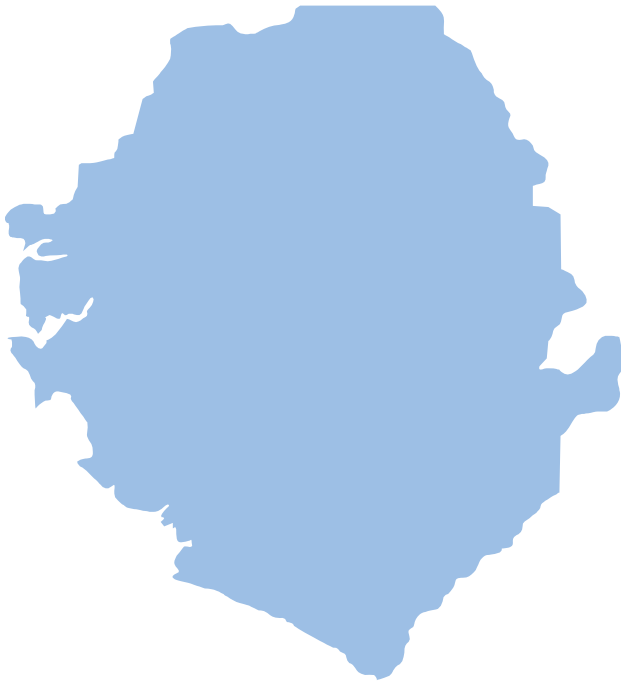




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Sierra Leone

Economic Recovery Assessment



May 2009

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

Sierra Leone

Economic Recovery

Assessment

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

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

Under Contract No. GEG-I-00-04-00002-00, Task Order 004, 2006-2010, Nathan has developed a special Economic Recovery template for countries emerging from crisis.

The authors of the present report are Eric Nelson and Pooja Pokhrel from Nathan Associates, Krista Hendry from Fund for Peace, and Thibaut Muzart from Management Systems International.

The COTR for this project at USAID/EGAT/EG is Yoon Lee. USAID missions and bureaus may seek assistance and funding for country analytical studies or in-depth follow-on studies by contacting C. Stuart Callison, USAID/EGAT/EG Activity Manager for the CAS project at ccallison@usaid.gov.

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

Alexander Greenbaum.
Chief of Party, CAS Project.
Nathan Associates Inc..
agreenbaum@nathaninc.com

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HIGHLIGHTS OF SIERRA LEONE'S PERFORMANCE

Profile of Conflict and Recovery	Since the war ended in 2002, Sierra Leone has begun to get back on its feet, but it faces immense economic and political challenges. The country scores poorly on all the components of the Failed States Index, and its score has worsened since 2007.
Postconflict Economic Growth	Growth has been strong since 2002, at 7.7 percent. But agriculture, construction and mining have plateaued, leaving the country with one of the lowest GDPs per capita in the region. Gross domestic investment falls short of benchmarks.
Poverty and Inequality	Conflict has aggravated poverty, and 70.2 percent of the population is below the poverty line; Sierra Leone now ranks last on the UNDP Human Development Index. Badly skewed income distribution is fuel for dissent.
Economic Structure	Agriculture predominates, followed by services. Industry and mining were set back by the conflict but are currently growth areas that may help balance the economy.
Demography and Environment	Significant demographic pressures despite a falling growth rate, with 69 percent of the population under age 30. The youth dependency ratio of 43 indicates pressure on strained social services and environmental resources. Malnutrition is high.
Gender and Children	The educational system strongly supports gender equity, but the country is still recovering from a brutal conflict featuring sexual violence and mutilation.
Economic Stabilization and Government Capacity	The government has followed prudent fiscal policy and monetary to ensure macroeconomic stability. Total government expenditure is about 22 percent of GDP. Salaries predominate; debt service has decreased significantly since the Completion Point for the Highly Indebted Poor Countries initiative. Revenue mobilization is one of the lowest among Sub-Saharan Africa postconflict economies. The budget process and execution are weak, largely because of capacity constraints.
Business Environment	Recent reforms have improved the environment, but Sierra Leone still ranks 156 of 181 in ease of doing business. Rule of law and control of corruption remain weak.
Financial Sector	The economy is less monetized than comparators, though it is improving gradually. Credit to the private sector falls far short of demand and impedes growth.
External Sector	Strong growth in exports and foreign direct investment is laudable but based on one sector, mining; diversification is necessary and may be encouraged by recent debt relief. The economy is heavily aid dependent.
Economic Infrastructure	Sierra Leone's infrastructure is in extremely poor condition or absent; ICT infrastructure and the energy sector are also critically underdeveloped. Effort is required to support private sector activity.
Health	Life expectancy is far below the comparators, and rates of maternal and child mortality are much higher. Access to potable water and health facilities is limited.
Education	Youth literacy is only 48 percent, but enrollment rates are high and gender inequalities falling. The quality of primary and secondary education is poor.
Employment and Workforce	The rate of labor force participation rate is high, but pressure for job creation remains, and labor market rigidity poses a hurdle to job creation.
Agriculture	Postconflict recovery of agriculture and livestock is significant but from a very low level. Low capital investment, weak credit, poor infrastructure, and weak support services must be addressed.

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

SIERRA LEONE: NOTABLE STRENGTHS AND WEAKNESSES— SELECTED INDICATORS

Selected Indicators, by Topic	Notable Strengths	Notable Weaknesses
Postconflict Economic Growth		
Real GDP growth, percent change	X	
GDP per capita, PPP, U.S. dollars		X
Poverty and Inequality		
Human Poverty Index		X
Population living under the national poverty line, percent		X
Incomes-share, poorest 20%, percent		X
Economic Structure		
Agriculture value added, percent of GDP	X	
Demography and Environment		
Environmental Performance Index		X
Gender and Children		
Gross primary enrollment rate male, female and gender gap	X	
Labor force participation rate male, female and gender gap		X
Economic Stabilization and Government Capacity		
Government Revenue, percent of GDP		X
Government Effectiveness Index		X
Business Environment		
Cost of starting a business, percent GNI per capita	X	
Cost to enforce a contract, percent claim		X
Control of Corruption index		X
Rule of Law index		X
Financial Sector		
Domestic credit to the private sector, percent		X
Money supply, percent of GDP		X
External Sector		
Debt service ratio, percent exports	X	
Gross international reserves, months of imports	X	
Export concentration		X
Real effective exchange rate (REER)		X
Economic Infrastructure		
Roads paved, percentage of total		X
Internet users, users per 100 people		X

Selected Indicators, by Topic	Notable Strengths	Notable Weaknesses
Health		
Life expectancy at birth, years		X
Access to improved sanitation, percent		X
Access to improved water source, percent		X
Public health expenditure, percent GDP		X
Employment and Workforce		
Rigidity of Employment index		X
Labor force participation rate	X	

Notes: The chart identifies selective indicators for which Sierra Leone's performance is particularly strong or weak relative to benchmark standards, as explained in Appendix A. Details are discussed in the text. Appendix B presents a full tabulation of the data and international benchmarks examined for this report, along with technical notes on the data sources and definitions.

Because of data unavailability, Education and Agriculture do not appear in this table, but we use nonstandard quantitative and qualitative indicators to analyze these sectors in the report.

1. Introduction

This is one of a series of economic recovery assessments prepared for the EGAT Bureau to provide USAID missions and regional bureaus with a concise evaluation of a broad range of issues relating to economic recovery in designated host countries. This report on Sierra Leone draws on a variety of data sources¹ and uses international benchmarking against reference group medians, expected values for a country with Sierra Leone’s characteristics, and two comparator countries from sub-Saharan Africa, Ghana and Liberia. It also reports on opportunities for strengthening growth and reducing poverty.

METHODOLOGY

The CAS methodology permits a rapid and inexpensive analysis of the strengths and weaknesses of an economy. It is analogous to examining an automobile dashboard to see which gauges are signaling problems. Sometimes a blinking light has obvious implications—such as the need to fill the fuel tank. In other cases, it may be necessary to have a mechanic probe more deeply to assess the source of the trouble and determine the best course of action.² Similarly, the economic recovery assessment is based on an examination of key economic, conflict, and social indicators, to see which are signaling problems. Some “blinking” indicators have clear implications, while others may require further study to investigate the problems more fully and identify appropriate courses for programmatic action.

The analysis is organized around two mutually supportive goals, sustainable growth and poverty reduction, and although it is similar to the analysis conducted using the methodology in the Country Analytical Template (2005), it is adapted to the particular circumstances of postconflict recovery settings.³

Attaining sustained peace, reducing poverty, and achieving economic growth are goals that are influenced by human development outcomes where many elements are involved, including

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

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

³ In USAID’s white paper *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century* (January 2004), transformational growth is a central strategic objective, both for its innate importance as a development goal and because growth is the most powerful engine for poverty reduction.

population growth, public provision of education and health services, job creation and workforce development (especially among youth), demographic composition, agricultural development, and progress toward gender equity. Countries affected by conflict are generally characterized by a lack of government capacity, minimal private sector activity, weak or damaged infrastructure, and a population that lives in uncertainty, often after fleeing war-torn regions.

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

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

In countries that have experienced ongoing conflict, the interaction between security conditions and economic performance must be taken into consideration. Overt conflict, or even the risk of conflict, can adversely affect growth; conversely, an end to conflict can deliver a peace dividend and a boost to economic growth and development. Not only can conflict affect an economy, economic conditions can also exacerbate or ameliorate security problems and affect the probability of a relapse into conflict.

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

Many USAID missions that commission these reports find them extremely helpful; for instance, in the design of new programs and the development of strategic plans; as a background resource for new staff, temporary duty assignments, and consultants; and for framing in-depth studies.

Two summary tables preceding the main report text highlight the essential findings of the analysis. The first presents an overview of Sierra Leone's performance in a number of sectors or technical areas, and the second identifies Sierra Leone's strengths and weaknesses in these sectors and technical areas.

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

a brief explanation of the criteria used for selecting indicators, the benchmarking methodology, and the full set of indicators examined for this report.

Table 1-1
Topic Coverage

Economy and Conflict Recovery Overview	Private Sector-Enabling Environment	Pro-Poor Growth Environment
<ul style="list-style-type: none"> • Profile of Postconflict Recovery • Postconflict Economic Growth • Poverty and Inequality • Economic Structure • Demography and Environment • Gender and Children 	<ul style="list-style-type: none"> • Economic Stabilization and Government Capacity • Business Environment • Financial Sector • External Sector • Economic Infrastructure 	<ul style="list-style-type: none"> • Health • Education • Employment and Workforce • Agriculture

DATA QUALITY AND FORMAT

The breadth and quality of economic data collected for Sierra Leone are poor. The World Bank uses the Statistical Capacity Indicator to evaluate how well a country's statistical practice, data collection activities, and key indicator availability meet criteria consistent with international recommendations. The Statistical Capacity Indicator ranges from 0 to 100, with a score of 100 indicating that the country meets all criteria. In 2008, Sierra Leone received an overall score of just 42 for this indicator, below the expected value⁴ of 49 for a country with Sierra Leone's characteristics, the median of 57.7 for low-income sub-Saharan Africa (LI-SSA), the median of 59.3 for low-income countries globally (LI), and Ghana's 57.0, but above Liberia's 32.

The World Bank identifies, in addition to structural breaks in the conflict and postconflict periods, major weaknesses in the government's finance accounting due to a lack of consolidation, an outdated base year for the consumer price index, dated poverty survey and agricultural census, and unavailability of periodic data for industrial production and trade prices.⁵ According to the IMF, shortcomings in Sierra Leone's statistics stem mostly from insufficient and unreliable funds for the government statistical body, Statistics Sierra Leone.⁶

These data limitations complicate analysis in several sections of this report. Nonetheless, we have striven to identify and incorporate in our analysis as many updated quantitative and qualitative sources of information as practical. Our data set was adequate for evaluating and highlighting a broad range of trends and issues in Sierra Leone's postconflict recovery.

⁴ Expected values are calculated using our regression benchmarking methodology. See Benchmarking Methodology in Appendix A.

⁵ Statistical Capacity Indicator Summary Description—Sierra Leone (2008), <http://ddp-ext.worldbank.org/ext/CSIDB/getCountryStatInfoXML?id=694&format=CSIDBSCORE> (accessed December 4, 2008).

⁶ IMF, *Sierra Leone: 2006 Article IV Consultation—Staff Report*, February 2007, 22

2. Economy and Conflict Recovery Overview

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

PROFILE OF CONFLICT AND RECOVERY

Sierra Leone's 11-year civil war was officially declared over in 2002, and the last UN peacekeeper departed in December 2005. The country has begun to get back on its feet, but it still faces immense economic and political challenges. Despite the country's generous endowment of mineral wealth, UNDP 2007/2008 Human Development Report ranked Sierra Leone the least-developed country in the world—177th of 177 countries.⁷ Corruption in government, a weak financial sector, dilapidated infrastructure, and widespread poverty and inequality across gender and income groups make Sierra Leone's development challenge particularly daunting.

The Failed States Index (FSI) quantifies conflict-related risks and instability in 12 social, economic, and political-military indicators.⁸ With a score of 120 on the FSI representing the highest potential for conflict, Sierra Leone received a score of 92.3 in 2008, compared to 64.6 for Ghana and 91.0 for Liberia. Sierra Leone's FSI score has improved steadily from 102.1 in 2005, the first year the index was produced but indicates that the country still faces pressure from potential conflict. The situation in Sierra Leone is similar to the one in Liberia—both countries are very poor, have recently emerged from lengthy civil wars, and have seen improvement in governance in recent years (see Business Environment, p. 21), but socioeconomic recovery is progressing slowly and raising the threat of public discontent. Ghana, however, has not

⁷ United Nations Development Programme Human Development Index, 2007/2008.
<http://hdrstats.undp.org/indicators/1.html>.

⁸ The Failed States Index, developed by the Fund for Peace, assesses violent internal conflict and measures the impact of mitigating strategies. The social indicators are demographic pressure, refugees and displaced persons, group grievance, human flight, and uneven development; economic indicators are economy and legitimacy of the state; and political-military indicators are public services, human rights, security apparatus, factionalized elites, and external influence. The index, an unweighted sum of these indicators, ranges from 10 to 120 (best to worst).

http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=99&Itemid=140

experienced internal conflict and is considered a model of democracy in Africa, especially after its recent presidential transition, although poverty remains an issue.

Exhibit 2-1

Sierra Leone: Chronology of the Conflict

<p>1991–1995 Foday Sankoh, a former army corporal, leads the Revolutionary United Front (RUF) in a revolt against the longstanding dictatorship. The RUF attacks border towns from bases in Liberia, targeting civilians and amputating the limbs of those not cooperating. One hundred twenty thousand people flee to Guinea. By 1994 RUF is in control of diamond mining areas and is using diamond sales to finance weapons purchases, with the help of Liberian militia leader Charles Taylor (who later becomes president of Liberia). In 1995, the RUF threatens the capital, Freetown, but is beaten back. By now, more than 50,000 have been killed, and about half the country's 4.5 million people have been displaced. RUF abducts children, gives them drugs, and forces them to commit atrocities in their own villages, thereby becoming the children's only support. The Sierra Leone Army (SLA) also commits atrocities.</p> <p>1996–2000 In elections marred by RUF violence, Ahmed Tejan Kabbah becomes president. RUF and Kabbah sign a peace accord. But in 1997 soldiers loyal to Major Johnny Paul Koroma, who had been arrested for attempting a coup once earlier, seize power and form the Armed Forces Ruling Council (AFRC). Major Koroma becomes chairman and invites RUF to join the government. During the war, through military coups and elections,</p>	<p>government leadership changes five times. The Economic Community of West African States (ECOWAS) intervenes, and the Nigerian-led ECOWAS Monitoring Group (EOMOG) liberates Freetown. But AFRC and RUF continue to attack towns and villages throughout the country. UN peacekeepers arrive. Nevertheless, in 1999 AFRC and RUF attack Freetown, killing 6,000 civilians before EOMOG again intervenes to push them back.</p> <p>2000–2002 Under a peace settlement, Foday Sankoh is given a role in government. The United Nations approves a peacekeeping force of 6,000, but in 2000 the RUF kidnaps 500 peacekeepers and Britain sends in paratroopers. The United Nations imposes a global embargo on diamond exports from Sierra Leone. British troops remain in Sierra Leone until 2002, helping to disarm 45,000 rebels and retrain the SLA.</p> <p>2002–2008 In 2002, the war is declared over, and the country holds peaceful elections. The United Nations agrees to set up a war crimes tribunal for Sierra Leone. Sankoh dies in prison of natural causes in 2003 while awaiting trial. The UN diamond embargo expires in June 2004. Disarmament and rehabilitation of ex-combatants is officially completed in 2004, and UN peacekeepers withdraw in December 2005. In 2006 Charles Taylor is arrested and taken to Freetown for trial, but the trial is moved to The Hague out of fear that Taylor would provoke new conflict.</p>
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Sierra Leone's two weakest FSI scores were economic decline, at 8.7, and demographic pressure, at 8.6 (see Table 2-1). The score for economic decline was poor because, although real GDP grew by 6.8 percent in 2007 and by more than 7 percent for the previous several years, GDP per capita (PPP) remains extremely low at \$693; furthermore, 57.0 percent of the population lives on less than \$1 per day; and 70.2 percent of the population is living below the national poverty line (see Poverty and Inequality, p. 10). Demographic pressures were high, with 44.6 percent of the

population under the age of 15,⁹ a population growth rate of 1.8 percent in 2007, and a rural population density well above the average for sub-Saharan Africa (See Demography and Environment, p. 14).

