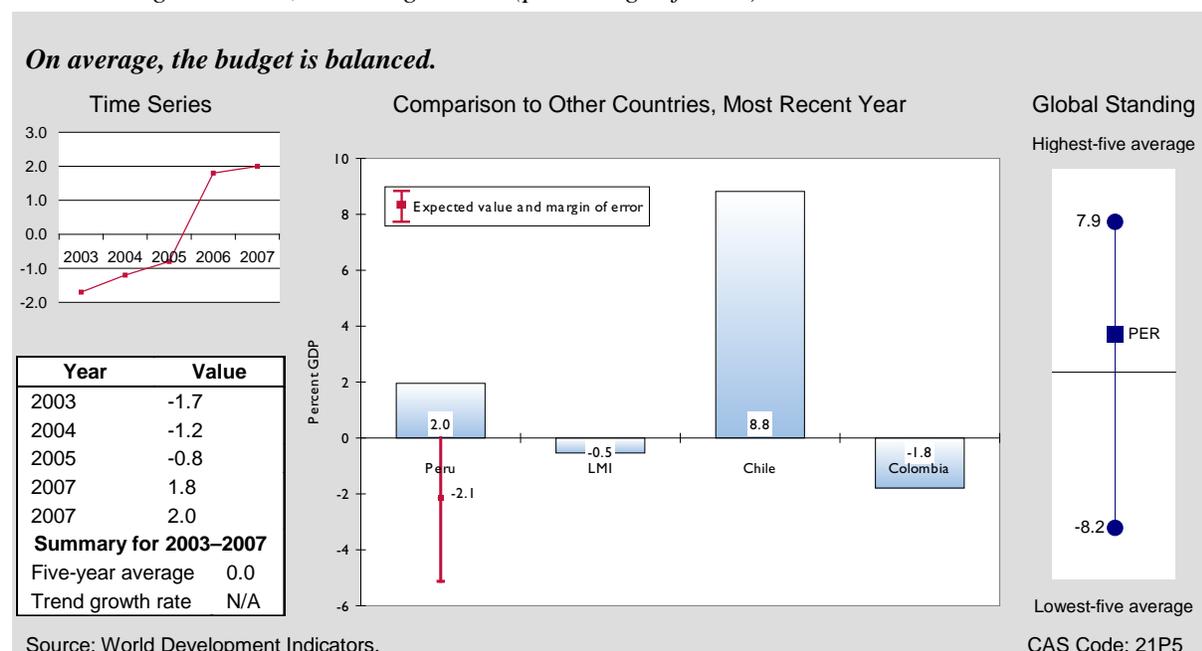
Peru's economic policy over the past five years has focused on reducing the fiscal deficit. In 2003, the government of Peru passed legislation ruling that the deficit of the nonfinancial public sector cannot be above 1 percent of GDP, and the annual growth of nonfinancial public expenditure cannot surpass 3 percent in real terms.<sup>21</sup> This for the most part helped Peru to control expenditures, as the budget balance improved from a deficit of 1.7 percent of GDP in 2003 to a surplus of 2 percent in 2007. The result for 2007 is better than the regression benchmark for Peru (indicating a 2.1 percent deficit) and the deficit in Colombia (1.8 percent), but less favorable than Chile's 8.8 percent surplus (Figure 3-1). The EIU Country Report for December 2009, however, provides evidence that public revenue fell in 2009 because of reduced income from mining, and that the fourth-quarter deficit will be higher than expected, leading to a possible deficit of 3.5 percent of GDP for 2009.<sup>22</sup>

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<sup>21</sup> EIU, Peru Country Profile 2008: pp. 23–24.

<sup>22</sup> EIU, Peru Country Report, London, December 2009, p. 10.

Figure 3-1  
*Overall Budget Balance, Including Grants (percentage of GDP)*



For 2003–2008, economic growth improved the revenue side, primarily through income taxes, owing to the increased profitability of mining companies.<sup>23</sup> Between 2004 and 2008, government revenue rose as a share of GDP, from 16.5 percent to 20.0 percent. The latter figure is on par with the regression benchmark but below the global LMI average (26.3 percent) and government revenue in Colombia (24.0 percent) and Chile (27.5 percent).

Peru's government budget still exhibits dependence on international trade taxes. The share of total revenue collected from such taxes dropped from 6.3 percent in 2003 to 2.4 percent in 2007. This is lower than the LMI median of 5.3 percent and Colombia's 5.7 percent but higher than Chile's 1.3 percent. As Peru liberalizes trade (see External Sector, p. 19) and implements free trade agreements, revenue from this source probably will fall further. This underscores the need to enhance the efficiency of tax administration and the government's intake.

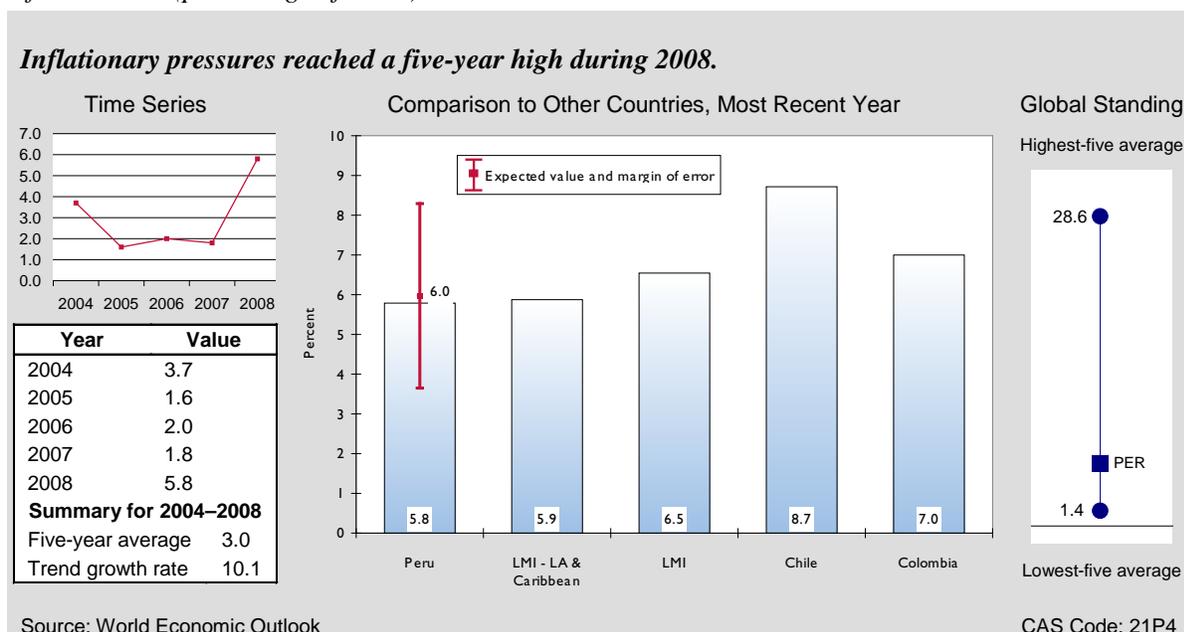
Peru's central bank's inflation target of 2.5 percent was not met in 2008, when the consumer price index rose by 5.8 percent, driven mostly by an increase in food and fuel prices.<sup>24</sup> Although Peru's inflation rate has risen, it is among the lowest in the region. Both Chile and Colombia have higher inflation rates, at 8.7 percent and 7.0 percent, respectively. The 5.8 percent is the highest inflation has been for 10 years, and authorities need to be cautious, because inflationary pressure may strengthen as domestic demand grows, as is expected for early 2010 (see Figure 3-2).<sup>25</sup>

<sup>23</sup> EIU, Peru Country Profile 2008, p. 24.

<sup>24</sup> IMF, Peru Article IV Consultation, February 2009, p.4.

<sup>25</sup> EIU, Peru Country Report 2009: p. 7.

Figure 3-2  
*Inflation Rate (percentage of GDP)*



The global financial crisis of 2008 added pressures to the monetary system by creating a situation of tight international liquidity, reduced capital inflows, and a steepening of the domestic sovereign yield curve. The central bank eased reserve requirements and signaled its intention to repurchase government securities, resulting in a yield curve close to the pre-crisis levels. Large official reserves allowed the banking system to lend to the corporate sector that had seen tightening of international and domestic capital market credit. Finally, authorities announced an anti-crisis plan that was to shield the economy from further effects of the crisis, including targeted public investments and other counter-cyclical measures.<sup>26</sup>

In sum, the government has been able to maintain fiscal and monetary discipline in the period under review. Maintaining a strong and credible commitment to macroeconomic stability should continue to be a high priority for the government in order to sustain economic growth.

## BUSINESS ENVIRONMENT

Institutional barriers to doing business, including corruption in government, are critical determinants of private sector development and prospects for sustainable growth. Peru’s Ease of Doing Business 2010 ranking of 56 (rankings based on a scale of 1 to 183) is much better than the expected value of 92.9 for a country with similar characteristics. Peru ranks worse than both Colombia (37) and Chile (49), but significantly better than both the LMI and the LMI-LAC medians of 84.8 and 71.5, respectively.

<sup>26</sup> IMF, Peru Article IV Consultation, February 2009, p.5–7.

Considerable progress has been made in the last few years in the business enabling environment. For example, the 2010 Doing Business report shows it takes 14 days to register property, an improvement from 33 days in the 2009 report. This recent score is lower than all the comparators: the LMI-LAC average (43 days), Chile (31 days) and Colombia (20 days). Similarly, the Doing Business 2010 reports that it takes 41 days to start a business in Peru. This is a significant improvement from 65 days in the 2009 report, yet it still lags behind the 27 days it takes in Chile and 20 days it takes in Colombia.

Authorities recognize that Peru lags behind in certain areas, especially in costly procedures for opening and closing businesses, construction permits, tax payments, and logistics on external trade, and they are committed to addressing these weaknesses.<sup>28</sup> In late November 2009, the government passed several measures that should have significant effects; for example, the requirement for a 25 percent deposit of the capital needed to establish a small or medium business was eliminated. The law also forces local authorities to reduce the number of requirements to obtain a construction license.

Peru's performance on a number of important indexes—rule of law, control of corruption, government effectiveness, and the regulatory quality indices—needs improvement. For the cost of starting a business, for example, the Doing Business report for 2010 shows it cost 24.5 percent GNI per capita to start a business in Peru, higher than all the comparators: the medians for the LMI-LAC (22.7 percent), and LMI (13.7 percent), Chile (6.9 percent) and Colombia (12.8 percent). Peru suffers from high transaction costs that have a negative impact on business productivity and profitability.

Peru trails Chile in all areas in the indexes (which range from -2.5 for very poor performance to +2.5 for excellent performance), as does Colombia. Peru does not perform well on the Rule of Law index, with a -0.7 score that compares poorly to Chile's strong score of 1.2 but is similar to Colombia's -0.5. Peru's Control of Corruption Index score is also poor, at -0.3, which is a bit lower than the LMI-LAC median score of -0.2 and much lower than Chile's score of 1.3. Peru does not score particularly well with on the Government Effectiveness Index either, scoring -0.3, compared to Chile's score of 1.2 and Colombia's score of 0.1.

Although Peru ranks high relative to its comparators with regard to the number of days it takes to enforce a contract, the total tax payable by businesses, and the senior management time spent dealing with government regulations, there is still room for improvement. Although it takes fewer days to enforce a contract in Peru than it does for any of its comparators, it still takes 428 days,

#### IMF Program Status for Peru

“The Executive Board of the IMF completed on December 2008 the Fourth Review of Peru’s economic performance under a 25-month Stand-By Arrangement (SBA) in the amount equivalent to SDR 172.4 million (about US\$ 280.7 million) and Request for Waiver of Applicability of Performance Criteria. The authorities reiterated their intention to continue treating the arrangement as precautionary,” which was approved on January 26, 2007. All quantitative performance criteria and structural benchmarks under the SBA were observed. Discussions with the IMF focused on preserving macroeconomic stability, enhancing the economy’s resilience to shocks, and boosting sustainable and equitable growth.<sup>27</sup>

<sup>27</sup> IMF, Peru Article IV Consultation, February 2009.

<sup>28</sup> IMF, Peru Staff Report for the 2008 Article IV Consultation, January 2009, p.22.

almost a year and a half. Chile is a close second with 480 days, the LMI-LAC median is 630 days, and Colombia, where it takes over 3 years to enforce a contract, trails far behind. In Peru the total tax payable by businesses as a percent of operating profit is also remarkably high, 40.3 percent. Among comparators, Colombia's total tax payable is 78.7 percent and the LMI-LAC median is 50.7 percent. Chile's total tax payable is much lower, at only 25.3 percent. Another issue is that Peruvian senior management spends about 13.5 percent of their time dealing with government regulations, which is more than in Chile (9.0 percent) but less than in Colombia (14.3 percent).

Peru's business environment is strong compared to Colombia's business environment but Peru needs to improve performance on some indicators to reach the Ease of Doing Business ranking that Chile has achieved.

## FINANCIAL SECTOR

A sound and efficient financial sector is a key to mobilizing saving, fostering productive investment, and improving risk management. The high degree of financial dollarization in the Peruvian economy amplifies macroeconomic vulnerability and reduces the effectiveness of monetary policy, yet can also be a buffer from external pressure. In 2008, as a consequence of the global financial crisis, dollarization increased, reflecting shifts in people's portfolios associated with concerns about the crisis. Although currency mismatches induced by the dollarization of banking and corporate portfolios make the financial sector highly vulnerable to exchange rate swings, dollarization also serves to lower the currency related risk.

From a medium-term perspective, Peru's indicators for financial sector performance paint, for the most part, a picture of underdevelopment. For example, the ratio of broad money to GDP—a basic gauge of the development of the financial sector—averaged 27.8 percent of GDP from 2004 to 2008. This is well below the regression benchmark and the global LMI median (41.7 percent and 42.9 percent respectively) as well as the LMI-LAC median of 43.8 percent, although it is above Colombia's 21.3 percent. Financial development in Chile, with a ratio of 58.6 percent, is far more advanced (see Figure 3-3), while Peru's performance shows that the banking system is not widely used. Yet there are signs of slow improvement. For 2004–2008, the growth of broad money to GDP was 3.4 percent for the period.

