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# **Economic Performance Assessment: Armenia**

April 2005

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# **Economic Performance Assessment: Armenia**

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Sponsored by the Economic Growth office of USAID's Bureau of Economic Growth, Agriculture and Trade (EGAT), and implemented by Nathan Associates Inc. under Contract No. PCE-I-00-00-00013-00, Task Order 004, the Country Analytical Support (CAS) Project, 2005-2006, is developing a standard methodology for producing analytical reports that will provide USAID missions and regional bureaus with a clear and concise analysis of economic growth performance for particular host countries. The aim is to help USAID officials gain a clear picture of the host economy, as an input into the identification of possible strategic priorities for Economic Growth program interventions. Under the CAS Project, Nathan Associates will also respond to mission requests for in-depth sector studies to examine more thoroughly particular issues identified by the data analysis in the country reports. The CTO for this project is Yoon Lee. USAID missions and bureaus may seek assistance and funding for these activities by contacting Rita Aggarwal, USAID/EGAT/EG Activity Manager for the CAS project, at [raggarwal@usaid.gov](mailto:raggarwal@usaid.gov).

The authors of this report are Richard Kohl, Andrei Roudoi, Andrea Camoens, Matthew Lutkenhouse, Alexander Greenbaum, and Maureen Hinman. Rebecca Dillender at USAID Development Information Services provided database assistance.

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

Bruce Bolnick  
Chief of Party, CAS Project  
Nathan Associates Inc.  
[Bbolnick@nathaninc.com](mailto:Bbolnick@nathaninc.com)

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# Highlights

This Economic Performance Assessment for Armenia is one in a series of papers that will provide USAID missions and regional bureaus with a concise analysis of selected indicators relating to economic growth prospects for particular host countries. The assessment uses international benchmarking to identify major constraints, trends, and opportunities for strengthening transformational growth and poverty reduction. *Primary performance indicators* are examined to establish how the country is performing in a particular area. Where performance is weak, *secondary indicators* are examined to diagnose the source of the problem. Highlights are summarized in the table below, followed by a scorecard, which lists the primary indicators for which Armenia's performance is very weak or very strong relative to the benchmark standards.

Economic Growth	Economic growth in Armenia is excellent and the level of inflation is acceptable. While investment has increased significantly, investment in industry may be insufficient to sustain rapid growth.
Poverty	Rapid growth has reduced poverty, yet per capita income is among the lowest in the lower middle-income group, and a large portion of the population still lives below the official poverty line.
Economic Structure	Output and employment structures reveal three problems that may hinder growth: the share of agriculture is high; the role of services is insufficient; and construction is an unusually large share of industry, heavily concentrated in housing.
Gender	Armenia has achieved gender equality in adult literacy, but unemployment is much more severe among women.
Fiscal and Monetary Policy	Macroeconomic policies have been prudent. Because of low tax revenues, government spending on infrastructure, health care, and education is inadequate relative to needs.
Business Environment	Many business environment indicators, such as the cost of starting a business, are quite good in comparison with benchmark countries, but further improvement is desirable. Corruption remains a serious problem.
Financial Sector	Financial sector performance is comparable to the benchmark standards, but poor from any reasonable absolute standard. The cost of borrowing is high, and the level of credit to the private sector is low, inhibiting productive investment.
External Sector	Strong growth has been supported by massive inflows of workers' remittances and financial assistance, both private and public. This means that the Armenian Diaspora and donor agencies have significant political and business influence. The volume of foreign trade relative to GDP is low for a small country, and too concentrated. Inflows of private foreign capital are also low.
Economic Infrastructure	The level of infrastructure development is uneven. Access to telephones is below par.
Health	Many health indicators, such as life expectancy, are good. Low levels of government spending on health may make it difficult to improve or even maintain health status.
Education	Adult literacy and enrollment rates are quite good, but there are doubts about whether the quality of education is adequate to meet the challenges of a modern, competitive economy.
Employment and Workforce	Unemployment is severe, and many Armenians seek jobs abroad.
Agriculture	The growth of agriculture has been moderately good, but output is highly dependent on weather conditions, and overall productivity is low. The share of agriculture in output and employment remains high compared to countries with similar levels of income.





## ARMENIA PERFORMANCE SCORECARD

	Actual Value	Benchmark Value	Latest Year of Data
<b>INDICATORS SHOWING POOR PERFORMANCE</b>			
<b>Growth Performance</b>			
Per capita GDP, \$PPP	2854.6	5579.2	2004
Per capita GDP, current US\$	794.5	1946.4	2004
<b>External Sector</b>			
Aid, % GNI	12.0	4.3	2002
<b>Poverty and Inequality</b>			
Population living on less than \$1 PPP per day, %	15.9	9.6 <sup>a</sup>	2001
Poverty headcount, by national poverty line, %	53.7	54.1 <sup>b</sup>	1999
<b>Fiscal and Monetary Policy</b>			
Government expenditure, % GDP	18.9	26.1 <sup>a</sup>	2003
Government revenue, % GDP	14.6	23.3 <sup>a</sup>	2003
<b>Financial Sector</b>			
Domestic credit to private sector, % GDP	6.9	11.0 <sup>a</sup>	2002
Interest rate spread	11.5	13.4 <sup>b</sup>	2002
Money supply, % GDP	13.6	21.4 <sup>a</sup>	2002
Stock market capitalization rate, % GDP	1.4	21.7	1999
Legal rights of borrowers and lenders index, 0 - 10	4.0	5.5	2004
<b>External Sector</b>			
Trade, % GDP	81.6	112.7 <sup>a</sup>	2003
<b>Business Environment</b>			
Corruption perception index, 1 – 10	3.1	2.4 <sup>b</sup>	2004
<b>Science And Technology</b>			
Expenditure for R&D, % GNI	0.2	0.7	2000
<b>Economic Infrastructure Technology</b>			
Telephone density	161.7	237.2	2002
<b>Employment and Workforce</b>			
Unemployment rate, %	10.1	6.9	2003
<b>INDICATORS SHOWING GOOD PERFORMANCE</b>			
<b>Growth Performance</b>			
Real GDP Growth, % change	10.1	7.0 <sup>a</sup>	2004
Investment productivity (Incremental Capital-Output Ratio) (lower value better)	2.1	3.3	2003
<b>Demography and Environment</b>			
Adult literacy rate, % population	99.4	99.6 <sup>b</sup>	2002
<b>External Sector</b>			
Growth in exports of and services, % change	29.4	12.1 <sup>a</sup>	2003
Present value of debt, % GNI	30.5	54.2 <sup>a</sup>	2002
<b>Business Environment</b>			
Cost of starting a business, % GNI per capita	7.0	14.8	2004
Procedures to register property, procedures	4.0	7.2	2004
Time to enforce a contract, days	195.0	292.7	2004
Time to register property, days	18.0	82.3	2004

Note: The benchmark value is the average for lower middle-income countries of the Former Soviet Union, except as follows:

<sup>a</sup> Estimated value from benchmark regression analysis; <sup>b</sup> Performance assessed on absolute criterion rather than relative comparison.



# 1. Introduction

This paper is one of a series of Economic Performance Assessments (EPAs) prepared on behalf of the EGAT Bureau to provide USAID missions and regional bureaus with a concise analysis of selected economic growth (EG) performance indicators for particular host countries. The aim is to help USAID missions gain a clear picture of the host economy, as an input into the identification of possible strategic priorities for EG program interventions. The review uses international comparisons (“benchmarking”) to highlight major constraints, trends, and opportunities in areas such as macroeconomic management, trade policy, financial markets, the legal and regulatory environment, agricultural development, and others enumerated below. The analysis draws on the latest data from USAID’s internal Economic and Social Database (ESDB)<sup>1</sup> and from readily accessible public information sources.

The approach used here is analogous to examining an automobile dashboard to see which gauges are signaling problems. A blinking light sometimes has obvious implications—such as the need to fill the fuel tank when the indicator shows that the tank is low. In other cases, it is necessary to have a mechanic probe more deeply to assess the source of the trouble and discern the best course of action.<sup>2</sup> The EPA, similarly, is based on an examination of key economic and social indicators. For some of the issues where indicator lights are blinking, a detailed study may be needed to investigate the problems more fully and identify appropriate programmatic interventions.

## ANALYTICAL FRAMEWORK

The analysis is organized around two interrelated and mutually supportive goals: transformational growth and poverty reduction.<sup>3</sup> Rapid and broad-based growth is the most powerful instrument for poverty reduction. At the same time, measures to invest in human capital, reduce poverty, and lessen inequality help to underpin rapid and sustainable growth. These interactions create the potential for 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*,

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<sup>1</sup> The ESDB is accessible through the USAID intranet. It is compiled and maintained by the Development Information Service (DIS), under PPC/CDIE.

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

<sup>3</sup> In USAID’s White Paper on *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.

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.

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*.<sup>4</sup> Here, too, many elements are involved, including: effective education and health systems; a strong commitment to fighting HIV/AIDS; 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 towards gender equity.

## CRITERIA FOR SELECTING INDICATORS

The scope of the paper is constrained by the availability of suitable indicators. Indicators have been chosen to balance the need for broad coverage and diagnostic value, on the one hand, and the need of brevity and clarity, on the other. The analysis covers fifteen EG-related topics, and a total of just over 100 variables. For the sake of brevity, the write-up highlights issues for which the “dashboard lights” appear to be signaling serious problems, which suggest possible strategic priorities for USAID intervention.<sup>5</sup>

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.

In areas of weak performance, the analysis proceeds to review a limited set of *diagnostic supporting indicators*. These “level II” indicators provide more details about the problem or shed light on *why* the primary indicators may be weak. For example, if economic growth is poor, one can examine data on investment and productivity as diagnostic indicators. If a country performs poorly on educational achievement, as measured by the youth literacy rate, one can examine determinants such as expenditure on primary education, and the pupil-teacher ratio.<sup>6</sup>

Particular indicators have been selected on the basis of several criteria. Each indicator must be accessible through USAID’s Economic and Social Database or convenient internet sources. The indicators must be available for a large number of countries, including most USAID client states. Each one must be sufficiently timely to support an assessment of country performance that is

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<sup>4</sup> A comprehensive poverty reduction strategy also requires programs to reduce the *vulnerability* of the poor to natural and economic shocks. This aspect is not covered in the template since the focus is on economic growth programs. Also, it is difficult to find meaningful and readily available indicators of vulnerability to use in the template

<sup>5</sup> The accompanying Data Supplement provides a full list of indicators, along with the complete Armenia data set, including data for the benchmark comparisons, and technical notes for every indicator.

<sup>6</sup> Deeper analysis of the topic using more detailed data (level III) is beyond the scope of papers in this series.

suitable for strategic planning purposes. Data quality is another paramount 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, redundancy is minimized. If two indicators provide similar information, one is selected, with preference to variables that are simplest to understand. For example, both the Gini coefficient and the share of income accruing to the poorest 20% 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 Armenia relative to the average for countries in the same income group and region—in this case, lower-middle income countries in the Former Soviet Union.<sup>7</sup> For added perspective, three other comparisons are examined: (1) the global average for this income group; (2) respective values for two comparator countries selected by the Armenia mission (Georgia and Croatia); and (3) the average for the five best and five worst performing countries globally. Most comparisons are framed in terms of values for the latest year of data from available sources; where year-to-year fluctuations are large, five-year averages are used. Five-year trends are also taken into account if they shed light on the performance assessment.<sup>8</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>9</sup> This approach has three advantages. First, the benchmark is customized to Armenia's specific level of income. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology allows one to quantify the margin of error and establish a "normal band" for a country with Armenia's characteristics. An observed value falling outside this band on the side of poor performance signals a serious problem.<sup>10</sup>

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<sup>7</sup> Income groups as defined by the World Bank for 2004. For this study, the average is defined in terms of the mean; future studies will use the median instead, because the values are not distorted by outliers.

<sup>8</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>9</sup> This is a cross-sectional OLS regression using data for all developing countries. For any variable Y, the regression takes the form:  $Y$  (or  $\ln Y$ , as appropriate) =  $a + b \cdot \ln \text{PCI} + c \cdot \text{Region} + \text{error}$ , where PCI is per capita income in PPP\$, and Region is a set of dummy variables for the various regions. Once estimates are obtained for parameters a, b and c, the predicted value for Armenia is computed by plugging in Armenia-specific values for PCI and Region. (Where applicable, the regression also controls for population size, and petroleum exports as a percentage of GDP.)

<sup>10</sup> This report uses a margin of error of 0.66 times the standard error of estimate (adjusted for heteroskedasticity, where appropriate). With this value, 25% of the observations should fall outside the normal range on the side of poor performance (and 25% 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.

Finally, where relevant, Armenia's performance is weighed against absolute standards. For example, Armenia's score of 3.1 on the Corruption Perceptions Index is slightly better than the benchmark figure of 2.4, but it is still a sign of a serious problem with corruption.

The results of this exercise must be interpreted with caution. No analysis of this sort can provide mechanical or definitive answers to questions about strategic priorities. For some topics, such as macroeconomic policy, it is easy to find fairly clear diagnostic indicators. For others, such as the quality of economic infrastructure, international statistics tell a very incomplete story. The aim is to identify signs of serious economic growth problems based on a systematic review of a variety of indicators, subject to the limits of data availability and quality, and thereby provide analytical insight into possible priorities for USAID interventions. On-the-ground knowledge and further in-depth studies are required to supplement this broad-strokes analysis.

The remainder of this report discusses the most important results of the diagnostic analysis. The review is presented in three sections: Overview of the Economy; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topic coverage. An accompanying Data Supplement contains a list of all indicators used for the EPA series, a full tabulation of the Armenia data and the benchmark data used for this report, and detailed technical notes on each indicator.

Table 1-1  
*Topic Coverage*

Overview of the Economy	Private Sector Enabling Environment	Pro-Poor Policy Environment
Growth Performance Poverty and Inequality Economic Structure Demographic and Environmental Conditions Gender	Fiscal and Monetary Policy Business Environment Financial sector External sector Economic Infrastructure Science and Technology	Health Education Employment and Workforce Agriculture

## 2. Overview of the Economy

This section reviews basic information on Armenia's macroeconomic performance, economic structure, demographic and environmental conditions, poverty and inequality, and indicators of gender equity.<sup>11</sup> Some of the indicators are descriptive rather than analytical, and are included to provide context for the performance analysis.

### **GROWTH PERFORMANCE**

Armenia's recent performance is impressive on many fronts. Armenia is among the fastest growing economies in the world. Annual GDP growth averaged double-digit levels over the last three years, including 10.1% in 2004, so that over the past ten years Armenian GDP has more than doubled. According to the CIS Statistical Committee, Armenian GDP in 2003 exceeded the pre-independence level by 8%, while in neighboring Georgia GDP was 42% below the pre-independence level (Figure 2-1).

Armenia has benefited from more than a decade of market reform, as well as from prudent fiscal and monetary policies. A major factor behind strong growth has been the inflow of labor income and current transfers from abroad.

Armenian consumer price inflation is mild, despite an acceleration to 7.0% last year, caused, in large part, by a jump in agricultural producer prices (Figure 2-2).

In terms of poverty, Armenia came out of the Soviet era as one of the poorer countries in the region. In addition, production sharply declined and poverty rose during the initial stage of market transformation, which was exacerbated by the conflict with Azerbaijan. Recent rapid growth has helped reduce poverty, yet per capita GDP—about \$800 last year—remains among the lowest in the lower middle-income group, a large portion of the population lives below the official poverty line, and unemployment levels remain stubbornly high (Figure 2-3).

Rapid GDP growth has been driven by the accelerating expansion of fixed capital investment. Gross fixed investment has increased markedly in Armenia over the past five years, both in absolute terms and relative to GDP. In 2003, the gross fixed investment-to-GDP ratio reached 24%. This is above both the benchmarks for the region and income groups, as well as Georgia, and comparable to the level of investment in high-performing Croatia (Figure 2-4).

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<sup>11</sup> The data supplement provides information on the data sources and definitions, as well as a tabulation of the data for Armenia and the international benchmarks, including indicators not discussed in the text.