Sierra Leone also received particularly bad scores for uneven economic development and public services. Uneven economic development received a score of 8.2 because of income inequality, particularly between rural and urban areas. In 1989, the latest year for which data are available, Sierra Leone received a GINI coefficient of 62.9, one of the highest in the world.¹⁰ The score of 8.2 for public services was due to the government's inability to provide adequate services to much of the population. Electricity and water shortages are common; medical facilities are poorly equipped; and road conditions are poor (See Economic Structure, p. 12). According to UNDP, in 2004 only 39 percent of the population had access to sanitation and 57 percent had access to an improved water source.

Table 2-1
Sierra Leone's Scores on Failed States Index, by Indicator, 2007 and 2008

Indicator of Instability	2007	2008
SOCIAL		
Mounting demographic pressures	8.6	8.6
Massive movement of refugees or internally displaced persons	7.4	7.4
Legacy of vengeance-seeking group grievance or group paranoia	6.7	6.9
Chronic and sustained human flight	8.1	8.4
ECONOMIC		
Uneven economic development along group lines	7.7	8.2
Sharp and/or severe economic decline	8.7	8.7
POLITICAL AND MILITARY		
Criminalization and/or de-legitimization of the state	7.4	7.7
Progressive deterioration of public services	8.4	8.2
Suspension or arbitrary application of human rights	7.0	7.0
Security apparatus operates as a "state within a state"	6.3	6.4
Rise of factionalized elites	7.3	7.5
Intervention of other states or external political actors	7.6	7.3
Total FSI Score	92.8	92.3

Note: Scale of 1 (best) to 10 (worst)

⁹ CIA Factbook.

¹⁰ United Nations Development Programme Human Development Index, 2007/2008 (<http://hdrstats.undp.org/indicators/1.html>)

POSTCONFLICT ECONOMIC GROWTH

Conflict dampens economic growth by diverting resources to nonproductive military activities, destroying infrastructure, and impeding investment in physical capital and human resources, thus impairing the fiscal capacity for other essential government expenditures and imposing debt that encumbers future budgets.¹¹ According to one influential study, civil wars reduce GDP growth per capita by an annual rate of 2.2 percentage points relative to estimates of the trend likely in the absence of conflict.¹² The impact of instability on per capita income is especially pronounced in regions affected directly.¹³

As is typical of many postconflict countries where suspended economic activity resumes after the conflict ends, Sierra Leone has shown strong growth since the civil war was declared over in 2002. Growth between 2003 and 2007 averaged an estimated 7.7 percent—much higher than the expected growth rate for a country of Sierra Leone’s characteristics of 4.7 percent, the LI-SSA median of 3.6 percent, and the LI median of 5.9 percent. This expansion of growth is attributable to a number of factors, chief among which are increased activity in agriculture, construction, and mining, particularly of diamonds, bauxite, and rutile. Sierra Leone has the world’s largest deposit of rutile and an abundance of export-quality diamonds; the mining sector has been the backbone of the country’s economy, and mineral exports remain the country’s principal foreign exchange earner (See External Sector, p. 26). Historically, however, the management of these natural resources has been riddled with corruption, although the government has made commitments to make reducing corruption one of its highest development priorities (see Business Environment, p. 21).

From 2003 to 2007, Sierra Leone’s per capita GDP grew at an average rate of 7.3 percent per annum, from about \$519 to \$693, although the growth trend is slowing—from 9.5 percent in 2003 to 6.5 percent in 2008.¹⁴ The robust growth in recent years, far surpassing the population growth rate of about 1.8 percent, has resulted in improvement in per capita GDP in PPP terms. Still, Sierra Leone’s per capita GDP remains one of the lowest in the region—Ghana’s GDP per capita is \$1,426, more than double that of Sierra Leone, and the LI-SSA median is \$814. The global LI per capita GDP median, at \$1,098, is also significantly higher than Sierra Leone’s. Among comparators, only traumatized Liberia has a per capita GDP lower than Sierra Leone’s, at only \$358 in 2007 (see Figure 2-1).

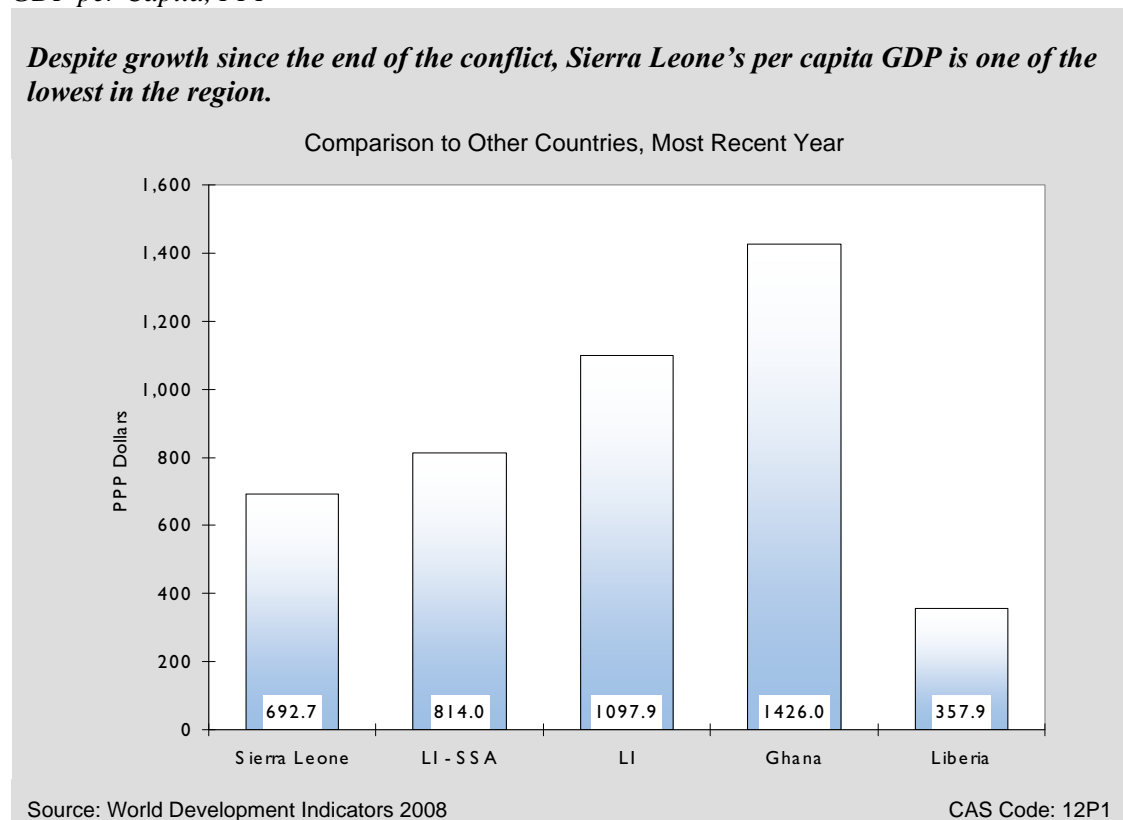
11 Daniel Mejia, Conflict and Economic Growth: A Survey of the Theoretical Links, Webpondo, September 2004. http://www.webpondo.org/filesoctdic2004/conflict_growth.pdf, accessed April 13, 2007.

12 Paul Collier, On the Economic Consequences of Civil War, Oxford Economic Papers 51 (1999), 168–83. <http://www.worldbank.org/research/conflict/papers/cw-consq.pdf>, accessed April 13, 2007.

13 Alberto Abadie and Javier Gardeazabal, The Economic Costs of Conflict: A Case Study of the Basque Country, July 2002. <http://ksghome.harvard.edu/~aabadie/ecc.pdf>, accessed April 13, 2007.

14 IMF, *Sierra Leone: 2006 Article IV Consultation*, 25.

Figure 2-1
GDP per Capita, PPP

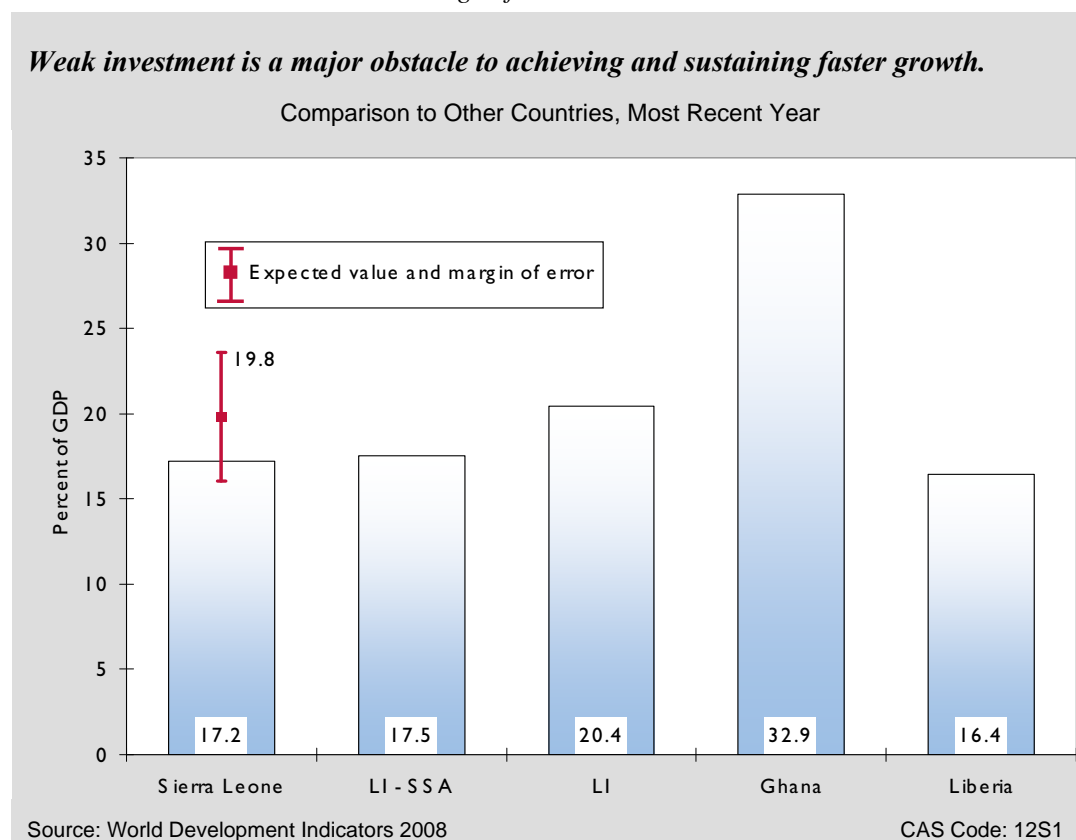


One hurdle to stronger economic growth in Sierra Leone is a lack of investment. Despite increasing from 5.8 percent of GDP in 2002¹⁵ to 17.2 percent in 2007, gross domestic investment fell short of all benchmarks except Liberia (see Figure 2-2): The LI median was 20.4 percent and Ghana's 32.9 percent of GDP in 2007, while Liberia's investment rate was 16.4 percent of GDP (in 2005, the year before an elected government was returned to power). The IMF projects private investment—the catalyst to growth—to account for just 9.4 percent of GDP in Sierra Leone in 2007. Although the combination of solid growth with low investment suggests high investment efficiency, transforming recovery into sustainable high growth beyond the postconflict recovery phase will require greater injections of investment into the economy, particularly investment by the private sector.

Sierra Leone will need to sustain the strong growth rates of recent years to continue to improve its per capita GDP and pull more of its population out of poverty. Donor programs that encourage private sector investment can potentially lead to broad-based growth and poverty alleviation by creating jobs, encouraging innovation, and increasing domestic output.

¹⁵ International Financial Statistics Online, 2008.

Figure 2-2
Gross Fixed Investment as a Percentage of GDP



POVERTY AND INEQUALITY

Widespread poverty and income inequality are multidimensional conditions related to a lack of security, education, health, income, and employment opportunities that can fuel political instability. The civil conflict that lasted for more than a decade in Sierra Leone has stymied the country's growth and made poverty worse. The country is one of the most impoverished nations in the world and now ranks last among 177 countries reported on the UNDP's 2007/08 Human Development Index.

The national poverty line in Sierra Leone, including food and basic needs, amounts to SLL 2,111.45 per day (about US\$0.71).¹⁶ In 2004 (latest data available), a staggering 70.2 percent of the population lived under the national poverty line—higher than the regression benchmark of 60.4 percent and much higher than the 28.5 percent for Ghana in 2006. Raising the threshold to US\$1 a day, the UNDP 2007/8 Human Development Report quotes 57.0 percent of Sierra Leoneans living below this threshold in 2004. By comparison, 44.8 percent of Ghanaians were in the same situation in 2005. Although Sierra Leone's figure is much lower than that indicator's expected value for a country with similar characteristics (73.2 percent), it is still high in absolute terms. Compounding Sierra Leone's grim picture of income poverty, food poverty afflicts the population as well: In 2002, 50 percent of the population consumed less than the

¹⁶ IMF, *Sierra Leone Poverty Reduction Strategy Paper (2005-2007)*, 21

minimum dietary energy needs.¹⁷ Higher than the regression benchmark of 39.1 percent for a country with similar characteristics, the LI-SSA median of 33.5 percent, the LI median of 31.5 percent, and Ghana's 12.0 percent in 2002, and comparable to Liberia's 49 percent, this figure suggests serious malnutrition in Sierra Leone. Malnutrition among half the population has negative consequences for the population's health, education, and overall productivity. Furthermore, it indicates a mechanism of poverty reinforcement that works in a vicious cycle by decreasing productivity and hence increasing poverty.

As in many developing countries, the high incidence of poverty in Sierra Leone is aggravated by inequality in income distribution. Seventy-three percent of poverty in Sierra Leone is concentrated in rural areas, which make up 66 percent of the population.¹⁸ Furthermore, the top 10 percent of the population with the highest income contribute to 30 percent of the country's consumption expenditure, while the poorest 10 percent account for just 2.7 percent. In 2003, only 6.5 percent of national income trickled down to the poorest 20 percent of the population. This level of income inequality in a country that has abundant mineral resources is fuel for public dissent and a possible return to civil conflict.

Poverty has many facets besides income deprivation. A more comprehensive measure of poverty is UNDP's Human Poverty Index (HPI), which measures the prevalence of deprivation in terms of life expectancy, literacy, access to safe water, and child nutrition on a scale of 0 (zero incidence of deprivation) to 100 (high incidence of deprivation). In 2005, Sierra Leone achieved a score of 51.7, which compares unfavorably to the LI-SSA median (40.9), the LI median (39.9), and Ghana's score (32.3) and reinforces the diagnosis that living conditions in Sierra Leone are in dire need of urgent attention (see Figure 2-3).