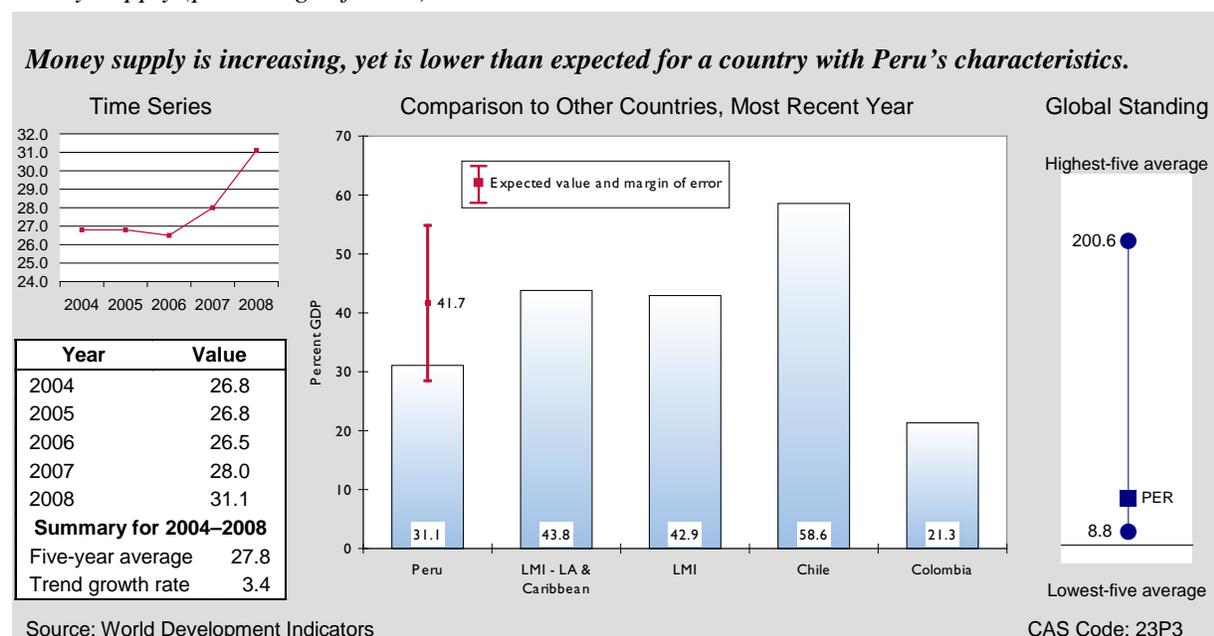
A similar picture emerges for the level of domestic credit to the private sector. The five-year average to 2008 for domestic credit to the private sector as a percent of GDP was 20.3 percent, which is below all the comparators: the regression benchmark (36.5 percent), Colombia (34.4 percent), and the LMI and LMI-LAC medians (42.6 and 38.3 percent, respectively), and far below Chile (85 percent). Again, there are signs of improvement with a 7.0 percent growth trend for the indicator for 2004–2008. Further, low levels of financial intermediation also are reflected in poor access to finance for micro, small, and medium-sized enterprises. Only a fraction of small firms borrowed from the formal financial system and the average annual interest rate on loans to microenterprises averaged close to 40 percent.<sup>29</sup> This is not likely to improve in the short term. According to the IMF report, new entrants to the financial sector, on both the supply and demand

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<sup>29</sup> IDB, Country Strategy, p. 17.

sides, posed risks to the macroeconomic stability because of the rising rate of nonperforming loans. Monitoring of small banks and micro-financial institutions is expected to increase during 2009-2010, and credit growth for smaller firms is expected to be reined in.<sup>30</sup>

Figure 3-3  
Money Supply (percentage of GDP)



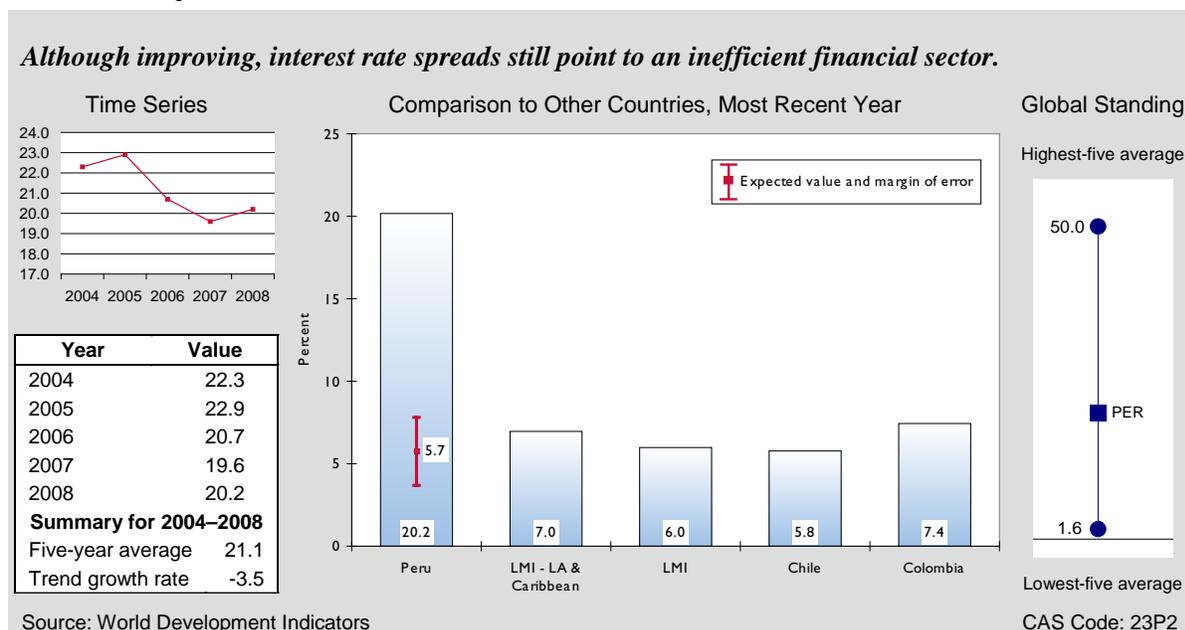
The Peruvian financial system is extremely inefficient and costly. The interest-rate spread averaged a staggering 21.1 percentage points during 2004-2008, which is above all its comparators. It is triple the LMI-LAC median (7.0 points), and well above the regression benchmark (5.7 points), the LMI median (6.0 points), Colombia (7.4 points), and Chile (5.8 points). (See Figure 3-4). In this case, there is no evidence of recent improvement. The five-year average to 2008 shows a deterioration of 3.5 percent. Similarly, the real interest rate (bank lending rate after adjusting for inflation), at 22.3 percent per year, is excessively high in absolute terms and when compared to all benchmarks, making investment and operating capital very costly to obtain and thus negatively affecting job creation and poverty reduction.

The high cost of borrowing, though, does not appear to be due to a lack of credit information systems, and the legal framework shows improvement in this regard in recent years. Indeed, throughout the period under review, Peru received the highest possible score (6.0), on the World Bank's Credit Information Index, which gauges the development of credit information systems in a given economy. Peru also more than doubled its score on the World Bank's index of Legal Rights of Borrowers and Lenders (on a scale of 0 for poor to 10 for excellent), from 3.0 in 2006 to 7.0 in 2010. With this improvement, Peru outperforms the LMI-LAC median (5.5), Colombia and even Chile (5.0 and 4.0 in 2010, respectively). Thus, Peru's legal system appears well suited

<sup>30</sup> IMF, Peru Article IV Consultation, February 2009, p.4.

for expanding access to credit, by providing legal protection to the parties involved in the credit transaction, and it should facilitate the expansion of credit in the country.

Figure 3-4  
*Interest Rate Spread*



Although affected by the global financial crisis, Peru's capital markets saw positive development trends. The ratio of stock market capitalization to GDP surged from 28.8 percent in 2004 to 98.8 percent in 2007 before dropping to 43.7 percent for 2008. This places Peru ahead of Colombia (35.9 percent), but behind Chile (78.1 percent). Despite the recent downturn due to economic contagion factors, the trend is positive and bodes well for Peru.

## EXTERNAL SECTOR

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

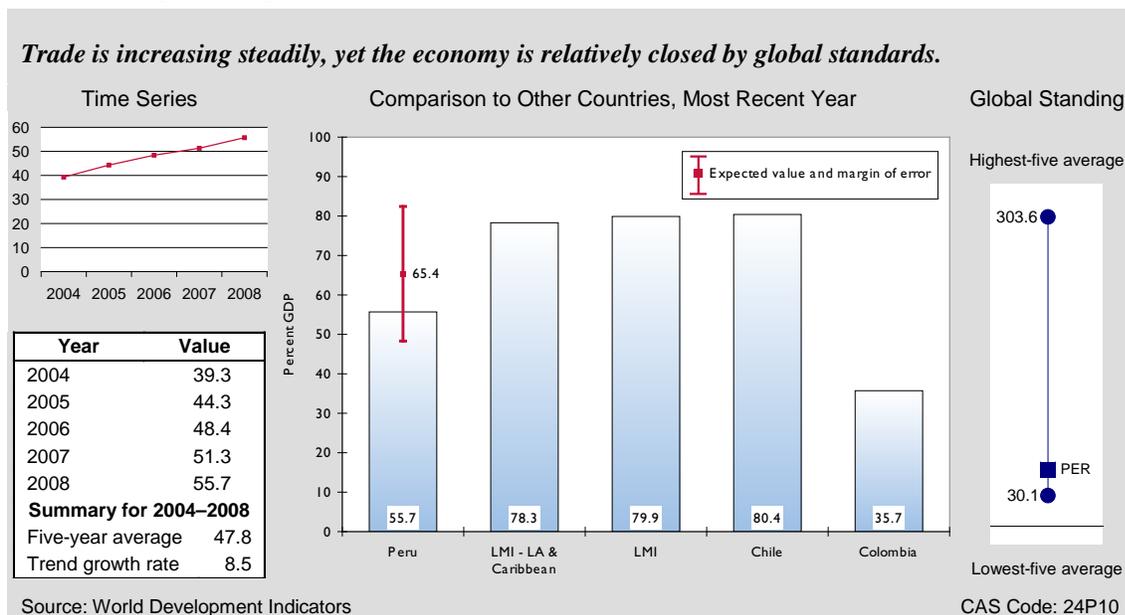
### International Trade and Current Account Balance

Though varying in magnitude from year to year, Peru's exports of goods and services have grown by an impressive average 9.5 percent per year over the five years to 2008. This is way above the regression benchmark of 5.8 percent, the LMI global average of 7.5 percent, and Colombia's and

Chile's, 7.9 percent and 2.1 percent, respectively, in 2008.<sup>31</sup> The country's export growth reflects a sharp improvement in Peru's terms of trade. Indeed, Peru's net barter terms of trade index (defined as 2000=100) improved from 102.3 in 2003 to 161.9 in 2007. This solid export performance resulted in the current account balance turning from a surplus of -1.5 in 2002 into a deficit of 1.4 percent in 2007.

Peru remains a relatively closed economy despite a recent trend toward openness. Total trade (exports plus imports of goods and services) reached only 55.7 percent of GDP in 2008, compared to the regression benchmark of 65.4 percent and the global LMI median and Chile at 79.9 percent and 80.4 percent, respectively. The trend shows improvement over the period under review and is expected to increase because of newly signed free trade agreements and agreements still under negotiation (See Figure 3-5).

Figure 3-5  
Total Trade (percentage of GDP)



A partial explanation for Peru's lack of integration into the world economy may lie in its excessive dependence on and concentration of exports in primary products. This exposes the economy to shocks from volatile world commodity prices. In 2007, mining and petroleum accounted for 70 percent of total earnings.<sup>32</sup> This is expected to improve in the medium term, with 2004 earnings of nontraditional exports such as textiles, fruits, vegetables, fish, and steel and metal products more than doubled, showing signs of growing diversification.<sup>33</sup>

<sup>31</sup> Caution is needed in comparing annual data, since the indicator is generally volatile.

<sup>32</sup> IDB, Country Strategy, pp.6, 13.

<sup>33</sup> EIU, Peru Country Report, London, December 2009: p. 11.

A favorable policy environment clearly contributes to positive export performance and global economic integration. In this area, Peru's indicators over the past five years have registered improvements. This can be seen in the Trade Freedom Index compiled by the Heritage Foundation, which gauges the degree of freedom from barriers to trade, including tariffs, customs regulations, import licensing requirements, sanitary and phytosanitary restrictions, widespread corruption, and intellectual property rights protection, among other factors (on a scale of 0 to 100). Peru's Trade Freedom Index improved from 2004 to 2010, from 59.8 to 85.0. The latter is roughly in line with our regression benchmark (74.5) and Colombia's (72.5), although Chile performs better (88.0). Likewise, Peru ranks 91st (out of 183) in the World Bank's Ease of Trading Index, performing better than the LMI-LAC median and Colombia, but not as well as Chile, which ranked 56th.

In sum, Peru's trade indicators show advancement in the past five years—achieved through tariff reduction and increasing market access through new bilateral agreements. In addition to the free trade agreement with the United States, Peru's government has signed free trade agreements with Chile, Canada, Singapore, and China, and is negotiating with the European Union and Mexico in a strategy to boost competition, enlarge export markets, and achieve diversification.<sup>34</sup> The country may also conclude agreements with Japan, South Korea, India, and Morocco, which are currently in the stage of initial dialogue. As of December 2009, the only agreement at risk is the agreement with Chile, which is being challenged by the Supreme Court.<sup>35</sup>

## **Foreign Investment, External Assistance, and International Reserves**

Foreign direct investment (FDI) can catalyze productivity gains and growth by transferring technology, developing human capital, and enhancing competition. Before the global financial crisis, the flow of FDI as a percent of GDP into Peru increased from 2.2 percent in 2003 to 5 percent in 2007 (see Figure 3-6). Preliminary figures show a downturn in FDI for 2009,<sup>36</sup> although this is expected to improve because in the medium term, major projects in the mining and energy sectors are in the pipeline, and FDI is expected to be sustained in the coming years. With the signing of the Peru-China free trade agreement, further Chinese investment is also expected.<sup>37</sup>

Strong FDI inflows in 2007 resulted in a current-account surplus, strengthening of the balance of payments, and increasing international reserves.<sup>38</sup> Combined with strong FDI, prudent fiscal policy and debt management reduced public debt to the median for low investment-grade

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<sup>34</sup> IDB, Country Strategy with Peru 2007-2011, p. 14.

<sup>35</sup> EIU, Peru: Country Report, London, December 2009: p. 11.

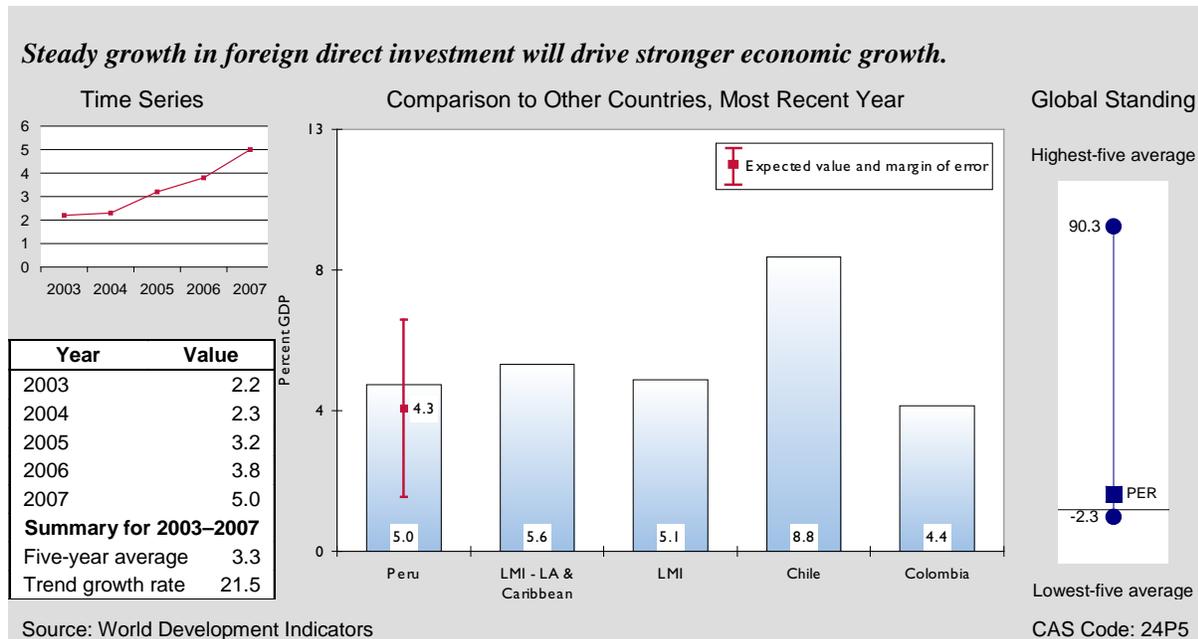
<sup>36</sup> IMF, Peru: Staff Report for the 2008 Article IV Consultation, Fourth Review and Inflation Consultation Under the Stand-By Arrangement and Request for Waiver of Applicability of Performance Criteria, January 14, 2009, Table 10, p. 45.

<sup>37</sup> EIU, Peru: Country Report, London, December 2009, p. 11.

<sup>38</sup> EIU, Peru: Country Profile, London, April 2008, p. 37.

countries while raising the share of domestic-currency debt to about 35 percent by the end of 2007. On April 2, 2008, Fitch upgraded Peru to investment grade status.<sup>39</sup>

Figure 3-6  
*Foreign Direct Investment (percentage of GDP)*



Consequently, the government had no problems finding low-cost financing in the most recent downturn. Indeed, the ratio of debt service to export earnings increased from 19.9 percent in 2003 to 22.4 percent in 2006. At this level, the debt service burden falls between Chile's 1.5 percent and Colombia's 13.5 percent.