Figure 2-1

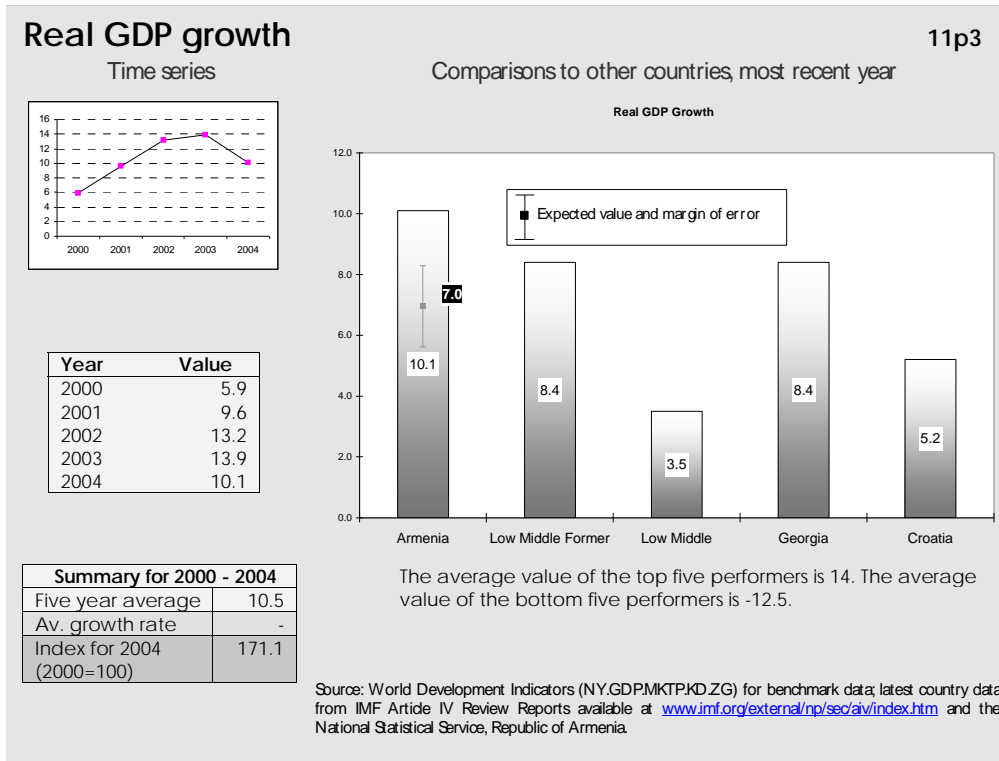


Figure 2-2

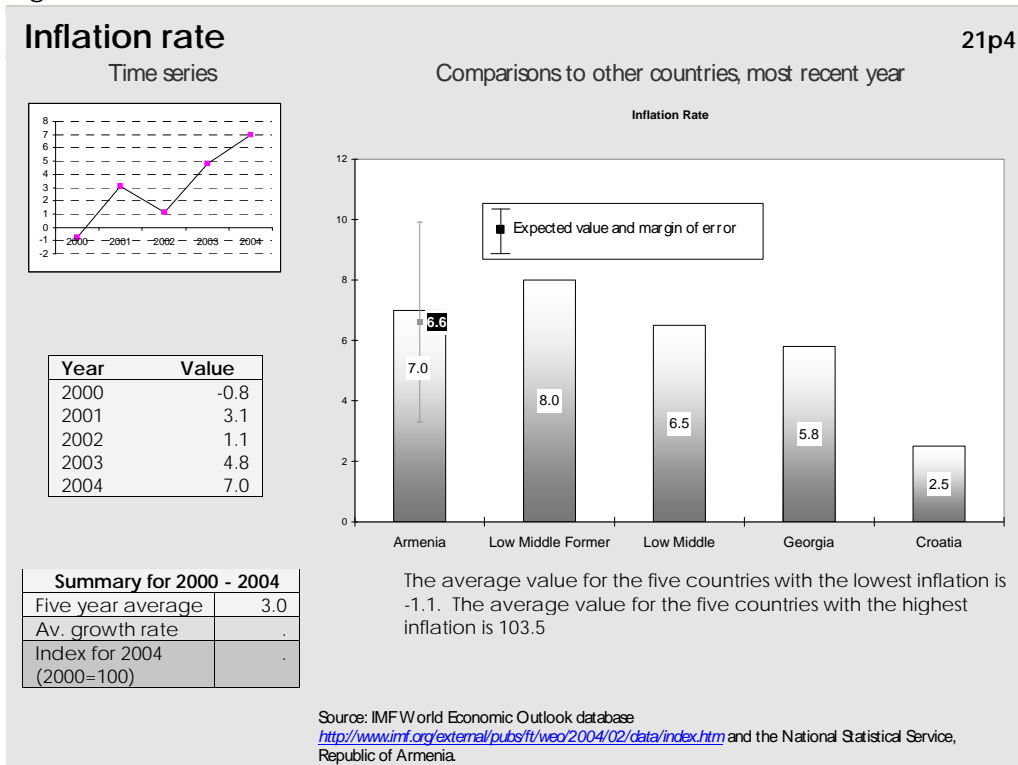




Figure 2-3

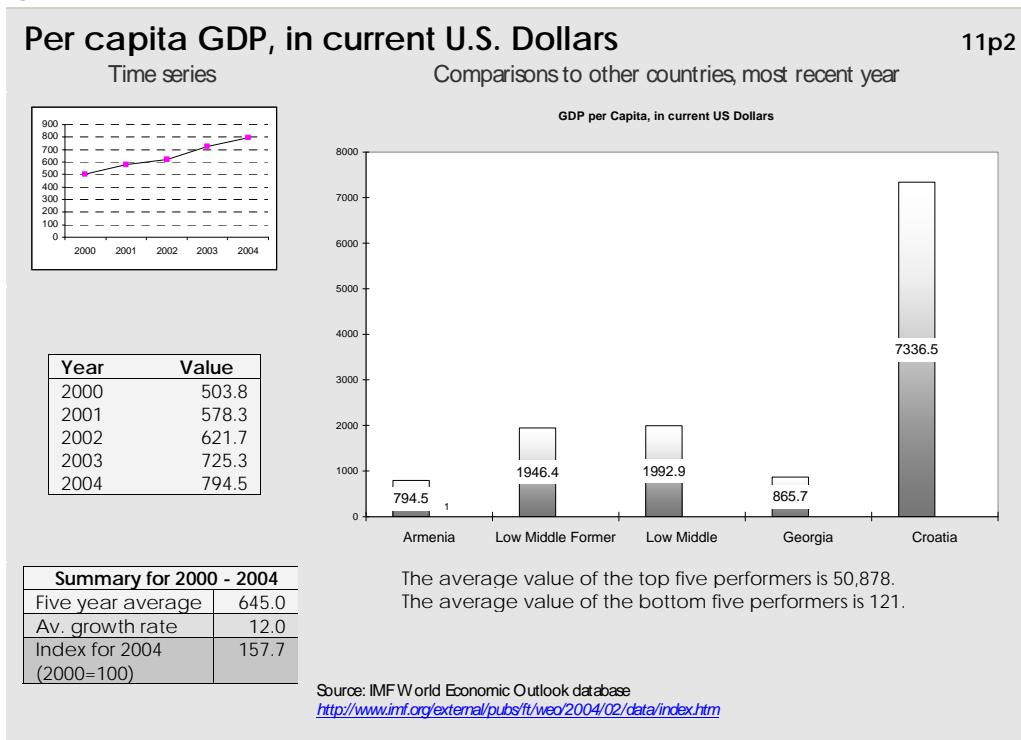
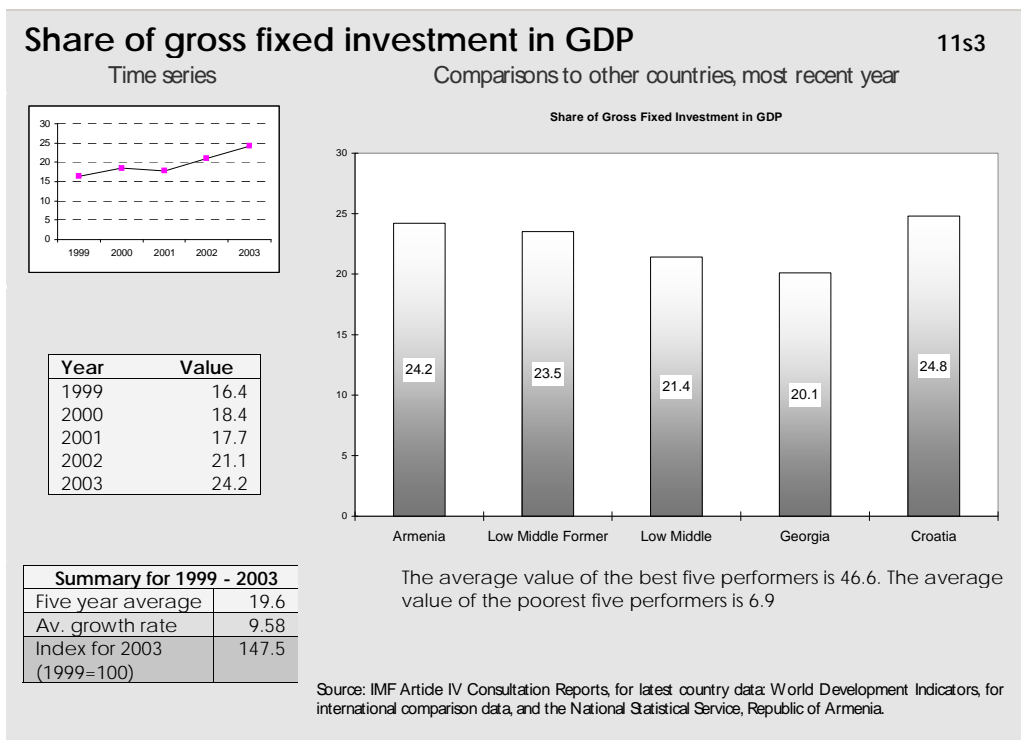


Figure 2-4



While investment has clearly been an important factor on the demand side, its impact on the supply side is less straightforward. Nearly two-thirds of total investment has been in the construction activity, and housing accounts for 47 percent of this activity. Only 5 percent of construction spending has gone into the industrial sector. The type of investment growth therefore raises questions about whether it is increasing the productive capacity of the economy in the medium and long run, though it is certainly improving the size and quality of the housing stock and people's living conditions. There are also questions about its sustainability, given that the investment in housing has evidently been financed to a great extent through private current transfers and labor income from abroad, rather than through domestic saving.

Labor force and labor productivity trends in Armenia are difficult to assess, partly because of data inconsistency resulting from adjustments to take into account the 2001 Census. Increased employment does not appear to have been a significant growth factor, though it is difficult to tell given the data. That said, the acceleration of economic growth has undoubtedly been accompanied by a rapid increase in labor productivity, because production has risen substantially with little growth in employment. Rapid improvement in Armenian labor productivity contrasted favorably with a 1.7% sluggish average rise in labor productivity in the lower middle-income country group.

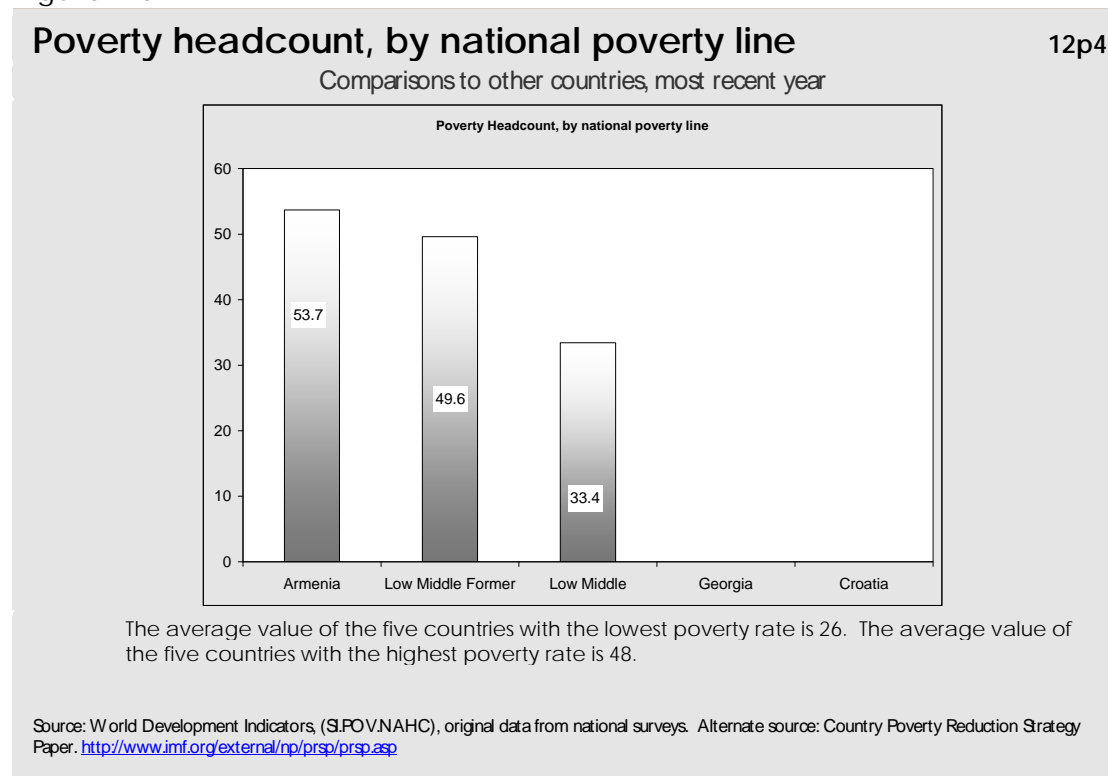
The reasons for rapid growth in labor productivity are unclear. The fact that the investment boom has been concentrated in housing construction suggests that labor productivity is not being driven by capital investment or technological change. The data that we have on economic structure (discussed below) is too suspect to know if a reallocation of labor across sectors played a role. One possibility is that labor productivity has increased simply because workers started to work more effectively because of improved capacity utilization.

The principal challenge for Armenia is to sustain these high growth rates to reduce further the high levels of poverty and unemployment, and maintain good performance on health, education and other social indicators necessary for a competitive workforce. Although foreign transfers currently play a major role in maintaining strong growth, Armenia needs to diversify its sources of financing and reduce the role of foreign aid to sustain economic expansion.

## **POVERTY AND INEQUALITY**

As the per capita GDP data suggest, poverty is a serious problem in Armenia. The poverty rate, measured as the percentage of people falling below the national poverty line, another key poverty indicator, was extremely high, hovering above 50% at the end of the 1990s. The poverty rate in Armenia exceeded, though slightly, the average rate for the lower middle-income countries of the FSU, and these national figures are confirmed by IMF reports that the share of population below the poverty line dropped to a still high 43% in 2003 (Figure 2-5). The problem of poverty, as well as the related problem of unemployment and underemployment, in Armenia is due, in large part, to such factors as the effects of past conflict with Azerbaijan and the difficulties of transition from a planned to open market economy. Continuing high rates of poverty suggest that the type of growth that is occurring is not sufficiently pro-poor. Future growth needs to be more pro-poor and employment intensive. [See the analysis of Armenia's economic structure and the need for policies that facilitate a shift from agriculture to services and (competitive) industry, below].

Figure 2-5



## ECONOMIC STRUCTURE

Output and employment structures in Armenia appear to have at least three problems that may hinder economic growth: dependence on agriculture remains high, the role of services is relatively low, and industrial output depends to unusually large degree on construction, relative to manufacturing and other industry.

In 1999-2003, the output structure in Armenia changed substantially in favor of construction, mostly at the expense of agriculture and, to some extent, at the expense of services. Nevertheless, the role of agriculture, a very low productivity sector, remains more important than in benchmark groups as well as in Georgia or Armenia. In 2003, value added in agriculture accounted for 24% of GDP in Armenia, compared to 14% on average for the lower middle-income countries. At the same time the size of the services sector, which often drives productivity, is much small in Armenia (38% of GDP) than the average for lower middle-income countries (55%).

These structural characteristics of underdevelopment are reflected in the employment patterns (though employment trends are difficult to assess because of changes in the data). The share of agriculture in total employment increased, even as the share of this sector in total value-added declined. This seems counterintuitive, and may not reflect actual employment dynamics. Nevertheless, it is likely that a very large portion of employment, reportedly 46%, remains in agriculture. This is very high both absolutely and relative to benchmark countries and country groups. The average for lower middle-income countries is 28%. The employment data seem to be at odds with statistics showing that Armenia has an urbanization rate of 67%. This may be a definitional question, as many people live in small and medium-sized towns. Another employment problem is underdevelopment of the services sector. This sector accounted for 37%

of overall employment in Armenia in 2003. In the lower middle-income countries this share stood at 50%.

These indicators point to a compelling need to shift the structure of growth to facilitate an increase in value-added per worker in the economy overall. Many other countries have had success in this regard by promoting growth in non-farm services in rural areas, including training, technical assistance and credit programs like micro-finance for microenterprises and SMEs, combined with identifying and supporting sectors whose development will improve Armenia's competitiveness. The relatively slow expansion of services warrants special attention to the identification and elimination of growth impediments in this sector.

## **DEMOGRAPHY AND ENVIRONMENT**

As of 2005 Armenia's dependency ratio is not a cause for concern. Trends in Armenia's demographic patterns, however, suggest long-term challenges to continued strong economic performance and the sustainability of Armenia's social safety net. In the 1970s–1980s, Armenia had a young population and rapid labor force growth, it now has a balanced population now, and will have an aging population by 2030–2050. Demographic problems related to an aging population and the financing of the social safety net—retirement, pensions, health care—will be more serious in future decades and are better and more cheaply addressed proactively in the coming years.

Armenia's Environmental Sustainability Index is on par with those in other lower middle-income countries.

## **GENDER**

Armenia has achieved gender equality in adult literacy, and near equality in gross enrollment and life expectancy (76 years for women compared to 70 for men). As women in developed countries live on average 6–10 years more than men, the life expectancy indicator is on track. However, women make up a disproportionate number of the unemployed and those under the poverty line. According to the National Statistical Service (NSS) of the Republic of Armenia, the registered unemployment rate among women is particularly severe: 14.4 % versus 5.9% among men in 2003, and the gap between the unemployment rates for women and men widened in the 2000s. This is surprising given that a disproportionate number of Armenian migrants are men, and suggests that donor assistance may profitably support programs to assist job creation for women.

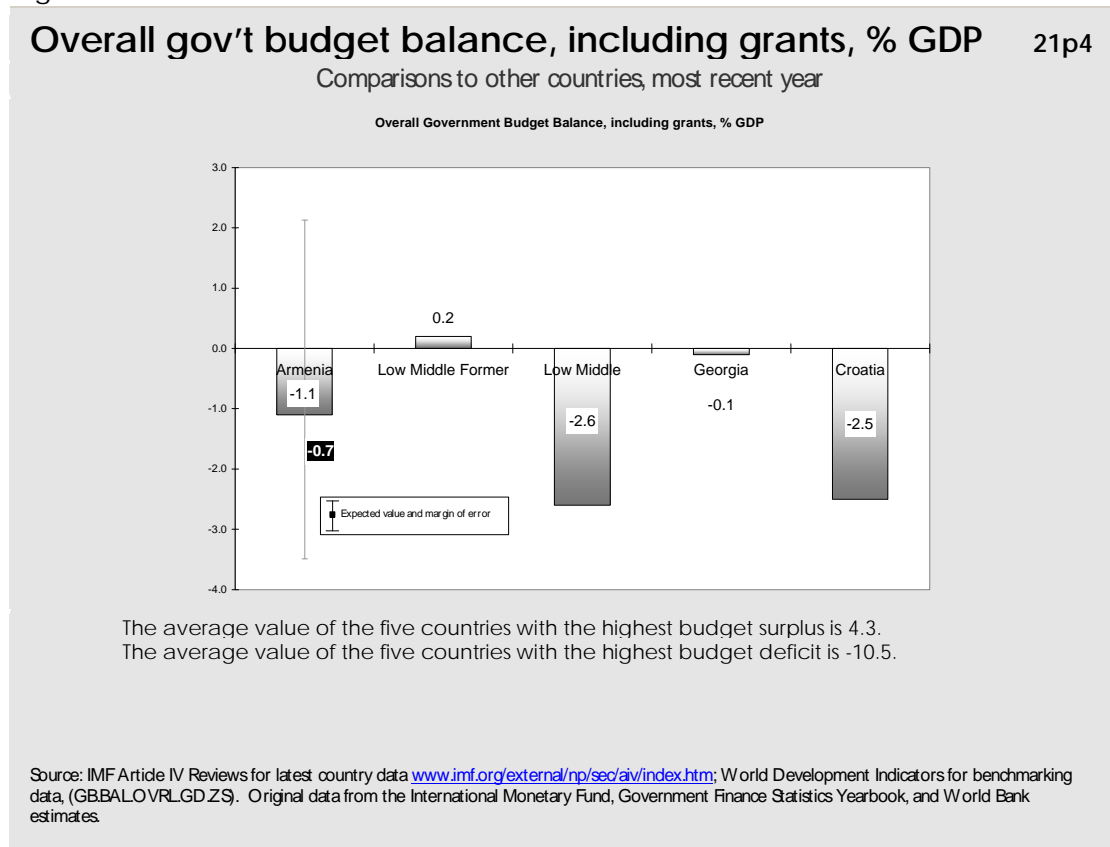
# 3. Private Sector Enabling Environment

This section reviews indicators for key components of the enabling environment for encouraging rapid and efficient growth of the private sector: fiscal and monetary policy; development of the financial sector; global integration; a strong legal, regulatory and institutional environment, including control of corruption; development of the economic infrastructure; and capacity for science and technology. Sound fiscal and monetary policies are essential for macroeconomic stability, a necessary (but not sufficient) condition for sustained economic growth. 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, finance, and competitive pressures for efficiency and productivity. 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. Equally important is development of the physical infrastructure to support production and trade. Finally, developing countries need to develop the capacity to adapt and apply science and technology as a basis for attracting efficient investment, improving competitiveness, and stimulating rapid productivity growth.

## **FISCAL AND MONETARY POLICY**

Armenian fiscal and monetary policies are prudent, and, in general, macroeconomic policy has created a positive environment for rapid growth. In turn, strong growth has made good macroeconomic policy easier, thus creating a virtuous circle. The budget deficit is reasonable—1.1% of GDP in 2003, though this is, to some extent, a result of strong economic growth (Figure 3-1). Monetary policy is more difficult to assess given large swings in money supply growth reported by the IMF, which contrast with local Armenian statistics showing more stable money supply growth. It is unclear how much actual control the Central Bank has, given large recorded and unrecorded inflows from abroad and the substantial dollarization of the economy. In any case, mild inflation is evidence that monetary policy is reasonable.