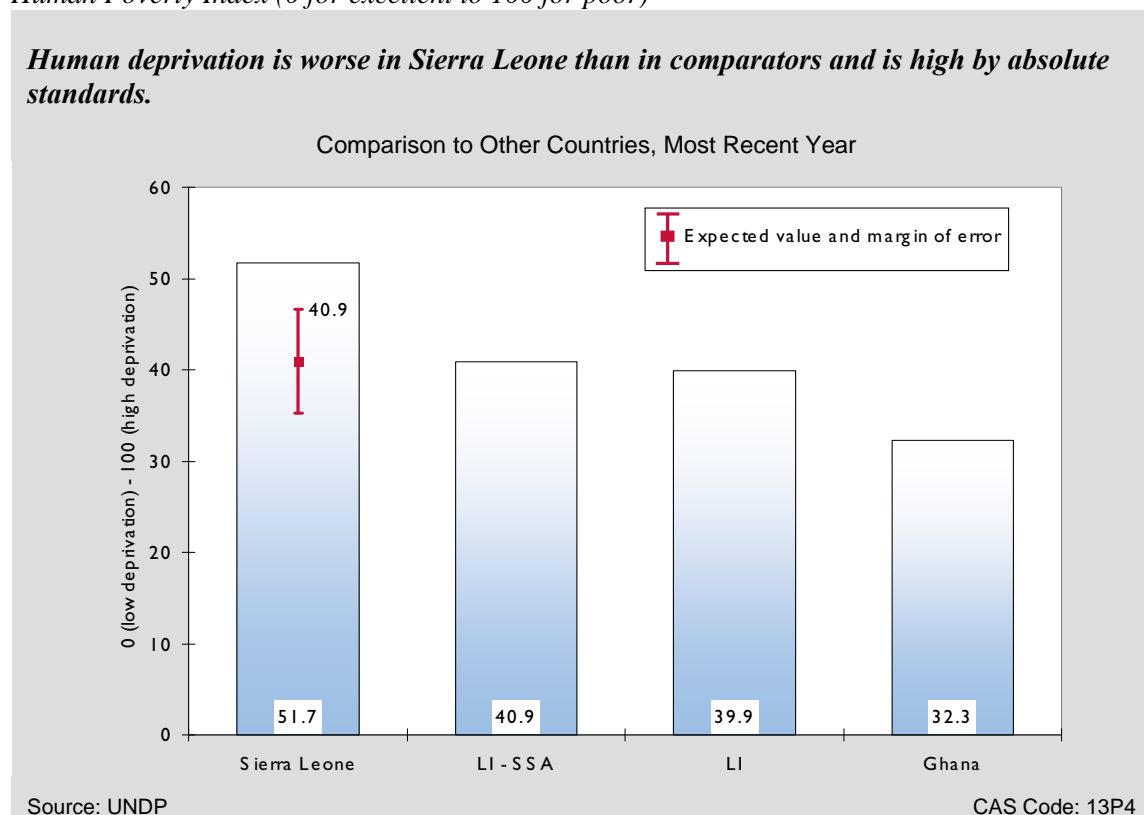
Sierra Leone's Poverty Reduction Strategy Paper (PRSP) 2005–2007 identifies poor governance and corruption, lack of economic opportunities, the civil conflict, and inadequate social services as the major causes of poverty.¹⁹ Poverty and dependence on foreign aid are in fact a result of a combination of all of these factors and are at the core of the development challenge in Sierra Leone. The government and donors must therefore make poverty reduction the primary objective of any development initiative they take.

¹⁷ Even though the data for this indicator is from 2002, the structural nature of nutritional poverty provides a reasonable picture of the current poverty situation.

¹⁸ IMF, *Sierra Leone Poverty Reduction Strategy Paper (2005-2007)*, 29

¹⁹ *Ibid.*, 44

Figure 2-3
Human Poverty Index (0 for excellent to 100 for poor)



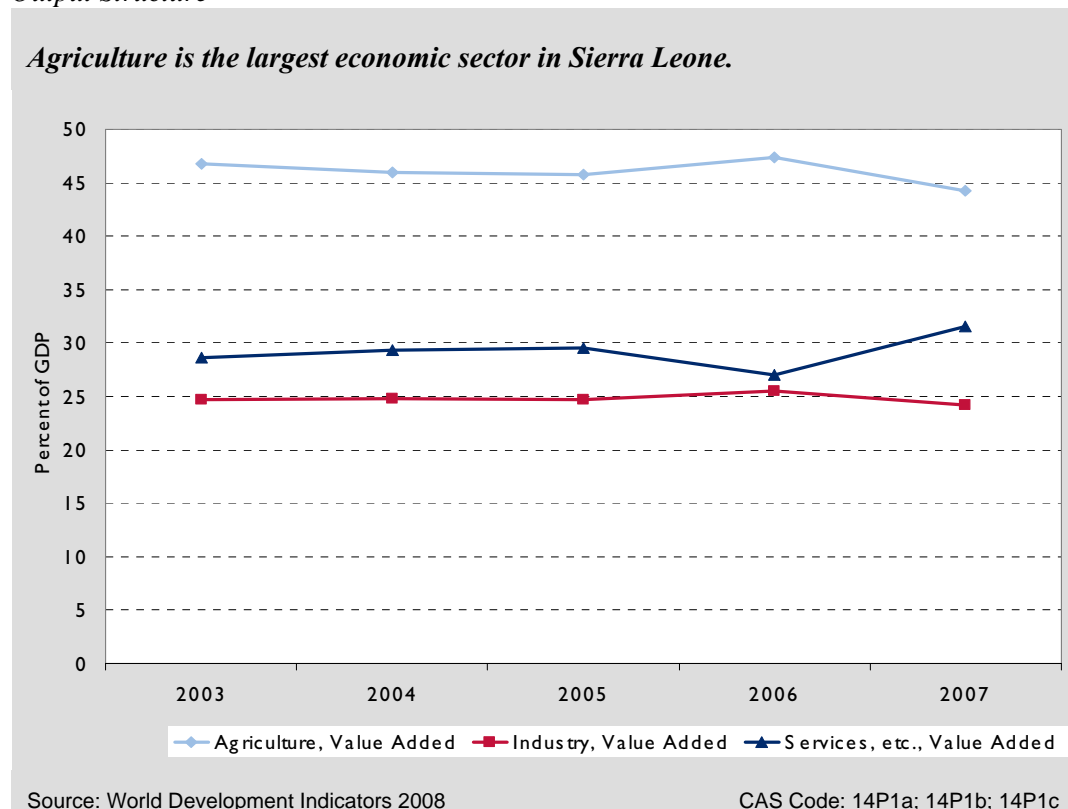
ECONOMIC STRUCTURE

Agriculture is the largest economic sector in Sierra Leone, contributing about 44.3 percent to the national GDP in 2007 and employing about two-thirds of the population, followed by the service sector, which contributed about 31.5 percent of GDP, and the industrial sector which constituted 24.2 percent (see Figure 2-4).²⁰ According to the Bank of Sierra Leone (the central bank), the highest growth rate was recorded in the industrial sector at 10.9 percent, followed by the agriculture sector at 8.5 percent and the services sector at 5.2 percent in 2007. Growth in agricultural output and in mining is evident. Total diamond production was up from 352,000 carats in 2002 to 601,000 carats in 2007; bauxite production was about 1.2 million metric tons (an increase of 9.1 percent over the preceding year) and rutile production was about 83,000 metric tons in 2007 (an increase of 12.5 percent over 2006).²¹

²⁰ These estimates come from the World Development Indicators Database and differ from the estimates of GDP constituents in the Bank of Sierra Leone's Annual Report and Statement of Accounts for 2007 of the agriculture sector (47.9 percent), services including the Financial Services Indirectly Measured sub-sector (40.1 percent), and industry (9.7 percent) in 2007. Note that these figures from the Bank of Sierra Leone do not add to 100 percent.

²¹ Bank of Sierra Leone, Statistics (Real Sector Data). http://www.bankofsierraleone-centralbank.org/statistics_data1.html

Figure 2-4
Output Structure



The effect of civil conflict on the broad structure of value added in Sierra Leone is evident. The services and industrial sectors were hardest hit—the share of value added in services declined from 25.5 percent of GDP in 1991 to just 13.3 percent in 2000, but has shown an upward trend since then, reaching 31.5 percent in 2007. Similarly, the share of the industrial sector in the country’s GDP declined from 35.7 percent in 1991 to 24.7 percent in 2002 and has reached less than the preconflict levels at 24.2 percent in 2007.²² These figures suggest that the conflict may have stopped the structural transformation in Sierra Leone’s economy away from agriculture. Figures also suggest, however, that the transformation away from agriculture to the services sector began again after the war ended: between 2003 and 2007, agricultural output as a share of GDP declined at an annual average rate of 0.8 percent, while the share of services in GDP increased at an annual average rate of 1.2 percent.

Data on the employment structure of Sierra Leone’s economy are sparse. According to the Sierra Leone Integrated Household Survey (2003-2004), about 68 percent of the total labor force was employed in agriculture, compared to about 55 percent in Ghana and 70 percent in Liberia (both for 2000). This reflects the weak contribution of the services and industrial sectors to the job growth needed to transform the economy and underlines the importance of donor support to private sector-led growth in nonagricultural sectors as well.

²² Data on agricultural value added for the services and industrial sectors for 1991 are from the World Development Indicators Online Database.

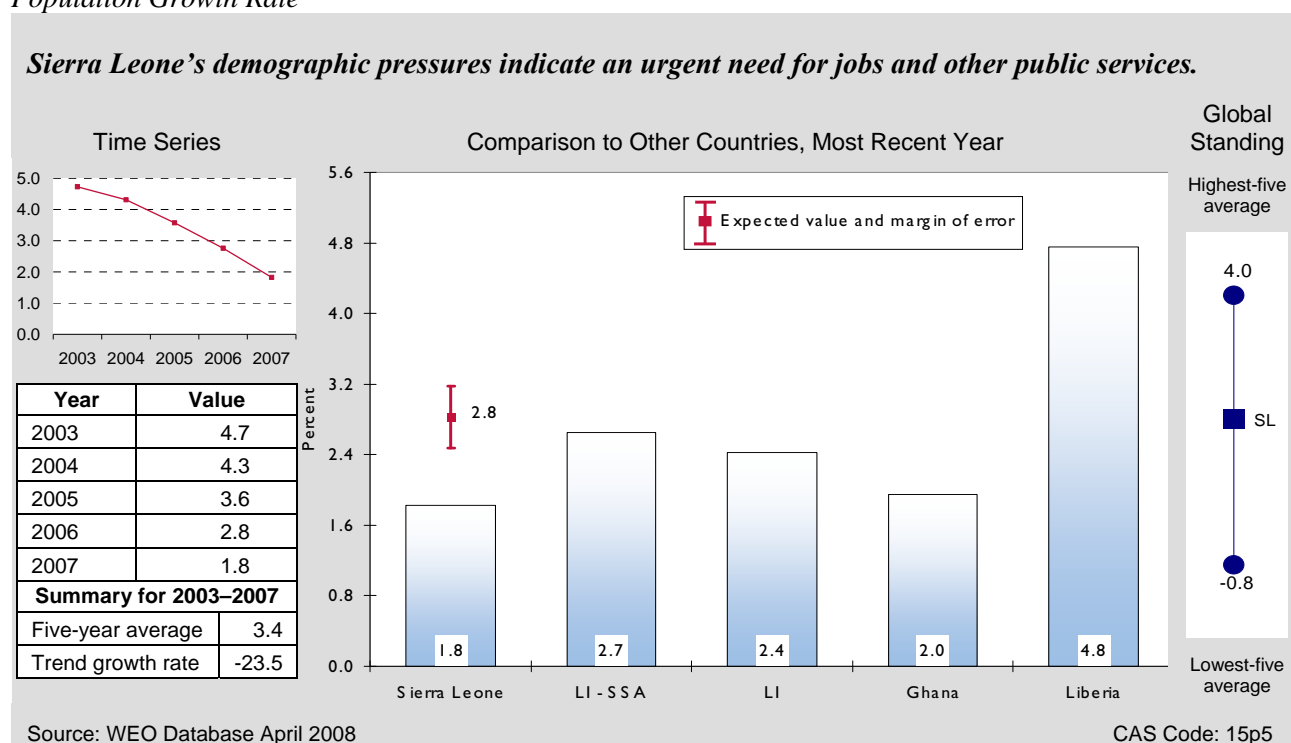
In summary, growth in nonagricultural sectors since the end of conflict has been promising but will have to be balanced among the three economic sectors. By supporting diversification away from agriculture but not relying too heavily on mining, donors will help to create jobs and alleviate poverty.

DEMOGRAPHY AND ENVIRONMENT

Demographic factors affect security, poverty, growth potential, labor markets, and comparative advantages in international trade as well as the quality of public services. Population pressure is also related to conflict and environmental conditions.

Sierra Leone faces significant demographic pressure. The population growth rate has been declining for five years, but the population grew by 1.8 percent between 2006 and 2007. This population growth rate, although high in absolute terms, is lower than the LI-SSA median of 2.7 percent and the rates of Ghana and Liberia, at 2.0 percent and 4.8, percent respectively. Rapid population growth means that the population is fairly young—69 percent of the population is under 30 years of age (see Figure 2-5).²³

Figure 2-5
Population Growth Rate



The large population of the young has translated into a youth dependency ratio of 42.9 in 2007, which although in line with the median for other LI countries (42.8) is still high in absolute terms. The high youth dependency ratio and a growing population increase pressures on Sierra Leone's

²³ *Sierra Leone Integrated Household Survey (2003/04) Final Statistical Report*, November 2007, xvi

already strained social services and environmental resources. Furthermore, these conditions increase the entry rate of job seekers in the labor market, which can lead to high rates of youth unemployment (see *Employment and Workforce*, p. 38). A large pool of unemployed youth is typically a sign of alarm for a postconflict economy because such a group can be politically swayed and a trigger for conflict. Sierra Leone's civil conflict destroyed infrastructure and discouraged investment in the private sector. These facts, as well as literacy rates among the lowest in the world, neglected infrastructure, a generation of children who did not attend school, and a large population of amputees in the working-age demographic constitute immense challenges to create meaningful economic opportunities for Sierra Leone's youth.

The search for economic opportunity in developing countries generally means migration to urban centers. In 2007, 37.4 percent of Sierra Leone's population lived in urban areas—a rate higher than the average for sub-Saharan Africa (33.5 percent) but much lower than the rates for Ghana and Liberia (49.3 percent and 59.5 percent, respectively). Although Sierra Leone has avoided heavy urbanization and its pressures, its rural population density, 588 inhabitants per square kilometer of arable land, is significantly higher than the LI-SSA median of 325 inhabitants and the rural population densities of 281 inhabitants for Ghana and 377 inhabitants for Liberia. These two indicators highlight mounting pressure for the country's food insecurity as the rural poor have less productive land per capita in order to feed themselves. The devastating effects of malnutrition in the long term as well as potential conflict over food and arable land are major concerns going forward.

On the Environmental Performance Index 2007, which tracks environmental health, air quality, water resources, biodiversity and habitat, productive natural resources, and sustainable energy, Sierra Leone received a score of 40 out of 100. This is significantly lower than the LI and LI-SSA median scores of 54.8 and 51.6, respectively, and much worse than Ghana's score of 70.8. Sierra Leone's environmental issues include deforestation due to the use of land for agriculture and the use of wood for fuel, as well as large refugee populations settling in the forest area near Freetown during the conflict. Pollution resulting from improper waste disposal and soil erosion from deforestation and mining also add to environmental concerns. Biodiversity has been lost as deforestation and uncontrolled hunting threaten wildlife, and overpopulation and refugee flows take their toll. Moreover, because natural resources such as alluvial diamonds and gold are an important part of the economy, as economic activity recovers, the government must invest resources to enforce environmental standards to protect its natural assets.

Although large natural disasters do not occur frequently in Sierra Leone, the recent displacements and returns, malnourishment, anemia, and subsistence living of a majority of the population means that even smaller natural disasters such as a 2005 flood that wiped out the meager existence of many in the country can have disastrous consequences.

GENDER AND CHILDREN

Gender equity promotes economic growth by ensuring that all citizens have the opportunity to develop and apply their full productive capacities. Sierra Leone has two contrasting histories: an educational system that supports gender equity on the one hand and brutal conflict featuring sexual violence and mutilation of women and child noncombatants on the other hand.