The bottom line in the balance-of-payments accounts is the net accumulation of foreign exchange reserves. In 2007, gross international reserves represented a little less than 9.8 months of import requirements, which is nearly triple the LMI-LAC and global LMI medians (3.1 months and 3.7 months, respectively). Peru's reserves (as measured here) also exceed the levels observed in Colombia and Chile (5.0 months and 3.1 months, respectively). Four months of import cover is normally considered a prudent minimum to hedge against trade shocks.

## ECONOMIC INFRASTRUCTURE

Reliable physical infrastructure—for transportation, communications, power, and information technology—is critical for improving competitiveness and expanding productive capacity. Although most of Peru's indicators are on par with or exceed the regional medians, Peru's quality of infrastructure is poor, and this hinders economic growth. In this section the quality of roads, ports, air transport, and access to electricity and telephones will be explored.

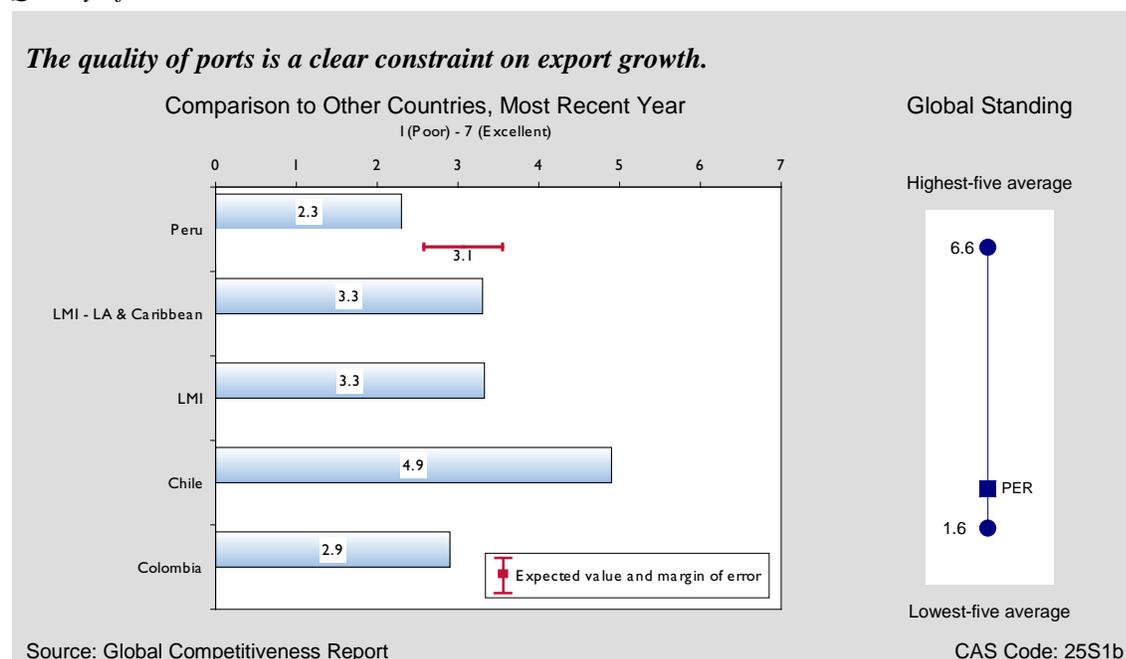
<sup>39</sup> IMF, Peru: Third Review, July 2008, p. 5.

The World Economic Forum (WEF) compiles an annual index of infrastructure quality based on a survey of executive opinions. In 2008, Peru received a rating of 2.4 on a scale of 1 (poor) to 7 (excellent). Colombia's ranking is slightly higher (3.1), along with the LMI-LAC and global LMI averages (both at 3.2), but all are far below the optimal ranking of 7. This poor ranking reflects inadequate infrastructure that deters additional investment.

Although finding a good indicator for benchmarking road quality across countries is difficult, one indicator widely used as a proxy is the percentage of paved roads. According to World Bank data, only 13.9 percent of roads in Peru were paved in 2006, a drop from 14.4 percent in 2004. This is very low compared to the global LMI median of 69.5 percent.

Peru gets a disappointing rating of 2.3 (on a scale of 1 to 7) on the WEF index of port quality (2008). According to the EIU Country Profile, despite deregulation of 37 ports in the 1990s, Peru's ports remain uncompetitive compared with those in neighboring countries.<sup>40</sup> Chile's rating of 4.9 is a ranking to which Peru can aspire (Figure 3-7).

Figure 3-7  
*Quality of Ports Index*



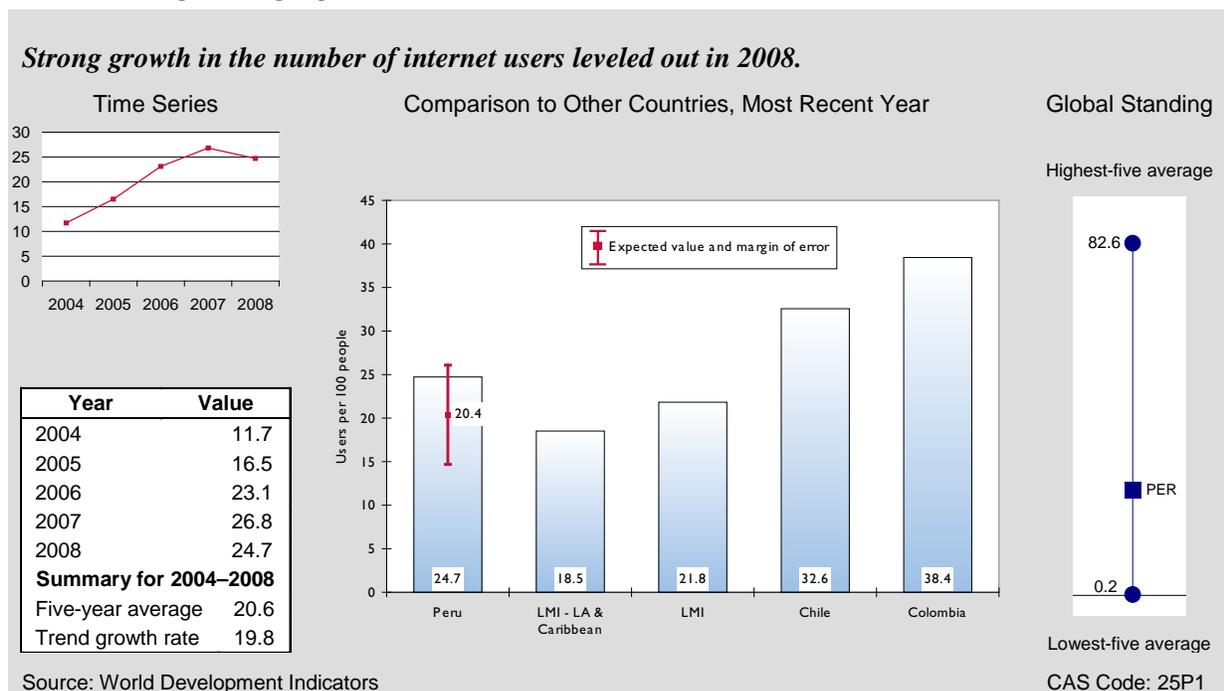
Air transport is particularly important for Peru because of its mountainous terrain. In absolute terms, the quality of the air transport infrastructure is better than the quality of ports. But while Peru scored a 3.9 on a scale from 1 to 7 for 2008, this is below the expected value for a country with similar characteristics (4.5). Colombia and Chile also fare better (4.8 and 5.9, respectively).

<sup>40</sup> EIU, Peru: Country Profile 2008, p. 19.

The WEF ratings for electricity supply are more encouraging. The country's score of 4.7 for 2008 matches the LMI-LAC median of 4.7 but is below Colombia's score of 5.1 and Chile's score of 5.3. Peru's installation of electrical generation in 2006 left a comfortable surplus supply of power.<sup>41</sup>

The mobile-phone market has expanded rapidly because of strong competition, while the fixed-line market is still, in effect, a monopoly, and its penetration rate is still below the Latin American average of 20 percent.<sup>42</sup> Peru's telephone density, measured as the number of fixed lines and mobile subscribers per 100 people, nearly quadrupled between 2004 and 2008, from 22.3 to 82.6. The latter figure is slightly above the regression benchmark of 75.4 but far higher than the LMI-LAC average of 38.9 lines. Nevertheless, Colombia and Chile have achieved higher telephone density (108.2 lines and 109.3 lines per 100 people). Similarly, Internet users doubled in the same period (see Figure 3-8).

Figure 3-8  
*Internet Users per 100 people*



The picture that emerges is clear: the quality of infrastructure in Peru needs improvement to support increased investment and competitiveness, particularly in roads, ports, and air transport.

<sup>41</sup> Ibid., p. 22.

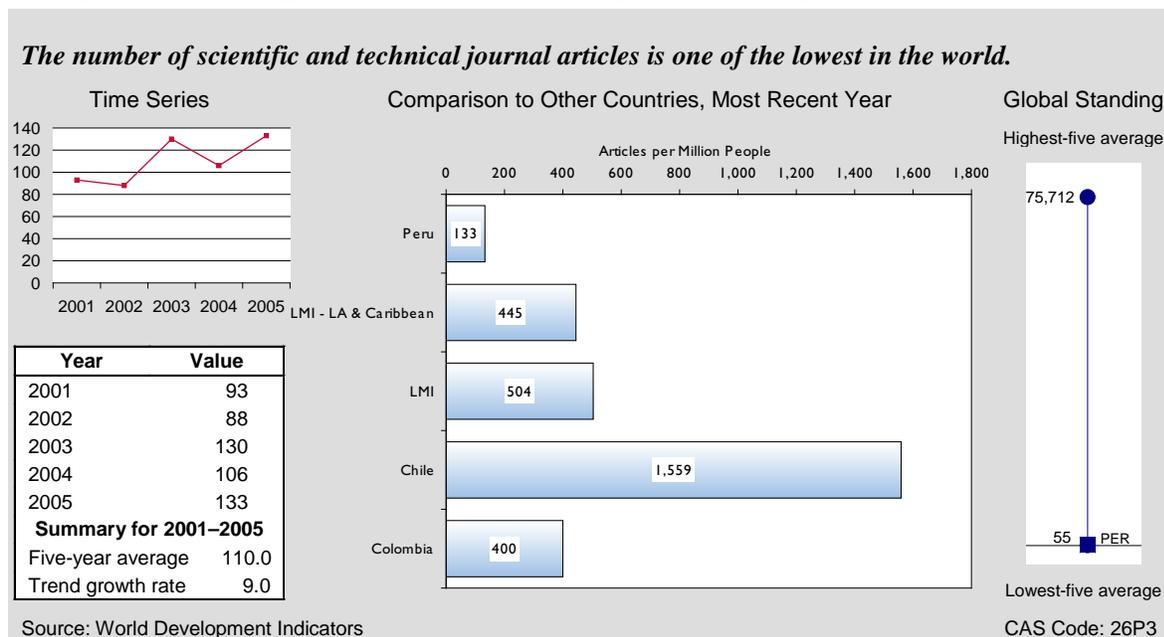
<sup>42</sup> Telefónica del Perú, a subsidiary of Spain's Telefónica, had an 88.6 percent share of lines installed as of September of 2007 according to the telcoms regulator, Ospitel. EIU, Op. cit., p. 20.

## SCIENCE AND TECHNOLOGY

Science and technology are vital to a dynamic business environment and are a driving force behind increased productivity and competitiveness. Even for LMI countries like Peru, transformational development depends on acquiring and adapting technology from the global economy.

Peru increased its investment in R&D as a percentage of GDP modestly between 1997 and 2001, from 0.08 percent to 0.11 percent, but its investment level remains far below the average for LAC, which is 0.62 percent of GDP. The private sector accounts for only a marginal share of this spending. From an institutional standpoint, “there is a lack of articulation between players in the system (government, universities, research centers and businesses) and resource allocation bears little relationship to sector priorities.”<sup>43</sup> Peru is also behind in the World Bank’s tabulation of science and technology journal articles per million people. In 2005 there were 133 journal articles per million people. This figure falls short of the performance for a country with Peru’s characteristics (594 articles), as well as Colombia’s 400 articles and Chile’s 1,559 articles per million people (see Figure 3-9).

Figure 3-9  
*Scientific and Technology Journal Articles, Articles per Million People*



Another concern is the weakness in intellectual property rights protection. The Heritage Foundation reports that copyright piracy is extensive and intellectual property law suffers from weak enforcement. Peru received a rating of 2.5 on a scale from 1 to 7 on the WEF executive survey in 2008. A country with Peru’s characteristics is expected to score at least 3.1. Peru is surpassed on this indicator by both Colombia (3.4) and Chile (3.6).

<sup>43</sup> IDB, Country Strategy, p. 21.

The WEF index of the availability of scientists and engineers measures homegrown technology. In 2007/2008 Peru received a score of 3.5 on a scale of 1 to 7. This score positioned Peru in only 106th place out of 134 countries. This low score is indicative of the need to improve the quality of education.

On the other hand, Peru performs much better in the WEF's index of FDI Technology Transfer, which is a gauge of executive perceptions of the quality of FDI entering the country as a source of new technology. Peru's scored 5.1 on a scale of 1 to 7. This is on par with the expected value for a country with Peru's characteristics (5.0) and the scores for both Colombia (4.6) and Chile (5.3), and above the LMI average (4.8). The average for the top five performers globally is 6.1.

Peru's indicators illustrate the need for increased investment in technological innovation. After all, technological innovation is an important way to increase the productivity and competitiveness of industry and its share in GDP and to improve the quality of the country's exports. In order to achieve this goal the Ministry of Economy and Finance recently announced the creation of three funds in support of science, technology and innovation.<sup>44</sup> Strengthening intellectual property rights would compliment these efforts.

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<sup>44</sup> IDB, Country Strategy with Peru 2007-2011, p. 21.

## 4. Pro-Poor Growth Environment

Rapid growth is the most powerful and dependable instrument for poverty reduction, but the link from growth to poverty reduction is not mechanical. In some circumstances, income growth for poor households exceeds the overall rise in per capita income, while in other cases 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 vulnerabilities. Pro-poor growth is associated with investment in primary health and education, the creation of jobs and income opportunities, the development of skills, microfinance, agricultural development, and gender equality. This section focuses on four of these issues: health, education, employment and the workforce, and agricultural development.

### HEALTH

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

Despite large increases in economic growth the Peruvian government spent 0.1 percent less of its GDP on health expenditure in 2006 than it did in 2002. In 2006 Peru spent only 2.6 percent of GDP on health, which is much lower than Colombia's expenditure of 6.2 percent and Chile's 2.8 percent health spending. The LMI-LAC median of 3.5 percent expenditure on health is also higher than Peru's. As a result of the low priority placed on health expenditure, Peru's health statistics compare poorly. Additionally, "there is a gulf between the availability of healthcare services in cities and in rural areas. Malnutrition of children under five was estimated at 25.6 percent in a 2002 survey by the Instituto Nacional de Salud, with the rate varying from 8 percent in Lima to over 40 percent in parts of the highlands."<sup>45</sup> Peru should target its health spending to improve the health status of those living in rural areas.

Peru's maternal mortality rate of 240 deaths per 100,000 live births is double Colombia's rate of 130 and 15 times Chile's rate of 16. Even the LMI and the LMI-LAC averages—61 and 74.5 maternal deaths per 100,000 live births, respectively (in 2007)—are several times lower than Peru's rate. The high maternal death rate should not come as a surprise when figures on the proportion of births attended by skilled health personnel are examined. Peru again performs poorly in comparison, with only 71.0 percent of births attended by skilled health personnel, compared to 99.8 percent in Chile, 96.4 percent in Colombia, and an LMI-LAC average of 99.4 percent.