Figure 3-1

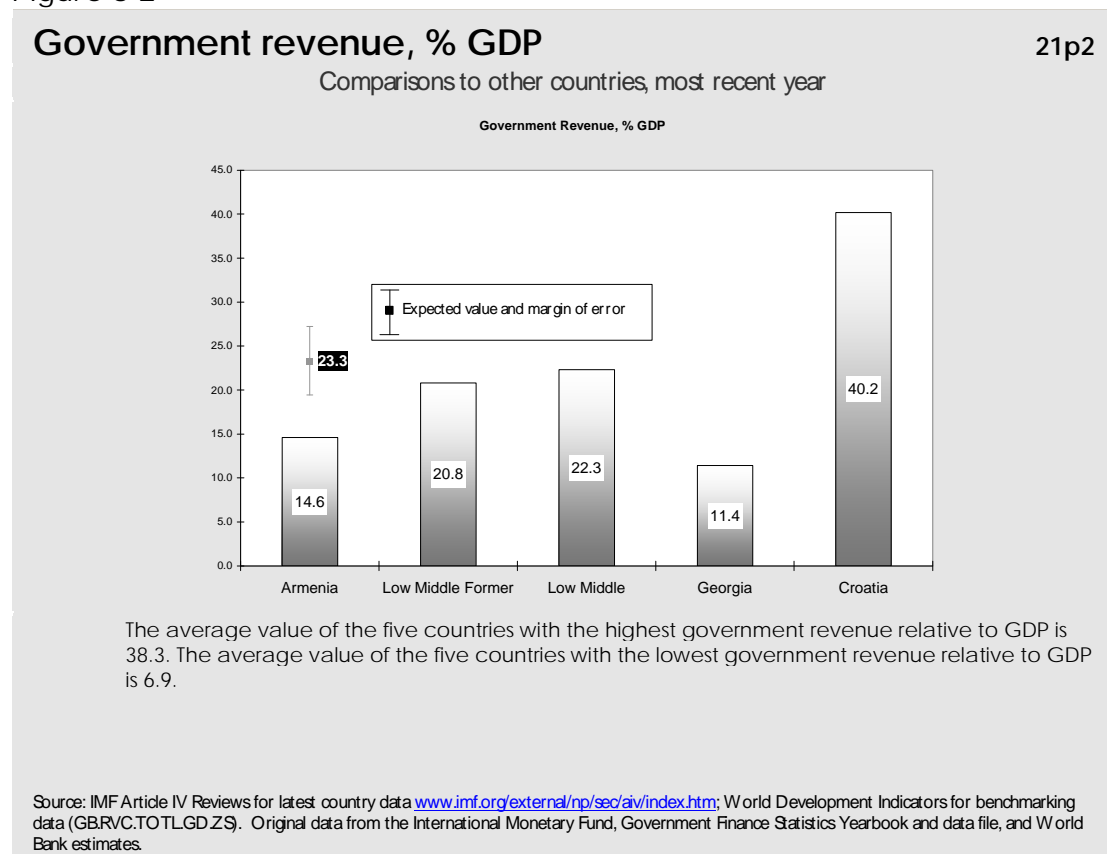


Government revenues are too low in Armenia so that the level of the government's financial involvement in the economy appears insufficient in terms of providing needed investment in infrastructure and the health and quality of the labor force. Not counting grants, revenues stood at 15% of GDP in 2003 compared with 22% of GDP for lower middle-income countries in general and 21% of GDP for lower middle-income former Soviet economies (Figure 3-2). Low revenues limit the ability of the government to invest in key areas, such as health, education, and infrastructure if the budget deficit is to remain prudent. Government expenditures equaled about 19% of GDP in 2003, higher than in Georgia, but significantly less than in the lower middle-income countries and, especially, in Croatia. Government spending is relatively low, and even lower when spending is discounted for Armenia's greater than average spending on its military. Armenia cannot expect to be able to rely on donor funding forever, and without an adequate domestic revenues base, the budget deficit may be vulnerable to a slowing of Armenia's high growth rates.

To date, policy reforms on the tax side, such as the reduction of income tax rates and the introduction of profit tax holidays for large foreign investors, have been favorable for creating incentives, but have also hurt revenues. According to the recent Article IV Review by the IMF, a major cause for insufficient tax collection is weak tax administration. Improved tax collection would allow the government to increase necessary spending without running large budget deficits. Armenia could benefit from donor assistance in tax administration, specifically

enforcement and implementation, which, as in other areas, is a pervasive weakness of economic reforms in Armenia.

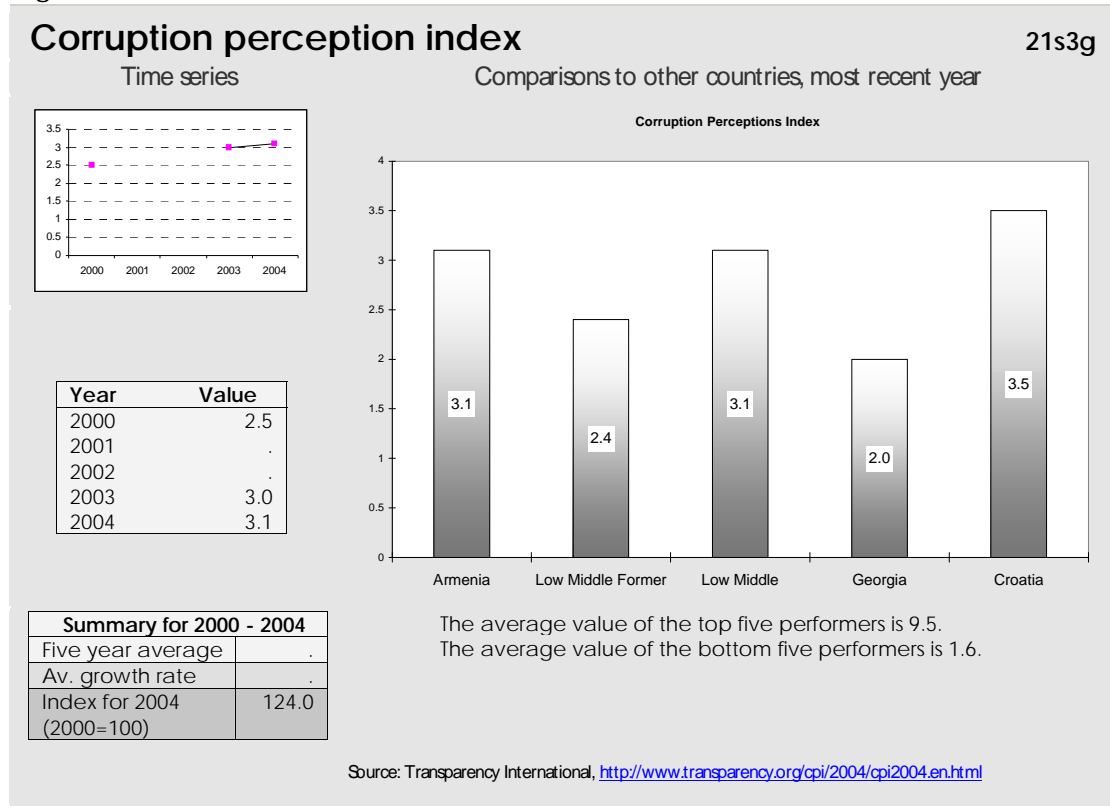
Figure 3-2



## BUSINESS ENVIRONMENT

Many business environment indicators are quite good in Armenia, especially in comparison with other countries of the same income level. For example, the cost of starting a business is 7% of per capita GNI, more than five times lower than on average in the lower middle-income countries. However, the poor absolute numbers on corruption call into question how pro-business the overall environment is, especially in the judiciary, and these concerns are compounded by reports that implementation and enforcement of formal rules, regulations, and laws are at best uneven. Moreover, Armenia's good relative performance on formal indicators should not divert government and donor's attention from this area. On many business environment indicators (e.g., the time and number of procedures to perform various key business activities), Armenia is still at nearly double the level of the best performers on these measures. For example, starting a business in Armenia requires following 10 procedures, while only 5 are required in the five best performing countries. This suggests that assistance from USAID and other donors could be particularly helpful in addressing the problem of corruption, improving the implementation of formal reforms, and in furthering reforms to the micro-business climate (see Figure 3-3).

Figure 3-3



## FINANCIAL SECTOR

An efficient financial sector is key for a productive economy and sustainable, transformational growth. High spreads and real interest rates impede private borrowing in general, and borrowing by SMEs in particular, leading to both underinvestment and a misallocation of investment.

Armenia's financial sector performance is comparable to its benchmark countries and country groups, but poor from any reasonable absolute standard. Real interest rates have declined over the last five years but remain at double-digit levels (18.5% in 2002). Armenia's interest rate spread, which measures the degree of efficiency and competitiveness in the financial sector, exceeds 10% (Figures 3-4 and 3-5). Although this is less than the spread in Georgia and in the lower middle-income countries of the FSU in general, it is still very high given mild inflation in Armenia. Taken together, these figures mean that borrowers face a very high cost of borrowing, which shows up in the extremely low levels of domestic credit to the private sector, less than 10% of GDP, compared to 51% in Croatia, and 35% in lower middle-income countries generally. The stock market is tiny at around 2% of GDP, compared to 22% in lower middle-income former Soviet economies, and 33% in lower middle-income countries generally.



Figure 3-4

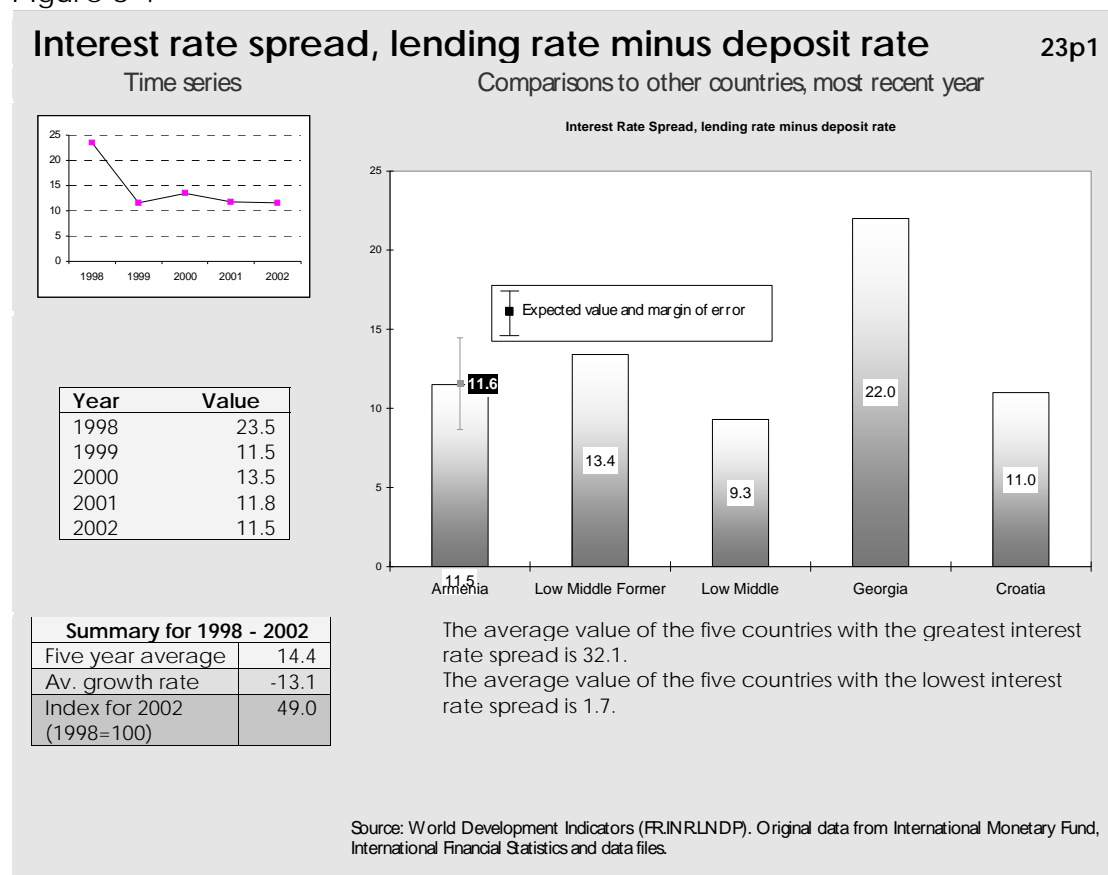
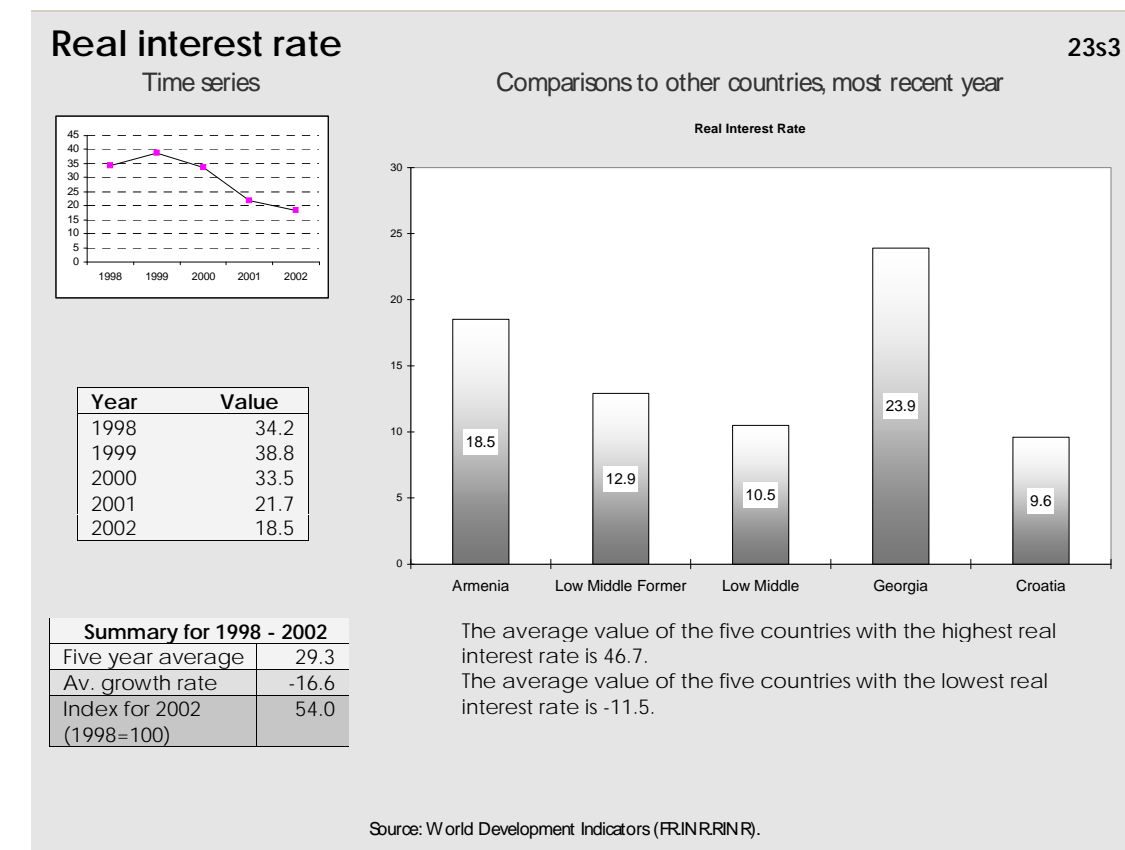
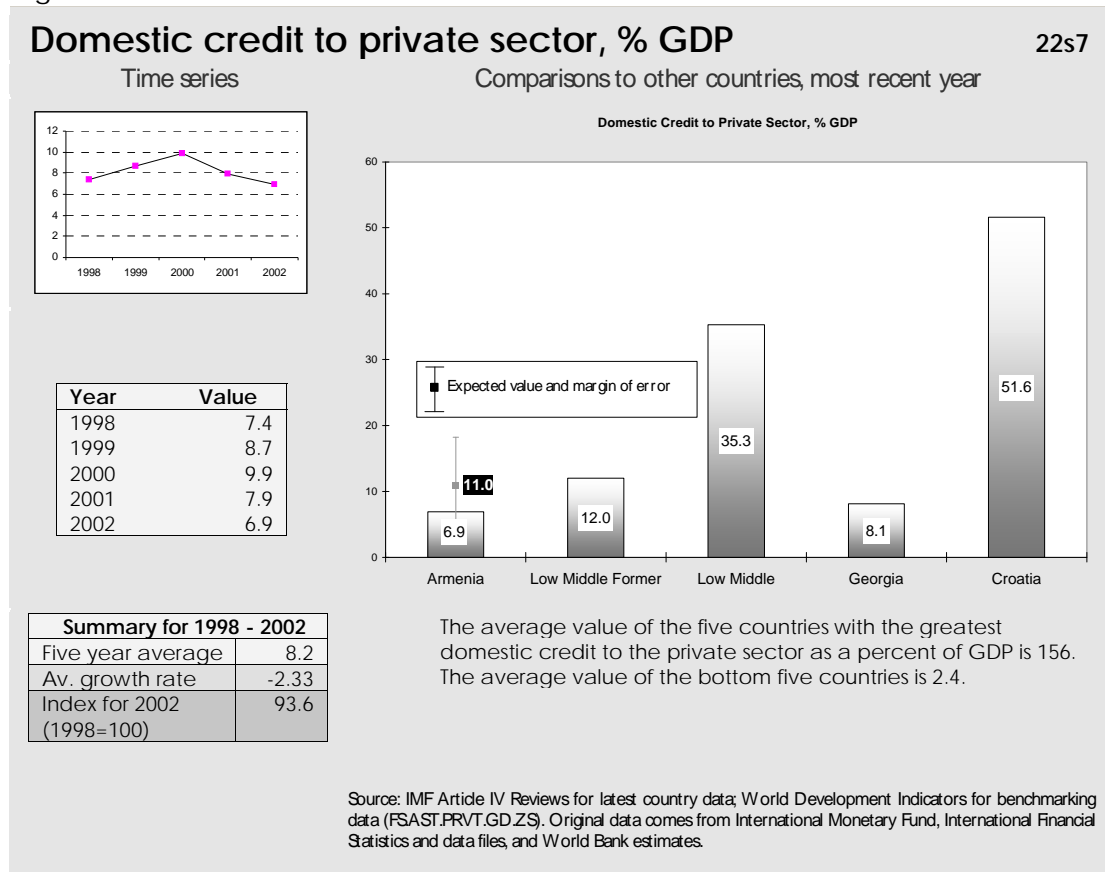


Figure 3-5



When all of these factors are taken together, along with the low foreign direct investment inflows noted in the External Sector section below, it is clear that a major improvement in financial sector performance is needed to increase domestic credit to the private sector and improve the quality and quantity of Armenia's capital investment. See Figure 3-6. The Armenian financial sector would benefit substantially from donor support to improve the quality of financial sector regulation and increase competition in the sector; to improve the efficiency of private sector financial intermediaries; measures to increase the flow of workers' remittance flows through the formal financial system; and support for micro-finance programs that provide credit for microenterprises and SMEs.

Figure 3-6



## EXTERNAL SECTOR

Fundamental changes in international commerce and finance, such as lower transport costs, advances in telecommunications technology, and the decline in policy barriers have fueled a rapid increase in global integration over the past 25 years. The international flow of goods and services, capital, technology, ideas, and people offers great opportunities for Armenia to boost growth and reduce poverty by stimulating productivity and efficiency, providing access to new markets and ideas, and expanding the range of consumer choice. Globalization also creates new challenges in the need for institutions, policies, and regulations to take full advantage of international markets; cost-effective approaches to cope with the adjustment costs; and systems for monitoring and mitigating associated risks.

In general, labor income and current transfers (both private and official) from abroad are critically important in stimulating domestic demand in the country. The construction boom was likely financed by an increase in workers' remittances and unprecedented inflows of funds from private donors, including for projects in the area destroyed by the earthquake in the late 1980s. The ratio of workers' remittances to exports provided in the Data Supplement is based on WDI statistics. These figures (between 1.5% and 3.9% in 1998–2002) appear to be unrealistically low, probably because of a narrow definition of remittances applied by the WDI. According to the IMF, Armenia official statistics show that “worker remittances (private transfers and worker compensation inflows) are equivalent to 8 percent of GDP, but unofficial estimates point to a figure between 12 and 25 percent of GDP” (p.9).

Currently, foreign capital does not play a major role in Armenian economic development either. Foreign direct investment flows are relatively low (4% of GDP in 2003), less than the average for the lower middle-income countries of the FSU (6% of GDP), and are not much of a factor of demand generation. Excessive reliance on expatriate funds limits the types of investments and technology that can be brought into Armenia, as well as the channels for marketing and distribution.

Trade and exports, in particular, have formed a major engine for transformational growth in most developing countries that have been able to achieve sustained growth and significantly raise income levels over the long run. Armenian exports have grown rapidly for several years, about 15% annually in 1999–2003, faster than exports in lower middle-income countries (5%), Georgia (6%), and Croatia (1%), but at roughly the same rate as the group of the FSU lower middle-income countries. (See Figure 3-7.) Nonetheless, Armenian economic growth does not appear to be export-led, because imports also increased significantly; hence, the net contribution of trade to growth has been low. As a result Armenia still runs large foreign trade deficits. The current account deficit has come down steadily over the last several years, reaching about 7% in 2003. While high, it is below the alarm stage of several years ago, in large part thanks to the substantial current transfers and labor income referred to above.