A common measure of gender equality is the male and female primary school completion rates. In 2007, 69.8 percent of the females who had been enrolled in primary school completed their primary education. This compares very favorably to all benchmarks, including the expected value of 40.5 percent for a country with Sierra Leone's characteristics,²⁴ the LI-SSA median of 44.2 percent, Liberia's 57.5 percent in 2006, and even Ghana's 67.8 percent in 2005. The relatively high gross enrollment ratio of females at all levels of education for Sierra Leone of 55.0 percent in 2004 (latest year of available data), as compared with a lower rate for Ghana of 44.0 percent in the same year might demonstrate better equity for females in Sierra Leone than in comparator countries. Although this is laudable, according to the Millennium Development Goals Report for Sierra Leone (2005) the equity declines sharply at higher levels: the composition of students in the University of Sierra Leone in the 2003/2004 academic year was 19 percent female and 81 percent male. This gap at the tertiary level suggests that women are not able to reach their productive potential, that many who complete basic education cannot pursue their education further. Such a discrepancy will prevent gender parity in the medium and long terms and can undermine a country's productive potential.

In fact, the labor force participation rate in 2006 for women in Sierra Leone was just 58.5 percent, compared to 94.6 percent for men (see Figure 2-6). Additionally, in 2001, the number of women in wage employment as a percentage of men was only 7.5 percent.²⁵ This is unfortunate for a country where one out of every five households is headed by a female.²⁶

Conflict is known to exacerbate deterioration in sociocultural conditions, particularly for women and children. In Sierra Leone, a lack of gender equity is demonstrated by the well-documented prevalence of female genital mutilation, domestic violence, and low rates of women in political and other leadership positions. During the civil war, thousands of women were reportedly raped, kept as sex slaves, and forced to marry rebels. Major issues affecting children in Sierra Leone, aside from malnutrition, are forced labor, child abuse, and child trafficking. The prevalence of child soldiers in the conflict as well as forced labor of children in diamond mining has contributed to these disturbing trends. According to a Child Soldier Global Report, both male and female children in Sierra Leone faced disfigurement as combatants in the conflict and sexual violence within the militias, which has led to major physical and emotional scars among street children, many of whom came to rely on prostitution for survival.²⁷

²⁴ The standard error on the expected value of the girl's primary completion rate is high and therefore must be interpreted with caution.

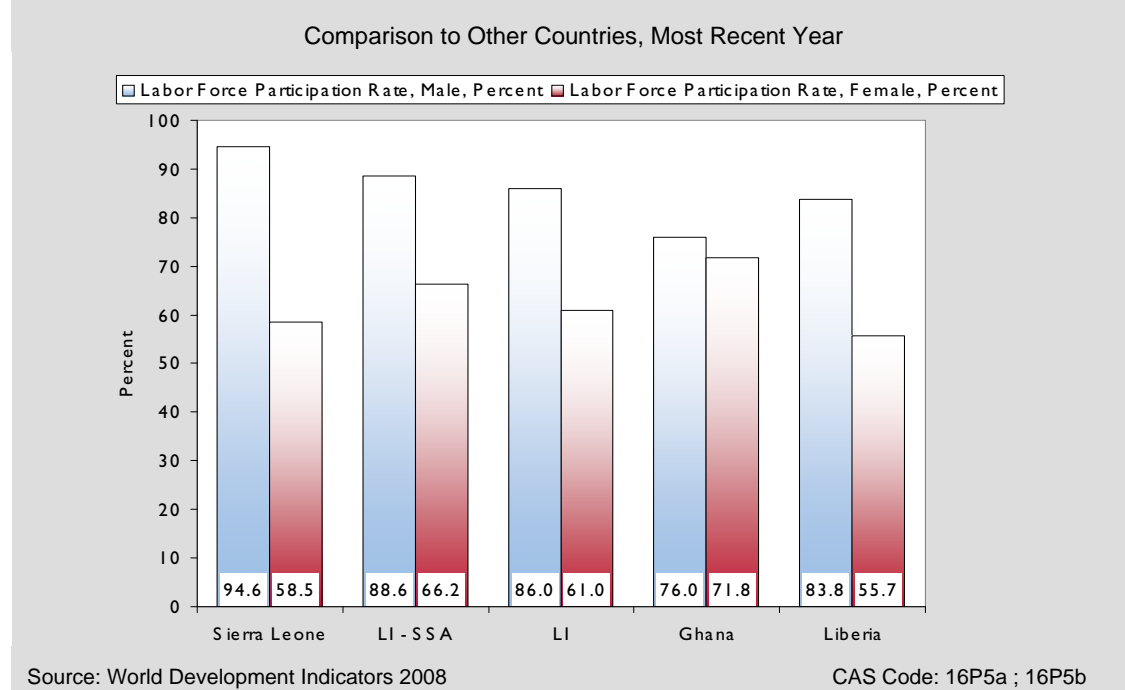
²⁵ Statistics Sierra Leone, *Annual Statistical Digest 2005/06*, 196

²⁶ *Sierra Leone Integrated Household Survey (2003/04) Final Statistical Report*, November 2007, xvi

²⁷ Sierra Leone: Child Soldiers Global Report (2008)
<http://www.childsoldiersglobalreport.org/content/sierra-leone>

Figure 2-6
Labor Force Participation Rate

Although primary education indicators suggest gender parity, there is a wide gender gap in the labor market.



The reintegration of women and children affected by conflict into normalcy should be a high priority for any postconflict economy. The provision of basic services, such as education, skills development for women, and health care is needed immediately. In the long term, ensuring gender equity will require providing access to education for girls at all levels of education and creating an environment for equal opportunity in employment for women.

3. Private Sector Enabling Environment

This section reviews indicators of the enabling environment for encouraging rapid and efficient growth of the private sector, including fiscal and monetary policy, the institutional environment for doing business, development of the financial sector, global integration, and economic infrastructure. Private sector development is essential for encouraging and supporting rapid and efficient growth. International experience shows that in conflict and postconflict economies, enabling environments tend to be weak and are characterized by rigid and outdated institutions, policies, and practices. Enabling environment reform is therefore often in order for economic expansion to take hold and recovery to advance. Caution in the sequencing of policies is merited because the elimination of state-supported enterprises, for instance, can trigger violence on the part of people facing unemployment or exacerbate social inequalities at the root of the conflict.

ECONOMIC STABILIZATION AND GOVERNMENT CAPACITY

Governments' fiscal and monetary policies are the key instruments for ensuring macroeconomic stability. One of the main concerns in politically and socially fragile economies is to ensure that the central government has the capacity to sustain fiscal balance and low and stable inflation and follow policies that are accountable to the population. The government budget must therefore balance the needs for critical services to support growth and poverty reduction and for stimulation of the private sector.

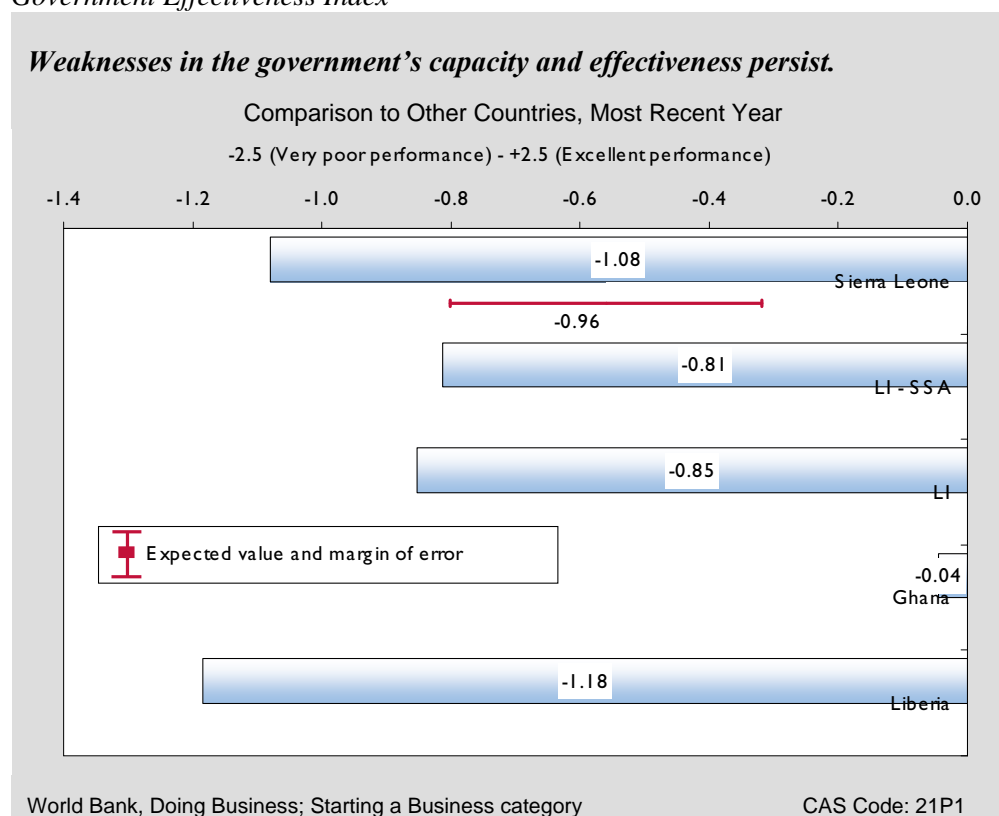
Under pressure to improve living conditions in the postconflict recovery phase, the Sierra Leone government must increase spending yet balance the budget and control inflation. The government has indeed followed prudent fiscal policy to ensure macroeconomic stability. Total government expenditure, including net lending, averaged 21.9 percent of GDP in the period 2004–2007. Of the total spending of 16.6 percent of GDP in 2007, current expenditure constituted 13.1 percent of GDP, which represents a decline of 7 percentage points since 2004. This decline is due to a substantial reduction in debt service payments, from 6.3 percent of GDP in 2000 to just 2.3 percent in 2007,²⁸ when the country reached the completion point under the Enhanced Heavily Indebted Poor Country (HIPC) initiative and \$445.9 million in external debt was forgiven (see External Sector, p. 26). The civil service wage bill, which amounted to about 6.1 percent of GDP in 2006, is a major component of Sierra Leone's current expenditure. The decline in debt service

²⁸ IMF. *Sierra Leone: Selected Issues and Statistical Appendix*. Country Report 09/12, January 2009 44

was coupled with a commensurate increase in capital expenditure from 4.6 percent of GDP in 2004 to a projected 8.6 percent in 2007—indicating the government’s commitment to investing in capital to rebuild the economy.

Nonetheless, weaknesses in budget processes and execution exist, including execution delays, insufficient spending commitment control procedures, and lack of capacity to deliver. Indeed, Sierra Leone’s 2007 score on the Fund for Peace’s Institutional Capacity index was just 7 of 25. The Fund for Peace computes this index by analyzing and rating five dimensions of government capacity—leadership, police, military, civil service, and judiciary capacity—on a scale of 1 (worst) to 5 (best) and summing the result. The scores for Ghana and Liberia were 15 and 9, respectively. Similarly, on the WBI Government Effectiveness Index, which is based on perception surveys to measure the quality of public and civil services on a scale of -2.5 (worst) to +2.5 (best), Sierra Leone scored -1.08. This compares unfavorably to the expected value of -0.96, Ghana’s -0.04, and the LI-SSA and LI medians of -0.81 and -0.85, respectively. (Liberia, however, scored worse.)

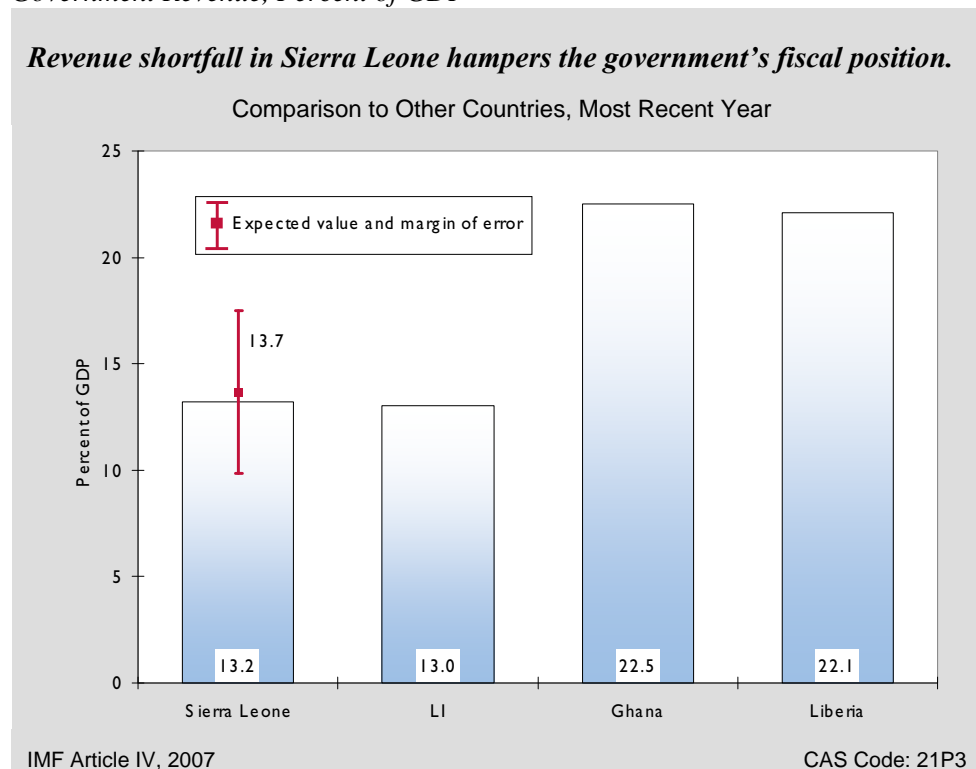
Figure 3-1
Government Effectiveness Index



Although the government has managed to achieve its expenditure objectives for the most part, revenue shortfalls have been a recurring problem. Government revenue averaged 12.8 percent of the GDP between 2004 and 2007, which is just over half that in Ghana (22.5 percent in 2004) and Liberia (22.1 percent in 2006/07). The revenue-to-GDP ratio is one of the lowest in sub-Saharan

African postconflict countries,²⁹ and reflects weaknesses in the National Revenue Authority's capacity for revenue collection and tax law enforcement as well as its narrow tax base. Weak revenue inflow, coupled with delays in expected donor disbursements in 2007, has prevented the government from increasing the much-needed infrastructure spending. The civil service wage bill alone was estimated to absorb about 50 percent of domestic revenue in 2006.³⁰ Improving domestic revenue performance is a high priority for the government, which responded to the need by passing a finance bill in late 2007 that increased license fees and royalties, to deepen the revenue base.

Figure 3-2
Government Revenue, Percent of GDP



In response to the growing need to balance the fiscal budget, in April 2007, the government adopted a cash-budget management system which paired expenditure payments to available receipts. This resulted in a significant reduction of domestic bank financing of the budget. The overall fiscal balance in 2007, excluding grants and Multilateral Debt Relief Initiative³¹ (MDRI), assistance amounted to -6.8 percent of GDP; including the HIPC Completion Point and MDRI, adjusts this balance on a one-time basis to +25.2 percent. The fiscal deficit was financed both

²⁹ IMF, *Sierra Leone: 2006 Article IV Consultation*, 4

³⁰ IMF, *Sierra Leone: 2006 Article IV Consultation*, 27

³¹ The Multilateral Debt Relief Initiative provides for 100 percent relief on eligible IMF, International Development Association and African Development Fund debt to a group of low-income countries.

through domestic sources in the amount of about Le54.2 billion as well as external sources which constituted about Le39.1 billion.³²

Sierra Leone's monetary policy, primarily utilizing open market operations, has focused on controlling inflation and maintaining macroeconomic stability. However, consumer price inflation reverted to double digits, increasing to 12.2 percent year-on-year in December 2007 from 7.9 in 2006. Higher inflation was driven mainly by external shocks in the form of higher global food and petroleum prices, as well as supply constraints due to several strikes by trade unions in Guinea, a major trading partner. Inflationary pressures and delayed donor disbursements led the Ministry of Finance to sign a Memorandum of Understanding with the Bank of Sierra Leone in the last quarter of 2006 to issue securities to mop up excess liquidity in the system.

The rise in inflation between 2006 and 2007 is consistent with the expansion of money supply from 21.5 percent in 2006 to 22.7 percent in 2007. The expansion stems from an increase in the net foreign assets caused by a growth on claims on overseas banks by commercial banks, as well as disbursement of external donor funds. Money supply growth, although higher than the LI-SSA and LI medians (19.7 percent and 19.6 percent, respectively), is still much lower than that in Ghana (42.8 percent in 2006) or Liberia (42.4 percent in 2007).