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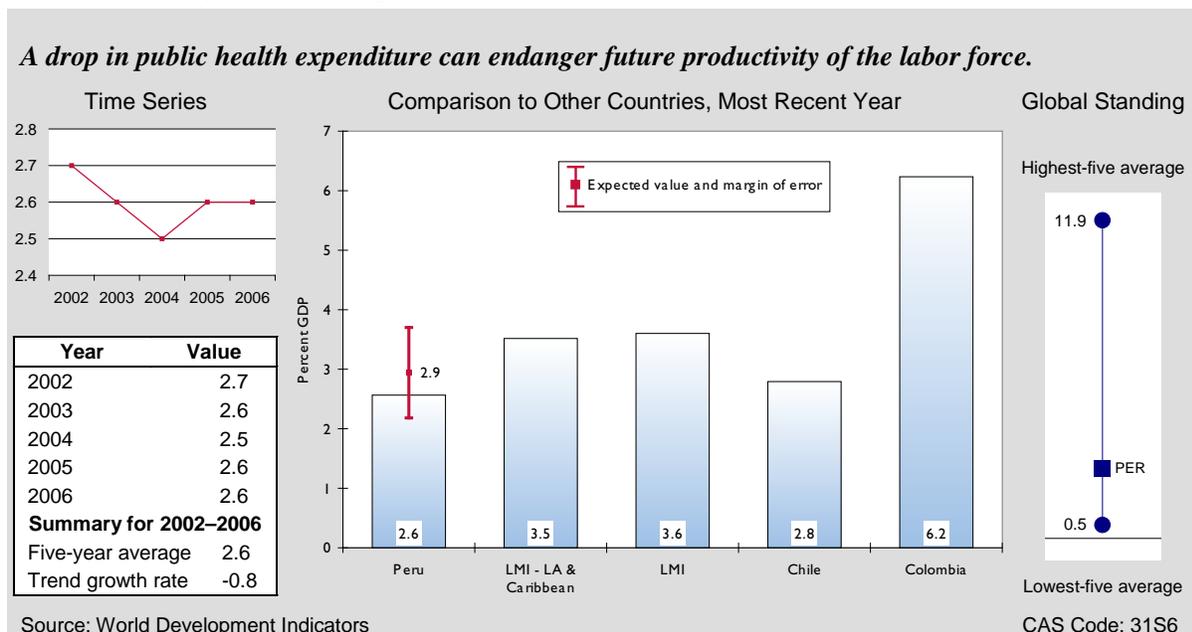
<sup>45</sup> EIU, Peru Country Profile, 2008, p. 17.

Peru's life expectancy has remained at 73 years for the past four years.

On a positive note, Peru's child immunization rates are high relative to its comparators. Ninety-six and a half percent of Peru's children were immunized in 2006, but this indicator fell to 89.5 percent in 2007. In comparison, child immunization rates were 92.5 percent in Chile, 94.0 percent in Colombia, and 93.5 percent for the LMI-LAC median. But the prevalence of child malnutrition in 2000, weight for age (7.1 percent) was higher than the expected value for countries with similar characteristics (6.0 percent). Peru's rate is also much higher than Chile's rate of child malnutrition of 0.6 percent (2007) and slightly higher than Colombia's 5.1 percent (2005).

The health situation in Peru could be improved if its population had more widespread access to an improved water source and improved sanitation. As of 2006 only 72 percent of Peruvians had access to improved sanitation, and only 84 percent had access to an improved water source. This is below the expected rates for a country with similar characteristics, where expected access to sanitation would be 78.1 percent and expected access to an improved water source would be 91.3 percent. Peru's access to improved sanitation and water also falls below those of its comparator countries: In Chile, 94 percent of the population has access to improved sanitation and 95 percent have access to an improved water source. In Colombia 78 percent of the population has access to improved sanitation and 93 percent has access to an improved water source.

Figure 4-1  
*Public Health Expenditure as a percentage of GDP*



## EDUCATION

Investment in human capital is a cornerstone for economic growth and development. Peru's primary enrollment and completion ratios are strong, but secondary and tertiary enrollment and completion rates are not. Although the majority of children are enrolled in school at all levels, the quality of education is poor. According to the Inter-American Development Bank, in Peru, "the quality of education is among the lowest in the hemisphere."<sup>46</sup> This could be, in part, because of low levels of educational expenditure at every level of schooling.

Peru's female, male, and overall primary enrollment rates are high: 97.1 percent, 95.6 percent, and 96.3 percent, respectively (in 2006). These rates are better than Colombia's enrollment rates 87.3 percent across the board (in 2007) and the LMI medians of 91.7 percent for female, 92.0 percent for male, and 91.9 percent overall enrollment rates and the LMI-LAC medians of 95.9 percent, 92.8 percent, and 93.5 percent. Although the total primary enrollment rates decreased from 97.7 percent to 96.3 percent in 2002-2006, the total primary enrollment rate remains high and is higher than the expected value (93.0 percent) for countries with similar characteristics.

In Peru 103.9 percent of students complete their primary schooling. This is greater than 100 percent, because some students in the last grade of primary school are repeaters that exceed the total number of children of official graduation age. The high completion rates translate into high literacy rates. Over 97 percent of the total youth population is literate, with 96.7 percent of girls and 98.0 percent of boys literate. The overall youth literacy rate for Chile and Colombia are 99.1 percent and 98.0 percent, respectively.

After primary school, enrollment ratios drop. The net secondary enrollment ratio for Peru is 76.2 percent. This is higher than the secondary net enrollment ratios for Colombia (67.4 percent) but lower than the rates for Chile (85.3 percent) and the LMI-LAC average of 71.5 percent. The gross tertiary enrollment ratio drops even further, to 35.1 percent. Although this ratio is above the LMI-LAC median of 28.8 percent, it falls below Chile's rate of 52.1 percent and is just slightly higher than Colombia's rate of 31.8 percent.

Although Peruvian primary enrollment figures are strong, and secondary and tertiary enrollment figures are higher than those of its comparators, the amount that the Peruvian government spends on education falls short of all its comparators. Although expenditure does not give the whole picture on educational quality, it does demonstrate that Peru has not made education a high priority. Primary educational expenditure per student is 7.0 percent of GDP per capita, compared to Chile's rate of 11.9 percent and Colombia's rate of 15.6 percent. These figures do not improve significantly for secondary and tertiary expenditure rates. Peru's secondary expenditure rate per student is 8.6 percent, compared to Chile's 13.4 percent and Colombia's 12.6 percent. Last, Peru's tertiary expenditure rate per student is only 10.5 percent, compared to 11.5 percent for Chile and 52.7 percent for Colombia. The expected rate for a country with similar characteristics is 11.9 percent for primary expenditure, 14.1 percent for secondary expenditure, and 29 percent for tertiary expenditure.

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<sup>46</sup> Inter-American Development Bank, Country Strategy.

Peru's pupil-teacher ratio for primary school, which is often considered a proxy for educational quality, is on par with or better than its comparators. The Inter-American Development Bank (IDB) and EIU, however, have found that educational quality is poor in Peru. Spending has increased, but little attention has been given to quality. The failings of the educational system became more evident in 2006, when a national evaluation of state-employed teachers was conducted, exposing several deficiencies in the quality of instruction.<sup>47</sup> So although the pupil-teacher ratio is 22 pupils per teacher, which is better than Colombia's rate of 28.2 pupils per teacher or Chile's rate of 25, the quality of teachers is poor.

Although classroom size is small and primary enrollment and completion rates are high, Peru needs to increase its educational expenditure for all three levels of schooling and to address the critical issue of teacher quality. The first initiative should be to invest in teacher quality and training. It should also try to increase its secondary and tertiary enrollment rates.

## EMPLOYMENT AND WORKFORCE

The unemployment rate in Peru of 6.7 percent is lower than the LMI-LAC average of 14 percent. Chile's and Colombia's unemployment rate are higher (8.9 percent and 11.9 percent, respectively). Despite a 7.6 percent increase in GDP growth since 2003, the unemployment rate declined only 2.3 points from 2004 to 2007. In the two years to 2008, urban employment rose by 9–10 percent.<sup>48</sup>

Peru's underemployment rate is also high, "The degree of informality in Peru is among the highest in Latin America. According to ILO indicators, informal employment in 2002 represented 60 percent of total employment, the third highest in LAC after Bolivia and Colombia".<sup>49</sup>

The high employment rates and informality is partly reflected in Peru's poor ranking on the Rigidity of Employment Index. Peru's "non-wage costs are among the highest in Latin America, at 66 percent of the payroll. Firms attempt to boost their productivity by operating with fewer workers and hiring them without contracts".<sup>50</sup> Peru scores 39 on the index, which ranges from 0 for minimum rigidity to 100 for maximum rigidity. Although this is an improvement from 46 in 2009, Peru's Rigidity of Employment Index is higher than Chile's and Colombia's scores of 18 and 10.0, respectively. The expected score for a country with characteristics similar to Peru's is 34.5. Three components make up the Rigidity of Employment Index: costs of hiring, costs of firing, and rigidity of hours. Peru's cost of firing was high, at 52 weeks of pay in 2009, but fell to 17 weeks in 2010. Chile (52 weeks) and Colombia (59 weeks) also perform poorly.

The labor force participation rate in Peru has increased steadily since 2004. As of 2007 the labor force participation rate was 73 percent, compared to Chile's 55 percent and Colombia's 70.9 percent. The labor force grew 2.5 percent from 2006 to 2007, a slower growth rate than the

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<sup>47</sup> EIU, Peru Country Profile 2008, p. 16.

<sup>48</sup> IMF, Peru: Staff Report for the 2008 Article IV Consultation, January 2009, p. 5.

<sup>49</sup> IDB, Country Strategy, p. 7.

<sup>50</sup> Ibid., p. 20.

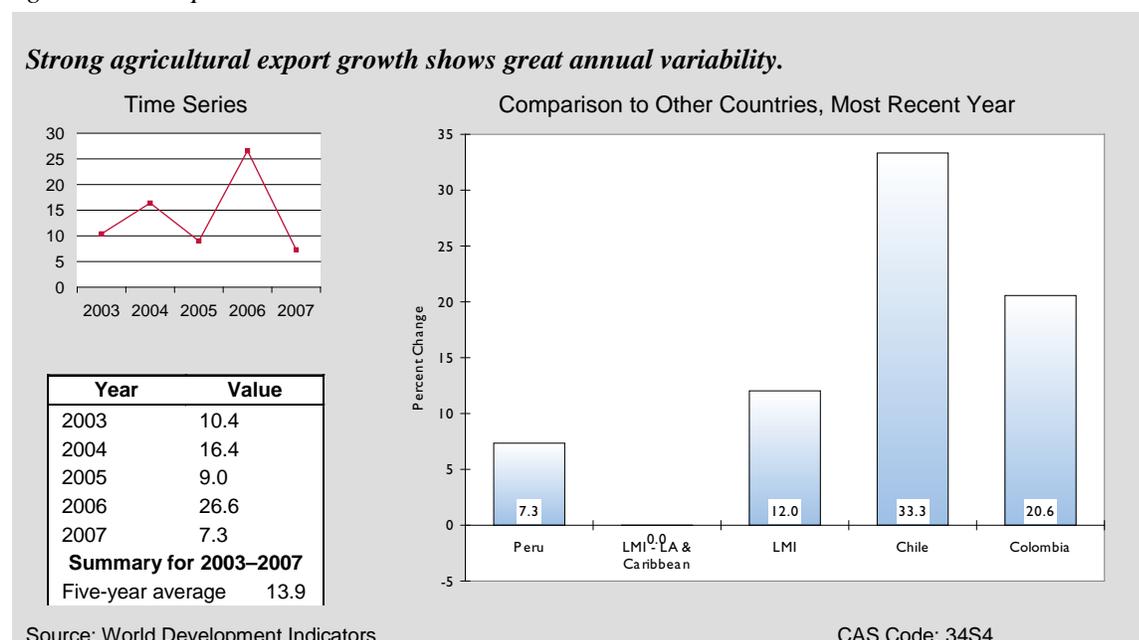
2.9 percent growth experienced in 2003. The growth rate in the labor force is higher than Chile’s growth rate of -0.1 percent and similar to Colombia’s growth rate of 2.4 percent.

## AGRICULTURE

Most measures in Peru point to improvement in the agricultural sector, but Peru still lags behind its comparator countries. “Agriculture in the Andes is largely carried out at subsistence level. The coastal plains offer huge potential for export crops, but investment has been hindered by unfavorable legislation. The wide diversity of climatic conditions allows most varieties of crops to be grown in Peru, yet only 1.3 m ha of the country (around 1 percent of the total land area) is estimated to be under cultivation.”<sup>51</sup>

Peru’s agricultural export growth has contributed to grow. From 2001 to 2007 Peru’s agricultural exports have grown, on average, 13.9 percent per year. Although there is great variation, annual agricultural export growth reached a high of 26.6 percent for 2006, exceeding the LMI global median of 12 percent, as well as Colombia’s 20.6 percent in 2007 (see Figure 4-2).

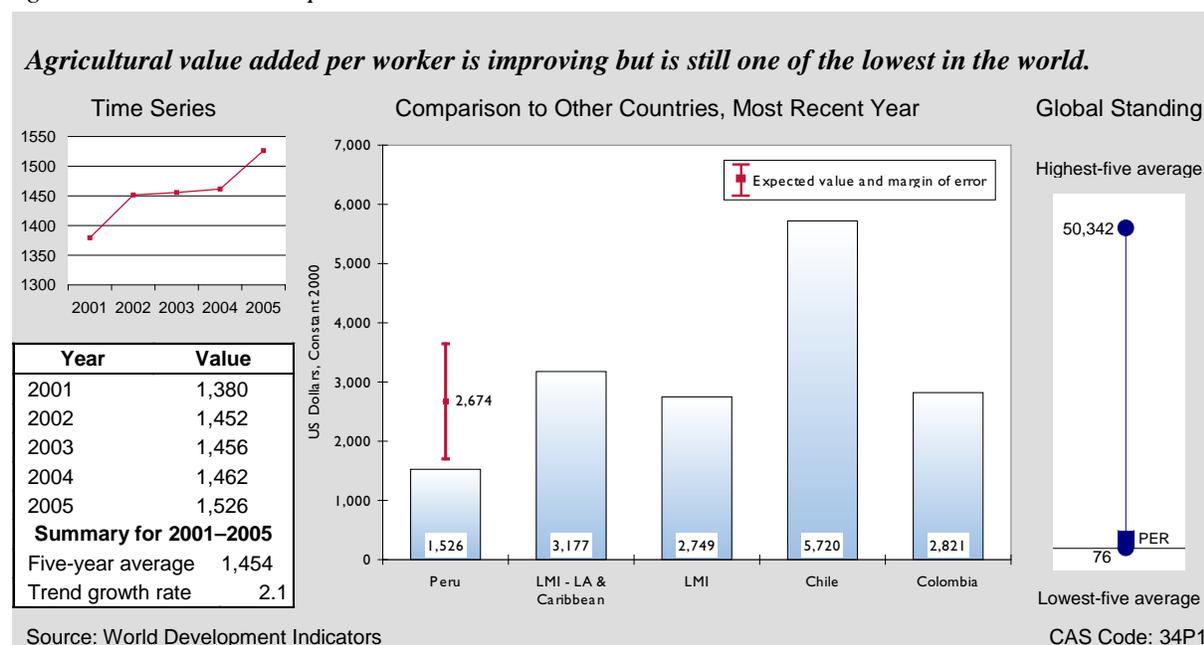
Figure 4-2  
*Agricultural Export Growth*



Other measures show some improvement in productivity. Although value added per worker in agriculture has improved at a rate of 2.1 percent per year, from \$1,380 in 2001 to \$1,526 in 2005, Peru is still below the LMI-LAC average (\$3,177) and needs to improve labor productivity to reach the value-added levels per worker observed in Colombia (\$2,821) and Chile (\$5,720) (see Figure 4-3).

<sup>51</sup> EIU, Peru Country Profile 2008, p. 28.