Armenian export growth in recent years has been remarkable, but it starts from a relatively low base. The country's overall external trade turnover in 2003 was 81% of GDP, which is well below the lower bound of the normal range for such a small country, as well as the value for comparator groups. The share of trade in GDP is even lower if one adjusts for in-and-out jewelry trade. According to the National Statistical Service, precious and semi-precious stones and precious metals accounted for 26% of Armenian imports and 51% of Armenian exports in 2003. The relatively low trade ratio does not appear to be due to problems with trade policy, as such. But Armenia's landlocked status and closed borders with Turkey and Azerbaijan are major obstacles to foreign trade, preventing the country from exploiting its international competitiveness. Armenia's overland trade route through the Georgian-Russian border is interrupted periodically by winter snows and political tensions. Access to Iran is limited because of a narrow and mountainous road. The country's main trade gate is through the Georgian Black Sea port of Poti.

At this point, support by the Armenian diaspora is beneficial for Armenia. But this advantage may turn into an obstacle to economic development if the government becomes complacent and puts too much emphasis on these funds in its long-term plans. While these inflows are likely to continue, it is unclear whether they are financing a type of growth—housing construction—which is sustainable or helping diversify the country’s economic base and exports in particular, and therefore laying the basis for transformational development. The country needs to pursue policies to promote other sources of domestic and foreign financing for productive investment, and simultaneously to pursue reforms that will channel these inflows into productive investment. Armenia should pursue measures that shift the type of growth toward more productive investment, that facilitate structural shifts into higher value added sectors, and that make better use of its educated workforce. Trade-related measures should be coordinated with improvement in financial sector performance to channel funds to private non-construction investment, attracting foreign investment, and the promotion of international competitiveness of Armenian goods and services.

Figure 3-7

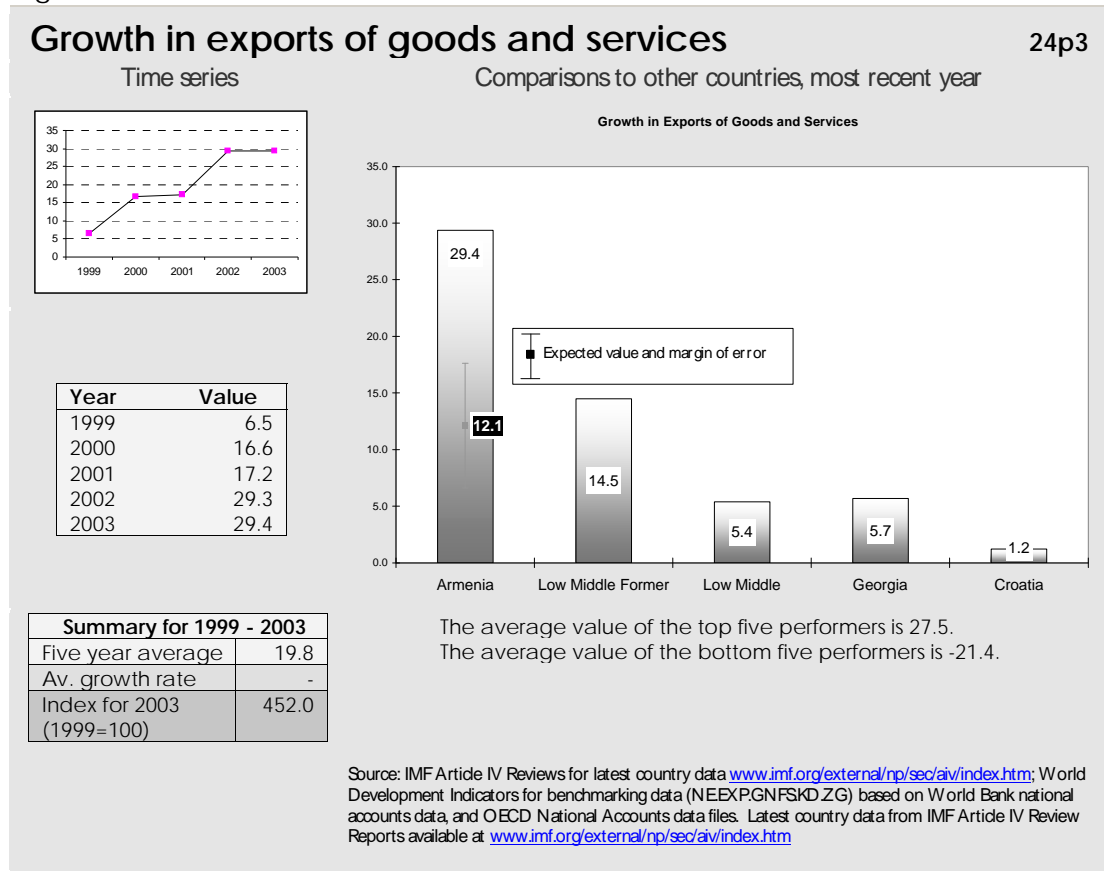


Figure 3-8

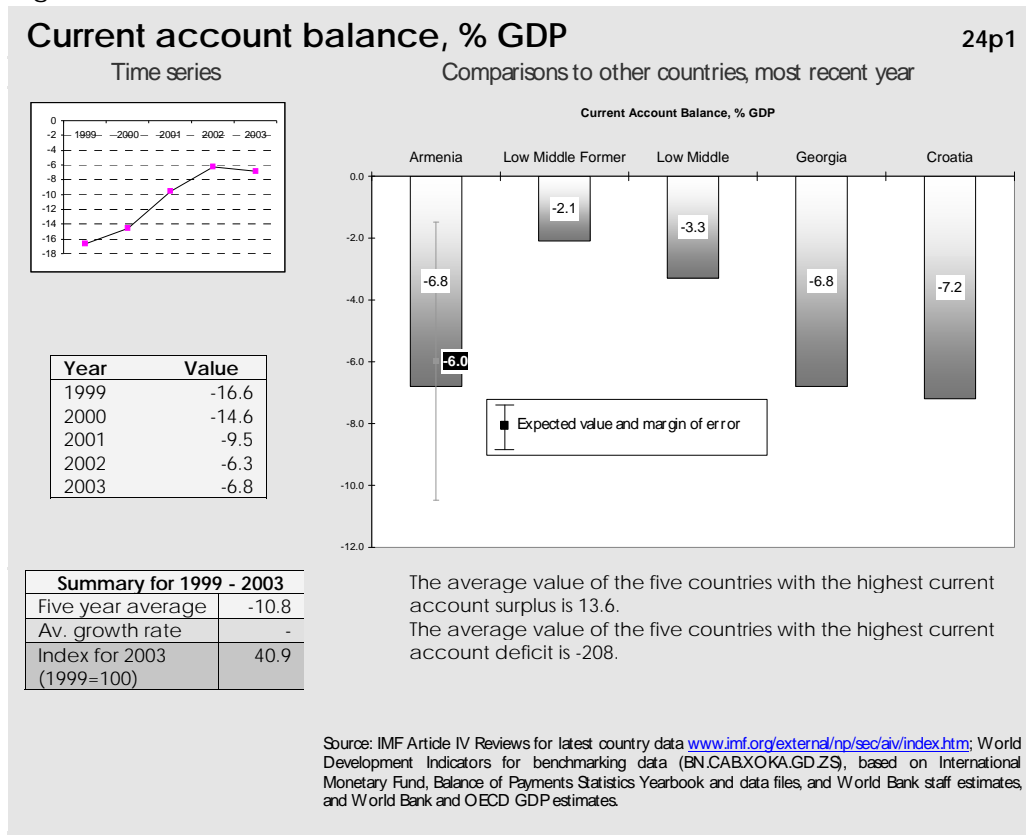
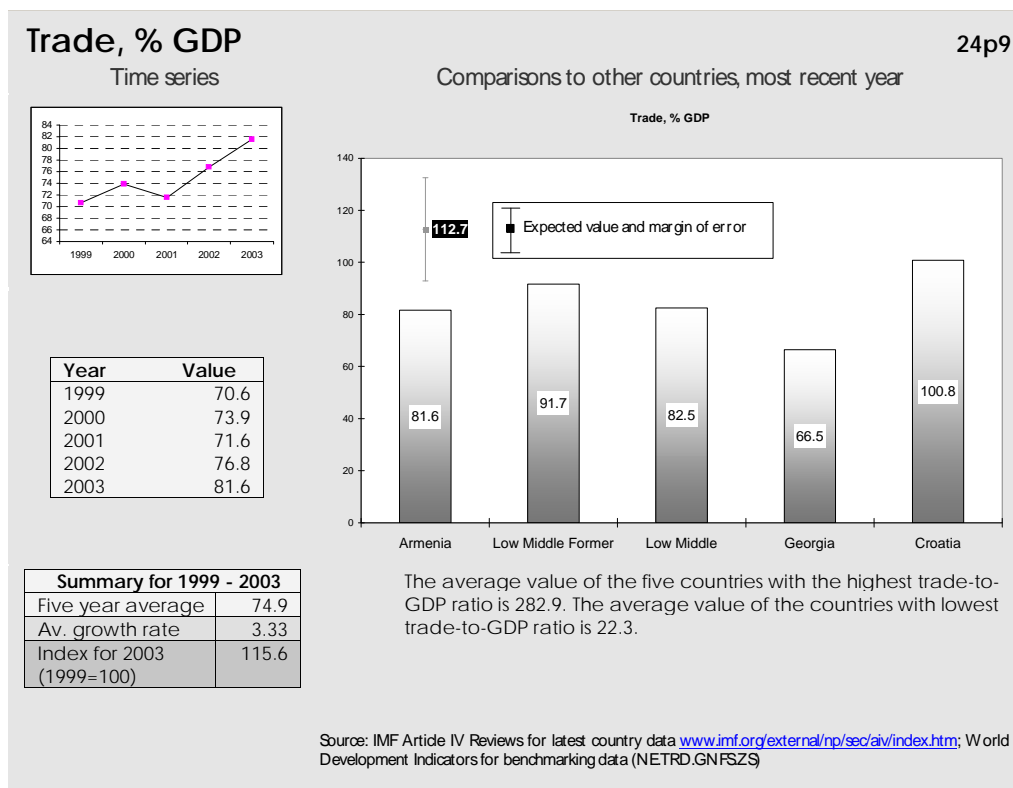


Figure 3-9



These conclusions suggest that Armenia needs to focus on promoting foreign investment to reduce reliance on foreign transfers; current donor assistance should be cognizant of the need to reduce Armenia's reliance on foreign assistance in the long run. Donors can also support policies that encourage the diversification of the country's export sectors and marketing and distribution channels.

## **ECONOMIC INFRASTRUCTURE**

A country's physical infrastructure—for transportation, communications, power, and information technology—is the backbone for improving competitiveness and expanding productive capacity. Armenian infrastructure appears in a relatively good shape, but uneven. Data benchmarking Armenia's performance on road construction and quality are unavailable, but several reports suggest that foreign financing of road construction has helped bring it up to acceptable standards. However, the cost and availability of telephone service is below par and will contribute to discouraging foreign investment. This suggests that donor assistance in improving the efficiency and availability of telecommunications infrastructure could be helpful.

## **SCIENCE AND TECHNOLOGY**

Science and technology are central elements of a dynamic business environment, and technical knowledge is a driving force behind increased productivity and competitiveness. Even for low income countries, transformational development increasingly depends on acquiring technology from the global economy, adapting it, and applying it in ways that are appropriate to the level of development. A lack of capacity to access and utilize technology prevents an economy from leveraging the benefits of globalization. Unfortunately, few of the international indicators of science and technology in our template are available for judging Armenia's performance, as well as in low-income developing countries. Hence, one must draw inferences from a very limited set of data, serving as proxies for lack of better information.

Armenia is performing as well as Georgia and Croatia and other lower middle-income countries in terms of its patent applications. Government spending on R&D in 2000 was lower than the average for the lower middle-income countries and should be increased for Armenia to play a dynamic role in competitiveness, reducing poverty, and implementing the Millennium goals.

# 4. Pro-Poor Growth Environment

Rapid growth is the most powerful and dependable instrument for poverty reduction. Yet the link between growth and poverty reduction is not mechanical. In some countries, the structure of development fosters income growth for poor households that is faster than overall per capita income growth, while in other settings growth benefits the non-poor far more than the poor. A pro-poor growth environment stems from policies and institutions that improve opportunities and capabilities for the poor, while reducing their vulnerabilities. These characteristics are associated with improvements in primary health and education, the creation of jobs and income opportunities, the development of skills, micro-finance, agricultural development (for countries like Armenia with large population of rural poor), and gender equality.<sup>12</sup> This section focuses on four areas that contribute to pro-poor growth: 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 economic growth and poverty reduction. Although health programs do not fall under the EGAT bureau, an understanding of the health status of the population can influence the design of EG programs.

Armenia's performance on many social indicators, including health and education, is relatively good, in comparison to countries of the same income level—a legacy of Armenia's centrally-planned past. Armenians have a long life expectancy, 72.9 years in 2003. This is about five years higher than in the lower middle-income countries. Life expectancy is the broadest indicator of health status. Looking at other health indicators, Armenia's performance is also good: HIV/AIDS prevalence is low (though it is likely to increase in the future), child immunization rates are high, the prevalence of child malnutrition is low, and a high number of births are attended by a skilled physician. The maternal mortality rate of 22 per 100,000 births is lower than in Georgia, though higher than in advanced Croatia.

It is questionable whether current government expenditures are high enough to sustain the healthy, educated workforce that Armenia “inherited,” given the apparently low level of government support. Government spending on health stood at 1.2% of GDP in 2003. This is

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<sup>12</sup> For purposes of economic growth programming, the template does not cover emergency relief.

significantly lower than the average for comparator country groups, and especially low in comparison to Croatia (over 7%).

## **EDUCATION**

Armenia's education indicators appear relatively good. A large part of this is, probably, the legacy of the Soviet era. The adult literacy rate of 99.4% is high, and significantly better than the average of 85.5% for lower middle-income countries.

However, these basic figures conceal problems as to the type and quality of education Armenians are receiving and whether it is adequately preparing them and the economy for a more competitive global environment or is still oriented toward the production-intensive economy of the past. Expenditures per student on tertiary education as a percentage of per capita GDP stood at 39% in 2001, much lower than in the lower middle-income countries, where they amounted to 54% and expenditures per student in secondary education were average. Armenia needs to increase its investment in education and to re-orient education towards the needs of a competitive market economy.

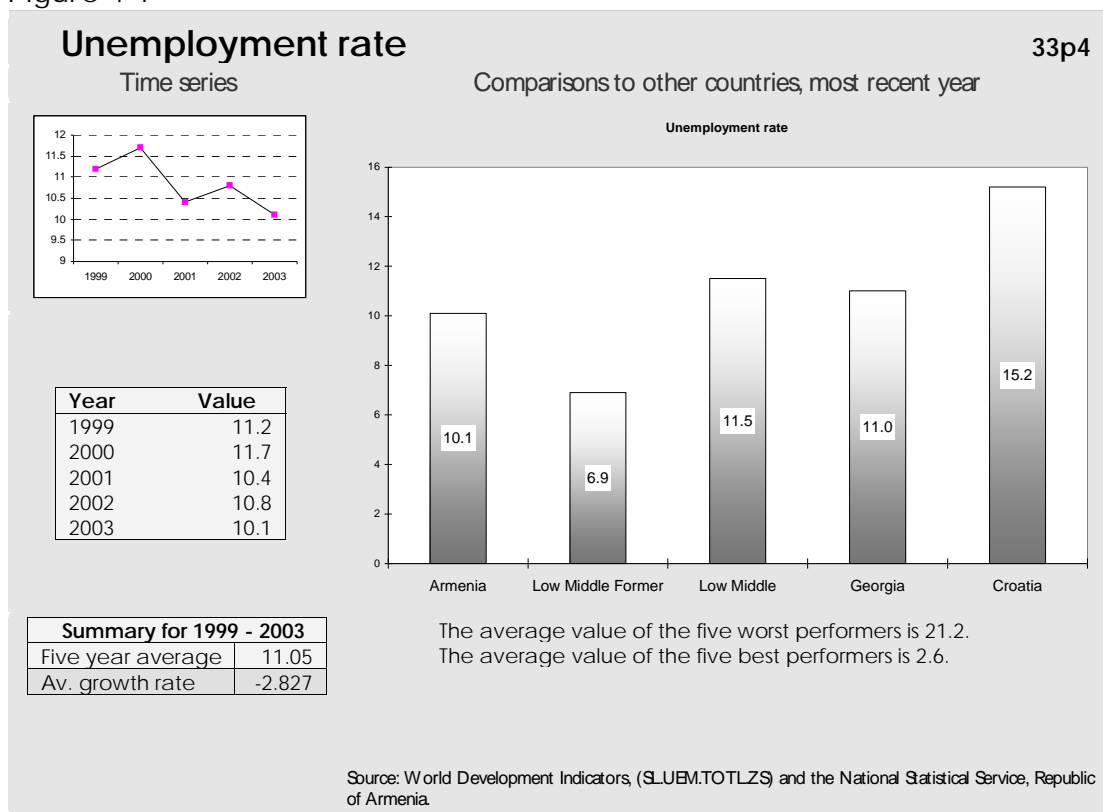
## **EMPLOYMENT AND WORKFORCE**

The fact that high growth rates have not been labor-intensive means that unemployment remains severe. It appears that Armenia has made inadequate progress in generating employment and reversing the shocks of the transition to a market economy.

Armenia has significant unused potential of relatively well-educated labor. The registered unemployment rate declined from 11.7% in 2000 to a still high 10.1% in 2003 (Figure 4-1). The actual unemployment rates may be more than twice as high as the registered rates. The World Bank estimates that actual unemployment stood at 30.7% (2001), and the ILO estimates it at 25% (2001). This means Armenia has one of the highest unemployment rates among transition countries. High unemployment is particularly noteworthy given that many Armenians have left the country in pursuit of employment. This poses both a challenge and opportunity for Armenia; tapping this potential can be an important source of future economic growth, without doing so high growth rates may be difficult to sustain by increased capital investment alone. Moreover, failure to generate employment will mean that poverty levels will remain high and Armenia will face increasing income disparities between the unemployed and underemployed and those with jobs in growth sectors. Donor assistance may be helpful in removing some structural rigidity in the labor market, facilitating job search, and other measures to help with job creation, in tandem with reforms such as to the financial sector discussed above.



Figure 4-1



## AGRICULTURE

As noted in the Economic Structure section, both output and employment in Armenia are concentrated in agriculture to an unusual extent for a lower middle-income country. This sector is characterized by very low labor productivity, and significant variations from year to year due to weather conditions. Nonetheless, the overall trend in agriculture has been reasonably positive, with an average growth rate of more than 5 percent between 1999 and 2003. Over the same period, the average cereal yield has increased by 24 percent to 2,170 kilograms per hectare, virtually equaling the average of 2,219 for lower middle income FSU countries.<sup>13</sup>

Given the continued importance of agriculture in the Armenian economy, donor programs to facilitate further improvements in productivity and better earning opportunities for poor farmers are fully warranted. But the more fundamental problem is to promote investment and job creation outside of agriculture, to foster transformational economic growth and accelerate poverty reduction.

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<sup>13</sup> FAO data suggesting that total crop production has been flat over the same period appear to be inconsistent with the other information.



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# **Supplement—Economic Performance Assessment: Armenia**

April 2005

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



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Bruce Bolnick  
Chief of Party, CAS Project  
Nathan Associates, Inc  
[Bbolnick@nathaninc.com](mailto:Bbolnick@nathaninc.com)

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# List of Indicators

## OVERVIEW OF THE ECONOMY

GROWTH PERFORMANCE	Level	MDG/MCA/EcGov	CAS Indicator Code
Per capita GDP, \$PPP	I		11P1
Per capita GDP, current US\$	I		11P2
Real GDP growth	I		11P3
Growth of labor productivity	II		11S1
Investment Productivity - Incremental Capital-Output Ratio (ICOR)	II		11S2
Gross fixed investment, % GDP	II		11S3
Gross fixed private investment, % GDP	II		11S4
<b>POVERTY AND INEQUALITY</b>			
Human poverty index	I		12P1
Income-share, poorest 20%	I		12P2
Population living on less than \$1 PPP per day	I	MDG	12P3
Poverty headcount, by national poverty line	I	MDG	12P4
PRSP Status	I	EcGov	12P5
Population below minimum dietary energy consumption	II	MDG	12S1
Poverty gap at \$1 PPP a day	II		12S2
<b>ECONOMIC STRUCTURE</b>			
Labor force structure	I		13P1
Output structure	I		13P2
<b>DEMOGRAPHY AND ENVIRONMENT</b>			
Adult literacy rate	I		14P1
Age dependency rate	I		14P2
Environmental sustainable index	I		14P3
Population size and growth	I		14P4
Urbanization rate	I		14P5
<b>GENDER</b>			
Adult literacy rate, ratio of male to female	I	MDG	15P1
Gross enrollment rate, all levels, ratio of male to female,	I	MDG	15P2
Life expectancy at birth, ratio of male to female	I		15P3

Notes: Level I = primary performance indicators, Level II = supporting diagnostic indicators

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.