In summary, Sierra Leone has managed to maintain a stable fiscal and monetary stance since the end of the conflict. Meeting revenue targets, however, has been a challenge, restricting the country's fiscal operations. Capacity constraints in the government have exacerbated the problem.

BUSINESS ENVIRONMENT

Poor governance presents a primary institutional impediment to growth and stability in fragile states. Sierra Leone suffers from corruption, weak private sector infrastructure, and an ineffective judicial framework. The challenges that Sierra Leone has to overcome to create a welcoming environment for both domestic and foreign private investment (the principal engine for economic growth) are immense. Nonetheless, the government has made commitments to improving the business environment and the country has made significant progress in the World Bank's Doing Business indicators.

Sierra Leone has shown rapid improvement in its business climate with four new reforms in 2007/08, identical to the number of reforms in Liberia during the same period.³³ Major business enabling environment reforms in Sierra Leone have focused on business start-up. It now takes 17 days to start a business, compared to 26 days the year before. This is better than all benchmarks—the LI-SSA median of 40.5 days, the LI median of 43.2 days, Liberia's 27 days, and even Ghana's 34 days. The number of procedures to start a business was reduced from nine to seven procedures in 2009 (reflected 2008 data), compared to the LI-SSA median of 11 procedures, the LI median of 10.3 procedures, Ghana's 9 procedures and Liberia's 8 procedures. The most dramatic reform allowed the cost of starting a business to be reduced from 1,075.2 percent of GNI

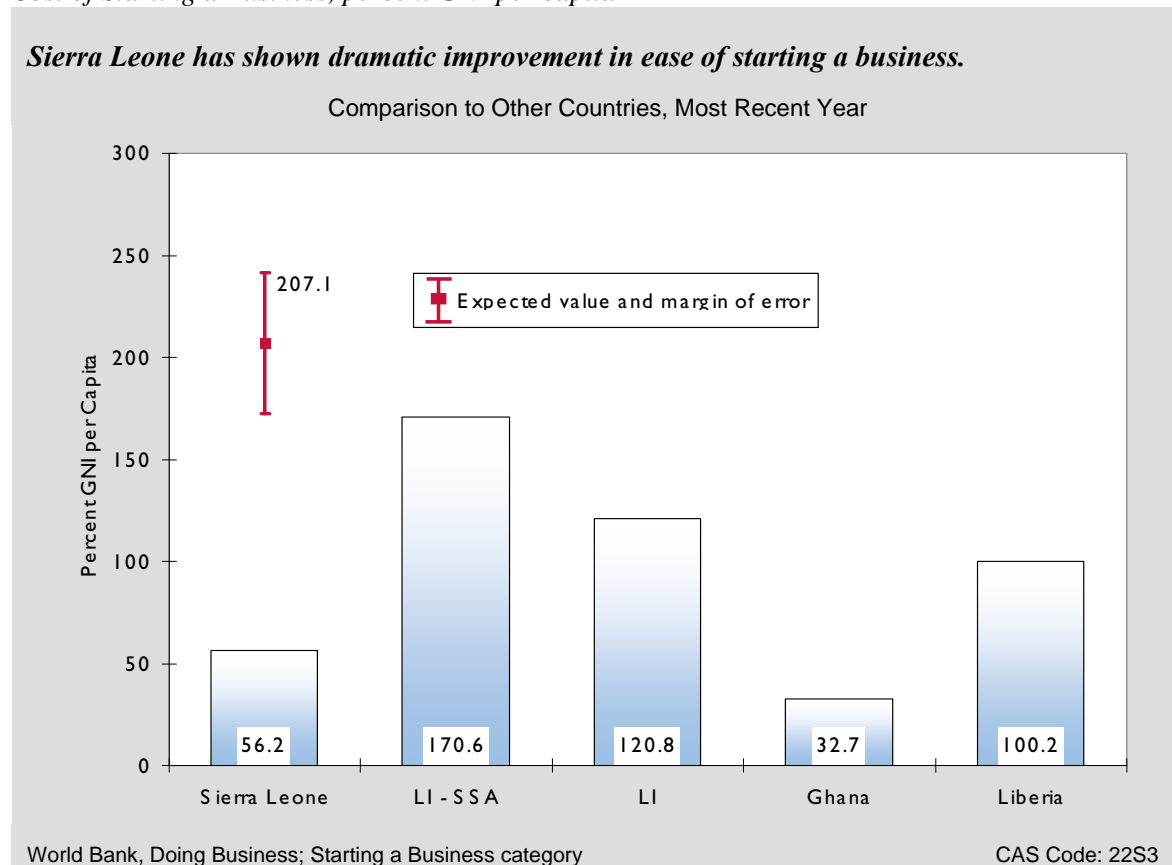
³² Bank of Sierra Leone's Annual Report and Statement of Accounts for 2007, 22.

³³ World Bank Group, Doing Business Report Overview (2009).

per capita in 2007 to just 56.2 percent in 2008. It is far more costly to start a business in Liberia (100.2 percent). The medians for LI-SSA (170.6 percent) and LI countries globally (120.8 percent) are also much higher, although the cost of starting a business in Ghana is much lower, at 32.7 percent of GNI in 2008. Both Sierra Leone and Liberia climbed up the Ease of Doing Business ranking in 2008/09—Sierra Leone from 163 to 156, and Liberia from 167 to 157—but both fall short of Ghana, which ranked 87th.

Figure 3-3

Cost of Starting a Business, percent GNI per capita



Reforms that facilitate business start-ups are less politically divisive and therefore quicker to implement than some other reforms pertaining to improving the business environment, such as contract enforcement. The time, number of procedures, and cost to enforce a contract as a percentage of the claim in Sierra Leone have remained stagnant for five years: 515 days, 40 procedures, and 150 percent. Although the number of procedures to enforce a contract is roughly comparable to all benchmarks (Liberia, 41; Ghana, 36; and the LI-SSA and LI medians, both 39.7), the cost to enforce a contract is significantly higher than in any of the comparators (Liberia, 35 percent; Ghana, 23 percent; LI-SSA median, 42.1 percent; and LI median, 38.7 percent) and is one-and-a-half times the amount of the claims themselves.

Maintaining rule of law and ensuring that the public has a voice are critical not only for improving the business environment but also for fostering long-term peace and security. The WBI Rule of Law index (on a scale from -2.5 for very poor to +2.5 for excellent performance)

measures the extent to which all players have confidence in and abide by the rules of society. On this indicator, Sierra Leone scores -1.13 in 2007, which falls short of the LI-SSA median (-0.85), LI median (-0.93), Ghana's score (-0.08), and Liberia's score (-1.06).³⁴ On the voice and accountability index (also a scale from -2.5 for very poor to +2.5 for excellent performance), Sierra Leone scores -0.33 in 2007, compared to -0.50 for the LI-SSA median, -0.87 for the LI median, +0.50 for Ghana, and -0.35 for Liberia. Although these scores are not particularly impressive, the peaceful and unrigged 2007 elections in Sierra Leone are considered a huge success for a country transitioning from conflict. The recent elections may be a harbinger of improvement, but the low index scores indicate that significant improvement in governance would help promote the private sector.

Corruption remains a major challenge to development in Sierra Leone. The government is taking reform initiatives aimed at strengthening the Anti-Corruption Commission, which was founded in 2000 but has secured just 38 prosecutions.³⁵ Although the impact of the reforms may be visible in the medium to long term, at present corruption remains widespread. In 2007, Sierra Leone scored -1.02 on the WBI's Control of Corruption index (a deterioration of 0.13 points from its 2003 score), 0.28 points lower than the LI-SSA median and significantly worse than Ghana's score of -0.17 and Liberia's -0.41 in 2007 (see Figure 3-4). Corruption has been entrenched in Sierra Leone's public and private sectors for many years, and it will take time to see significant improvement from the government's reform initiatives. Until then, corruption harms Sierra Leone's prospects for attracting FDI and stifles entrepreneurship. A lack of transparency is also encouraging black market transactions, especially diamond transactions (some of which are reported in the commercial media to evade Kimberly Process controls) and money laundering.

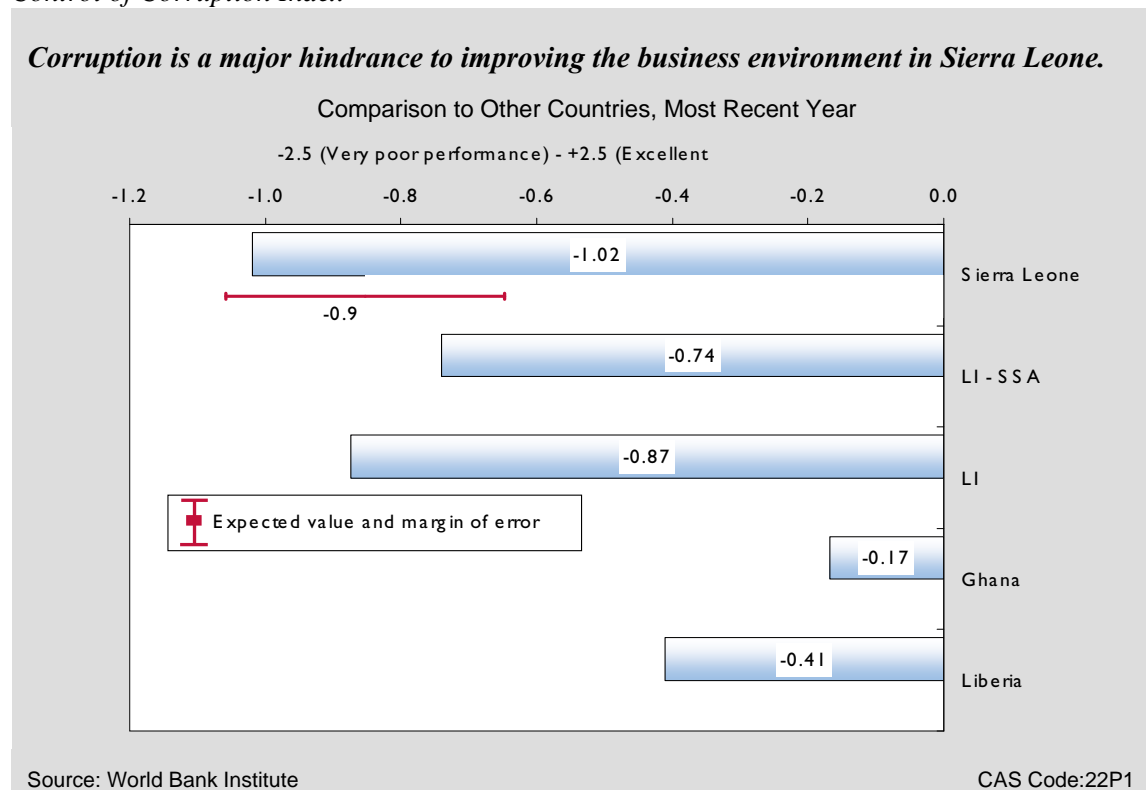
To move past the conflict-recovery phase, becoming competitive in the region and the world will require substantial improvement in the business environment. In 2008, two countries in the region, Senegal and Burkina Faso, were among the world's top 10 reformers.³⁶ Notwithstanding the reforms observed in business start-up and property registration, Sierra Leone has immense challenges ahead with respect to improving judicial systems and governance, particularly in controlling corruption.

³⁴ This index is best used with caution for relative comparisons between countries in a single year, because the standard errors are large.

³⁵ The Economic Intelligence Unit, *Country Report: Sierra Leone* (September 2008), 13

³⁶ World Bank. *Doing Business 2009*.

Figure 3-4
Control of Corruption Index



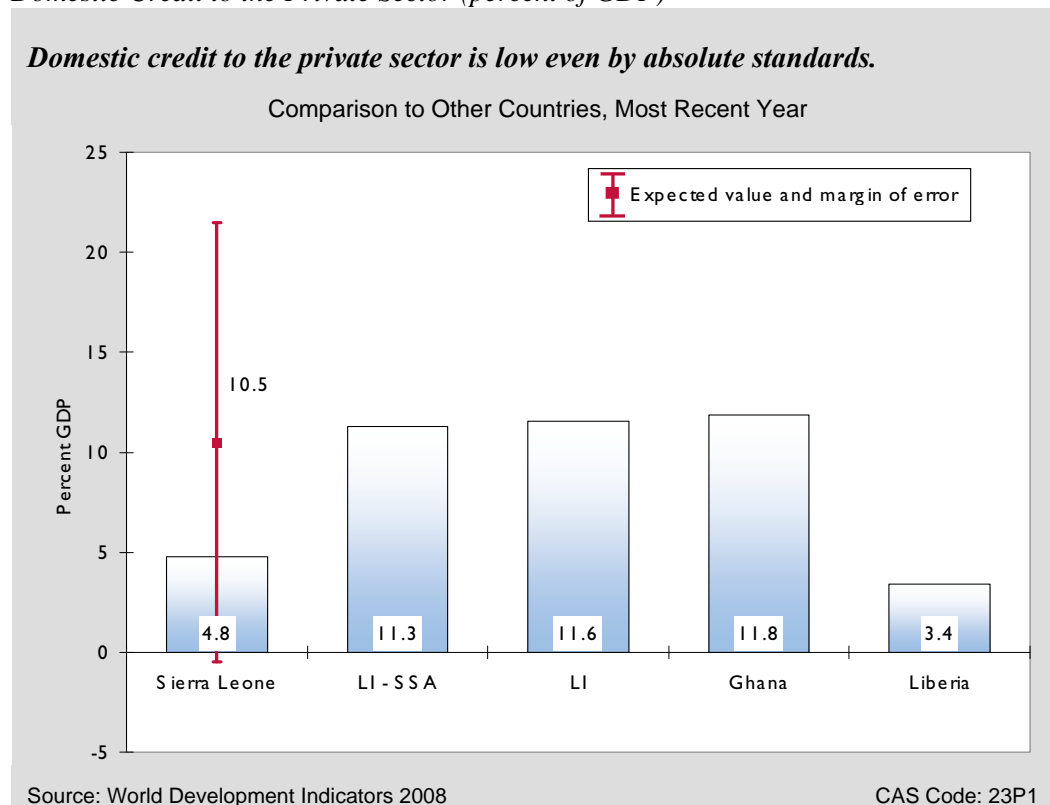
FINANCIAL SECTOR

The financial sector is crucial for the resumption of normal economic activity in socially and politically fragile environments. Its activities range from basic means of payment for monetary transactions to trade finance to complex schemes for financing investment. Depth, stability, and quality in financial institutions are fundamental for mobilizing savings, allocating financial resources, fostering entrepreneurship, and improving risk management, all of which Sierra Leone and its partners must stimulate to ensure lasting peace. More than 10 years of conflict stalled Sierra Leone's financial sector development, diminishing its financial sector activity and service provision. Indicators signal improvement in the country's financial sector since the end of the civil war in 2002, but further progress is needed to develop an efficient financial sector.

Sierra Leone's financial system consists almost entirely of a banking sector. In 2005, domestic credit to the private sector was 4.8 percent of GDP. By comparison, the expected value for a country with Sierra Leone's characteristics was 10.5 percent of GDP, the LI-SSA median was 11.3 percent, and the LI median was 11.6 percent. In 2001, the latest year for which data were available, Ghana's performance was 11.8 percent, and Liberia—which was still in conflict—was at 3.4 percent (see Figure 3-5). While Sierra Leone's performance was weaker than all comparators except Liberia, the figures have increased by more than a half since 2001, indicating that the banking sector is expanding. Although credit has grown, however, so has the number of

nonperforming loans (31.7 percent of gross loans in 2007)³⁷, posing a significant risk for the banking sector in the long term. The IMF’s Financial Sector Assessment Program concluded that Sierra Leone’s financial system is unable to support private sector-led growth.³⁸ Indeed, the demand for credit for productive purposes is estimated at between 90,000 and 160,000 customers with a combined loan volume of between US\$24.8 million and US\$43.5 million. Yet, the present supply of credit reaches fewer than 13,000 customers with a combined loan portfolio of less than US\$1 million.³⁹

Figure 3-5
Domestic Credit to the Private Sector (percent of GDP)



The spread between lending and deposit rates can be seen as a measure of efficiency in financial intermediation. In Sierra Leone, this figure was still high in 2006 (at 13.6 percent), but not much higher than the benchmarks, which were 12.4 percent for the expected value, 13.3 percent and 11.5 percent for the LI-SSA and LI medians, and 13.6 percent for Liberia in 2005. What is more worrying is that the spread has increased since 2003 (from 11.6 percent), indicating a possible deterioration in financial efficiency and stabilization.