Figure 4-3  
Agriculture Value Added per Worker



Cereal yields have been erratic, averaging 3,506 kg per ha from 2003 to 2007. Although this exceeds the LMI-LAC median of 3,148 kg per ha, yields in Peru are slightly lower than in Colombia (3,797 kg per hectare) and are much lower than Chile's yields, at 6,409 kg per hectare in 2007. This could be due in part to low levels of fertilizer use. Although Colombia and Chile consume 344 kg and 302 kg per hectare of arable land respectively, Peru consumes only 81.6 kg.

On the Global Competitiveness Report for 2008, Peru scores a 4.1 (on a scale from 1 for excessively burdensome to 7 for well balanced) on the Agricultural Policy Cost Index, in line with the both the LMI-LAC median and Colombia, (3.7 and 3.9, respectively) but falls short of the ratings for Chile (5.1).

In sum, continued gains in agricultural productivity are needed to improve the lives of the rural poor and strengthen and diversify the base for economic growth. Furthermore, the Free Trade Agreement with the United States will put increasing pressure on the competitiveness of the Peruvian agriculture sector. Therefore, the government must address remaining difficulties in defining land ownership rights, regularizing landholding, and registering properties that have held back rural development in Peru in the past,<sup>52</sup> improve access to financial services, and support infrastructure development. In addition, the government and its international partners should focus on initiatives that modernize production methods and introduce improved technologies and agribusiness practices.

<sup>52</sup> IDB, Country Strategy with Peru 2007-2011, p. 26.

# 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 write-up in the text highlights issues for which the “dashboard lights” appear to be signaling problems, which suggest possible priorities for USAID intervention. The accompanying table provides a full list of indicators examined for this report. The data supplement in Appendix B contains the complete data set for Bangladesh including data for the benchmark comparisons, and technical notes for every indicator.

For each topic, the analysis begins with a screening of *primary performance indicators*. These Level I indicators are selected to answer the question: Is the country performing well or not in this area? The 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 Bangladesh relative to the average for countries in the same income group and region—in this case, low income countries in Asia.<sup>2</sup> For added perspective, three other comparisons are examined: (1) the global average for this income group; (2) respective values for two comparator countries approved by the Bangladesh mission and (3) the average for the five best-performing 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 Bangladesh’s specific 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 Bangladesh’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, Bangladesh’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 2008. In this report, the average is defined in terms of the median so that 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 diverges 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 the Bangladesh is computed by plugging in Bangladesh 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 0.68 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
Growth Performance		
Per capita GDP, in purchasing power parity dollars	I	
Per capita GDP, in current US Dollars	I	
Real GDP Growth	I	
Growth of labor productivity	II	
Investment Productivity, incremental capital-output ratio (ICOR)	II	
Gross fixed investment, % GDP	II	
Gross fixed private investment, % GDP	II	
Poverty and Inequality		
Human poverty index (0 for excellent to 100 for poor)	I	
Income-share, poorest 20%	I	
Population living on less than \$1.25 PPP per day	I	MDG
Poverty Headcount, by national poverty line	I	MDG
PRSP Status	I	EcGov
Population below minimum dietary energy consumption	II	MDG
Economic Structure		
Employment or labor force structure	I	
Output structure	I	
Demography and Environment		
Adult literacy rate	I	
Youth dependency rate/ elderly dependency rate	I	
Environmental performance index (0 for poor to 100 for excellent)	I	
Population size and growth	I	
Percent of population living in urban areas	I	
Resource depletion, % GNI	I	
Gender		
Primary completion rate, male, female	I	MCA
Gross enrollment rate, all levels, male, female	I	MDG
Life expectancy at birth, male, female	I	
Labor force participation rate, male, female	I	
Fiscal and Monetary Policy		
Government expenditure, % GDP	I	EcGov
Government revenue, excluding grants, % GDP	I	EcGov
Growth in the broad money supply	I	EcGov
Inflation rate	I	MCA
Overall government budget balance, including grants, % GDP	I	MCA, EcGov
Composition of government expenditure	II	

Indicator	Level	MDG, MCA, or EcGov <sup>a</sup>
Composition of government revenue	II	
Composition of money supply growth	II	
<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	

Indicator	Level	MDG, MCA, or EcGov <sup>a</sup>
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
Structure of merchandise exports	II	
Trade freedom 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 100 people	I	MDG
Logistics performance index, infrastructure	I	
Telephone density, fixed line and mobile	I	MDG
Overall infrastructure quality index (1 for poor to 7 for excellent)	I	EcGov
Quality of infrastructure—railroads, ports, air transport, and electricity	II	
Roads paved, % total roads	II	
<b>Science and Technology</b>		
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, male, female, total	I	MDG
Primary completion rate, total	I	
Youth literacy rate, male, female, total	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

Indicator	Level	MDG, MCA, or EcGov <sup>a</sup>
Pupil-teacher ratio, primary school	II	
Employment and Workforce		
Labor force participation rate, total	I	
Rigidity of employment index (0 for minimum rigidity to 100 for maximum)	I	EcGov
Size and growth of the labor force	I	
Unemployment rate	I	
Economically active children, % children ages 7-14	I	
Firing costs, weeks of wages	II	EcGov
Agriculture		
Agriculture value added per worker	I	
Cereal yield	I	
Growth in agricultural value-added	I	
Fertilizer consumption (100 grams per hectare of arable land)	II	
Agricultural policy costs index (1 for poor to 7 for excellent)	II	EcGov
Crop production index	II	
Livestock production index	II	

<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, 0 (Doesn't meet criteria) - 100 (Meets all criteria)	Per capita GDP (PPP), U.S. Dollars (PPP)	Per capita GDP, Current U.S. Dollars	Real GDP Growth, Percent change	Growth of Labor Productivity, Percent change	Investment Productivity, Incremental Capital-Output Ratio (ICOR), Ratio, Capital investment : GDP growth	Gross Fixed Investment, Percent GDP	Gross Fixed Private Investment, Percent GDP
Indicator Number	11P0	11P1	11P2	11P3	11S1	11S2	11S3	11S4
<b>Peru Data</b>								
<i>Latest Year (T)</i>	2008	2008	2008	2009	2008	2008	2008	2008
Value Year T	79	8,594.1	4,447.8	1.5	2.1	2.7	25.9	21.7
Value Year T-1	81	7,779.3	3,802.8	9.8	2.1	2.9	21.6	18.5
Value Year T-2	81	7,093.4	3,339.6	8.9	2.1	3.2	19.3	16.5
Value Year T-3	83	6,474.7	2,917.4	7.7	2.1	4.3	18.3	16.4
Value Year T-4	91	5,998.1	2,600.4	6.8	2.2	5.4	17.9	16.1
Average Value, 5 year	83	7,187.9	3,421.6	6.9	2.1	3.7	20.6	17.9
Growth Trend	-3.1	9.0	13.4	-27.8	-1.2	-17.5	9.1	7.2
<b>Benchmark Data</b>								
Regression Benchmark	80.7	.	.	6.0	-27.1	.	20.9	16.2
Lower Bound	74.3	.	.	4.2	-33.8	.	16.9	13.9
Upper Bound	87.1	.	.	7.8	-20.4	.	24.9	18.6
<i>Latest Year Chile</i>	2008	2008	2008	2008	2008	2008	2008	2001
Chile Value Latest Year	86	14,528.9	10,117.0	3.2	2.7	4.4	25.8	18.0
<i>Latest Year Colombia</i>	2008	2008	2008	2008	2008	2001	2008	.
Colombia Value Latest Year	83	8,229.1	4,988.9	2.5	2.0	18.9	23.2	.
LMI - LA & Caribbean	73.0	7,178.3	4,053.3	5.2	1.9	9.9	21.0	.
LMI	72.0	10,438.1	4,770.6	5.6	1.2	3.8	20.5	19.5
High Five Avg.	91.1	52,911.1	53,907.5	14.3	4.5	137.1	51.9	.
Low Five Avg.	24.6	493.2	173.7	-1.7	-3.5	-65.0	9.9	.

Poverty & Inequality						
Indicator Number	Human Poverty Index, 0 (no deprivation) - 100 (high deprivation)	Income Share, Poorest 20%, Percent	Population Living on Less Than \$1.25 PPP per Day, Percent	Poverty Headcount, National Poverty Line, Percent	PRSP Status, N/A	Population Below Minimum Dietary Energy Consumption, Percent
	12P1	12P2	12P3	12P4	12P5	12S1
<b>Peru Data</b>						
Latest Year (T)	2007	2006	2008	2008	.	2004
Value Year T	10	3.9	12.6	36.2	.	15.0
Value Year T-1	11	3.7	.	.	.	.
Value Year T-2	12	.	7.9	.	.	12.0
Value Year T-3	12	.	8.2	.	.	.
Value Year T-4	.	3.1	.	53.1	.	.
Average Value, 5 year	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.
<b>Benchmark Data</b>						
Regression Benchmark	10.0	3.5	8.0	37.2	.	12.3
Lower Bound	4.3	2.7	3.6	31.3	.	6.4
Upper Bound	15.7	4.2	12.5	43.1	.	18.3
Latest Year Chile	2006	2006	2006	.	.	2004
Chile Value Latest Year	3	4.1	2.0	.	.	5.0
Latest Year Colombia	2006	2006	2006	.	.	2004
Colombia Value Latest Year	8	2.3	16.0	.	.	10.0
LMI - LA & Caribbean	7.6	.	.	.	.	8.0
LMI	7.8	5.8	2.5	.	.	6.0
High Five Avg.	56.0	10.0	46.5	55.1	.	67.0
Low Five Avg.	2.5	2.7	2.0	15.2	.	2.5

<b>Economic Structure</b>						
	Labor Force Structure (Employment in agriculture), Percent	Labor Force Structure (Employment in industry), Percent	Labor Force Structure (Employment in services), Percent	Output structure (Agriculture, value added), Percent GDP	Output structure (Industry, value added), Percent GDP	Output structure (Services, etc., value added), Percent GDP
Indicator Number	13P1a	13P1b	13P1c	13P2a	13P2b	13P2c
<b>Peru Data</b>						
<i>Latest Year (T)</i>	2007	2007	2007	2008	2008	2008
Value Year T	9.3	42.1	48.6	6.6	38.1	55.3
Value Year T-1	11.4	41.7	46.8	6.6	37.0	56.4
Value Year T-2	11.8	41.5	46.8	7.0	37.0	56.0
Value Year T-3	11.7	41.7	46.5	7.2	34.3	58.5
Value Year T-4	12.1	41.1	46.8	7.3	33.0	59.7
Average Value, 5 year	11.3	41.6	47.1	6.9	35.9	57.2
Growth Trend	-5.5	0.5	0.8	-2.9	3.6	-1.9
<b>Benchmark Data</b>						
Regression Benchmark	19.0	20.3	58.8	10.6	32.0	60.2
Lower Bound	12.6	18.0	53.0	6.2	27.1	54.4
Upper Bound	25.4	22.6	64.7	15.0	37.0	65.9
<i>Latest Year Chile</i>	2007	2007	2007	2007	2007	2007
Chile Value Latest Year	12.3	23.4	64.3	4.2	47.1	48.7
<i>Latest Year Colombia</i>	2007	2007	2007	2008	2008	2008
Colombia Value Latest Year	18.4	19.6	61.9	8.8	34.3	56.9
LMI - LA & Caribbean	14.8	21.7	62.3	7.2	29.1	62.2
LMI	16.3	23.0	58.3	6.8	31.5	61.0
High Five Avg.	62.8	38.9	80.5	55.9	70.1	85.4
Low Five Avg.	0.3	9.5	26.0	0.3	9.5	18.0

Demography & Environment								
Indicator Number	Adult Literacy Rate, Percent	Youth Dependency Rate, Ratio Youth : Working Age Population	Elderly Dependency Rate, Ratio Elderly : Working Age Population	Environmental Performance Index, 0 (Very poor performance) - 100 (Very good performance)	Population Size, Million	Population Growth, Annual percent change	Population Living in Urban Areas, Percent	Resource Depletion, Percent GNI
	14P1	14P2a	14P2b	14P3	14P4a	14P4b	14P5	14P6
<b>Peru Data</b>								
<i>Latest Year (T)</i>	2007	2008	2008	2008	2008	2008	2008	2007
Value Year T	89.6	48.4	9.0	78.1	28.8	1.1	71.4	11.9
Value Year T-1	88.7	49.2	8.9	.	28.5	1.2	71.3	11.2
Value Year T-2	87.9	50.1	8.7	65.4	28.2	1.2	71.2	6.2
Value Year T-3	87.7	51.0	8.6	.	27.8	1.3	71.1	4.7
Value Year T-4	.	51.9	8.5	.	27.5	1.3	71.0	2.9
Average Value, 5 year	.	50.1	8.7	.	28.2	1.2	71.2	7.4
Growth Trend	.	-1.8	1.6	.	1.2	-3.4	0.1	37.2
<b>Benchmark Data</b>								
Regression Benchmark	87.5	47.9	9.6	.	27.6	1.2	68.6	9.1
Lower Bound	76.3	43.2	8.3	.	27.5	0.8	61.1	4.8
Upper Bound	98.7	52.7	10.9	.	27.8	1.5	76.1	13.3
<i>Latest Year Chile</i>	2007	2008	2008	2008	2008	2008	2008	2007
Chile Value Latest Year	96.5	34.1	12.9	83.4	16.8	1.0	88.4	16.9
<i>Latest Year Colombia</i>	2007	2008	2008	2008	2008	2008	2008	2007
Colombia Value Latest Year	92.7	45.4	8.2	88.3	44.5	1.2	74.5	8.3
LMI - LA & Caribbean	93.0	44.8	9.8	79.7	4.5	1.0	73.6	2.0
LMI	92.6	41.5	10.4	77.1	4.1	1.0	68.2	2.8
High Five Avg.	99.8	96.2	29.1	89.1	632.0	6.2	100.0	65.9
Low Five Avg.	36.2	19.0	2.4	37.4	.	-0.7	12.5	0.0

Gender								
	Primary Completion Rate, Male, Percent	Primary Completion Rate, Female, Percent	Gross Enrollment Ratio, All Levels of Education, Male, Percent	Gross Enrollment Ratio, All Levels of Education, Female, Percent	Life Expectancy, Male, Years	Life Expectancy, Female, Years	Labor Force Participation Rate, Male, Percent	Labor Force Participation Rate, Female, Percent
Indicator Number	15P1a	15P1b	15P2a	15P2b	15P3a	15P3b	15P4a	15P4b
<b>Peru Data</b>								
<i>Latest Year (T)</i>	2007	2007	2006	2006	2006	2006	2007	2007
Value Year T	103.4	104.4	86.4	89.9	68.5	73.6	82.3	63.8
Value Year T-1	100.9	101.2	86.1	88.9	68.2	73.3	80.8	64.3
Value Year T-2	100.0	99.8	86.6	89.1	67.8	72.9	81.2	62.9
Value Year T-3	100.7	99.8	86.3	88.8	.	.	81.6	61.5
Value Year T-4	101.4	100.4	87.9	88.0	.	.	81.9	60.1
Average Value, 5 year	101.3	101.1	86.7	89.0	.	.	81.6	62.5
Growth Trend	0.4	0.9	-0.4	0.4	.	.	0.0	1.6
<b>Benchmark Data</b>								
Regression Benchmark	.	.	74.1	77.7	69.6	75.3	87.0	54.2
Lower Bound	.	.	68.9	71.2	66.5	72.3	84.1	46.3
Upper Bound	.	.	79.4	84.2	72.7	78.3	90.0	62.0
<i>Latest Year Chile</i>	2007	2007	2006	2006	2006	2006	2007	2007
Chile Value Latest Year	101.1	88.3	83.0	82.0	75.4	81.4	71.6	39.0
<i>Latest Year Colombia</i>	2007	2007	2007	2007	2006	2006	2007	2007
Colombia Value Latest Year	104.6	108.8	77.2	80.9	68.9	76.3	78.7	63.6
LMI - LA & Caribbean	94.3	97.5	76.0	79.0	70.4	76.0	78.6	51.5
LMI	95.4	96.8	75.6	78.3	69.2	75.9	74.3	47.9
High Five Avg.	.	.	103.0	109.9	78.8	84.8	91.3	85.9
Low Five Avg.	.	.	31.6	22.3	39.3	40.0	56.7	16.5