## PRIVATE SECTOR ENABLING ENVIRONMENT

FISCAL AND MONETARY POLICY	Level	MDG/MCC /EcGov	CAS Indicator Code
Govt. expenditure, % GDP	I	EcGov	21P1
Govt. revenue, % GDP	I	EcGov	21P2
Growth in the money supply	I	EcGov	21P3
Inflation rate	I		21P4
Overall govt. budget balance, including grants, % GDP	I	EcGov	21P5
Composition of govt. expenditure	II		21S1
Composition of govt. revenue	II		21S2
Composition of money supply growth	II		21S3
<b>BUSINESS ENVIRONMENT</b>			
Corruption perception index	I	EcGov	22P1
Doing business composite index	I	EcGov	22P2
Rule of law index	I	MCA / EcGov	22P3
Cost of starting a business, % GNI per capita	II	EcGov	22S1
Procedures to enforce contract	II	EcGov	22S2
Procedures to register property	II	EcGov	22S3
Procedures to start a business	II	EcGov	22S4
Time to enforce a contract	II	EcGov	22S5
Time to register property	II	EcGov	22S6
Time to start a business	II	EcGov	22S7
<b>FINANCIAL SECTOR</b>			
Domestic credit to private sector, % GDP	I		23P1
Interest rate spread	I		23P2
Money supply, % GDP	I		23P3
Stock market capitalization rate, % of GDP	I		23P4
Cost to create collateral	II		23S1
Country credit rating	II	MCA	23S2
Legal rights of borrowers and lenders index	II		23S3
Real Interest rate	I		23S4
<b>EXTERNAL SECTOR</b>			
Aid , % GNI	I		24P1
Current account balance, % GDP	I		24P2
Debt service ratio, % exports	I	MDG	24P3
Export growth of goods and services	I		24P4
Foreign direct investment, % GDP	I		24P5
Gross international reserves, months of imports	I	EcGov	24P6
Gross Private capital inflows, % GDP	I		24P7
Present value of debt, % GNI	I		24P8
Remittance receipts, % exports	I		24P9
Trade, % GDP	I		24P10
Concentration of Exports	II		24S1
Inward FDI Potential Index	II		24S2
Net barter terms of trade	II		24S3
Real effective exchange rate (REER)	II	EcGov	24S4
Structure of merchandise exports	II		24S5
Trade policy index	II	MCA / EcGov	24S6
<b>ECONOMIC INFRASTRUCTURE</b>			
Internet users per 1000 people	I	MDG	25P1
Overall infrastructure quality	I	EcGov	25P2
Telephone density, fixed line and mobile	I	MDG	25P3
Quality of infrastructure – railroads, ports, air Transport, and electricity	II		25S1
Telephone cost, average local call	II		25S2
<b>SCIENCE AND TECHNOLOGY</b>			
Expenditure for R&D, % GNI	I		26P1
FDI and technology transfer index	I		26P2
Patent applications filed by residents	I		26P3

## PRO-POOR GROWTH ENVIRONMENT

HEALTH	Level	MDG/MCC /EcGov	CAS Indicator Code
HIV prevalence	I		31P1
Life expectancy at birth	I		31P2
Maternal mortality rate	I	MDG	31P3
Access to improved sanitation	II	MDG	31S1
Access to improved water source	II	MDG	31S2
Births attended by skilled health personnel	II	MDG	31S3
Child immunization rate	II		31S4
Prevalence of child malnutrition (weight for age)	II		31S5
Public health expenditure, % GDP	II	EcGov	31S6
<b>EDUCATION</b>			
Net primary enrollment rate	I	MDG	32P1
Persistence in school to grade 5	I	MDG	32P2
Youth literacy rate	I		32P3
Education expenditure, primary, % GDP	II	MCA/ EcGov	32S1
Expenditure per student, % GDP per capita – primary, secondary, and tertiary	II	EcGov	32S2
Pupil-teacher ratio, primary school	II		32S3
<b>EMPLOYMENT &amp; WORKFORCE</b>			
Labor force participation rate, females, males, total	I		33P1
Rigidity of employment index	I	EcGov	33P2
Size and growth of the labor force	I		33P3
Unemployment rate	I		33P4
<b>AGRICULTURE</b>			
Agriculture value added per worker	I		34P1
Cereal yield	I		34P2
Growth in agricultural value-added	I		34P3
Agricultural policy costs index	II	EcGov	34S1
Crop production index	II		34S2
Livestock production index	II		34S3



Growth Performance							
Indicator Number	Per capita GDP, in purchasing power parity Dollars	Per capita GDP, in current U.S. Dollars	Real GDP growth	Growth of labor productivity	Investment productivity - incremental capital-output ratio (ICOR)	Share of gross fixed investment in GDP, in current prices	Share of gross fixed private investment in GDP, in current prices
	11P1	11P2	11P3	11S1	11S2	11S3	11S4
<b>Armenia Data</b>							
<i>Latest Year (T)</i>	2004	2004	2004	2002	2003	2003	.
Value Year T	2,855	795	10.1	12.0	2.1	24.2	.
Value Year T-1	2,663	725	13.9	8.8	2.3	21.1	.
Value Year T-2	2,454	622	13.2	6.3	2.9	17.7	.
Value Year T-3	2,151	578	9.6	3.6	3.3	18.4	.
Value Year T-4	1,918	504	5.9	7.7	3.1	16.4	.
Average Value, 5 year	2,408	645	10.5	7.7	.	19.6	.
Growth Trend	10.6	12.0	24.4	19.5	.	4.4	.
<b>Benchmark Data</b>							
Regression Benchmark	.	.	7.0	.	.	.	.
Lower Bound	.	.	5.6	.	.	.	.
Upper Bound	.	.	8.3	.	.	.	.
<i>Latest Year Croatia</i>	2004	2004	2003	2002	2003	2002	2001
Croatia Value Latest Year	11,096	7,337	4.3	5.4	7.2	24.8	20.2
<i>Latest Year Georgia</i>	2004	2004	2004	2002	2003	2002	2002
Georgia Value Latest Year	2,538.1	865.7	8.4	6.2	4.3	20.1	20.1
Low-Middle Income Frmr. Sov. Union Avg.	5,579	1,946	8.4	7.7	3.3	23.5	19.0
Low-Middle Income Avg.	5,366	1,993	3.5	1.7	5.2	21.4	17.3
High Five Avg.	41,480	50,878	14.0	11.4	283.3	46.6	25.8
Low Five Avg.	633	121	-12.5	-14.8	-92.3	6.9	7.4

Poverty and Inequality							
	Human poverty index	Income share held by poorest 20%	Population living on less than \$1 PPP per day, % population	Poverty headcount, by national poverty line	PRSP Status	Population below minimum dietary energy consumption	Poverty gap at \$1 PPP a day
Indicator Number	12P1	12P2	12P3	12P4	12P5	12S1	12S2
<b>Armenia Data</b>							
<i>Latest Year (T)</i>		1998	2001	1999	.	2001	2001
Value Year T	.	7.0	15.9	53.7	Yes	51.0	15.0
Value Year T-1	.	.	.	.	.	.	.
Value Year T-2	.	.	.	.	.	.	.
Value Year T-3	.	.	.	54.7	.	.	.
Value Year T-4	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.
<b>Benchmark Data</b>							
Regression Benchmark	18.5	.	9.6	54.1	.	.	.
Lower Bound	12.8	.	2.3	44.2	.	.	.
Upper Bound	24.1	.	16.9	64.1	.	.	.
<i>Latest Year Croatia</i>	2004	2001	2000	.	.	2001	2000
Croatia Value Latest Year	.	8.0	2.0	.	No	12.0	0.5
<i>Latest Year Georgia</i>	2004	2001	2001	.	.	2001	2001
Georgia Value Latest Year	.	6.0	2.7	.	Yes	26.0	0.9
Low-Middle Income Frmr. Sov. Union Avg.	.	.	2.8	49.6	.	19.1	0.8
Low-Middle Income Avg.	17.9	.	6.3	33.4	.	13.0	1.6
High Five Avg.	58.3	.	21.8	47.7	.	66.0	6.5
Low Five Avg.	4.4	.	2.7	26.7	.	0.8	0.7

Indicator Number	Economic Structure						Demography and Environment					
	Labor force employment in agriculture, % total employment	Labor force employment in industry, % total employment	Labor force employment in services, % total employment	Output structure (agriculture, value added, % GDP)	Output structure (industry, value added, % GDP)	Output structure (services, etc., value added, % GDP)	Adult literacy rate	Age dependency rate	Environmental sustainability index	Population size and growth (size in millions)	Population size and growth (growth)	Urbanization rate
	13P1a	13P1b	13P1c	13P2a	13P2b	13P2c	14P1	14P2	14P3	14P4a	14P4b	14P5
<b>Armenia Data</b>												
<i>Latest Year (T)</i>	2003	2003	2003	2003	2003	2003	2002	.	2005	2002	.	2002
Value Year T	46.0	16.6	37.4	23.5	39.0	37.5	99.4	.	53.2	3,068,000	.	67.4
Value Year T-1	45.3	16.9	37.8	26.0	34.9	39.2	98.4	.	.	3,087,000	.	67.3
Value Year T-2	45.1	17.6	37.3	28.3	33.0	38.7	98.3	.	.	3,112,000	.	67.2
Value Year T-3	44.4	18.5	37.1	25.5	35.4	39.0	98.3	.	.	3,144,000	.	67.2
Value Year T-4	43.3	20.0	36.7	29.5	32.2	38.3	98.0	.	.	3,181,000	.	67.2
Average Value, 5 year	44.8	17.9	37.3	26.6	34.9	38.5	.	.	.	3,118,400	.	67.3
Growth Trend	2.2	-5.6	0.8	-5.5	3.9	1.1	.	.	.	-0.9	.	0.1
<b>Benchmark Data</b>												
Regression Benchmark	.	.	.	.	.	.	.	.	49.7	.	.	51.9
Lower Bound	.	.	.	.	.	.	.	.	46.0	.	.	42.6
Upper Bound	.	.	.	.	.	.	.	.	53.4	.	.	61.1
<i>Latest Year Croatia</i>	2001	2001	2001	2002	2002	2002	2001	.	2005	2002	.	2002
Croatia Value Latest Year	15.5	30.0	54.3	8.4	29.8	61.8	99.0	.	59.5	4,465,000	.	58.6
<i>Latest Year Georgia</i>	2001	2001	2001	2002	2002	2002	.	.	2005	2002	.	2002
Georgia Value Latest Year	52.7	9.3	37.8	20.6	23.0	56.4	.	.	51.5	5,177,000.0	.	56.8
Low-Middle Income Frm. Sov. Union Avg.	37.5	17.0	43.7	14.7	37.1	48.2	99.6	.	47.0	29,849,750	.	61.0
Low-Middle Income Avg.	28.3	21.0	50.2	14.1	31.2	54.7	85.5	.	50.1	47,732,364	.	54.5
High Five Avg.	52.9	37.1	76.9	56.0	64.5	80.5	99.6	.	64.3	600,722,200	.	100.0
Low Five Avg.	0.3	11.8	31.5	0.6	11.9	18.0	35.7	.	34.9	30,300	.	8.8

Indicator Number	Gender			Fiscal and Monetary Policy									
	Ratio of male to female adult literacy rate	Ratio of male to female gross enrollment rate, all levels	Ratio of male to female life expectancy at birth	Government expenditure, % GDP	Government revenue, % GDP	Growth in the money supply	Inflation rate	Overall government budget balance, including grants, % GDP	Composition of government expenditure (wages and salaries)	Composition of government expenditure (interest payments)	Composition of government expenditure (goods and services)	Composition of government expenditure (subsidies and other current transfers)	Composition of government expenditure (development expenditure)
	15P1	15P2	15P3	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S1e
<b>Armenia Data</b>													
<i>Latest Year (T)</i>	2002	2001	2002	2003	2003	2003	2004	2003	.	.	.	.	.
Value Year T	1.01	0.95	0.91	18.9	14.6	10.4	7.0	-1.1	.	.	.	.	.
Value Year T-1	.	.	.	19.3	15.4	34.0	4.8	-0.4	.	.	.	.	.
Value Year T-2	.	.	.	20.9	15.5	4.3	1.1	-3.8	.	.	.	.	.
Value Year T-3	.	.	.	.	.	38.6	3.1	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	14.0	-0.8	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	20.3	3.0	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	-12.5	.	.	.	.	.	.	.
<b>Benchmark Data</b>													
Regression Benchmark	.	.	.	26.1	23.3	.	6.6	-0.7	.	.	.	.	.
Lower Bound	.	.	.	21.7	19.4	.	3.3	-2.9	.	.	.	.	.
Upper Bound	.	.	.	30.6	27.3	.	9.9	1.6	.	.	.	.	.
<i>Latest Year Croatia</i>	2002	2001	2002	2001	2001	2002	2004	2001	.	.	.	.	.
Croatia Value Latest Year	1.0	0.94	0.90	45.3	40.2	9.6	2.5	-2.5	.	.	.	.	.
<i>Latest Year Georgia</i>	.	2001	2002	2002	2002	2002	2004	2002	.	.	.	.	.
Georgia Value Latest Year	.	1.0	0.9	12.3	11.4	17.9	5.8	-0.1	.	.	.	.	.
Low-Middle Income Frmr. Sov. Union Avg.	1.00	.	0.93	21.7	20.8	32.3	8.0	0.2	.	.	.	.	.
Low-Middle Income Avg.	1.10	.	0.88	26.1	22.3	16.3	6.5	-2.6	.	.	.	.	.
High Five Avg.	2.40	.	1.01	47.4	38.3	114.7	103.5	4.3	.	.	.	.	.
Low Five Avg.	0.92	.	0.85	4.5	6.9	-6.7	-1.1	-10.5	.	.	.	.	.

Fiscal and Monetary Policy (cont'd)												
Indicator Number	21S2a	21S2b	21S2c	21S2d	21S2e	21S2f	21S3a	21S3b	21S3c	21S3d	21S3e	21S3f
<b>Armenia Data</b>												
Latest Year (T)	.	.	.	.	.	.	.	.	.	.	.	.
Value Year T	.	.	.	.	.	.	.	.	.	.	.	.
Value Year T-1	.	.	.	.	.	.	.	.	.	.	.	.
Value Year T-2	.	.	.	.	.	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.	.	.	.	.
<b>Benchmark Data</b>												
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.	.	.
Latest Year Croatia	.	.	.	.	.	.	.	.	.	.	.	.
Croatia Value Latest Year	.	.	.	.	.	.	.	.	.	.	.	.
Latest Year Georgia	.	.	.	.	.	.	.	.	.	.	.	.
Georgia Value Latest Year	.	.	.	.	.	.	.	.	.	.	.	.
Low-Middle Income Fmr. Sov. Union Avg.	.	.	.	.	.	.	.	.	.	.	.	.
Low-Middle Income Avg.	.	.	.	.	.	.	.	.	.	.	.	.
High Five Avg.	.	.	.	.	.	.	.	.	.	.	.	.
Low Five Avg.	.	.	.	.	.	.	.	.	.	.	.	.



Business Environment										
	Corruption perception index	Doing business composite index	Rule of law index	Cost of starting a business, % GNI per capita	Procedures to enforce a contract	Procedures to register property	Procedures to start a business	Time to enforce a contract	Time to register property	Time to start a business
Indicator Number	22P1	22P2	22P3	22S1	22S2	22S3	22S4	22S5	22S6	22S7
<b>Armenia Data</b>										
<i>Latest Year (T)</i>	2004	2004	2002	2004	2003	2004	2004	2004	2004	2004
Value Year T	3.1	69.9	-0.4	7	22	4	10.0	195.0	18.0	25.0
Value Year T-1	3.0	.	.	.	22	.	.	.	.	.
Value Year T-2	.	.	-0.5	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.	.	.	.
Value Year T-4	2.5	.	-0.3	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.	.	.
<b>Benchmark Data</b>										
Regression Benchmark	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.
<i>Latest Year Croatia</i>	2004	2004	2002	2004	2003	2004	2004	2004	2004	2004
Croatia Value Latest Year	3.5	60.9	0.1	14.4	20.0	5.0	12.0	415.0	956.0	49.0
<i>Latest Year Georgia</i>	2004	2004	2002	2004	2003	2004	2004	2004	2004	2004
Georgia Value Latest Year	2.0	69.1	-1.2	13.7	17.0	8.0	9.0	375.0	39.0	25.0
Low-Middle Income Frmr. Sov. Union Avg.	2.4	66.7	-0.9	15	23	7	12.2	292.7	82.3	51.8
Low-Middle Income Avg.	3.1	66.3	-0.4	38	25	7	10.7	382.6	63.2	56.5
High Five Avg.	9.5	79.1	2.0	727	54	16	17.2	1,021.8	473.4	172.2
Low Five Avg.	1.6	44.5	-1.8	5	7	3	5.2	128.0	5.6	13.2

Financial Sector							
	Domestic credit to private sector, % GDP	Interest rate spread, lending rate minus deposit rate	Money supply (M2), % GDP	Stock market capitalization rate, % GDP	Cost to create collateral	Country credit rating	Legal rights of borrowers and lenders index
Indicator Number	23P1	23P2	23P3	23P4	23S1	23S2	23S3
<b>Armenia Data</b>							
<i>Latest Year (T)</i>	2002	2002	2002	1999	2004	2005	2004
Value Year T	6.9	11.5	13.6	1.4	7.0	24.1	4.0
Value Year T-1	7.9	11.8	13.2	1.0	.	.	.
Value Year T-2	9.9	13.5	12.7	1.0	.	.	.
Value Year T-3	8.7	11.5	10.4	0.4	.	.	.
Value Year T-4	7.4	23.5	8.7	0.2	.	.	.
Average Value, 5 year	8.2	14.4	11.7	0.8	.	.	.
Growth Trend	-2.3	-13.1	12.0	57.7	.	.	.
<b>Benchmark Data</b>							
Regression Benchmark	11.0	11.6	21.4	.	.	.	.
Lower Bound	-4.0	8.8	8.9	.	.	.	.
Upper Bound	26.0	14.3	33.9	.	.	.	.
<i>Latest Year Croatia</i>	2002	2002	2002	2002	2004	2005	2004
Croatia Value Latest Year	51.6	11.0	62.8	17.7	14.4	.	4.0
<i>Latest Year Georgia</i>	2002	2002	2002	.	2004	2005	2004
Georgia Value Latest Year	8.1	22.0	10.8	.	13.7	21.4	7.0
Low-Middle Income Frmr. Sov. Union Avg.	12.0	13.4	16.3	21.7	14.8	27.9	5.5
Low-Middle Income Avg.	35.3	9.3	46.9	33.0	38.0	29.0	4.5
High Five Avg.	156.0	32.1	192.0	197.9	726.5	51.5	8.6
Low Five Avg.	2.4	1.7	6.0	4.9	4.7	12.1	1.4

External Sector													
Indicator Number	Real interest rate	Aid, % GNI	Current account balance, % GDP	Debt service ratio, % exports	Exports growth of goods and services	Foreign direct investment, % GDP	Gross international reserves, months of imports	Gross private capital inflows, %GDP	Present value of debt, % GNI	Remittance receipts, % exports	Trade, % GDP	Concentration of Exports	Inward FDI potential index
	23S4	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24P10	24S1	24S2
<b>Armenia Data</b>													
<i>Latest Year (T)</i>	2002	2002	2003	2003	2003	2003	2003	2002	2002	2002	2003	2003	.
Value Year T	18.5	12.0	-6.8	7.2	29.4	4.3	4.0	12.3	30.5	1.5	81.6	51.20	.
Value Year T-1	21.7	9.1	-6.3	9.5	29.3	4.7	3.7	10.7	.	1.9	76.8		.
Value Year T-2	33.5	11.0	-9.5	9.7	17.2	3.3	3.6	15.9	.	2.1	71.6		.
Value Year T-3	38.8	11.0	-14.6	8.2	16.6	5.5	3.9	17.8	.	3.9	73.9		.
Value Year T-4	34.2	9.9	-16.6	11.9	6.5	6.6	4.1	24.1	.	2.8	70.6		.
Average Value, 5 year	29.3	10.6	-10.8	9.3	19.8	4.9	3.9	16.2	.	2.4	74.9		.
Growth Trend	-16.6	1.8	.	-10.7	59.8	-22.3	3.1	-16.9	.	-18.5	1.5		.
<b>Benchmark Data</b>													
Regression Benchmark	.	6.8	-6.0	12.2	12.1	4.5	2.4	.	54.2	.	112.7		.
Lower Bound	.	2.2	-10.5	4.9	6.6	0.8	1.1	.	30.8	.	92.9		.
Upper Bound	.	11.4	-1.5	19.5	17.6	8.2	3.7	.	77.7	.	132.5		.
<i>Latest Year Croatia</i>	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002		.
Croatia Value Latest Year	9.6	0.8	-7.2	25.9	1.2	4.4	5.2	31.4	68.5	6.3	100.8		.
<i>Latest Year Georgia</i>	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002		.
Georgia Value Latest Year	23.9	9.2	-6.8	11.0	5.7	4.9	1.6	9.6	40.3	4.8	66.5		.
Low-Middle Income Frmr. Sov. Union Avg.	12.9	4.3	-2.1	12.6	14.5	6.1	3.0	20.2	34.4	2.3	91.7		.
Low-Middle Income Avg.	10.5	6.8	-3.3	15.6	5.4	3.2	4.3	15.0	45.7	14.8	82.5		.
High Five Avg.	46.7	53.1	13.6	53.2	27.5	145.9	15.6	752.1	273.8	57.0	258.8		.
Low Five Avg.	-11.5	0.0	-208.0	1.0	-21.4	-3.1	0.3	2.0	9.0	0.0	23.4		.