³⁷ International Monetary fund, Country Report 08/249, 31

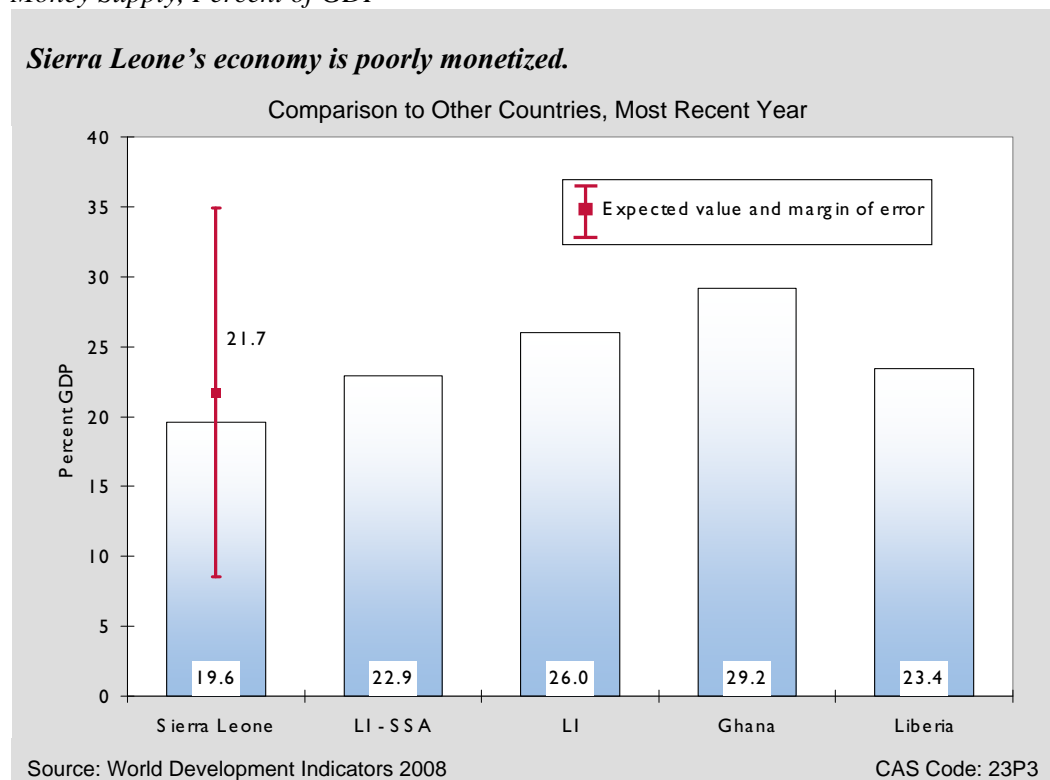
³⁸ IMF, *Sierra Leone: 2006 Article IV Consultation*, 17

³⁹ United Nations Capital Development Fund, *Development of a Sustainable Pro-Poor Financial Sector in Sierra Leone (2004-2009)*, Executive Summary

The real interest rate was 12.2 percent in 2007 and had been steadily increasing from 5.2 percent in 2004. The 2007 figure is high in absolute terms and higher than the expected value of 10.5 percent, the LI-SSA and LI medians of 11.6 percent and 8.6 percent, and Liberia's 0.9 percent. Sierra Leone's high rate is not a good sign for the economy because higher real interest rates make borrowing money more expensive for the private sector. Thus, the interest rate might have hindered the growth of credit to the private sector in recent years. Despite signs of slow progress in some of the banking and financial indicators, the financial sector is in need of significant revitalization and increased competitiveness.

The ratio of broad money to GDP, a basic gauge of the monetization of the economy and the development of the banking system, reveals lingering problems. Although it grew slowly but steadily from 2004 to 19.6 percent of GDP in 2007, it shows poor performance in absolute terms. It is lower than the expected value (21.7 percent), the LI-SSA and LI medians (22.9 percent and 26.0 percent respectively), and Ghana's ratio (29.2 percent in 2006). Surprisingly, Liberia performs better, at 23.4 percent in 2007, perhaps because of its depressed GDP and the presence of a 15,000-person UN peacekeeping mission.

Figure 3-6
Money Supply, Percent of GDP



EXTERNAL SECTOR

Fundamental changes in international commerce and finance, including reduced transport costs, advances in telecommunications technology, and lower policy barriers have fueled a rapid increase in global integration in the past 25 years. Fragile states may not take or may not be able

to take full advantage of these new markets. Moreover, they often have large external debt burdens that have to be reduced.

The most important external sector performance indicators for evaluating a fragile state's progress are the growth of its exports and its ability to attract international aid and foreign direct investment, reduce its debt service and the value of its debt, and build up international reserves to help the country cope with exogenous shocks. Sierra Leone's rising aggregate exports and inward foreign direct investment suggest healthy integration into the global economy after the end of conflict but mask dependence on a single sector—mining. To foster growth throughout the economy and the country, Sierra Leone must diversify exports and increase the attractiveness of foreign investment in sectors besides mining. The alleviation of external debt through the HIPC and MDRI initiatives has helped substantially in freeing resources for investment to increase productivity and growth.

International Trade and Current Account Balance

Levels of trade in goods and services have fluctuated since the end of the conflict, but trade has been on the path of expansion at the average rate of 2.1 percent per annum. In 2007, total trade reached about 65 percent of GDP, which is more or less on par with the LI median of 67.6 percent and the expected value of 69.8 percent. But Sierra Leone's trade-to-GDP ratio falls far behind those of the very open economies of Ghana (95.4 percent) and Liberia (89.9 percent). In addition, the Bank of Sierra Leone reports that the trade deficit widened in 2007, reaching US\$201.4 million because of an increase in import expenditure of about 13.1 percent, which was partly offset by a simultaneous expansion of exports of about 6.2 percent.⁴⁰ The International Financial Statistics Database reports that the current account deficit widened from 3.5 percent of GDP in 2006 to 3.8 percent in 2007. Except for a one-time appreciation in 2005 resulting from a stable exchange rate in the face of high inflation, the terms of trade have deteriorated in recent years because of higher global prices for oil and capital goods that have exceeded the rise in export prices for mineral and agricultural exports.⁴¹ Nevertheless, recent signs of trade expansion have been encouraging. Although the 2007 performance on the balance of payment deteriorated from the preceding year, it is nonetheless a marked improvement over the current account deficit of 7.1 percent in 2005. Total merchandise trade, including both export earnings and import payments, increased by over 10 percent in 2007.⁴²

Improved trade statistics disguise the heavy dependence on the mining sector, however. Diamonds dominate the export portfolio for Sierra Leone, making up about 85 percent of total exports in 2007, far exceeding cocoa and coffee, which made up 7 percent and 1 percent, respectively. This brings the concentration of the top three exports to 93.1 percent, which compares poorly with the LI-SSA median of 73.3 percent, the LI median of 69.1 percent, and Ghana's export concentration of 68.7 percent in 2007. The high concentration of exports on the mining sector is not surprising given the country's rich natural reserves; but as Sierra Leone

⁴⁰ Bank of Sierra Leone's Annual Report and Statement of Accounts for 2007, 28.

⁴¹ IMF, *Sierra Leone: 2006 Article IV Consultation*, 32

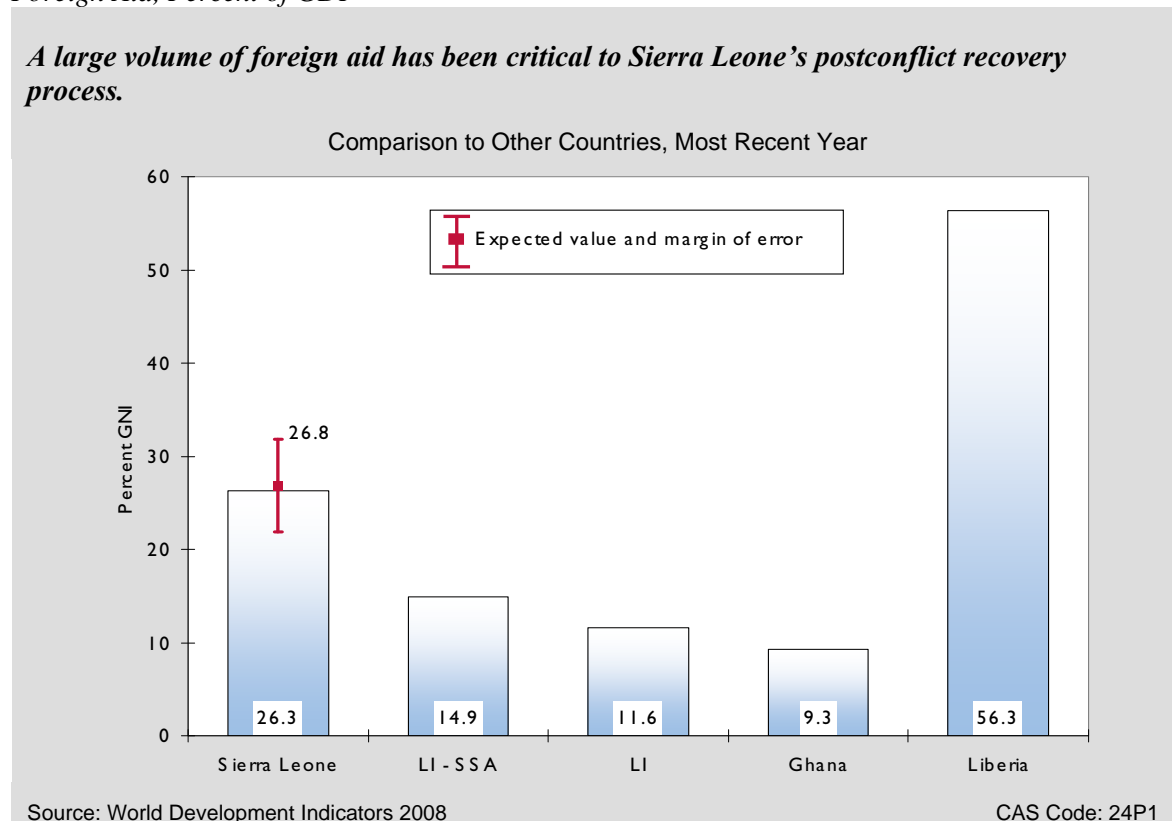
⁴² *Ibid.*, 26.

integrates into the global market, it will have to diversify its export base to include other sectors. Diamond mining in Sierra Leone is almost entirely artisanal in nature, so the employment effect is powerful compared to that in other mineral-exporting countries.

Foreign Investment and External Debt

Sierra Leone's economy is heavily dependent on foreign aid, which has funded a great deal of the country's recovery. In 2006, foreign aid amounted to 26.3 percent of GNI, which is in line with the expected value of 26.8 percent for a country with Sierra Leone's characteristics, but far above that of the LI-SSA median of 14.9 percent, the LI median of 11.6 percent, and Ghana's 9.3 percent. Only Liberia has more foreign aid—including a large UN peacekeeping mission—accounting for 56.3 percent of GNI in 2006. With the last of the UN peacekeepers departing in 2005, Sierra Leone has seen a steady decline in foreign aid, from 38.6 percent in 2002 to 6.2 percent in 2008.⁴³

Figure 3-7
Foreign Aid, Percent of GDP



Sierra Leone reached the completion point under the HIPC initiative in 2007. Total debt relief under the HIPC initiative amounted to US\$675.2 million in 2000 net present value (NPV) terms and an additional reduction of debt stock by US\$556.2 million under MDRI.⁴⁴ This has relieved

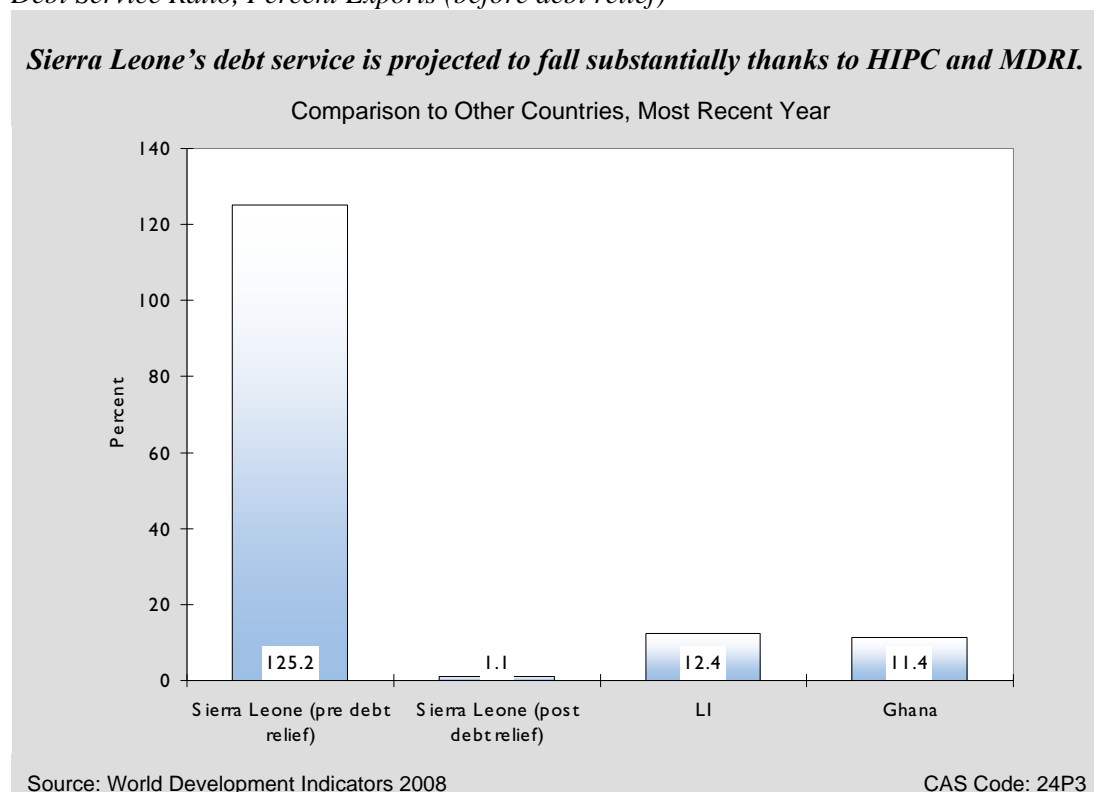
⁴³ IMF, *Sierra Leone, Staff Report for the 2008 Article IV Consultation*, December 2008, 26

⁴⁴ World Bank, Press Release No. 2007/181/AFR. <http://go.worldbank.org/V7T6WD07L0>

Sierra Leone of an historically high debt burden: the MDRI alone helped decrease the stock of debt by 67.4 percent, from US\$1,610.9 million as of December 2006 to US\$525.7 million as of December 2007.⁴⁵ The IMF projected the ratio of debt service to exports before debt relief to increase from 39.4 percent in 2004 to 125.2 percent in 2005, but HIPC and MDRI debt relief dropped it to an annual level of 1.1 percent, and it averaged 12.5 percent for 2008.⁴⁶ The post-HIPC burden of 1.1 percent compares favorably to Ghana's debt service-to-exports ratio of 11.4 percent in 2001, the LI median of 12.4 percent, and the expected value of 5.5 percent for a country with Sierra Leone's characteristics.

Figure 3-8

Debt Service Ratio, Percent Exports (before debt relief)



The debt relief should provide a boost to investor confidence in Sierra Leone. Foreign direct investment has been rising slowly since the end of the conflict from 0.9 percent of GDP in 2003 to 4.1 percent in 2006, mainly because of increasing foreign interest in the mining industry. Indeed, the recent increase in mineral prices has led to a surge in international interest in Sierra Leone's mining sector, leading to an increase in mining licenses and exploration.⁴⁷

⁴⁵ Bank of Sierra Leone's Annual Report and Statement of Accounts for 2007, 55

⁴⁶ IMF, *Sierra Leone: 2006 Article IV Consultation*, 25

⁴⁷ Extractive Industries Transparency Initiative, <http://eitransparency.org/SierraLeone> (Accessed 6 December 2008)

Foreign Exchange

An increase in exports boosted gross external reserves of the Bank of Sierra Leone to US\$215.5 million at year end 2007. This provides a comfortable cushion of 4.5 months of import financing for Sierra Leone, which compares favorably to all four benchmarks, the highest of which was the LI-SSA median, at 3.9 months of imports of goods and services.