Fiscal & Monetary Policy											
Indicator Number	Government Expense, Percent GDP	Government Revenue, excluding grants, Percent GDP	Money Supply Growth, Percent change	Inflation Rate, Annual Percent	Overall Budget Balance, Including Grants, Percent GDP	Composition of Government Expense (Wages and salaries), Percent	Composition of Government Expense (Goods and services), Percent	Composition of Government Expense (Interest payments), Percent	Composition of Government Expense (Subsidies and other current transfers), Percent	Composition of Government Expense (Capital expense), Percent	Composition of Government Expense (Other expense), Percent
	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S1e	21S1f
<b>Peru Data</b>											
<i>Latest Year (T)</i>	.	2007	2008	2008	2007	.	.	.	.	.	.
Value Year T	.	20.0	23.2	5.8	2.0	.	.	.	.	.	.
Value Year T-1	.	19.2	23.0	1.8	1.8	.	.	.	.	.	.
Value Year T-2	.	17.6	11.8	2.0	-0.8	.	.	.	.	.	.
Value Year T-3	.	16.5	16.8	1.6	-1.2	.	.	.	.	.	.
Value Year T-4	.	16.5	3.1	3.7	-1.7	.	.	.	.	.	.
Average Value, 5 year	.	18.0	15.6	3.0	0.0	.	.	.	.	.	.
Growth Trend	.	5.3	43.7	10.1	.	.	.	.	.	.	.
<b>Benchmark Data</b>											
Regression Benchmark	.	20.1	16.5	6.0	-2.1	.	.	.	.	.	.
Lower Bound	.	16.3	8.5	3.6	-5.1	.	.	.	.	.	.
Upper Bound	.	24.0	24.6	8.3	0.8	.	.	.	.	.	.
<i>Latest Year Chile</i>	.	2007	2008	2008	2007	.	.	.	.	.	.
Chile Value Latest Year	.	27.5	15.6	8.7	8.8	.	.	.	.	.	.
<i>Latest Year Colombia</i>	.	2007	2008	2008	2007	.	.	.	.	.	.
Colombia Value Latest Year	.	24.0	8.5	7.0	-1.8	.	.	.	.	.	.
LMI - LA & Caribbean	.	.	14.9	5.9	.	.	.	.	.	.	.
LMI	.	26.3	17.6	6.5	-0.5	.	.	.	.	.	.
High Five Avg.	.	46.4	4,492.5	28.6	7.9	.	.	.	.	.	.
Low Five Avg.	.	8.4	-1.1	1.4	-8.2	.	.	.	.	.	.

**Fiscal & Monetary Policy (cont.)**

Indicator Number	21S2a	21S2b	21S2c	21S2d	21S2e	21S2f	21S3a	21S3b	21S3c	21S3d	21S3e
<i>Peru Data</i>											
<i>Latest Year (T)</i>	2007	2007	2007	2007	2007	2007	.	.	.	.	.
Value Year T	33.9	35.9	2.4	7.7	5.7	14.4	.	.	.	.	.
Value Year T-1	31.7	36.7	4.1	8.0	5.8	13.8	.	.	.	.	.
Value Year T-2	24.1	40.5	5.7	8.7	5.9	15.1	.	.	.	.	.
Value Year T-3	23.9	44.8	6.1	9.5	4.2	11.6	.	.	.	.	.
Value Year T-4	23.5	44.5	6.3	9.8	2.5	13.4	.	.	.	.	.
Average Value, 5 year	27.4	40.5	4.9	8.7	4.8	13.6	.	.	.	.	.
Growth Trend	10.1	-6.3	-23.3	-6.6	19.8	3.2	.	.	.	.	.
<i>Benchmark Data</i>											
Regression Benchmark	23.4	38.8	8.2	10.0	3.4	18.6	.	.	.	.	.
Lower Bound	17.6	30.8	1.8	5.2	1.6	11.9	.	.	.	.	.
Upper Bound	29.1	46.8	14.7	14.8	5.3	25.3	.	.	.	.	.
<i>Latest Year Chile</i>	2007	2007	2007	2007	2007	2007	.	.	.	.	.
Chile Value Latest Year	40.0	34.3	1.3	4.9	2.5	17.0	.	.	.	.	.
<i>Latest Year Colombia</i>	2007	2007	2007	2007	2007	2007	.	.	.	.	.
Colombia Value Latest Year	16.7	26.1	5.7	4.1	7.9	39.5	.	.	.	.	.
LMI - LA & Caribbean	.	.	.	.	.	.	.	.	.	.	.
LMI	14.4	37.5	5.3	16.8	2.8	14.5	.	.	.	.	.
High Five Avg.	54.0	64.4	40.9	46.9	18.8	78.3	.	.	.	.	.
Low Five Avg.	1.9	4.8	-1.6	0.4	.	3.9	.	.	.	.	.

Business Environment							
	Control of Corruption Index, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Ease of Doing Business Index, Index Rank (1 - 183)	Rule of Law Index, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Regulatory Quality Index, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Government Effectiveness Index, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Cost of Starting a Business % GNI per Capita, Percent GNI per Capita	Procedures to Enforce a Contract, Procedures
Indicator Number	22P1	22P2	22P3	22P4	22P5	22S1	22S2
<b>Peru Data</b>							
<i>Latest Year (T)</i>	2008	2010	2008	2008	2008	2010	2010
Value Year T	-0.3	56.0	-0.7	0.3	-0.3	25	41
Value Year T-1	-0.3	65.0	-0.7	0.2	-0.5	26	41
Value Year T-2	-0.2	.	-0.7	0.1	-0.5	30	41
Value Year T-3	-0.4	.	-0.8	0.1	-0.6	33	41
Value Year T-4	-0.3	.	-0.6	0.2	-0.5	38	42
Average Value, 5 year	-0.3	.	-0.7	0.2	-0.5	30.1	41.2
Growth Trend	5.1	.	-3.5	18.3	14.1	-11.1	-0.5
<b>Benchmark Data</b>							
Regression Benchmark	-0.4	92.9	-0.5	8.8	-0.2	41.6	37.3
Lower Bound	-0.6	72.4	-0.8	8.7	-0.4	7.2	34.1
Upper Bound	-0.2	113.3	-0.3	8.8	0.1	76.0	40.5
<i>Latest Year Chile</i>	2008	2010	2008	2008	2008	2010	2010
Chile Value Latest Year	1.3	49.0	1.2	1.6	1.2	7	36
<i>Latest Year Colombia</i>	2008	2010	2008	2008	2008	2010	2010
Colombia Value Latest Year	-0.2	37.0	-0.5	0.2	0.1	13	34
LMI - LA & Caribbean	-0.2	84.8	-0.3	0.3	0.1	22.7	40.0
LMI	-0.2	71.5	-0.2	0.2	0.1	13.7	37.2
High Five Avg.	2.4	181.0	2.0	1.9	2.2	931.1	54.0
Low Five Avg.	-1.6	3.0	-2.0	-2.3	-1.9	0.4	22.8

Business Environment (cont.)								
Indicator Number	22S3	22S4	22S5	22S6	22S7	22S8	22S9	22S10
<b>Peru Data</b>								
<i>Latest Year (T)</i>	2010	2010	2010	2010	2010	2010	2008	2006
Value Year T	4	9	428	14	41.0	40.3	3.6	13.5
Value Year T-1	5	10	468	33	65.0	41.2	3.1	.
Value Year T-2	5	10	468	33	72.0	41.5	2.6	.
Value Year T-3	5	10	468	33	72.0	41.5	.	.
Value Year T-4	5	10	549	33	102.0	41.6	.	.
Average Value, 5 year	4.8	9.8	476.2	29.2	70.4	41.2	.	.
Growth Trend	-4.5	-2.1	-5.0	-17.1	-19.3	-0.7	.	.
<b>Benchmark Data</b>								
Regression Benchmark	6.3	10.5	606.6	53.2	34.8	52.5	3.2	10.1
Lower Bound	5.2	8.9	451.0	10.4	11.6	40.4	2.7	7.8
Upper Bound	7.5	12.1	762.2	96.0	57.9	64.6	3.7	12.4
<i>Latest Year Chile</i>	2010	2010	2010	2010	2010	2010	2008	2006
Chile Value Latest Year	6	9	480	31	27.0	25.3	4.4	9.0
<i>Latest Year Colombia</i>	2010	2010	2010	2010	2010	2010	2008	2006
Colombia Value Latest Year	7	9	1,346	20	20.0	78.7	3.3	14.3
LMI - LA & Caribbean	6.0	8.7	630.0	43.0	28.5	50.7	3.2	.
LMI	6.0	8.5	595.0	48.0	26.5	42.0	4.2	.
High Five Avg.	13.2	18.5	1,611.6	427.5	283.4	262.2	6.6	20.0
Low Five Avg.	1.6	2.3	192.4	2.3	4.3	8.8	2.1	2.5

Financial Sector								
	Domestic Credit to Private Sector, Percent GDP	Interest Rate Spread, Percent	Money Supply (M2), Percent GDP	Stock Market Capitalization Rate, Percent GDP	Credit Information Index, 0 (Poor) - 6 (Excellent)	Legal Rights of Borrowers and Lenders, 0 (Very poor performance) - 10 (Excellent)	Real Interest Rate, Percent	Number of Microfinance Borrowers, Borrowers
Indicator Number	23P1	23P2	23P3	23P4	23P5	23S1	23S2	23S3
<b>Peru Data</b>								
<i>Latest Year (T)</i>	2008	2008	2008	2008	2010	2010	2008	.
Value Year T	25.1	20.2	31.1	43.7	6.0	7.0	22.3	.
Value Year T-1	21.0	19.6	28.0	98.8	6.0	7.0	20.4	.
Value Year T-2	17.8	20.7	26.5	64.6	6.0	7.0	15.6	.
Value Year T-3	19.4	22.9	26.8	45.3	6.0	7.0	21.9	.
Value Year T-4	18.4	22.3	26.8	28.8	6.0	3.0	17.4	.
Average Value, 5 year	20.3	21.1	27.8	56.2	6.0	6.2	19.5	.
Growth Trend	7.0	-3.5	3.4	16.1	.	16.9	4.2	.
<b>Benchmark Data</b>								
Regression Benchmark	36.5	5.7	41.7	48.4	5.5	5.3	5.9	.
Lower Bound	25.5	3.7	28.5	21.2	3.6	3.9	2.0	.
Upper Bound	47.4	7.8	54.8	75.5	7.4	6.6	9.9	.
<i>Latest Year Chile</i>	2008	2008	2008	2008	2010	2010	2008	.
Chile Value Latest Year	85.0	5.8	58.6	78.1	5.0	4.0	13.0	.
<i>Latest Year Colombia</i>	2008	2008	2008	2008	2010	2010	2008	.
Colombia Value Latest Year	34.4	7.4	21.3	35.9	5.0	5.0	8.8	.
LMI - LA & Caribbean	38.3	7.0	43.8	31.9	2.5	5.5	5.4	.
LMI	42.6	6.0	42.9	29.6	4.3	5.5	2.3	.
High Five Avg.	195.7	50.0	200.6	219.2	6.0	9.8	35.6	.
Low Five Avg.	2.9	1.6	8.8	0.5	.	0.6	-20.7	.

External Sector											
	External Aid, Percent GNI	Current Account Balance, Percent GDP	Debt Service ratio, Percent Exports	Exports Growth, Goods and Services, Percent change	Foreign Direct Investment, Percent GDP	Gross International Reserves, Months of Imports	Gross Private Capital Inflows, Percent GDP	Present Value of Debt, Percent GNI	Remittance Receipts, Percent Exports	Total Trade, Percent GDP	Trade in Services, Percent GDP
Indicator Number	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24P10	24P11
<b>Peru Data</b>											
Latest Year (T)	2007	2007	2007	2008	2007	2007	2008	2007	2007	2008	2007
Value Year T	0.3	1.4	22.4	10.1	5.0	9.8	3.2	41.8	6.8	55.7	7.1
Value Year T-1	0.5	3.0	9.2	6.2	3.8	7.8	8.7	.	6.9	51.3	6.6
Value Year T-2	0.6	1.4	21.9	0.8	3.2	8.1	3.9	.	7.3	48.4	6.8
Value Year T-3	0.7	0.0	16.1	15.2	2.3	9.2	6.5	.	7.7	44.3	6.8
Value Year T-4	0.8	-1.5	19.9	15.2	2.2	9.3	4.1	.	8.0	39.3	7.1
Average Value, 5 year	0.6	0.5	17.9	9.5	3.3	8.8	5.3	.	7.4	47.8	6.9
Growth Trend	-25.7	.	-3.2	-17.1	21.5	-0.4	-1.9	.	-4.3	8.5	-0.2
<b>Benchmark Data</b>											
Regression Benchmark	0.3	.	13.7	5.8	4.3	5.0	5.6	31.9	7.0	65.4	12.4
Lower Bound	-4.7	-5.3	8.6	-3.5	1.6	3.5	3.1	10.1	-3.8	48.3	6.4
Upper Bound	5.3	5.3	18.7	15.1	6.9	6.5	8.0	53.7	17.8	82.4	18.5
Latest Year Chile	2007	2008	2007	2008	2007	2008	2008	2007	2007	2007	2008
Chile Value Latest Year	0.1	-2.0	1.5	2.1	8.8	3.1	11.8	45.0	.	80.4	13.1
Latest Year Colombia	2007	2008	2007	2008	2007	2008	2008	2007	2007	2008	2008
Colombia Value Latest Year	0.4	-2.8	13.5	7.9	4.4	5.0	3.9	27.8	13.2	35.7	4.6
LMI - LA & Caribbean	0.3	-4.4	10.3	3.1	5.6	3.1	7.5	45.9	6.8	78.3	18.5
LMI	0.5	-6.9	6.8	7.5	5.1	3.7	6.5	49.2	5.2	79.9	15.9
High Five Avg.	48.3	87.5	38.6	.	90.3	16.8	196.3	370.8	110.7	303.6	124.9
Low Five Avg.	.	-35.7	0.6	.	-2.3	0.3	-4.3	5.2	0.1	30.1	4.9

External Sector (cont.)											
Indicator Number	Concentration of Exports, Percent	Inward FDI Potential Index, 0 (Very poor performance) to 1 (Excellent performance)	Net Barter Terms of Trade, Index: 2000 = 100	Real Effective Exchange Rate (REER), Index: 2000 = 100	Structure of Merchandise Exports (Agricultural raw materials exports), Percent	Structure of Merchandise Exports (Fuel exports), Percent	Structure of Merchandise Exports (Manufactures exports), Percent	Structure of Merchandise Exports (Ores and metals exports), Percent	Structure of Merchandise Exports (Food exports), Percent	Trade Policy Index, 0 (Very poor) - 100 (Excellent)	Ease of Trading Across Borders Ranking, Index Rank (1 - 183)
	24S1	24S2	24S3	24S4	24S5a	24S5b	24S5c	24S5d	24S5e	24S6	24S7
<b>Peru Data</b>											
<i>Latest Year (T)</i>	2006	2006	2007	.	2007	2007	2007	2007	2007	2009	2010
Value Year T	41.7	0.2	161.9	.	1.2	8.7	12.1	49.1	13.8	79	91.0
Value Year T-1	36.4	0.1	151.1	.	1.4	8.0	11.7	47.5	14.7	73	98.0
Value Year T-2	37.9	0.2	119.4	.	1.5	9.3	14.3	40.0	17.0	73	.
Value Year T-3	40.5	0.2	111.3	.	1.8	5.6	16.0	38.0	19.7	67	.
Value Year T-4	39.9	0.2	102.3	.	2.2	7.6	17.0	29.4	20.7	60	.
Average Value, 5 year	39.3	0.2	129.2	.	1.6	7.8	14.2	40.8	17.2	70.5	.
Growth Trend	-0.2	-1.3	12.2	.	-14.5	6.1	-9.9	12.5	-11.0	6.6	.
<b>Benchmark Data</b>											
Regression Benchmark	41.2	0.2	102.6	.	5.1	12.4	36.1	3.5	23.0	74.5	93.4
Lower Bound	31.2	0.1	88.3	.	5.1	7.3	23.9	-2.2	9.2	69.4	70.3
Upper Bound	51.2	0.2	116.9	.	5.1	17.5	48.4	9.3	36.9	79.6	116.6
<i>Latest Year Chile</i>	2006	2006	2007	2008	2007	2007	2007	2007	2007	2009	2010
Chile Value Latest Year	54.3	0.2	194.4	97.3	6.1	1.3	10.1	64.8	14.7	86	56.0
<i>Latest Year Colombia</i>	2006	2006	2007	2008	2007	2007	2007	2007	2007	2009	2010
Colombia Value Latest Year	37.3	0.1	121.4	120.6	4.3	36.3	39.2	2.3	15.3	72	97.0
LMI - LA & Caribbean	47.7	0.2	102.9	90.8	1.0	1.0	34.1	1.7	34.6	73.3	95.5
LMI	36.9	0.2	102.2	97.1	1.5	7.4	54.4	3.9	14.7	75.1	91.8
High Five Avg.	97.5	0.5	120.7	145.0	44.3	.	94.9	55.1	95.0	90.3	181.0
Low Five Avg.	7.3	0.1	70.2	59.6	.	.	0.9	.	0.4	13.8	3.0