External Sector (cont'd)							
	Net barter terms of trade	Real effective exchange rate (REER)	Structure of merchandise exports (agricultural raw materials exports, % of merchandise exports)	Structure of merchandise exports (fuel exports, % of merchandise exports)	Structure of merchandise exports (manufactures exports, % of merchandise exports)	Structure of merchandise exports (ores and metals exports, % of merchandise exports)	Trade policy index
Indicator Number	24S3	24S4	24S5a	24S5b	24S5c	24S5d	24S6
<b>Armenia Data</b>							
<i>Latest Year (T)</i>	.	2003	2002	2002	2002	2002	2004
Value Year T	.	89.0	1.8	3.8	60.7	17.5	2.0
Value Year T-1	.	95.9	.	.	.	.	1.0
Value Year T-2	.	105.3	5.1	10.6	43.1	22.4	1.0
Value Year T-3	.	116.2	3.9	8.7	62.6	13.5	1.0
Value Year T-4	.	122.4	.	.	.	.	1.0
Average Value, 5 year	.	105.8	.	.	.	.	1.2
Growth Trend	.	-4.9	.	.	.	.	14.9
<b>Benchmark Data</b>							
Regression Benchmark	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.
<i>Latest Year Croatia</i>	.	2002	2002	2002	2002	2002	2004
Croatia Value Latest Year	.	103.7	4.3	9.4	72.5	2.6	4.0
<i>Latest Year Georgia</i>	.	.	2001	2001	2001	2001	2004
Georgia Value Latest Year	.	.	2.5	8.9	35.1	27.2	4.0
Low-Middle Income Frmr. Sov. Union Avg.	.	105.8	2.4	35.5	43.9	6.8	3.5
Low-Middle Income Avg.	99.2	104.2	2.6	18.0	47.9	5.8	3.8
High Five Avg.	158.5	146.8	19.4	88.4	95.5	42.1	5.0
Low Five Avg.	57.6	68.0	0.0	0.0	2.2	0.0	1.4

Economic Infrastructure								
	Internet users per 1000 people	Overall infrastructure quality (perception)	Telephone density, fixed line and mobile, per 1000 people	Quality of Infrastructure air transport infrastructure index	Quality Infrastructure - port infrastructure	Quality of Infrastructre - railroad infrastructure	Quality of Infrastructure - Electricity supply infrastructure	Telephone cost, average local call
Indicator Number	25P1	25P2	25P3	25S1a	25S1b	25S1c	25S1d	25S2
<b>Armenia Data</b>								
<i>Latest Year (T)</i>	2003	.	2002	.	.	.	.	2001
Value Year T	39.5	.	161.7	.	.	.	.	0.02
Value Year T-1	18.4	.	146.5	.	.	.	.	0.11
Value Year T-2	18.4	.	144.9	.	.	.	.	0.11
Value Year T-3	13.2	.	145.2	.	.	.	.	0.11
Value Year T-4	.	.	148.6	.	.	.	.	0.12
Average Value, 5 year	.	.	149.4	.	.	.	.	0.09
Growth Trend	.	.	1.8	.	.	.	.	-29.6
<b>Benchmark Data</b>								
Regression Benchmark	40.6	.	221.1	.	.	.	.	.
Lower Bound	11.7	.		.	.	.	.	.
Upper Bound	69.5	.		.	.	.	.	.
<i>Latest Year Croatia</i>	2003	2004	2002	2004	2004	2004	.	2002
Croatia Value Latest Year	231.8	4.3	952.2	5.1	3.2	4.2	.	0.09
<i>Latest Year Georgia</i>	2003	2004	2002	2004	2004	2004	.	2002
Georgia Value Latest Year	30.8	.	233.5	.	.	.	.	0.0
Low-Middle Income Frmr. Sov. Union Avg.	40.5	3.3	237.2	3.3	3.4	4.8	.	0.03
Low-Middle Income Avg.	52.9	3.4	248.8	4.2	3.4	2.4	.	0.05
High Five Avg.	585.8	5.7	1,651.0	6.0	5.7	5.2	.	0.29
Low Five Avg.	0.9	1.5	4.5	2.4	1.3	1.1	.	0.00

<b>Science and Technology</b>			
	<b>Expenditure for R&amp;D, % GDP</b>	<b>FDI and technology transfer Index</b>	<b>Patent applications filed, residents</b>
<b>Indicator Number</b>	<b>26P1</b>	<b>26P2</b>	<b>26P3</b>
<b>Armenia Data</b>			
<i>Latest Year (T)</i>	2000	.	2001
<b>Value Year T</b>	0.2	.	75,657.0
<b>Value Year T-1</b>	.	.	58,277.0
<b>Value Year T-2</b>	.	.	40,272.0
<b>Value Year T-3</b>	.	.	33,899.0
<b>Value Year T-4</b>	.	.	25,122.0
<b>Average Value, 5 year</b>	.	.	46,645.4
<b>Growth Trend</b>	.	.	31.6
<b>Benchmark Data</b>			
<b>Regression Benchmark</b>	.	.	.
Lower Bound	.	.	.
Upper Bound	.	.	.
<i>Latest Year Croatia</i>	1999	2004	2001
<b>Croatia Value Latest Year</b>	1.0	3.9	76,491.0
<i>Latest Year Georgia</i>	1999	2004	2001
<b>Georgia Value Latest Year</b>	0.3	4.4	76,464.0
<b>Low-Middle Income Frm. Sov. Union Avg.</b>	0.7	4.1	81,124.5
<b>Low-Middle Income Avg.</b>	0.5	4.5	69,263.0
<b>High Five Avg.</b>	3.5	5.6	332,785.0
<b>Low Five Avg.</b>	0.2	3.3	53.4

Health									
	HIV prevalence	Life expectancy at birth	Maternal mortality rate	Access to improved sanitation	Access to improved water source	Births attended by skilled health personnel	Child immunization rate	Prevalence of child malnutrition (weight for age)	Public health expenditure, % GDP
Indicator Number	31P1	31P2	31P3	31S1	31S2	31S3	31S4	31S5	31S6
<b>Armenia Data</b>									
<i>Latest Year (T)</i>	2003	2002	2003	.	.	2000	2002	2001	2003
Value Year T	0.1	72.9	0.2	.	.	96.8	92.5	2.6	1.2
Value Year T-1	.	73.0	.	.	.	97.3	93.5	3.0	1.2
Value Year T-2	0.1	73.1	.	.	.	.	92.5	.	3.2
Value Year T-3	.	73.4	.	.	.	96.4	91.5	3.3	3.2
Value Year T-4	0.0	73.0	.	.	.	.	88.0	.	3.2
Average Value, 5 year	.	.	.	.	.	.	91.6	.	2.4
Growth Trend	.	.	.	.	.	.	1.2	.	7.4
<b>Benchmark Data</b>									
Regression Benchmark	.	67.7	0.3	.	.	.	.	.	.
Lower Bound	.	64.0	-1.1	.	.	.	.	.	.
Upper Bound	.	71.3	1.7	.	.	.	.	.	.
<i>Latest Year Croatia</i>	2003	2002	.	.	.	.	2002	.	2001
Croatia Value Latest Year	0.1	73.8	2.0	.	.	.	95.0	.	7.3
<i>Latest Year Georgia</i>	2003	2002	.	2000	2000	1999	2002	1999	2001
Georgia Value Latest Year	0.1	73.3	67.0	100.0	79.0	96.4	78.5	3.1	1.4
Low-Middle Income Frmr. Sov. Union Avg.	0.4	67.7	.	94.8	90.8	92.7	93.9	8.1	3.0
Low-Middle Income Avg.	2.4	67.5	.	81.3	85.2	84.4	87.8	10.0	3.4
High Five Avg.	30.2	80.3	.	100.0	100.0	99.6	99.0	45.1	8.0
Low Five Avg.	0.1	37.6	.	12.4	26.2	11.5	37.4	3.2	0.7

Education								
	Net primary enrollment rate	Persistence in school to grade 5 (Total)	Youth literacy rate	Education expenditure, primary, %GDP	Expenditure per student, % GDP per capita, primary	Expenditure per student, % GDP per capita, secondary	Expenditure per student, % GDP per capita, tertiary	Pupil-teacher ratio, primary school
Indicator Number	32P1	32P2	32P3	32S1	32S2a	32S2b	32S2c	32S3
<b>Armenia Data</b>								
<i>Latest Year (T)</i>	2003	.	2002	.	2001	2001	2001	2002
Value Year T	84.9	.	99.8	.	14.8	38.9		18.8
Value Year T-1	84.5	.	99.7	.	.	.		18.8
Value Year T-2	85.2	.	99.7	.	.	.		.
Value Year T-3	.	.	99.7	.	.	.		.
Value Year T-4	.	.	.	.	.	.		.
Average Value, 5 year	.	.	.	.	.	.		.
Growth Trend	.	.	.	.	.	.		.
<b>Benchmark Data</b>								
Regression Benchmark	89.1	78.8	97.0	.	.	.		.
Lower Bound	82.2	70.6	89.6	.	.	.		.
Upper Bound	96.0	87.0	104.5	.	.	.		.
<i>Latest Year Croatia</i>	2001	.	2002	.	.	2001		2001
Croatia Value Latest Year	89.0	.	.	.	.	36.4		17.9
<i>Latest Year Georgia</i>	2001	.	2002	.	.	.		2001
Georgia Value Latest Year	91.0	.	.	.	.	.		13.8
Low-Middle Income Frmr. Sov. Union Avg.	87.7	.	99.8	33.7	17.4	20.8		17.3
Low-Middle Income Avg.	89.6	84.1	93.5	12.1	14.7	54.4		24.5
High Five Avg.	99.7	100.1	99.8	17.4	40.8	285.2		63.5
Low Five Avg.	38.4	42.5	46.4	6.5	6.3	13.2		12.2



Employment and Workforce							
Indicator Number	Labor force participation rate (total)	Labor force participation rate (male)	Labor force participation rate (female)	Rigidity of employment index	Size and growth of the labor force (labor force, total)	Size and growth of the labor force (labor force, annual percent change)	Unemployment rate
	33P1a	33P1a	33P1c	33P2	33P3a	33P3b	33P4
<b>Armenia Data</b>							
<i>Latest Year (T)</i>	2002	2003	2004	2002	2002	2003	2001
Value Year T	0.7	51.0	49.0	36.0	1,572,043.2	0.3	10.1
Value Year T-1	0.7	51.0	49.0	.	1,567,270.0	0.1	10.8
Value Year T-2	0.8	51.0	49.0	.	1,565,336.0	-0.2	10.4
Value Year T-3	0.7	51.0	49.0	.	1,567,912.8	-0.3	11.7
Value Year T-4	0.7	52.0	48.0	.	1,573,004.5	-0.5	11.2
Average Value, 5 year	0.7	.	.	.	1,569,113.3	-0.1	.
Growth Trend	-0.2	.	.	.	0.0	.	.
<b>Benchmark Data</b>							
Regression Benchmark	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.
<i>Latest Year Croatia</i>	2002	.	2003	2004	2002	2002	2002
Croatia Value Latest Year	0.7	.	44.0	57.0	2,112,838.0	0.1	15.2
<i>Latest Year Georgia</i>	2002	.	2003	2004	2002	2002	2001
Georgia Value Latest Year	0.7	.	47.0	49.0	2,573,486.7	-0.5	11.0
Low-Middle Income Frmr. Sov. Union Avg.	0.7	.	47.0	44.7	15,639,349.1	0.5	6.9
Low-Middle Income Avg.	0.7	.	43.0	42.5	29,430,671.6	1.9	11.5
High Five Avg.	1.0	.	.	84.6	314,737,511.1	4.6	21.2
Low Five Avg.	0.5	.	.	7.4	119,897.6	-5.2	2.6

Agriculture						
Indicator Number	Agriculture value added per worker 34P1	Cereal yield 34P2	Growth in agricultural value-added 34P3	Agricultural policy costs index 34S1	Crop production index 34S2	Livestock Production Index 34S3
<b>Armenia Data</b>						
<i>Latest Year (T)</i>	2002	2003	.	2002	2002	
Value Year T	3,000.4	2,169.9	4.3	.	103.1	70.2
Value Year T-1	2,653.1	1,886.8	3.8	.	102.3	67.4
Value Year T-2	2,642.9	1,183.5	11.7	.	94.1	66.2
Value Year T-3	2,545.8	1,750.8	-1.1	.	102.0	66.6
Value Year T-4	2,196.1	1,746.2	1.4	.	103.8	64.2
Average Value, 5 year	2,607.7	1,747.4	4.0	.	101.1	66.9
Growth Trend	6.9	5.2	.	.	-0.1	1.9
<b>Benchmark Data</b>						
Regression Benchmark	1,482.5	.	.	.	.	.
Lower Bound	881.1	.	.	.	.	.
Upper Bound	2,083.9	.	.	.	.	.
<i>Latest Year Croatia</i>	2001	2002	2002	2004	2002	2002
Croatia Value Latest Year	10,098.0	5,195.2	2.0	2.4	100.9	49.2
<i>Latest Year Georgia</i>	.	2002	2002	2004	2002	2002
Georgia Value Latest Year	.	1,941.2	-1.4	3.0	43.5	94.2
Low-Middle Income Frmr. Sov. Union Avg.	2,231.6	2,219.0	3.0	2.7	80.7	74.7
Low-Middle Income Avg.	2,423.0	2,399.7	1.8	3.5	114.1	121.4
High Five Avg.	59,160.4	7,524.5	14.6	4.6	290.1	265.6
Low Five Avg.	127.4	260.6	-23.3	2.6	49.7	33.9



# Technical Notes

The following technical notes are intended to provide a full, concise definition; the source; gaps in USAID countries coverage; any significant data quality problems observed; and the CAS Code number for each indicator. In most cases, this information was taken directly from the original source.

## GROWTH PERFORMANCE

### Per capita GDP, current US dollars

Source: IMF World Economic Outlook database

<http://www.imf.org/external/pubs/ft/weo/2004/02/data/index.htm>

Definition: GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products.

Gaps: Available for most USAID countries.

CAS Code #11P2

### Per capita GDP, purchasing power parity dollars

Source: IMF World Economic Outlook database

<http://www.imf.org/external/pubs/ft/weo/2004/02/data/index.htm>

Definition: This indicator adjusts per capita GDP measured in current U.S. dollars for differences in purchasing power across countries, by using the Purchasing Power Parity (PPP) exchange rate, an exchange rate derived from the perceived parity of the purchasing power of a currency in relation to another currency.

Gaps: Available for most USAID countries.

CAS Code #11P1

### Real GDP growth

Source: World Development Indicators (NY.GDP.MKTP.KD.ZG) for benchmark data; latest country data from IMF Article IV Review Reports available at [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. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus 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.

Gaps: Available for most USAID countries.

CAS Code #11P3

### Growth of labor productivity

Source: World Development Indicators. Estimated by calculating annual percentage change of the ratio of GDP (constant 1995 US\$) (NY.GDP.MKTP.KD) to the total population ages 15-64, (SP.POP.1564.TO).

Definition: Labor productivity is defined as the ratio of GDP in constant prices to the size of the working age population (defined as the population between ages 15 and 64 years by the World Bank). Gaps: Data available for most USAID countries.

CAS Code #11S1

### Investment productivity --incremental capital-output ratio (ICOR)

Source: Latest country data computed from IMF article IV Consultation Reports; international benchmark data computed from the World Development Indicators. It is the ratio of the five-year average of the share of fixed investment (NE.GDI.FTOT.ZS) and the five-year average of GDP growth (NY.GDP.MKTP.KD.ZG).

Definition: The ICOR is the ratio of the share of fixed investment in GDP to the growth rate of GDP, revealing the quantity of capital needed to increase output by one unit.

Gaps: Available for most USAID countries

CAS Code #11S2

### Gross fixed investment, percentage of GDP

Source: IMF article IV Consultation Reports for latest country data; international benchmark from the World Development Indicators. (NE.GDI.FTOT.ZS)

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

Gaps: Available for most USAID countries.

CAS Code #11S3

### Gross fixed private investment, percentage of GDP

Source: IMF Article IV Consultation Reports, for latest country data; World Development Indicators, for international comparison data.

Estimating this indicator involves two steps: first, the product of Capital expenditure (% of total expenditure) (GB.XPK.TOTL.ZS) and Expenditure, total (% of GDP) (GB.XPD.TOTL.GD.ZS) will estimate the share of government fixed investment in GDP. Next, subtracting this figure from Gross fixed capital formation (% of GDP) (NE.GDI.FTOT.ZS) will estimate the share of private gross fixed investment in GDP.

Gaps: Available for most USAID countries.

Data Quality: National statistics offices may have different methodologies for breaking down government budget expenditures into current and capital.

CAS Code #11S4

## POVERTY AND INEQUALITY

### Human poverty index

Source: UNDP- Human Development Report.

[http://hdr.undp.org/reports/global/2004/pdf/hdr04\\_HDI.pdf](http://hdr.undp.org/reports/global/2004/pdf/hdr04_HDI.pdf) for 2004 edition; updates should be found at

[http://hdr.undp.org/reports/view\\_reports.cfm?type=1](http://hdr.undp.org/reports/view_reports.cfm?type=1)

Definition: The index measures the proportion of people not expected to meet target levels for given economic and quality of life indicators: (1) Percentage of people not expected to survive to age 40. (2) Percentage of adults who are illiterate. (3) Percentage of people who fail to attain a 'decent living standard' 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 people with underweight children.

Gaps: Available for the majority USAID countries.

CAS Code #12P1

### Income share held by lowest 20%

Source: World Development Indicators (SI.DST.FRST.20), World Bank staff estimates based on primary household survey data obtained from government statistical agencies and World Bank country departments. Alternate source: Country Poverty Reduction Strategy Paper

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

Definition: Share of income or consumption that accrues to the poorest quintile of the population.

Gaps: Available for most USAID countries, although data is several years old.

CAS Code #12P2

### Percentage of population living on less than \$1 PPP per day

Source: World Development Indicators, (SI.POV.DDAY), original data from National Surveys. Alternate source: Country Poverty Reduction Strategy Paper. <http://www.imf.org/external/np/prsp/prsp.asp>

Definition: Population below \$1 a day is the percentage of the population living on less than \$1.08 a day at 1993 international prices. Gaps: Not available for about 21 USAID countries.