The real effective exchange rate stood at 73.8 in 2007, well below the rate of the base period (2000) and particularly since 2003, when the leone depreciated in real terms by more than 20 percent relative to the base period. In contrast, in 2007 the Ghanaian cedi had appreciated by 14.7 percentage points since 2000, and the median currency depreciation in LI countries globally has been less than 10 percentage points since 2000. This depreciation may explain the export increase and the increase in foreign exchange reserves, and it bodes well for a sustainable export promotion program (see Figure 3-9).

Figure 3-9
Real Effective Exchange Rate



ECONOMIC INFRASTRUCTURE

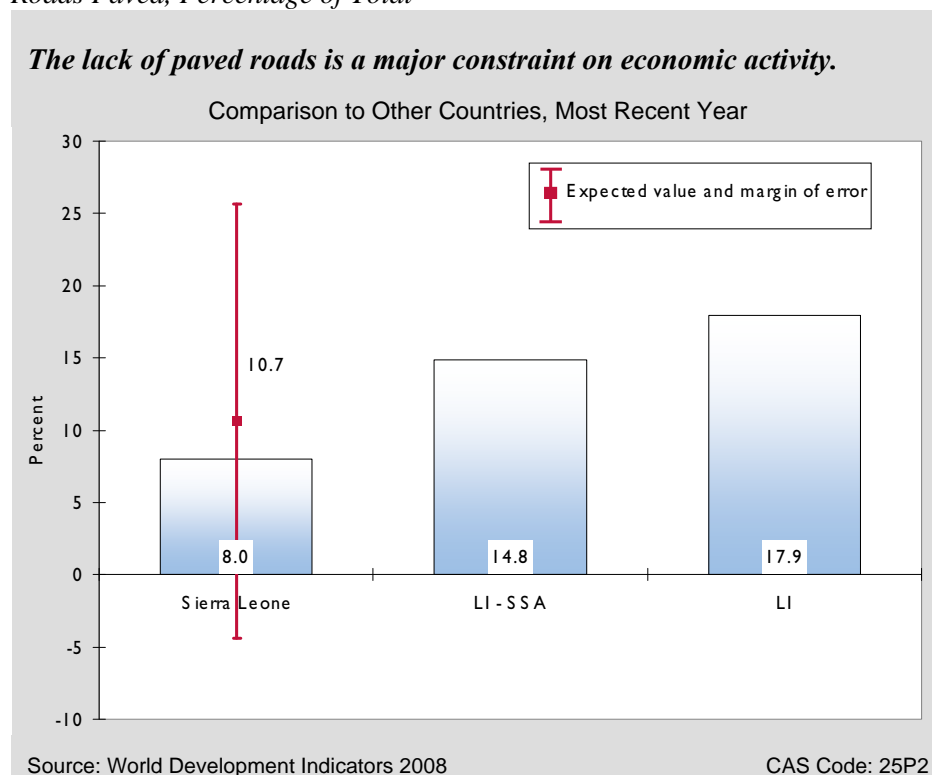
A country's physical infrastructure—for transportation, ICT, and energy— catalyzes all aspects of development, including enhancing productive capacity and improving competitiveness. Infrastructure supports advances in health, education, and economic growth. Prolonged conflict usually causes neglect of infrastructure and a reduction in investment in new infrastructure, and postconflict economies face the challenges of rehabilitation, reconstruction, and restoration.

Sierra Leone's infrastructure is in extremely poor condition, and in some aspects is nonexistent. Data from our standard CAS indicators are unavailable to assess Sierra Leone's infrastructure quality, and this limits our analysis in this section. Nonetheless, we make use of the quantitative and qualitative data available to provide a snapshot of the state of infrastructure in Sierra Leone.

Transportation is crucial to both domestic economic and trade-related activity. Transportation infrastructure is particularly relevant for Sierra Leone because its core economic activities (mainly artisanal mining but also agriculture) require physical access to markets. But Sierra Leone's road networks are in serious need of rehabilitation and development, partly as a result of lack of maintenance and destruction during the 10-year civil war. Roads, especially in rural areas, are riddled with potholes and mud traps that make traveling on them almost impossible even in four-wheel drive.⁴⁸ In 2002, only 8 percent of roads in Sierra Leone were paved. Although it is plausible that more roads have been paved since the end of the conflict, the 2002 figure makes Sierra Leone the worst performer among the benchmarks—10.7 percent for a country with Sierra Leone's characteristics, the LI median of 14.8 percent, and Ghana's 17.9 percent in 2003. To make matters worse, the rail system in Sierra Leone was shut down progressively from 1968 to 1994 when bauxite mining ceased and parts of the railway were scavenged for scrap, meaning that transportation alternatives for economic activity are virtually nonexistent.

⁴⁸ Center for Global Development, "*We fall down and get up: State failure, democracy and development in Sierra Leone*", Lancaster, Carol (2007)

Figure 3-10
Roads Paved, Percentage of Total



ICT infrastructure is also critically underdeveloped. In 2002, only 1.8 people out of 1,000 subscribed to telephone mainlines and mobile phones. By comparison, the expected ratio for a country with Sierra Leone's characteristics is 4.9 per 1,000 people, the LI median is 8.0 people, and Ghana's ratio is 34.0 people (in 2007). Sierra Leone compares favorably only with the LI-SSA median of 1.7 people out of 1,000. Internet use is also dramatically low, at only 0.2 out of 1,000 people in 2007, against the expected value of 1.5, the LI-SSA median of 1.0, the LI median of 1.6, Ghana's 1.8 in the same year, and even Liberia's 0.3 figure in 2001. Given the role that ICT plays in creating linkages with the global economy, low ICT penetration has critical consequences for economic growth.

It is no surprise then that Sierra Leone's score on the World Bank's logistics performance index for infrastructure, a measure of the quality of transport and IT infrastructure for logistics for private sector activity and trade, is also very low—at 1.8 in 2007, where 1.0 indicates poor performance and 5.0 is the highest score. The expected value, the LI-SSA median, the LI median, and Liberia's score were higher at 2.1 each in 2007, and Ghana's score was 2.3 in the same year.

Similarly, the energy sector is in critical condition. Sierra Leone's MDG report for 2005 states that there is no reliable and cost-effective energy supply⁴⁹ and that 80 percent of the energy used comes from firewood and charcoal.⁵⁰

⁴⁹ *Millennium Development Goals Report for Sierra Leone* (2005), 9

The present state of infrastructure in Sierra Leone seriously impedes investment and competitiveness, and significant improvement is required if the country is to take full advantage of its potential through private sector and trade activity. The 2005-2007 PRSP indicated that one of the highest priorities for poverty reduction was investing in supportive infrastructure, including roads, transportation, power and energy supply, and ICT,⁵¹ with the expectation that much-needed improvements would attract both domestic and foreign investment.⁵² It is expected that private capital would rebuild the rail line dedicated to bauxite removal. In 2006, a fair amount of progress had been made, raising hopes for the future. For example, the number of gravel roads increased from 1,350 km in 2004 to 1,874 km in 2006, and during the same period the number of all-weather trunk roads constructed and maintained increased from 581 km to 1,774 km. And as of 2006, mobile phone usage has expanded significantly, with eight of the 12 districts of Sierra Leone covered.⁵³

⁵⁰ Ibid., viii

⁵¹ *Sierra Leone Poverty Reduction Strategy Paper 2005-2007*, 85

⁵² *Sierra Leone Poverty Reduction Strategy Paper Progress Report (2007)*, 57

⁵³ Ibid., 57-59

4. Pro-Poor Growth Environment

This section reviews the conditions and performance of Sierra Leone in certain sectors crucial to poverty reduction. Rapid growth can be one of the most powerful and dependable instruments for poverty reduction and for preventing relapse into conflict. Growth without development intensifies inequality and breeds hostility; thus pro-poor growth is a critical component of Sierra Leone's postconflict reconstruction. A pro-poor growth environment stems from the implementation of policies and institutions that improve opportunities and capabilities for the poor while reducing their vulnerability by improving livelihoods, building assets, and enhancing mechanisms to cope with shocks. In fragile states and postconflict countries, however, these policies and institutions are often weak or nonexistent. Sustainable economic development hinges on the implementation of programs to improve primary health and education, job creation, labor market skills, and agricultural development.

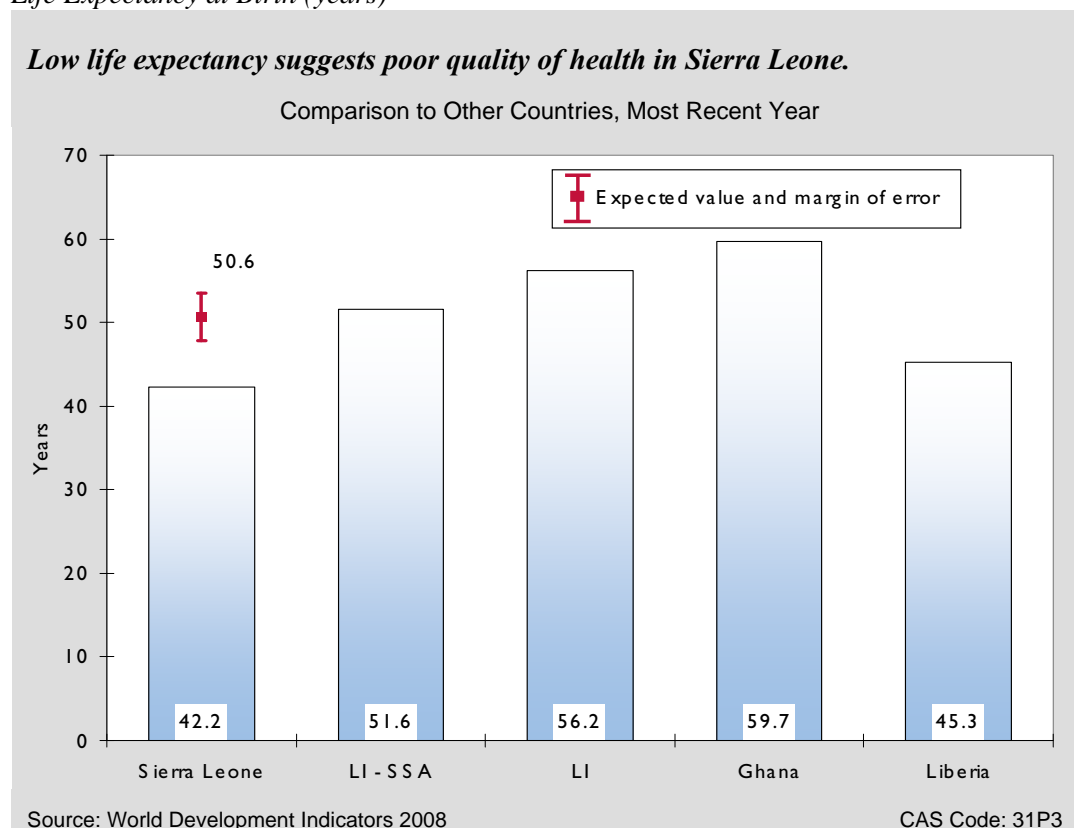
HEALTH

The provision of basic health services is a major investment in human capital and a significant determinant of long-term economic growth and poverty reduction. Although health programs do not fall under the EGAT bureau, an understanding of the health status of a population can influence the design of economic recovery interventions. Political and social tensions add to the complexities of coordination and provision of basic health care by interrupting the supply of drugs and services or by damaging health infrastructure.

Life expectancy at birth is commonly regarded as the best overall indicator of the health status of a population. By this measure Sierra Leone is performing poorly. In 2006, the estimated life expectancy was 42.2 years, well below the expected value for a country with similar characteristics (50.6 years) and the LI-SSA and LI medians (51.6 years and 56.2 years, respectively). Ghana, at 59.7 years, and even Liberia, at 45.3 years, also performed better. The maternal mortality rate is also very high and shows poor health care. In 2005, 2,100 women died giving birth for every 100,000 live births, more than twice as high as the expected value for a country with similar characteristics (988.4 deaths per 100,000 live births). This mortality rate is also well above the LI-SSA and LI medians (895.0 deaths and 765.0 deaths per 100,000 live births, respectively), and almost four times Ghana's maternal mortality rate (560.0 deaths); even Liberia, with 1,200 deaths per 100,000 live births has a lower mortality rate than Sierra Leone.

Furthermore, only 1.0 percent of births are attended by skilled personnel (2005),⁵⁴ and cultural beliefs hinder maternal health.⁵⁵

Figure 4-1
Life Expectancy at Birth (years)



Not only is the maternal mortality rate twice as high as could be expected for a country with Sierra Leone's characteristics, the child mortality rate is as well. In 2000 (latest data available), the number of children dying before the age of five was 286 of 1,000. This figure is almost twice as high as the expected value for a country with similar characteristics (155.5 deaths) and more than twice the LI median (141.0 deaths). Child mortality is two-and-a-half times the rate in Ghana (112.0 deaths). Liberia's abysmal rate (235.0 deaths) comes close but does not equal Sierra Leone's. Most infant deaths are attributable to endemic diseases, including malaria, diarrhea, and respiratory tract infection.⁵⁶ The picture remains bleak for survivors: 27.2 percent of children under five were underweight in 2000. Although this is roughly on par with other benchmarks (the expected value of 27.8 percent, the LI median of 26.3 percent, and Liberia's 26.5 percent), it is very high in absolute terms. Ghana, at 18.8 percent, provides an achievable comparator.

⁵⁴ World Development Indicators, 2008

⁵⁵ Millennium Development Goals Report for Sierra Leone (2005) VIII

⁵⁶ Ibid., 31

Among the factors contributing to so many child deaths is a lack of access to clean water and sanitation. In 2006, only 53 percent of the population had access to an improved water source, slightly below the expected value for a country with similar characteristics (57 percent). The LI-SSA and LI medians are well above Sierra Leone's performance, at 60.0 percent and 65.0 percent, respectively. Ghana's and even Liberia's figures were also higher, at 80.0 percent and 64.0 percent, respectively. Access to improved sanitation was available to only 11.0 percent of the Sierra Leonean population, whereas the expected value would be 29.2 percent, the LI-SSA and LI medians are 30.0 percent and 31.0 percent, and even Liberia attains 32.0 percent.

The very poor state of health in Sierra Leone's population is related to the poverty and inequality discussed earlier. Government resources should be adequate to invest in better health for the population. Government expenditures in health reached only 1.8 percent of GDP in 2001, roughly on par with other benchmarks (Both the LI-SSA and the LI medians are 1.9 percent and Liberia's spends 1.6 percent) but not with the corresponding figures for the expected value and Ghana (2.4 percent and 2.8 percent, respectively). This is low in absolute terms and underscores the long-overdue need for investment in health, including health infrastructure and governance structures as well as training and retaining of health personnel by means of higher wage levels.

EDUCATION

Education, like health, is a fundamental investment in human capital and a basic input for transformational growth and poverty reduction. Education—particularly primary school for girls—is strongly associated with better family health and nutrition, greater opportunity, smaller family size, and other profound socioeconomic changes. In addition, in fragile environments, education can diminish grievances by eliminating historic inequalities in educational access and fostering equal economic opportunities.

A large portion of comparable education indicators for Sierra Leone are nonexistent, missing or outdated, and the disruption of education during the civil war makes comparisons difficult. The data that were available were sufficient, however, for us to carry out meaningful analysis of the situation in Sierra Leone.