Economic Infrastructure									
	Internet Users, Users per 100 people	Logistics Performance Index - Infrastructure, 1 (Poor) - 5 (Excellent)	Telephone Density, Fixed Line and Mobile, Telephones per 100 people	Overall Infrastructure Quality, 1 (Poor) - 7 (Excellent)	Quality of Infrastructure - Air Transport Infrastructure Index, 1 (Poor) - 7 (Excellent)	Quality of Infrastructure - Port Infrastructure Quality Index, 1 (Poor) - 7 (Excellent)	Quality of Infrastructure - Rail Development Index, 1 (Poor) - 7 (Excellent)	Quality of Infrastructure - Electricity Supply Index, 1 (Poor) - 7 (Excellent)	Roads, Paved, Percent
Indicator Number	25P1	25P2	25P3	25P4	25S1a	25S1b	25S1c	25S1d	25S2
<b>Peru Data</b>									
<i>Latest Year (T)</i>	2008	2007	2008	2008	2008	2008	2008	2008	2006
Value Year T	24.7	2.6	82.6	2.4	3.9	2.3	1.7	4.7	13.9
Value Year T-1	26.8	.	63.5	2.5	3.7	2.4	1.7	4.7	.
Value Year T-2	23.1	.	39.7	2.6	3.3	2.2	1.7	4.8	14.4
Value Year T-3	16.5	.	28.1	.	.	.	.	.	13.1
Value Year T-4	11.7	.	22.3	.	.	.	.	.	14.4
Average Value, 5 year	20.6	.	47.2	.	.	.	.	.	.
Growth Trend	19.8	.	34.3	.	.	.	.	.	.
<b>Benchmark Data</b>									
Regression Benchmark	20.4	2.5	75.4	.	4.5	3.1	1.8	4.3	21.4
Lower Bound	14.7	2.3	60.7	.	4.0	2.6	1.5	3.8	6.4
Upper Bound	26.1	2.6	90.1	.	5.0	3.6	2.2	4.8	36.4
<i>Latest Year Chile</i>	2008	2007	2008	2008	2008	2008	2008	2008	2001
Chile Value Latest Year	32.6	3.1	109.3	5.1	5.9	4.9	2.1	5.3	20.2
<i>Latest Year Colombia</i>	2008	2007	2008	2008	2008	2008	2008	2008	.
Colombia Value Latest Year	38.4	2.3	108.2	3.1	4.8	2.9	1.5	5.1	.
LMI - LA & Caribbean	18.5	2.5	38.9	3.2	4.6	3.3	1.5	4.7	.
LMI	21.8	2.4	91.3	3.2	4.2	3.3	2.2	4.4	69.5
High Five Avg.	82.6	4.2	181.1	6.6	6.7	6.6	6.5	6.8	100.0
Low Five Avg.	0.2	1.5	2.5	1.8	2.5	1.6	1.1	1.6	9.4

<b>Science &amp; Technology</b>				
	FDI Technology Transfer Index, 1 (Poor) - 7 (Excellent)	Availability of Scientists and Engineers, 1 (Non existent) - 7 (Widely available)	Scientific and Technology Journal Articles, Articles per Million people	IPR Protection, 1 (Poorly enforced) - 7 (Among the best)
Indicator Number	26P1	26P2	26P3	26P4
<b>Peru Data</b>				
<i>Latest Year (T)</i>	2008	2008	2005	2008
Value Year T	5.1	3.5	133.0	2.5
Value Year T-1	5.1	3.9	106.0	2.7
Value Year T-2	5.2	4.0	130.0	2.7
Value Year T-3	.	.	88.0	.
Value Year T-4	.	.	93.0	.
Average Value, 5 year	.	.	110.0	.
Growth Trend	.	.	9.0	.
<b>Benchmark Data</b>				
Regression Benchmark	5.0	3.9	593.8	3.1
Lower Bound	4.7	3.6	-651.9	2.8
Upper Bound	5.2	4.3	1,839.5	3.4
<i>Latest Year Chile</i>	2008	2008	2005	2008
Chile Value Latest Year	5.3	4.7	1,559.0	3.6
<i>Latest Year Colombia</i>	2008	2008	2005	2008
Colombia Value Latest Year	4.6	3.9	400.0	3.4
LMI - LA & Caribbean	5.1	4.1	444.8	3.4
LMI	4.8	4.2	504.0	3.3
High Five Avg.	6.1	5.9	75,711.9	6.2
Low Five Avg.	3.6	2.7	55.1	2.0

Health									
	HIV Prevalence, Percent	Life Expectancy at Birth, Years	Maternal Mortality Rate, Deaths per 100,000 live births	Access to Improved Sanitation, Percent	Access to Improved Water Source, Percent	Births Attended by Skilled Health Personnel, Percent	Child Immunization Rate, Percent	Prevalence of Child Malnutrition, Weight for Age, Percent	Public Health Expenditure, Percent GDP
Indicator Number	31P1	31P2	31P3	31S1	31S2	31S3	31S4	31S5	31S6
<b>Peru Data</b>									
Latest Year (T)	2007	2008	2005	2006	2006	2006	2007	2000	2006
Value Year T	0.5	73	240.0	72.0	84.0	71.0	89.5	7.1	2.6
Value Year T-1	0.4	73	.	.	.	.	96.5	.	2.6
Value Year T-2	0.4	73	.	.	.	73.4	84.5	.	2.5
Value Year T-3	0.4	73	.	.	.	.	90.0	.	2.6
Value Year T-4	0.4	.	.	.	.	.	94.5	7.8	2.7
Average Value, 5 year	0.4	.	.	.	.	.	91.0	.	2.6
Growth Trend	4.5	.	.	.	.	.	-0.4	.	-0.8
<b>Benchmark Data</b>									
Regression Benchmark	0.7	72.7	136.4	78.1	91.3	81.6	91.5	6.0	2.9
Lower Bound	-0.8	69.9	9.9	69.0	84.5	72.7	85.3	1.3	2.2
Upper Bound	2.2	75.6	262.9	87.2	98.2	90.5	97.6	10.6	3.7
Latest Year Chile	2007	2007	2005	2006	2006	2005	2007	2007	2006
Chile Value Latest Year	0.3	78	16.0	94.0	95.0	99.8	92.5	0.6	2.8
Latest Year Colombia	2007	2007	2005	2006	2006	2005	2007	2005	2006
Colombia Value Latest Year	0.6	73	130.0	78.0	93.0	96.4	94.0	5.1	6.2
LMI - LA & Caribbean	0.5	72.9	74.5	83.0	95.0	99.4	93.5	.	3.5
LMI	0.5	72.4	61.0	89.0	96.0	99.5	93.8	.	3.6
High Five Avg.	21.8	81.6	1,720.0	100.0	100.0	.	99.0	.	11.9
Low Five Avg.	0.1	43.3	2.6	8.4	35.0	.	37.7	.	0.5

Education									
	Net Primary Enrollment Rate, Total, Percent	Net Primary Enrollment Rate, Female, Percent	Net Primary Enrollment Rate, Male, Percent	Primary Completion Rate, Total, Percent	Youth Literacy Rate, Total, Percent	Youth Literacy Rate, Male, Percent	Youth Literacy Rate, Female, Percent	Net Secondary Enrollment Rate, Total, Percent	Gross Tertiary Enrollment Rate, Total, Percent
Indicator Number	32P1a	32P1b	32P1c	32P2	32P3a	32P3b	32P3c	32P4	32P5
<b>Peru Data</b>									
<i>Latest Year (T)</i>	2006	2006	2006	2007	2007	2007	2007	2007	2006
Value Year T	96.3	97.1	95.6	103.9	97.4	98.0	96.7	76.2	35.1
Value Year T-1	96.4	97.1	95.7	101.0	97.8	98.5	97.0	72.1	33.9
Value Year T-2	96.7	97.2	96.1	99.9	97.1	97.9	96.3	70.2	33.8
Value Year T-3	97.1	97.5	96.7	100.2	96.8	97.8	95.7	69.2	32.0
Value Year T-4	97.7	97.9	97.6	100.9	.	.	.	68.9	32.0
Average Value, 5 year	96.8	97.4	96.3	101.2	.	.	.	71.3	33.4
Growth Trend	-0.4	-0.2	-0.5	0.7	.	.	.	2.4	2.4
<b>Benchmark Data</b>									
Regression Benchmark	93.0	93.5	93.8	.	93.8	94.7	93.5	61.9	26.8
Lower Bound	86.6	86.7	87.8	.	84.5	89.6	81.7	53.7	20.0
Upper Bound	99.5	100.2	99.9	.	103.1	99.9	105.2	70.1	33.6
<i>Latest Year Chile</i>	.	.	.	2007	2007	2007	2007	2007	2007
Chile Value Latest Year	.	.	.	94.8	99.1	98.9	99.2	85.3	52.1
<i>Latest Year Colombia</i>	2007	2007	2007	2007	2007	2007	2007	2007	2007
Colombia Value Latest Year	87.3	87.3	87.3	106.6	98.0	97.5	98.4	67.4	31.8
LMI - LA & Caribbean	93.5	95.9	92.8	94.8	97.9	97.8	98.4	71.5	28.8
LMI	91.9	91.7	92.0	94.6	97.9	98.0	98.3	77.4	31.8
High Five Avg.	99.4	99.2	99.4	.	99.9	99.9	99.9	97.1	79.6
Low Five Avg.	41.4	36.0	46.7	.	48.0	56.3	39.5	10.6	0.6

Education (cont.)					
	Expenditure on Primary Education, Percent GDP	Educational Expenditure per Student, Primary, Percent, GDP per capita	Educational Expenditure per Student, Secondary, Percent, GDP per capita	Educational Expenditure per Student, Tertiary, Percent, GDP per capita	Pupil-teacher Ratio, Primary School, Pupils per Teacher
Indicator Number	32S1	32S2a	32S2b	32S2c	32S3
<b>Peru Data</b>					
<i>Latest Year (T)</i>	2006	2007	2007	2006	2007
Value Year T	1.0	7.0	8.6	10.5	22.2
Value Year T-1	1.0	7.0	9.0	8.8	21.9
Value Year T-2	1.1	6.5	8.6	11.8	23.0
Value Year T-3	1.0	6.9	9.1	11.8	22.2
Value Year T-4	1.0	6.4	8.7	13.7	22.9
Average Value, 5 year	1.0	6.8	8.8	11.3	22.5
Growth Trend	-1.1	2.0	-0.5	-8.3	-0.8
<b>Benchmark Data</b>					
Regression Benchmark	.	11.9	14.1	29.0	25.0
Lower Bound	.	8.7	8.0	-22.3	20.7
Upper Bound	.	15.1	20.2	80.4	29.3
<i>Latest Year Chile</i>	2006	2007	2007	2007	2007
Chile Value Latest Year	1.3	11.9	13.4	11.5	25.1
<i>Latest Year Colombia</i>	2006	2007	2007	2007	2007
Colombia Value Latest Year	2.3	15.6	12.6	52.7	28.2
LMI - LA & Caribbean	1.5	13.5	15.8	27.8	21.3
LMI	1.7	14.6	16.9	24.5	17.4
High Five Avg.	6.5	28.6	50.3	519.9	62.8
Low Five Avg.	0.2	6.5	6.8	7.9	10.5

Employment & Workforce							
	Labor Force Participation Rate, Total, Percent	Rigidity of Employment Index, 0 (Minimum rigidity) - 100 (Maximum rigidity)	Size of the Labor Force, People	Growth of the Labor Force, Annual percent change	Unemployment Rate, Percent	Economically Active Children, (Ages 7-14), Percent	Firing Costs, Weeks of wages
Indicator Number	33P1	33P2	33P3a	33P3b	33P4	33P5	33S1
<b>Peru Data</b>							
<i>Latest Year (T)</i>	2007	2010	2007	2007	2007	.	2010
Value Year T	73.0	39.0	14,332,949	2.5	6.7	.	17.0
Value Year T-1	72.5	46.0	13,985,675	2.5	7.4	.	52.0
Value Year T-2	72.0	46.0	13,638,649	2.6	8.7	.	52.0
Value Year T-3	71.5	.	13,291,230	2.8	9.0	.	.
Value Year T-4	70.9	.	12,925,758	2.9	8.4	.	.
Average Value, 5 year	72.0	.	13,634,852	2.7	8.1	.	.
Growth Trend	0.7	.	2.6	-4.1	-6.5	.	.
<b>Benchmark Data</b>							
Regression Benchmark	71.3	34.5	12,500,000	2.3	9.0	10.3	.
Lower Bound	66.8	25.7	10,943,522	1.8	6.0	2.2	.
Upper Bound	75.9	43.2	14,056,478	2.8	11.9	18.3	.
<i>Latest Year Chile</i>	2007	2010	2007	2007	2007	2003	2010
Chile Value Latest Year	55.0	18.0	6,961,792	-0.1	8.9	4.1	52.0
<i>Latest Year Colombia</i>	2007	2010	2007	2007	2007	2005	2010
Colombia Value Latest Year	70.9	10.0	21,843,284	2.4	10.9	4.0	59.0
LMI - LA & Caribbean	64.4	18.0	4,692,524	1.9	14.0	.	46.0
LMI	59.4	21.7	3,248,917	1.7	12.5	.	30.0
High Five Avg.	87.1	70.3	314,722,458	7.4	29.7	.	241.6
Low Five Avg.	43.7	.	51,478	-0.9	2.1	.	.