Data Quality: As a result of revisions in PPP exchange rates, poverty rates cannot be compared with poverty rates reported previously for individual countries. Poverty data originate from household survey questionnaires which can differ widely, and even similar surveys may not be strictly comparable because of difference in quality.

CAS Code #12P3

### Population below minimum dietary energy consumption

Source: UN Millennium Indicators Database at

[http://millenniumindicators.un.org/unsd/mi/mi\\_series\\_results.asp?rowId=566](http://millenniumindicators.un.org/unsd/mi/mi_series_results.asp?rowId=566) based on FAO estimates.

Definition: Proportion of the population unable to obtain a level of dietary energy consumption needed to survive.

Gaps: Available for the majority of USAID countries.

CAS Code #12S1

### Poverty headcount, national poverty line

Source: World Development Indicators, (SI.POV.NAHC), original data from national surveys. Alternate source: Country 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.

*Gaps:* Data unavailable for 55 USAID countries.

*Data Quality:* Measuring the percentage of people below the “national poverty line” has the major disadvantage of not allowing international comparisons. In some countries, the poverty line may be drawn at levels of income required to have only sufficient food or food plus other necessities and not an official poverty line. There are even problems in comparing poverty measures within the country between urban and rural areas. The cost of living is typically higher in urban areas, but the differences between the urban and rural poverty lines may not reflect the difference in cost of living.

CAS Code #12P4

#### **PRSP Status**

*Source:* World Bank/IMF. A list of countries with a Poverty Reduction Strategy Paper (PRSP) can be found at

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

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

*Gaps:* None

CAS Code #12P5

#### **Poverty gap at \$1 PPP a day**

*Source:* World Development Indicators, (SI.POV.GAPS), original data from national surveys. Alternate source: Country Poverty Reduction Strategy Paper. <http://www.imf.org/external/np/prsp/prsp.asp>

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

*Gaps:* Data is not available for about 24 USAID countries.

CAS Code #12S2

## **ECONOMIC STRUCTURE**

#### **Labor force structure**

*Source:* World Development Indicators (SL.AGR.EMPL.ZS), (SL.IND.EMPL.ZS), and (SL.SRV.EMPL.ZS). Alternate source: CIA World Fact Book <http://www.cia.gov/cia/publications/factbook/>.

*Definition:* The labor force structure measures employment by major economic activity (agriculture, industry and services) as a percentage of total employment.

*Gaps:* Unavailable for 58 USAID countries.

*Data Quality:* Employment data are compiled from many different sources and are therefore normally incomparable across countries. Moreover, national practices vary considerably.

CAS Code #13P1

#### **Output structure**

*Source:* World Development Indicators (NV.AGR.TOTL.ZS), (NV.IND.TOTL.ZS), and (NV.SRV.TETC.ZS).

*Definition:* The output structure is comprised of value added by major sectors of the economy (agriculture, industry and services) as a percentage of GDP. Value added is defined as the value of the gross output of producers less the value of intermediate goods and services consumed in production, before taking account of the consumption of fixed capital in the production process.

*Gaps:* Unavailable for about 12 USAID countries.

*Data Quality:* Among the difficulties faced by compilers of national accounts is the extent of unreported economic activity in the informal or secondary 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. Agricultural production often must be estimated indirectly, using a combination of methods involving estimates of inputs, yields, and area under cultivation. This approach sometimes leads to crude approximations that can differ from the true values over time and across crops for reasons other than climatic conditions or farming techniques. Ideally, industrial output should be measured through regular censuses and surveys of firms. But in most developing countries such surveys are infrequent, so earlier survey results must be extrapolated using an appropriate indicator.

CAS Code #13P2

## **DEMOGRAPHY AND ENVIRONMENT**

#### **Adult literacy rate**

*Source:* World Development Indicators; (SE.ADT.LITR.ZS) based on UNESCO calculations.

*Definition:* Percentage of people ages 15 and over who cannot, with understanding, read and write a short, simple statement about their daily life.

*Gaps:* Available for most USAID countries.

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

CAS Code # 14P1

#### **Age dependency rate**

*Source:* World Development Indicators, (SP.POP.DPND).

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

*Gaps:* Available for most USAID countries.

CAS Code #14P2

#### **Environmental sustainability index**

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

*Definition:* The ESI is a composite index integrating data sets tracking natural resource endowments, past and present pollution levels, environmental management efforts, and the capacity of a society to improve its environmental performance into 21 indicators of environmental sustainability.

*Gaps:* Available for most USAID countries.

CAS Code #13P3

#### **Population size (in millions) and growth**

*Source:* World Development Indicators (SP.POP.TOTL), and (SP.POP.GROW).

*Definition:* Total population counts all residents regardless of legal status or citizenship—except for refugees not permanently settled in the country of asylum, that are generally considered part of the population of their country of origin. Annual population growth rate is based on the de facto definition of population.

*Gaps:* Available for most USAID countries.

CAS Code # 14P4

#### **Urbanization rate**

*Source:* World Development Indicators, (SP.URB.TOTL.IN.ZS).

*Definition:* The midyear population of areas defined as urban in each country and reported to the United Nations as a percentage of the total population of a country, including all residents regardless of legal status or citizenship.

*Gaps:* Available for most USAID countries.

*Data Quality:* The estimates are based on national definitions of what constitutes a city or metropolitan area; thus, cross-country comparisons should be made with caution.

CAS Code #14P5

## **GENDER**

#### **Ratio of male to female adult literacy rate**

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

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

*Gaps:* Unavailable for about 20 USAID countries

CAS Code #15P1

#### **Ratio of male to female gross enrollment rate, all levels of education**

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

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

*Gaps:* Unavailable for about 20 USAID countries.

CAS Code # 15P2

#### **Ratio of male to female life expectancy**

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

*Definition:* Male to female ratio Life expectancy at birth (years), male, divided by the Life expectancy at birth (years), Female.

*Gaps:* Unavailable for about 20 USAID countries.

CAS Code #15P3

## FISCAL AND MONETARY POLICY

### Composition of government expenditure

*Source:* Constructed with IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data: Categories are (1) Subsidies and other current transfers (GB.XPC.TRFT.ZS), (2) Wages and salaries (GB.XPC.WAGE.ZS), (3) Interest payments (GB.XPC.INTP.ZS), (4) Goods and services expenditure (GB.XPC.GSRV.ZS), and (5) Capital expenditure (GB.XPC.TOTL.ZS), all as percentage of GDP. Original data from International Monetary Fund, Government Finance Statistics Yearbook and data files.

*Definition:* The central governments' expenditure broken down by categories: subsidies and other current transfers, wages and salaries, interest payments, goods and services expenditure, and capital expenditure.

*Gaps:* Available for about 30 USAID countries.

*Data Quality:* Many countries report their revenue in non-comparable categories.

*CAS Code # 21S1*

### Composition of government revenue

*Source:* Constructed with IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data: categories are (1) Taxes on goods and services, (GB.TAX.GSRV.RV.ZS); (2) Taxes of income, profits and capital gains (GB.TAX.YPKG.RV.ZS); (3) Social security taxes, (GB.TAX.SSEC.RV.ZS); (4) Taxes in international trade, (GB.TAX.INTT.RV.ZS); and (5) Non-tax revenue, (GB.NTX.TOTL.RV.ZS). [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm) can be used.

*Definition:* Breakdown of central government revenue sources per the following taxes on goods and services; taxes of income, profits and capital gains; social security taxes; taxes in international trade, non-tax revenue as a percentage of total revenue.

*Gaps:* Available for about 34 USAID countries.

*Data Quality:* Many countries report their revenue in non-comparable categories. There is no systematic method for taxing and reporting.

*CAS Code # 21S2*

### Composition of money supply growth

*Source:* IMF Article IV Reviews [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm). Estimated, using the annual change of (1) domestic credit to central government, (2) domestic credit to the private sector, (3) domestic credit to Non-financial Public Enterprises, (4) domestic credit to other financial institutions, (4) reserves and (5) other domestic credit; each divided by the annual change of the money supply. Money supply is M2.

*Definition:* Change in money supply (M2-growth) disaggregated into five categories domestic credit to central government, domestic credit to the private sector, domestic credit to non-financial public enterprises, domestic credit to other financial institutions, reserves, and other domestic credit.

*Gaps:* Data missing for about 6 USAID countries.

*CAS Code # 21S3*

### Government expenditure, percentage of GDP

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

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

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

*CAS Code # 21P1*

### Government revenue, percentage of GDP

*Source:* IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data (GB.RVC.TOTL.GD.ZS). Original data from the International Monetary Fund, 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*

### Inflation rate

*Source:* IMF World Economic Outlook database <http://www.imf.org/external/pubs/ft/weo/2004/02/data/index.htm>

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

*Gaps:* Available for most USAID countries.

*Data Quality:* It should be noted that for many developing countries, figures for recent years are IMF staff estimates. Additionally, data for some countries are for fiscal years.

*CAS Code #21P4*

### Money supply growth

*Source:* IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data (FM.LBL.MQMY.ZG). Original data from International Monetary Fund, International Financial Statistics, and World Bank estimates.

*Definition:* Percent change in money and near-money

*Gaps:* Data missing for about 8 USAID countries.

*CAS Code #21P3*

### Overall budget balance, including grants, percentage of GDP

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

*Definition:* The difference between central government's total revenue including official grants received, and total expenditure.

*Gaps:* Data missing for 23 USAID countries.

*CAS Code # 21P5*

## BUSINESS ENVIRONMENT

### Corruption perception index

*Source:* Transparency International

*Definition:* Measure of perception of corruption derived from surveys of business people and country analysts.

<http://www.transparency.org/cpi/2004/cpi2004.en.html>

*Gaps:* Data missing for about 11 USAID countries.

*Data Quality:* This indicator uses perception and opinions gathered from local businessmen as well as third-party experts and not hard empirical data; thus, the indicator is largely subjective making international comparisons difficult.

*CAS Code # 22P1*

### Doing business composite index

*Source:* World Bank, Doing Business.

<http://rru.worldbank.org/DoingBusiness/>

Doing business composite index is estimated by scaling all the "Doing business" indicators from 0 (lowest in the world) to 100 (highest) and then taking a simple average of all the scaled indicators.

*Definition:* Index measuring the quality of a country's business environment, composed of performance measures and indicators related to Starting a Business, Registering Property, Getting Credit; Protecting Investors; Enforcing Contracts and Closing a Business in a given country.

*Gaps:* Gaps in coverage of 10 USAID Countries.

*CAS Code # 22P2*

### Rule of law index

*Source:* World Bank Institute;

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

*Definition:* The Rule of Law Index is an aggregation of various indicators which measure the extent to which agents have confidence in and abide by the rules of society. This indicator is based on the measurement of perceptions of the legal system, drawn from 12 separate data sources.

*Gaps:* Available for most USAID countries

*Data Quality:* This index is best used for relative comparisons between countries in a single year. It is difficult to use the index to track a country's progress over time as the index does not compensate against a change in the world average and, as a result, changing world trends may skew results over time—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. Conditions could stay the same (or even worsen) yet the country would show an improvement in its score as a result of the world average falling.

*CAS Code #22P3*

### Cost to start a business; % of GNI per capita

*Source:* World Bank, Doing Business. Indicator is found under the Starting a Business category

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

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

*Gaps:* Data for about 10 USAID countries missing.

*CAS Code #22S1*

#### **Procedures to enforce a contract**

*Source:* World Bank, Doing Business. The indicator is found under the “Enforcing Contracts” category-

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

*Definition:* Number of procedures required to enforce recovery of a valid debt contract through the court system (excluding any possible appeals. A procedure is defined as any interactive step the company must undertake with external parties (government agencies, lawyers, notaries, etc.) to proceed with the enforcement action.

*Gaps:* Gaps in coverage of 10 USAID Countries.

*CAS Code # 22S2*

#### **Procedures to register property**

*Source:* World Bank, Doing Business. The indicator is found under the “Registering Property” category-

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

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

*Gaps:* Gaps in coverage of 10 USAID countries.

*CAS Code #22S3*

#### **Procedures to start a business**

*Source:* World Bank, Doing Business. Indicator is found under the Starting a Business category

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

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

*Gaps:* Gaps in coverage of 10 USAID Countries.

*CAS Code # 22S4*

#### **Time to enforce a contract**

*Source:* World Bank, Doing Business. The indicator is found under the “Enforcing Contracts” category-

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

*Definition:* Minimum length of time, measured in days, required to enforce a contract through the court system of a given country.

*Gaps:* Gaps in Coverage of 10 USAID Countries.

*CAS Code # 22S5*

#### **Time to register property**

*Source:* World Bank, Doing Business. The indicator is found under the “Registering Property” category-

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

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

*Gaps:* Gaps in coverage of 10 USAID countries.

*CAS Code #22S6*

#### **Time to start a business**

*Source:* World Bank, Doing Business. Indicator is found under the Starting a Business category

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

*Definition:* Time to start a business is the time, measured in 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.

*Gaps:* Gaps in coverage of about 10 USAID Countries.

*CAS Code #22S7*

## FINANCIAL SECTOR

#### **Cost to Create Collateral**

*Source:* World Bank Doing Business. Indicator can be found under the “Getting Credit” category-

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

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

*Gaps:* Data missing for 10 USAID countries.

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

*CAS Code #23S1*

#### **Country credit rating**

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

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

*Definition:* Bankers’ and fund managers’ perception of the country’s risk of default based on a semi-annual survey.

*Gaps:* Data missing for 35 USAID countries.

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

*CAS Code # 23S2*

#### **Domestic credit to private sector, percent of GDP**

*Source:* IMF Article IV Reviews for latest country data; World Development Indicators for benchmarking data (FS.AST.PRVT.GD.ZS). Original data comes from International Monetary Fund, International Financial Statistics and data files, and World Bank estimates.

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

*Gaps:* Data missing for about 6 USAID countries.

*CAS Code # 23P1*

#### **Interest rate spread**

*Source:* World Development Indicators (FR.INR.LNDP). Original data from International Monetary Fund, International Financial Statistics and data files.

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

*Gaps:* Data missing for 22 USAID countries.

*CAS Code # 23P2*

#### **Legal rights of borrowers and lenders**

*Source:* World Bank Doing Business. Indicator can be found under the “Getting Credit” category-

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

*Definition:* The index measures the degree to which collateral and bankruptcy laws facilitate lending. It is based on data collected through research of collateral and insolvency laws supported by the responses to a survey on secured transactions laws. It includes three aspects related to legal rights in bankruptcy, and seven aspects found in collateral law.

*Gaps:* About 10 USAID countries are not covered

*CAS Code # 23S3*

#### **Money supply, percent of GDP**

*Source:* World Development Indicators. FM.LBL.MOMY.GD.ZS. Original data from International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates.

*Definition:* Money supply (M2), also called broad money, and is defined as non-bank private sector’s holdings of notes, coins and demand deposits plus savings deposits and foreign currency deposits.

*Gaps:* Gaps in 8 USAID countries

*Data Quality:* In some countries M2 includes Certificates of Deposits (CDs), money market instruments, and/or treasury bills.

*CAS Code # 23P3*

#### **Real interest rate**

*Source:* World Development Indicators (FR.INR.RINR)

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

*Gaps:* Available for most USAID countries

*CAS Code # 24P4*

#### **Stock Market Capitalization Rate, % of GDP**

*Source:* World Development Indicators (CM.MKT.LCAP.GD.ZS)



*Definition:* Market capitalization (also known as market value) is 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.

*Gaps:* Available for less than twenty countries.

*CAS Code # 23P4*

## EXTERNAL SECTOR

### Aid as a percentage of GNI

*Source:* IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data (DT.ODA.ALLD.GN.ZS)

*Definition:* Official Development Assistance and official aid from non-OECD countries as a percentage of Gross National Income.

*Gaps:* For 2002, the indicator was unavailable for 6 USAID countries.

*Data Quality:* The data does not include aid given by recipient countries to other recipient countries. Additionally, the data may not always be consistent with individual country's balance sheets, as the data are collected from donors and not recipients.

*CAS Code #24P1*

### Concentration of exports

*Source:* ITC COMTRADE. <http://www.intracen.org/tradstat/sitc3-3d/indexre.htm> The indicator needs to be constructed by sorting a country's exports, at the SITC (Rev. 3) 3-digit level, aggregating the value for the top 3 product groups, and dividing by the country's total exports.

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

*Gaps:* Available for most countries

*Data Quality:* Trade data are never complete. Smuggling and non-reporting represent a serious problem in a number of countries. In addition, trade statistics, like any source of information, are not free of mistakes and omissions. For countries that do not report trade data to the United Nations, ITC uses partner country data, an approach referred to as mirror statistics. Mirror statistics are a second-best solution being better than having no data at all. At the same time, they have a number of shortcomings- they do not cover trade with other non-reporting countries; there is the problem of transshipments, which may hide the actual source of supply. Third, mirror statistics invert the reporting standards by valuing exports in c.i.f. terms (i.e. including transport cost and insurance) and imports in f.o.b. terms (excluding these items).

*CAS Code # 24S1*

### Current Account Balance, percent of GDP

*Source:* IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data (BN.CAB.XOKA.GD.ZS), based on International Monetary Fund, Balance of Payments Statistics Yearbook and data files, and World Bank staff estimates, and World Bank and OECD GDP estimates.

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

*Gaps:* Available for most countries.

*CAS Code # 24P2*

### Debt service ratio

*Source:* IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data (DT.TDS.DECT.EX.ZS), Global Development Finance.

*Definition:* Total debt service is the sum of principal repayments and interest actually paid in foreign currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF. Exports of goods and services include income and workers' remittances.

*Gaps:* Available for most USAID countries

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

*CAS Code # 24P3*

### Foreign Direct Investment, percent of GDP

*Source:* IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data (BX.KLT.DINV.DT.GD.ZS), based on International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, Global Development Finance, and World Bank and OECD GDP estimates.

*Definition:* Foreign direct investment is net inflows 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.

*Gaps:* Available for a majority of USAID countries

*CAS Code #24P5*

### Gross international reserves, months of imports

*Source:* IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data, (FL.RES.TOTL.MO).

*Definition:* Gross international reserves comprise holdings of monetary gold, special drawing rights (SDRs), the reserve position of members in the International Monetary Fund (IMF), and holdings of foreign exchange under the control of monetary authorities. The indicator shows reserves expressed in terms of the number of months of imports of goods and services which could be paid for.

*Gaps:* Available for most USAID countries

*CAS Code # 24P6*

### Gross Private Capital Flows, percent GDP

*Source:* IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data, (BG.KAC.FNEI.GD.ZS), based on International Monetary Fund, Balance of Payments database, and World Bank GDP estimates.

*Definition:* Gross private capital flows are the sum of the absolute values of direct, portfolio, and other investment inflows and outflows recorded in the balance of payments financial account, excluding changes in the assets and liabilities of monetary authorities and general government. The indicator is calculated as a ratio to GDP in U.S. dollars.

*Gaps:* Data missing for about 30 USAID countries.

*Data Quality:* The indicators on gross capital flows are calculated from detailed accounts, since higher-level aggregates would result in smaller totals by netting out credits and debits. The comparability of the data between countries and over time is affected by the accuracy and completeness of balance of payments records and by their level of detail. Capital flows are converted to U.S. dollars at the International Monetary Fund's average official exchange rate for the year shown.

*CAS Code #24P7*

### Exports growth, goods and services

*Source:* IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data (NE.EXP.GNFS.KD.ZG) based on World Bank national accounts data, and OECD National Accounts data files. Latest country data from IMF Article IV Review Reports available at [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm)

*Definitions:* Annual growth rate of exports of goods and services based on constant local currency. They 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.

*Gaps:* Available for most countries.

*CAS Code # 24P4*

### Inward FDI Potential Index

*Source:* UNCTAD. This indicator can be downloaded online at <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=2471&lang=1>

*Definition:* The Inward FDI Potential Index captures several factors (apart from market size) expected to affect an economy's attractiveness to foreign investors. It is an average of the values (normalized to yield a score between zero, for the lowest scoring country, to one, for the highest) of 12 variables with no particular weights.

*Gaps:* Available for most USAID countries

*CAS Code # 24S2*

### Net barter terms of trade

*Source:* World Development Indicators; TT.PRI.MRCH.XD.WD

*Definition:* Net barter terms of trade are calculated as the ratio of the export price index to the corresponding import price index measured relative to the base year 1995.