Agriculture								
	Agriculture Value Added per Worker, US Dollars, Constant 2000	Cereal Yield, Kilograms per hectare	Growth in Agricultural Value-Added, Percent change	Fertilizer Consumption, 100 grams per hectare of arable land	Agricultural Policy Costs Index, 1 (Excessively burdensome) - 7 (Balances all interests)	Crop Production Index, Index: 1999-2001 = 100	Livestock Production Index, Index: 1999-2001 = 100	Agricultural Export Growth, Percent change
Indicator Number	34P1	34P2	34P3	34P4	34S1	34S2	34S3	34S4
<b>Peru Data</b>								
<i>Latest Year (T)</i>	2005	2007	2008	2005	2008	2005	2005	2007
Value Year T	1,526.2	3,642.6	3.7	816.0	4.1	112.6	118.3	7.3
Value Year T-1	1,461.5	3,609.6	3.5	891.7	3.9	106.2	116.5	26.6
Value Year T-2	1,455.7	3,557.8	8.0	853.0	3.3	108.9	114.8	9.0
Value Year T-3	1,451.5	3,277.9	5.3	828.5	.	107.3	111.5	16.4
Value Year T-4	1,379.5	3,442.5	1.2	850.0	.	102.1	105.0	10.4
Average Value, 5 year	1,454.9	3,506.1	4.3	847.8	.	107.4	113.2	13.9
Growth Trend	2.1	2.1	18.0	-0.1	.	1.8	2.8	-2.0
<b>Benchmark Data</b>								
Regression Benchmark	2,673.6	2,835.0	3.7	1,033.2	3.8	111.6	107.9	18.8
Lower Bound	1,701.4	2,294.6	-0.1	381.8	3.5	104.5	102.3	-32.8
Upper Bound	3,645.8	3,375.3	7.5	1,684.5	4.2	118.7	113.5	70.4
<i>Latest Year Chile</i>	2005	2007	2007	2005	2008	2005	2005	2007
Chile Value Latest Year	5,720.4	6,408.5	3.0	3,018.8	5.1	121.7	117.4	33.3
<i>Latest Year Colombia</i>	2005	2007	2008	2005	2008	2005	2005	2007
Colombia Value Latest Year	2,821.3	3,797.3	3.0	3,440.4	3.9	114.3	115.4	20.6
LMI - LA & Caribbean	3,177.0	3,147.5	2.1	1,059.2	3.7	100.0	100.0	.
LMI	2,748.6	2,956.4	3.5	784.0	3.6	105.6	106.4	12.0
High Five Avg.	50,342.2	7,695.3	15.7	17,297.0	5.2	142.7	155.4	362,806.9
Low Five Avg.	75.8	438.2	-374.7	3.0	2.6	70.4	85.4	-59.8



# Technical Notes

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

## STATISTICAL CAPACITY

### Statistical Capacity Indicator

*Source:* World Bank, updated annually, at <http://go.worldbank.org/20WZB3DB90>

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

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

*CAS Code # 01P1*

## GROWTH PERFORMANCE

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

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

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

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

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

*CAS Code #11P1*

### Per capita GDP, in current US Dollars

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

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

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

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

*CAS Code #11P2*

### Real GDP Growth

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

[www.imf.org/external/np/sec/aiv/index.htm](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 Force Productivity

*Source:* World Development Indicators. Estimated by calculating the annual percentage change of the ratio of GDP (constant 2000 US\$) (NY.GDP.MKTP.KD) to the population ages 15 and older who participate in the labor force, which in turn is the product of the total population (SP.POP.TOTL) times the product of the percentage of the population in this age group 15 or older (SP.POP.1564.IN.ZS + SP.POP.65UP.TO.ZS) and the labor force participation rate (SL.TLF.CACT.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 and older that participate in the labor force.

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

*CAS Code # 11S1*

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

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

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

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

*CAS Code #11S2*

### Gross Fixed Investment, Percentage of GDP

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

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

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

*CAS Code # 11S3*

### Gross Fixed Private Investment, 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 international comparison data (explanation below). The estimation of this indicator involves taking the difference between gross fixed capital formation (percent of GDP) (NE.GDI.FTOT.ZS) and government

capital expenditure (percent of GDP). The latter term is the product of government capital expenditure (percent of total expenditure) (GB.XPK.TOTL.ZS) and total government expenditure (percent of GDP) (GB.XPD.TOTL.GD.ZS).

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

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

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

CAS Code #11S4

## POVERTY AND INEQUALITY

### Human Poverty Index

*Source:* UNDP, Human Development Report <http://hdrstats.undp.org/indicators/18.html> for most recent edition.

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

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

CAS Code #12P1

### Income Share, Poorest 20 Percent

*Source:* World Development Indicators, most recent publication series SL.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 \$1.25 PPP per Day

*Source:* World Development Indicators, most recent publication series SI.POV.DDAY, original data from Development Research Group. 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 \$1.25 a day at 2005 international prices. As a result of revisions in PPP exchange rates, poverty rates for individual countries cannot be compared with poverty rates reported in WDI editions prior to 2009.

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

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

CAS Code #12P3

### Poverty Headcount, National Poverty Line

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

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

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

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

CAS Code #12P4

### PRSP Status

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

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

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

CAS Code #12P5

### Percent of Population below Minimum Dietary Energy Consumption

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

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

*Coverage:* Data are available for about 82 USAID countries.  
*CAS Code # 12S1*

## ECONOMIC STRUCTURE

### Employment or Labor Force Structure

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

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

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

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

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

*CAS Code #13P1*

### Output Structure

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

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

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

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

*CAS Code #13P2*

## DEMOGRAPHY AND ENVIRONMENT

### Adult Literacy Rate

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

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

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

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

*CAS Code # 14P1*

### Youth Dependency Rate

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

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

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

*CAS Code #14P2a*

### Elderly Dependency Rate

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

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

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

*CAS Code #14P2b*

### Environmental Performance Index

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

*Definition:* The Environmental Performance Index (EPI) is a composite index of national environmental protection, which tracks (1) environmental health, (2) air quality, (3) water resources, (4) biodiversity and habitat, (5) productive natural resources, and (6) sustainable energy. The index is a weighted average of these six policy categories, with more weight given environmental health, (i.e.,  $EPI = 0.5 \times \text{environmental health} + 0.1 \times (\text{air quality} + \text{water resources} + \text{productive natural resources} + \text{biodiversity and habitat} + \text{sustainable energy})$ ). The index values range from 0 (very poor performance) to 100 (very good performance).

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

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

*CAS Code #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*

### Population Living In Urban Areas

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

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

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

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

*CAS Code #14P5*

### Resource Depletion, Percent GNI

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

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

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

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

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

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

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

*CAS Code #14P6*

## GENDER

### Primary Completion Rate, Male and Female

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

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

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

*Data Quality:* Completion rates are based on data collected during annual school surveys, typically conducted at the

beginning of the school year. The indicator does not measure the quality of the education.

*CAS Code #15P1*

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

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

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

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

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

*CAS Code #15P2*

### Life Expectancy, Male and Female

*Source:* Estimated from UNDP Human Development Indicators:

<http://hdrstats.undp.org/en/indicators/117.html> and <http://hdrstats.undp.org/en/indicators/116.html>.

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

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

*CAS Code #15P3*

### Labor Force Participation Rate, Male and Female

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

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

*Definition:* The proportion of the population ages 15 and older that is economically active: all people who supply labor for the production of goods and services during a specified period. It includes both the employed and the unemployed.

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

*CAS Code #15P4*

## FISCAL AND MONETARY POLICY

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

2005 is limited. For this reason, the template continues to use data from IMF Article IV consultations and domestic country websites on a cash outlays and receipts system.

#### **Government 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);

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

*Coverage:* Data available for about 70 percent 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 (GC.REV.XGRT.GD.ZS). Original data from the IMF, Government Finance Statistics Yearbook and data file, and World Bank estimates.

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

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

*CAS Code # 21P2*

#### **Growth in Broad Money Supply**

*Source:* Latest country data are from national data sources or from IMF Article IV consultation report: [www.imf.org/external/np/sec/aiv/index.htm](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 six categories: (1) wages and salaries; (2) goods and services; (3) interest payments; (4) subsidies and other current transfers; (5) capital expenditures; and (6) other expense.

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

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

*CAS Code # 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 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://www.doingbusiness.org/>

*Definition:* The Ease of Doing Business index ranks economies from 1 to 183. The index is calculated as the ranking on the simple average of country percentile rankings on each of the 10 topics covered in Doing Business: starting a business, dealing with licenses, hiring and firing, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business.

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

*CAS Code # 22P2*

### Rule of Law Index

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

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

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

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

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

*CAS Code #22P3*

### Regulatory Quality Index

*Source:* World Bank Institute;

<http://www.govindicators.org>

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

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

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

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

*CAS Code #22P4*

### Government Effectiveness Index

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

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

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

*CAS Code #22P5*

### Cost of Starting a Business

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

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

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

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

CAS Code #22S1

### Procedures to Enforce a Contract

Source: World Bank, Doing Business; Enforcing Contracts category:  
<http://www.doingbusiness.org/ExploreTopics/EnforcingContracts/>

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

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

### Procedures to Register Property

Source: World Bank, Doing Business; Registering Property category:  
<http://www.doingbusiness.org/ExploreTopics/RegisteringProperty/>

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

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

### Procedures to Start a Business

Source: World Bank, Doing Business; Starting a Business category:  
<http://www.doingbusiness.org/ExploreTopics/StartingBusiness/>

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

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

### Time to Enforce a Contract

Source: World Bank, Doing Business; Enforcing Contracts category:  
<http://www.doingbusiness.org/ExploreTopics/EnforcingContracts/>

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

*Coverage:* Data are available for nearly all USAID countries.  
 CAS Code # 22S5

### Time to Register Property

Source: World Bank, Doing Business; Registering Property category:  
<http://www.doingbusiness.org/ExploreTopics/RegisteringProperty/>

*Definition:* The time required to accomplish the full sequence of procedures to transfer a property title from the seller to the buyer when a business purchases land and a building in a peri-urban area of the country's most populous city. Every required procedure is included whether it is the responsibility

of the seller, the buyer, or where it is required to be completed by a third party on their behalf.

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

### Time to Start a Business

Source: World Bank, Doing Business; Starting a Business category:  
<http://www.doingbusiness.org/ExploreTopics/StartingBusiness/>

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

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

### Total Tax Payable by Business

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

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

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

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

Source: Global Competitiveness Report, World Economic Forum,  
<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>.

*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 end of year 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 the end of year nonbank private sector's holdings of notes, coins, and demand deposits, plus savings deposits and foreign currency deposits. Ratio of M2 to GDP is calculated to assess the degree of monetization of an economy.

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

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

*CAS Code # 23P3*

### Stock Market Capitalization Rate, Percentage of GDP

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

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

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

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

*CAS Code # 23P4*

### Credit Information Index

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

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

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

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

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

*CAS Code # 23P5*

### Legal Rights of Borrowers and Lenders Index

*Source:* World Bank Doing Business; Getting Credit category:

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

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

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

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

*CAS Code # 23S1*

### Real Interest Rate

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

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

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

*CAS Code # 23S2*

### Number of Active Microfinance Borrowers

*Source:* The Mix Market.

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

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

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

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

*CAS Code # 23S3*

## EXTERNAL SECTOR

### Aid, Percentage of GNI

*Source:* Latest country data obtained from national data sources or IMF Article IV consultation reports: [www.imf.org/external/np/sec/aiv/index.htm](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 IMF World Economic Outlook (WEO) database, most recent edition, based on IMF balance of payments statistics and IMF local currency GDP figures.

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

*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.DPPG.XP.ZS, based on World Bank, Global Development Finance data.

*Definition:* The debt service is the sum of interest and principal payments actually paid in foreign currency, goods, or services in a given year, expressed as a percentage of exports of goods and services. Service exports include cross-border income payments, but exclude workers' remittances. It covers only long-term public and publicly guaranteed debt and repayments (repurchases and charges) to the IMF.

*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 FL.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 and remittances data compiled by the World Bank at <http://go.worldbank.org/QOWEWD6TA0>. The figure is constructed by dividing workers' remittances (receipts), by exports of goods and services, WDI series BX.GSR.GNFS.CD.

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

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

*CAS Code # 24P9*

### Trade, Percentage of GDP

*Source:* Latest country data obtained from national data sources or IMF Article IV consultation reports: [www.imf.org/external/np/sec/aiv/index.htm](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://comtrade.un.org/db/dqBasicQuery.aspx>

*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.PRLMRCH.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 Freedom Index

*Source:* Index of Economic Freedom, Heritage Foundation: <http://www.heritage.org/Index/>. 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. 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 183 economies covered by the Doing Business report are ranked on the ease with which one may import into and export out of the economy. The ranking is based on a simple average of the economy's ranking on each of the composite indicators for Trading Across Borders: number of documents to import and export, cost to import and export, and time to import and export.

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

CAS Code # 24S7

## ECONOMIC INFRASTRUCTURE

### Internet Users per 100 people

*Source:* World Development Indicators, most recent publication series IT.NET.USER.P2, derived from the International Telecommunication Union database.

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

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

CAS Code # 25P1

### Logistics Performance Index, Infrastructure

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

*Definition:* The LPI ranks countries on a scale of 1 to 5 (lowest to highest) in terms of IT, telecommunications and transportation infrastructure. It is based on a survey of more than 800 logistics professionals who each operate in at least eight countries.

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

CAS Code # 25P2

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

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

*Definition:* The indicator is the sum of subscribers to telephone mainlines and mobile phones per 100 people. Fixed lines represent telephone mainlines connected to the public switched telephone network. Mobile phone subscribers refer to users of cellular-based technology with access to the public switched telephone network.

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

CAS Code #25P3

### Overall Infrastructure Quality Index

*Source:* Global Competitiveness Report, World Economic Forum

<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>.

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

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

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

CAS Code # 25P4

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

*Source:* Global Competitiveness Report, World Economic Forum

<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>.

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

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

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

CAS Code #25S1

### Roads, paved (% total)

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

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

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

CAS Code #25S2

## SCIENCE AND TECHNOLOGY

### FDI Technology Transfer Index

*Source:* Global Competitiveness Report, World Economic Forum

<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>.

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

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

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

*CAS Code # 26P1*

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

*Source:* Global Competitiveness Report, World Economic Forum

<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>.

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

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

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

*CAS Code #26P2*

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

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

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

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

*CAS Code #26P3*

#### **IPR Protection Index**

*Source:* Global Competitiveness Report, World Economic Forum

<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>.

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

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

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

*CAS Code #26P4*

### **HEALTH**

#### **HIV Prevalence**

*Source:* UNAIDS for most recent country data:

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

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

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

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

*CAS Code # 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/mcc/selection/scorecards/index.shtml>;

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

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

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

*CAS Code #31S6*

## **EDUCATION**

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

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

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

history, geography, natural science, social science, art, and music.

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

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

*CAS Code # 32P1*

### **Primary Completion Rate—Total**

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

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

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

*CAS Code # 32P2*

### **Youth Literacy Rate—Female, Male, and Total**

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

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

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

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

*CAS Code #32P3*

### **Net Secondary Enrollment Rate, Total**

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

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

*Coverage:* Not available for draft.

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

*CAS Code #32P4*

### **Gross Tertiary Enrollment Rate, Total**

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

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

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

*Coverage:* Not available for draft.

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

*CAS Code #32P5*

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

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

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

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

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

*CAS Code #32S1*

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

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

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

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

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

*CAS Code # 32S2*

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

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

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

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

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

*CAS Code # 32S3*

## **EMPLOYMENT AND WORKFORCE**

### **Labor Force Participation Rate**

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

*Definition:* The proportion of the population ages 15 and older that is economically active: all people who supply labor for the production of goods and services during a specified period. It includes both the employed and the unemployed.

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

*CAS Code #33P1*

### **Rigidity of Employment Index**

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

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

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

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

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

*CAS Code # 33P2*

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

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

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

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

*CAS Code #33P3*

### **Unemployment Rate**

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

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

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

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

*CAS Code # 33P4*

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

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

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

*CAS Code # 33P5*

### Firing Costs, Weeks of Wages

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

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

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

*CAS Code # 33S1*

## AGRICULTURE

### Agriculture Value Added per Worker

*Source:* World Development Indicators, most recent publication series EA.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: <http://www.imf.org/external/np/sec/aiv/index.htm>. The benchmarking data are from World Development Indicators, most recent publication series NV.AGR.TOTL.KD.ZG

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

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

*CAS Code # 34P3*

### Fertilizer Consumption (100 grams per hectare of arable land)

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

*Definition:* Fertilizer consumption (100 grams per hectare of arable land) measures the quantity of plant nutrients used per unit of arable land. Fertilizer products cover nitrogenous, potash, and phosphate fertilizers (including ground rock phosphate). Traditional nutrients—animal and plant manures—are not included. The time reference for fertilizer consumption is the crop year (July through June). Arable land includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. Land abandoned as a result of shifting cultivation is excluded.

*Coverage:* Data available for

*CAS Code #34P4*

### Agricultural Policy Costs Index

*Source:* Global Competitiveness Report, World Economic Forum <http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>.

*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*