*Gaps:* Available for more than half of USAID countries

*CAS Code # 24S3*

### Present value of debt, percent of GNI

*Source:* World Development Indicators, (DT.DOD.PVLX.GN.ZS), Global Development Finance.

*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.

*Gaps:* Available for a majority of USAID countries

*Data Quality:* The coverage, quality, and timeliness of debt data vary across countries. Coverage varies for both debt instruments and borrowers. With the widening spectrum of debt instruments and investors and the expansion of private non-guaranteed borrowing, comprehensive coverage of long-term external debt becomes more complex. Reporting countries differ in their capacity to monitor debt, especially private non-guaranteed debt. Even data on public and publicly guaranteed debt are affected by coverage and accuracy in reporting--again because of monitoring capacity and sometimes because of unwillingness to provide information. A key part often underreported is military debt. Because flow data are converted at annual average exchange rates and stock data at end-of-period exchange rates, year-to-year changes in debt outstanding and disbursed are sometimes not equal to net flows (disbursements less principal repayments); similarly, changes in debt outstanding, including un-disbursed debt, differ from commitments less repayments. Discrepancies are particularly significant when exchange rates have moved sharply during the year. Cancellations and re-scheduling of other liabilities into long-term public debt also contribute to the differences. Variations in reporting rescheduled debt also affect cross-country comparability. For example, rescheduling under the auspices of the Paris Club of official creditors may be subject to lags between the completion of the general rescheduling agreement and the completion of the specific, bilateral agreements that define the terms of the rescheduled debt.

*CAS Code # 24P8*

### Real effective exchange rate (REER)

*Source:* IMF Article IV Reviews

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

*Definition:* Index number with base 1995=100, it is the nominal effective exchange rate (a measure of the value of a currency against a weighted average of several foreign currencies) divided by a price deflator or index of costs.

*Gaps:* Available for about 28 USAID countries only

*Data Quality:* Because of conceptual and data limitations, changes in real effective exchange rates should be interpreted with caution. Real effective exchange rates are derived by deflating a trade-weighted average of the nominal exchange rates that apply between trading partners. For most high-income countries the weights are based on trade in manufactured goods with other high-income countries in 1989-91, and an index of relative, normalized unit labor costs is used as the deflator. (Normalization smoothes a time series by removing short-term fluctuations while retaining changes of a large amplitude over the longer economic cycle.) For other countries the weights before 1990 take into account trade in manufactured and primary products in 1980-82, the weights from January 1990 onward take into account trade in 1988-90, and an index of relative changes in consumer prices is used as the deflator.

*CAS Code # 24S4*

### Remittances receipts, percent of exports

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

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

World Development Indicators for benchmarking data. This indicator needs to be constructed from two data series, Worker's Remittances (receipts) (BX.TRF.PWKR.CD) divided by Exports of Goods and Services ((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.

*Gaps:* Available for more than half of USAID countries.

*CAS Code # 24P9*

### Structure of merchandise exports

*Source:* World Development Indicators. Four data series are used: Agricultural raw materials exports (% of merchandise exports) (TX.VAL.AGRI.ZS.UN); Manufactures exports (% of merchandise exports) (TX.VAL.MANF.ZS.UN); Ores and metals exports (% of merchandise exports) (TX.VAL.MMTL.ZS.UN); Fuel exports (% of merchandise exports) (TX.VAL.FUEL.ZS.UN). The indicator is presented at two points time. To smooth out year-to-year fluctuations, two 3 year-averages, i.e. 1995-1997 and 2000-2002 are presented.

*Definition:* Composition of merchandise exports by major commodity group- agricultural raw materials; fuels; ores and metals; and manufactures.

*Gaps:* Available for most countries

*Data Quality:* The classification of commodity groups is based on the Standard International Trade Classification (SITC) revision 1. Most countries now report using later revisions of the SITC or the Harmonized System. Concordance tables are used to convert data reported in one system of nomenclature to another. The conversion process may

introduce some errors of classification, but conversions from later to early systems are generally reliable. Shares may not sum to 100 percent because of unclassified trade.

*CAS Code # 24S5*

### Trade in goods and services, as a percentage of GDP

*Source:* IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data (NE.TRD.GNFS.ZS)

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

*Gaps:* Data for 8 USAID countries missing.

*CAS Code # 24P10*

### Trade Policy Index

*Source:* Index of Economic Freedom, Heritage Foundation. The Trade Policy Score is one of the components of the Index of Economic Freedom. Both indicators can be found on-line at <http://www.heritage.org/research/features/index/downloads.cfm>

*Definition:* The trade policy score is given by the index authors based on a country's weighted average tariff rate (weighted by imports from the country's trading partners), non-tariff barriers, and corruption in the custom service. It measures the degree to which government hinders the free flow of foreign commerce.

*Gaps:* Available for most countries

*Data Quality:* The trade policy score is subjective, since Heritage professionals assign scores to each country. Further, they do not always grade trade policy based on consistent, comparable data for each country (for example, when a country's average tariff rate is not available, their authors based their grading on the revenue raised from tariffs and duties as a percentage of total imports of goods). Indeed, countries do not report simple or weighted average tariff rates every year.

*CAS Code # 24S6*

## ECONOMIC INFRASTRUCTURE

### Internet users per 1000 people

*Source:* International Telecommunication Union-ITU report and database.

*Definition:* Internet users are defined as those with access to the world-wide network

*Gaps:* Available for most USAID countries.

*CAS Code # 25P1*

### Overall Infrastructure Quality

*Source:* Global Competitiveness Report 2004-2005, World Economic Forum. The indicator can be found in the Data Tables, Section V. General Infrastructure; 5.01.

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

*Gaps:* The GCR includes about 50 USAID countries

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

*CAS Code # 25P2*

### Telephone density, fixed line and mobile

*Source:* World Development Indicators (IT.TEL.TOTL.P3)

*Definition:* Sum of telephone mainlines and mobile phones per 1000 people and mobile phones per 1000 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.

*Gaps:* Available for most USAID countries.

*CAS Code #25P3*

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

*Source:* Global Competitiveness Report 2004-2005, World Economic Forum. The indicators can be found in the Data Tables, Section V. General Infrastructure; 5.02, 5.03, 5.04, and 5.05 for Railroad, Port, Air Transport, and Electricity, respectively.

*Definitions:* Executive's perceptions of whether Executive's perceptions of whether infrastructure in their country is 1 as underdeveloped or 7 as extensive and efficient as the world's best.

*Gaps:* Approximately, 40 USAID countries are missing in the GCR Executive Opinion Survey.

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

*CAS Code #25S1*

### Telephone cost, average local call

CAS Code # 34P1

#### **Cereal yield**

*Source:* World Development Indicators (EA.PRD.AGRI.KD) based on Food and Agriculture Organization (FAO), 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. Cereal crops harvested for hay or harvested green for food, feed, or silage and those used for grazing are excluded.

*Gaps:* Most USAID countries covered

*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:* IMF Article IV Reviews for latest country data [www.imf.org/external/np/sec/aiv/index.htm](http://www.imf.org/external/np/sec/aiv/index.htm); World Development Indicators for benchmarking data(NV.AGR.TOTL.KD.ZG)

*Definition:* Annual growth rate for agricultural value added based on constant local currency. Aggregates are based on constant 1995 U.S. dollars. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources.

*Gaps:* None

CAS Code # 34P3

#### **Agricultural policy costs index**

*Source:* Global Competitiveness Report 2004-2005, World Economic Forum. The indicator can be found in the Data Tables, Section II. Macroeconomic Environment; 2.20.

*Definition:* Executive's perceptions of whether the cost of agricultural policy in a given country is 1= excessively burdensome or 7= balances all economic agents' interests.

*Gaps:* Approximately, 50 USAID countries are covered in the GCR Executives Opinion Survey.

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

CAS Code # 34S1

#### **Crop production index**

*Source:* World Development Indicators (AG.PRD.CROP.XD) based on FAO

*Definition:* Crop production index shows agricultural production for each year relative to the base period 1989-91. It includes all crops except fodder crops.

*Gaps:* Most USAID countries covered

*Data Quality:* Regional and income group aggregates for the FAO's production indexes are calculated from the underlying values in international dollars, normalized to the base period 1989-91. The FAO obtains data from official and semiofficial reports of crop yields, area under production, and livestock numbers. If data are not available, the FAO makes estimates. The FAO's indexes may differ from other sources because of differences in coverage, weights, concepts, time periods, calculation methods, and use of international prices. To ease cross-country comparisons, the FAO uses international commodity prices to value production. These prices, expressed in international dollars (equivalent in purchasing power to the U.S. dollar), are derived using a Geary-Khamis formula applied to agricultural outputs. 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.

*Gaps:* None

CAS Code # 34S2

#### **Livestock Production index**

*Source:* World Development Indicators (AG.PRD.LVSK.XD) based on FAO

*Definition:* Livestock production index shows livestock production for each year relative to the base period 1989-91. It includes meat and milk from all sources, dairy products such as cheese, and eggs, honey, raw silk, wool, and hides and skins.

*Gaps:* Most USAID countries covered.

*Data Quality:* See comments on Crop Production Index

CAS Code # 34S3

*Source:* World Development Indicators (IT.MLT.CLCL.CD)  
*Definition:* Cost of local call is the cost of a three-minute, peak rate, fixed line call within the same exchange area using the subscriber's equipment (that is, not from a public phone).  
*Gaps:* Data missing for 4 USAID countries.  
*CAS Code #25S2*

## SCIENCE AND TECHNOLOGY

### Expenditure in Research and Development, percent of GNI

*Source:* World Development Indicators; Estimated by multiplying Expenditure in Research and Development as a percent of GDP (GB.XPD.RSDV.GD.ZS) times GDP (current LCU) (NY.GDP.MKTP.CN) and then dividing by GNI (current LCU) (NY.GNP.MKTP.CN).

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

*Gaps:* Available for approximately 50% of USAID countries  
*CAS Code #26P1*

### FDI technology transfer index

*Source:* Global Competitiveness Report 2004-2005, World Economic Forum. The indicator can be found in the Data Tables, Section III. Technology: Innovation and Diffusion; 3.04.

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

*Gaps:* Approximately, 40 USAID countries are missing in the GCR Executive Opinion Survey.

*Data Quality:* Comparisons between countries are difficult, since the data is based on executive perceptions.  
*CAS Code #26P2*

### Patent applications filed, residents

*Source:* World Development Indicators (IP.PAT.RESD) based on WIPO  
*Definition:* Applications filed by residents with a national patent office for exclusive rights for an invention—a product or process that provides a new way of doing something or offers a new technical solution to a problem. A patent provides protection for the invention to the owner of the patent for a limited period, generally 20 years. *Gaps:* About 80% coverage  
*CAS Code #26P3*

## HEALTH

### HIV prevalence rate

*Source:* UNAIDS  
<http://www.unaids.org/Unaids/EN/Resources/epidemiology.asp> for most recent country data, World Development Indicators for group benchmark data.

*Definition:* Percentage of people ages 15-49 who are infected with HIV.  
*Gaps:* Available for most USAID countries  
*Data Quality:* UNAIDS/WHO estimates are based on all available data, including surveys of pregnant women, population-based surveys such as household surveys conducted by Kenya, Mali, Zambia and Zimbabwe, as well as other surveillance information. UNAIDS views such information as complementary and useful in helping to estimate the number of people living with HIV in a country. HIV estimates - whether they are based on household surveys or surveys of pregnant women - need to be assessed critically as the epidemic evolves. Achieving 100% certainty about the numbers of people living with HIV globally, for example, would require repeatedly testing every person in the world for HIV—which is logistically impossible.  
*CAS Code #31P1*

### Life expectancy at birth

*Source:* World Development Indicators, (SP.DYN.LE00.IN)  
*Definition:* Life expectancy at birth indicates the number of years a newborn infant would live on average if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.  
*Gaps:* Available for most USAID countries.

*Data Quality:* Life expectancy at birth are general estimates based on vital registration or the most recent census or survey available, extrapolations based on outdated surveys may not be reliable for monitoring changes in health status or for comparative analytical work.  
*CAS Code #31P2*

### Maternal mortality rate

*Source:* UN Millennium Indicators Database,  
[http://millenniumindicators.un.org/unsd/mi/mi\\_series\\_results.asp?rowId=553](http://millenniumindicators.un.org/unsd/mi/mi_series_results.asp?rowId=553) based on WHO, UNICEF and UNFPA.

*Definition:* The number of women who die during pregnancy and childbirth, per 1,000 live births.

*Gaps:* Available for most USAID countries.

*Data Quality:* Maternal mortality ratios are generally of unknown reliability. Household surveys attempt to measure maternal mortality by asking respondents about survivorships of sisters. The estimates that are produced pertain to 12 years or so before the survey, making them unsuitable for monitoring recent changes or observing the impact of observations. Additionally, measurement of maternal mortality is subject to many types of error.

*CAS Code #31P3*

### Access to improved sanitation

*Source:* World Development Indicators, (SH.STA.ACSN)

*Definition:* 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.

*Gaps:* Available for most USAID countries

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

*CAS Code #31S1*

### Access to improved water source

*Source:* World Bank, World Development Indicators, (SH.H2O.SAFE.ZS)

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

*Gaps:* Available for most USAID countries

*Data Quality:* Access to drinking water from an improved source does not ensure that the water is adequate or safe, as these characteristic are not tested at the time of the surveys.

*CAS Code #31S2*

### Births attended by skilled health personnel

*Source:* World Development Indicators, (SH.STA.BRTC.ZS)

*Definition:* 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.

*Gaps:* Available for most USAID countries

*Data Quality:* Data may not reflect improvements in maternal health because information systems are often weak, maternal deaths are underreported and rates of maternal mortality are difficult to measure.

*CAS Code #31S3*

### Child immunization rate

*Source:* World Development Indicators, estimated by adding two data series: Immunization, DPT (% of children ages 12-23 months) (SH.IMM.IDPT) and Immunization, measles (% of children ages 12-23 months) (SH.IMM.MEAS)

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

*Gaps:* Available for most USAID countries.

*CAS Code #31S4*

### Prevalence of child malnutrition, weight for age

*Source:* World Development Indicators, (SH.STA.MALN.ZS)

*Definition:* Percentage of children under five whose weight for age is less than minus two standard deviations from the median for the international reference population ages 0-59 months.

*Gaps:* Available for most USAID countries

*CAS Code #31S5*

### Public health expenditure, percent of GDP

*Source:* World Development Indicators, (SH.XPD.TOTL.ZS)

*Definition:* Total health expenditure is the sum of public and private health expenditures. It covers the provision of health services (preventive and curative), family planning activities, nutrition activities, and emergency aid designated for health but does not include provision of water and sanitation.

*Gaps:* Available for most USAID countries

*Data Quality:* The absence of consistent national accounting systems makes it difficult for cross country comparisons—records of out of pocket expenditures are often lacking and data on spending is often not aggregated and difficult to compile.

CAS Code #3156

## EDUCATION

### Net primary enrollment rate - female, male and total

Source: UNESCO Institute for Statistics,

<http://stats.uis.unesco.org/ReportFolders/reportfolders.aspx>

Definition: 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.

Gaps: None

Data Quality: Enrollment ratios are a useful measure of participation in education, but they may also have significant limitations—being based in date collected during annual school surveys, which are typically conducted at the beginning of the school year, do not reflect actual rates of attendance or dropouts during the school year. And school administrators may report exaggerated enrollments as often the number of teachers paid by the government is related to the number of pupils enrolled. Net enrollment ratios provide a better indicator of a school system's efficiency, but does not measure the quality of the education provided. Net enrollment ratio is more precise than gross enrollment ratio for assessing the level of participation in primary education. If data on enrolment and population by single years of age are available, the concept can be extended to derive age-specific enrolment ratios and school life expectancy.

CAS Code # 32P1

### Persistence to grade 5 - female, male, and total

Source: World Development Indicators, (SE.PRM.PRS5.FE.ZS); (SE.PRM.PRS5.MA.ZS); and (SE.PRM.PRS5.ZS).

Definition: The estimated female, male and total proportion of the population entering primary school who reach grade 5

Gaps: Available for most USAID countries

CAS Code # 32P2

### Youth literacy rate

Source: World Development Indicators, SE.ADT.1524.LT.ZS)

Definition: The percent of people ages 15-24 who can, with understanding, read and write a short, simple statement on their everyday life.

Gaps: Available for about half of USAID countries.

Data Quality: Statistics are out of date 2-3 years.

CAS Code #32P3

### Expenditure on primary education, percent GDP

Source: Millennium Challenge Corporation

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

Definition: Total expenditures on education by all levels of government.

Gaps: Available for about 70% of USAID countries.

Data Quality: The MCC obtains the data from national sources via US embassies, because the figures are not readily available from standard international statistical resources.

CAS Code #32S1

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

Source: World Development Indicators, (SE.XPD.PRIM.PC.ZS); (SE.XPD.SECO.PC.ZS); (SE.XPD.TERT.PC.ZS)

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

Gaps: Available for most USAID countries

Data Quality: For a variety of reasons, education statistics generally fail to provide a complete and accurate picture of a country's education system and should be interpreted with caution. Statistics are out of date by two or three years. The data on education spending in the table refer solely to public spending—government spending on public spending generally excludes spending by religious schools, and 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; 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).

Gaps: Available for most USAID countries

Data Quality: The comparability of pupil-teacher ratios across countries is affected by the definition of teachers, by whether teachers are assigned non-teaching duties, and by differences in class size by grade and in the number of hours taught. The indicator does not take into account differences in teachers' academic qualifications, pedagogical training, professional experience and status, teaching methods, teaching materials and variations in classroom conditions -- all factors that could also affect the quality of teaching/learning and pupil performance.

CAS Code # 32S3

## EMPLOYMENT AND WORKFORCE

### Labor force participation rate – total, male, female

Source: Derived from World Development Indicators. For the female labor force participation rate: Population ages 15-64, female (SP.POP.1564.FE.IN) as a percentage of the female labor force -- which is calculated by multiplying Labor force, female (% of total labor force) (SL.TLF.TOTL.FE.ZS), in ratio terms, by labor force, total (SL.TLF.TOTL.IN). For the male labor force participation rate: Population ages 15-64, male (SP.POP.1564.MA.IN) as a percentage of the male labor force -- which is labor force, total (SL.TLF.TOTL.IN) minus female labor force, as derived above. For the total labor force participation rate: Population ages 15-64, total (SP.POP.1564.TO) as a percentage of Labor force, total (SL.TLF.TOTL.IN).

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

Gaps: Available for most USAID countries

CAS Code #33P1

### Rigidity of employment index

Source: World Bank, Doing Business in 2005. The Index can be found under the Hiring and Firing Category,

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

Definition: A measure of labor market rigidity index constructed as the average of the Difficulty of Hiring Index, Rigidity of Hours Index and a Difficulty of firing Index.

Gaps: Unavailable for about 10 USAID countries

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

CAS Code # 33P2

### Size and growth of the labor force

Source: World Bank Development Indicators; (SL.TLF.TOTL.IN); and annual percentage change.

Definition: Magnitude of the labor supply, and annual percent change. Labor force comprises people who meet the International Labour Organization definition of the economically active population: all people who supply labor for the production of goods and services during a specified period. It includes both the employed and the unemployed. While national practices vary in the treatment of such groups as the armed forces and seasonal or part-time workers, in general the labor force includes the armed forces, the unemployed, and first-time job-seekers, but excludes homemakers and other unpaid caregivers and workers in the informal sector.

Gaps: Available for most USAID countries.

CAS Code #33P3

### Unemployment rate

Source: World Development Indicators, (SL.UEM.TOTL.ZS)

Definition: Percentage of labor force that is currently unemployed

Gaps: Gaps in data in 26 USAID countries.

Data Quality: Technical details are country specific- making international comparisons impossible.

CAS Code # 33P4

## AGRICULTURE

### Agriculture value added per worker

Source: World Development Indicators (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 measure of agricultural productivity. Value added in agriculture measures the output of the agricultural sector (ISIC divisions 1-5) less the value of intermediate inputs. Agriculture comprises value added from forestry, hunting, and fishing as well as cultivation of crops and livestock production. Data are in constant 1995 U.S. dollars.

Gaps: Measure available for most USAID countries