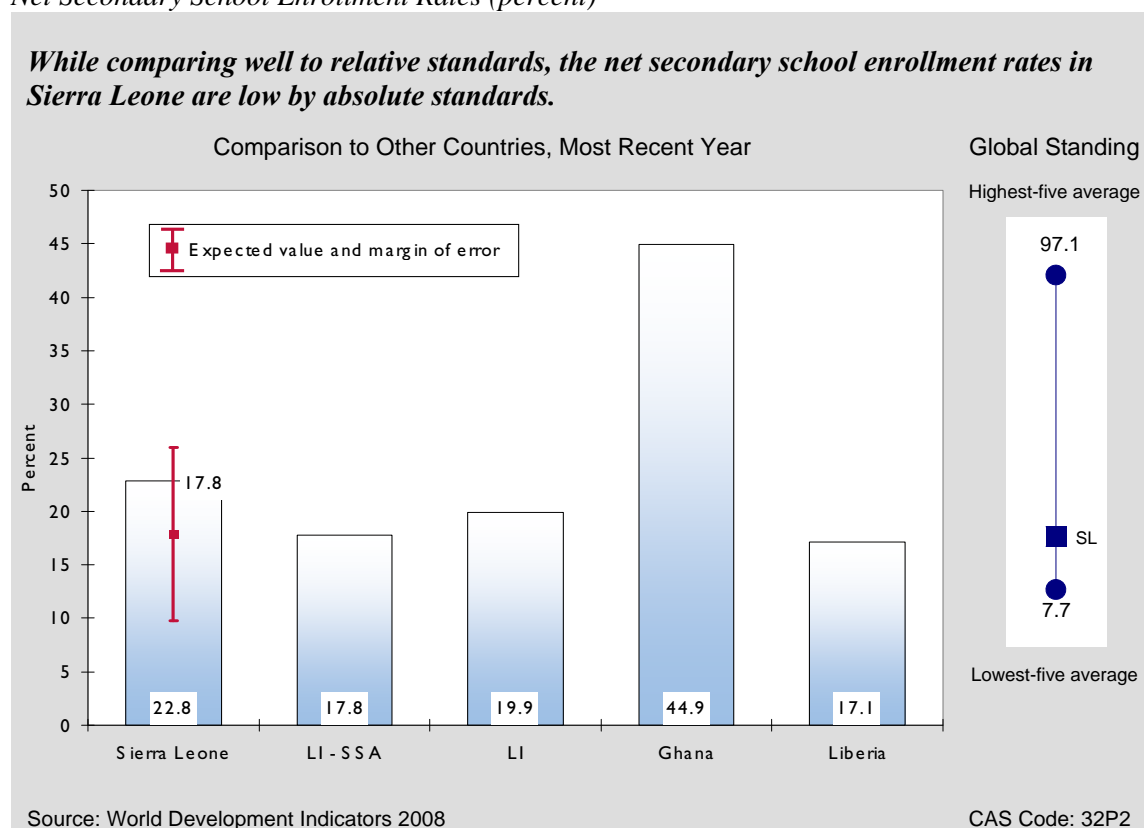
In 2004, the percentage of people ages 15–24 who could, with understanding, read and write a short, simple statement about their everyday life—the youth literacy rate—was only 47.9 percent. The expected value for this indicator is 64.8 percent, and even Liberia, itself emerging from brutal civil war, had a rate of 67.4 percent in the same year. The duration of the civil war in Sierra Leone meant that an entire generation of children did not have the opportunity to attend school, thus contributing to the low youth literacy rate. Such a low rate does not bode well for the future because it undermines the productive capacity of the generation entering the workforce.

But there is good news in the enrollment data. Although data have not been updated recently, they indicate that in 2001 the gross primary enrollment rate (the ratio of total enrollment, regardless of age) to the population of the age group officially corresponding to the level of education had risen to 90.4 percent from 65.3 percent in 2000. This includes children who had missed schooling

opportunities but who returned to school through special programs,⁵⁷ raising gross primary enrollment rates at the end of the 2002/2003 school year to 122.0 percent,⁵⁸ indicating that many over-age students were enrolling in school.

The picture for secondary school is less positive. Gross secondary enrollment was 41.0 percent by mid-2003.⁵⁹ Moreover, the net secondary enrollment rate, the proportion of the population of the official age for entering secondary education who are enrolled in secondary school, was 22.8 percent in 2007—higher than most benchmarks: the expected value and the LI-SSA median, each at 17.8 percent; the LI median at 19.9 percent, and Liberia at 17.1 percent (2000). It is low in absolute terms, however, as Ghana, with 44.9 percent gross secondary enrollment in 2007, demonstrates (see Figure 4-2).

Figure 4-2
Net Secondary School Enrollment Rates (percent)



Gender inequality in access to education, as measured by enrollment rate, appears to have improved since 2001, when the ratio of females to males enrolled was 87 percent. By the middle

⁵⁷ Ibid., p.17

⁵⁸ Sierra Leone Poverty Reduction Strategy Paper 2005–2007, 40

⁵⁹ Ibid., p. 41

of 2003, the figure had risen to an encouraging 98 percent,⁶⁰ although gender inequity still persists in education (see Gender and Children).

Although Sierra Leone has improved access to education since the end of the civil war, it still must make changes to increase literacy and skills to a productive level. It must improve the quality of primary and secondary education, which is poor because of a lack of trained and qualified teachers, inadequate infrastructure, and scarce learning materials. This is also true for tertiary education, where more specialized teachers and facilities are needed, and in rural areas, where the number of facilities and personnel are limited.⁶¹ For Sierra Leone to attain real growth and equitable, broad-based development, by ensuring that the rising numbers of students finish school with the qualifications necessary, these issues must be addressed.

Prospects for peace and reconciliation and the reintegration of child soldiers will be slim if the education situation does not improve for them in the short term, because a lack of educational and employment opportunities may make crime and the lucrative business of brigandry for which they have trained more attractive.

EMPLOYMENT AND WORKFORCE

The most important mechanism for delivering the benefits of growth to residents of fragile states is to provide earning opportunities, whether in informal activities, self-employment, or formal jobs. Updated data on youth unemployment and informal sector employment are sparse for Sierra Leone. In this section, we use the few data available to gain insights into Sierra Leone's employment sector.

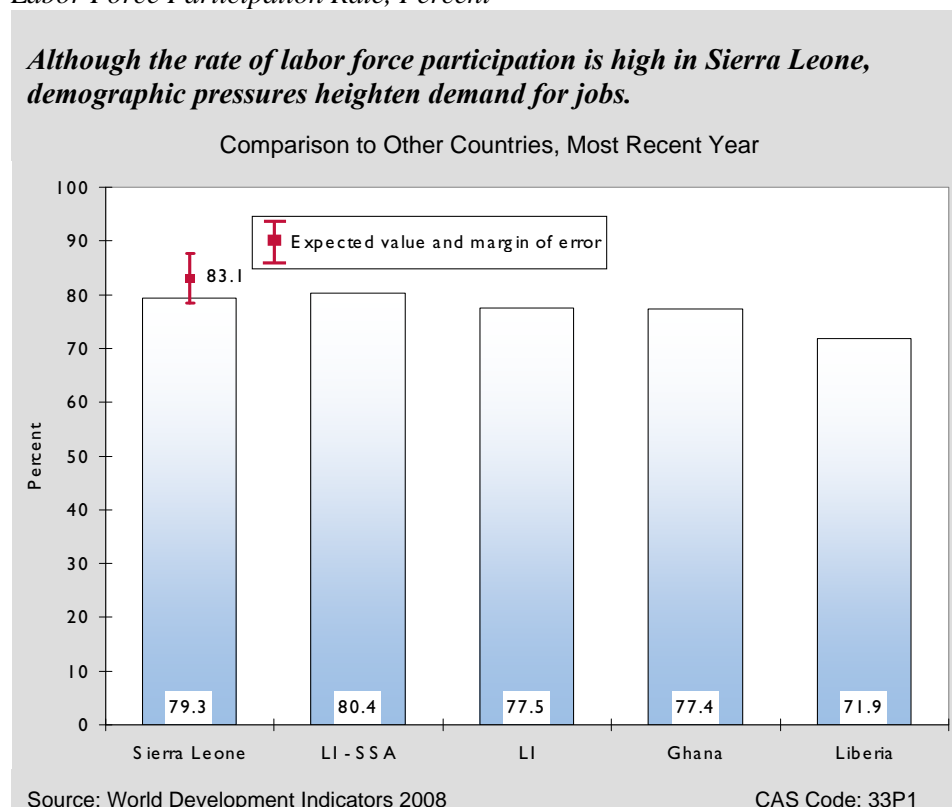
Sierra Leone has a fairly high labor force participation rate, 79.3 percent (2006). This surpasses the labor force participation rates in Ghana (77.4 percent in 2006) and Liberia (71.9 percent in 2006), as well as the LI median of 77.5 percent. It is on par with the LI-SSA median of 80.4 percent and the expected value of 83.1 percent for a country with Sierra Leone's characteristics (see Figure 4-3). Nonetheless, pressure for job creation remains; Sierra Leone's population is young and dependent. The total age dependency ratio of 85 percent implies that on average each person of working age (15–64 years) has one additional person to support. The size of the labor force in Sierra Leone was about 2.5 million in 2006; with the labor force growing at an average annual rate of about 4 percent between 2002 and 2006, the economy will have to absorb almost 99,000 new entrants into the labor market each year.⁶²

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² Data on size and growth of the labor force comes from the World Development Indicators Online Database (Accessed: 5 December 2008)

Figure 4-3
Labor Force Participation Rate, Percent



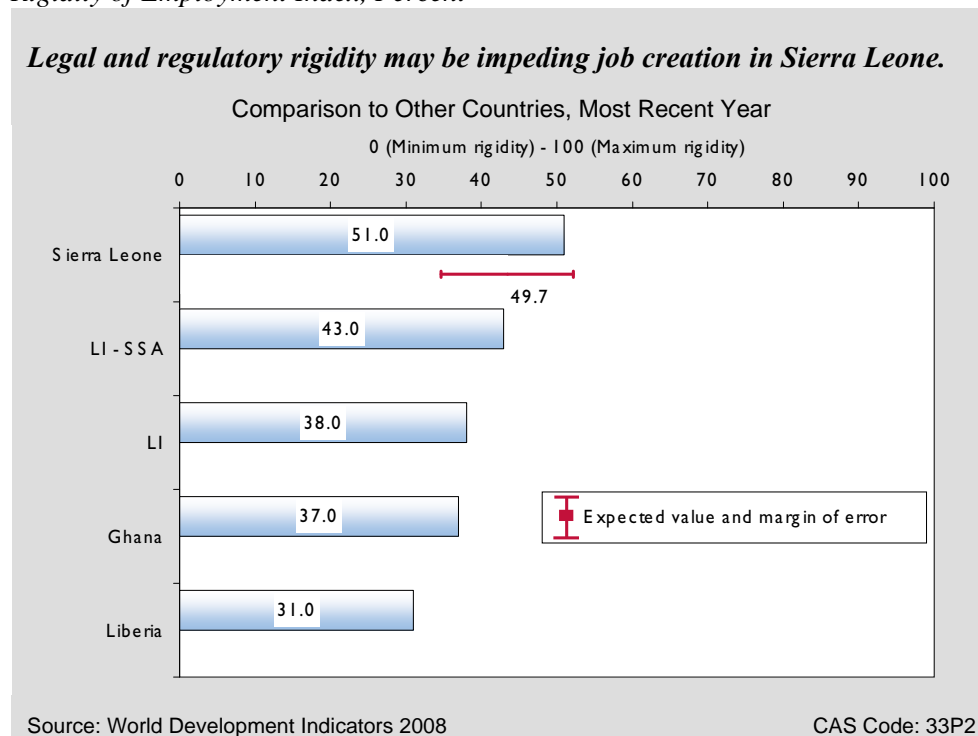
Unemployment data for Sierra Leone are sparse. Among the unemployed registered with the Employment Information Service Center in 2005, 87.5 percent were male,⁶³ and a large proportion of these were youth. The country must, therefore, create new jobs rapidly to keep the unemployed, especially youth, from being disillusioned and attracted to violence.

Labor market rigidity poses a major hurdle to investment and job creation. The World Bank's Rigidity of Employment index measures the difficulty that firms face in hiring and firing workers as well as the rigidity of work hours. If government policies and regulations increase the cost of firing workers, hiring workers in the first place becomes riskier for employers. For 2008, Sierra Leone received a score of 51 on employment rigidity. This is much higher than the LI-SSA and LI medians of 43 and 38, respectively, as well as the scores for Ghana (37) and Liberia (31) (see Figure 4-4). The World Bank estimates that the cost of firing a worker after 20 years of employment in Sierra Leone is 188.7 weeks (over three-and-a-half years) of salary.⁶⁴ This constricts labor flexibility to a degree seen in few other market-based economies.

⁶³ Statistics Sierra Leone, *Annual Statistical Digest 2005/06*, 78

⁶⁴ World Bank, *Doing Business* (2009).

Figure 4-4
Rigidity of Employment Index, Percent



Labor market reforms are difficult to achieve because of resistance from workers who already have jobs. Nonetheless, our analysis suggests job creation in highly productive sectors as a top priority for policymakers and donors. The legal and regulatory regime impedes job creation and deters investment that is needed to achieve faster growth.

AGRICULTURE

Because of the lack of internationally comparable data on agriculture in Sierra Leone, in this section we make little use of CAS standard benchmarking methodology and instead rely more on statistics from other sources to find useful information about Sierra Leone's agriculture sector.

As seen in Economic Structure, agriculture accounts for 44 percent of the value added in Sierra Leone and employs about two-thirds of the country's labor force. Yet farmer-headed households have the highest incidence of poverty, at an estimated 83.1 percent.⁶⁵ Reviving the agriculture sector therefore is at the heart of both improving productivity and lifting the majority of the country's poor out of poverty.

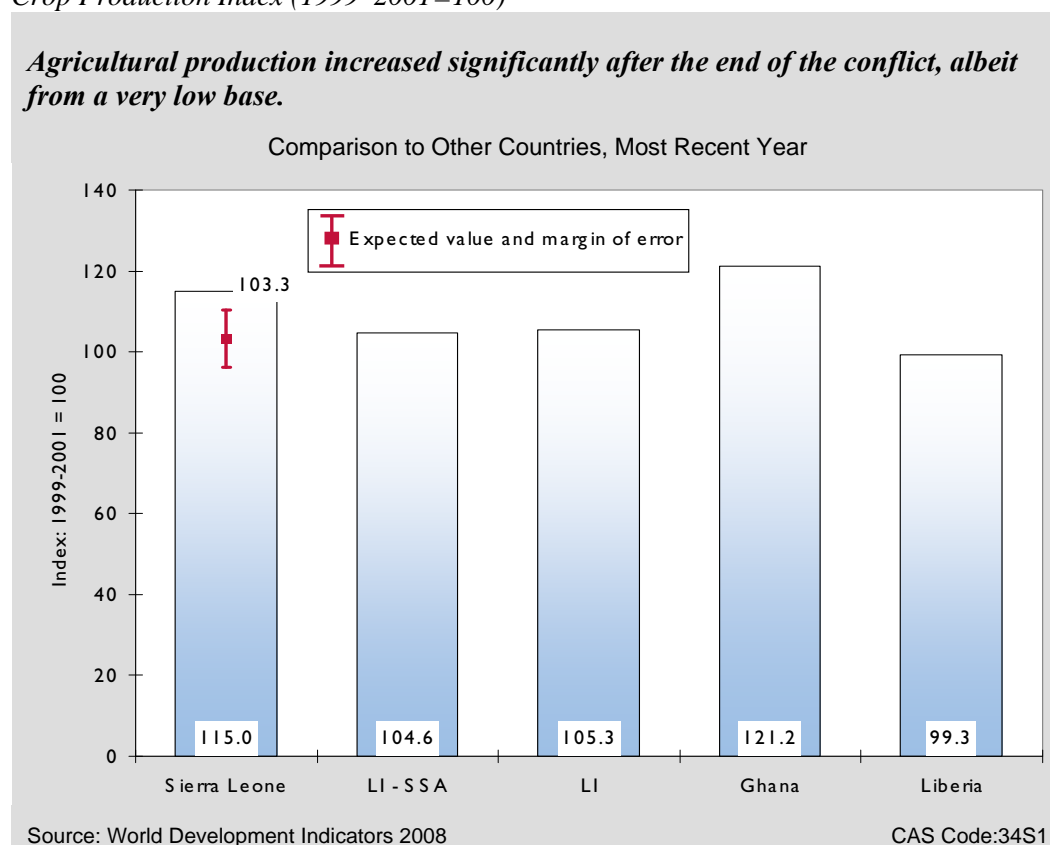
Sierra Leone's major crops include rice, coffee, cocoa, cassava, palm kernels, palm oil, and peanuts. Fisheries, poultry, and cattle are also important constituents of the agriculture sector.

⁶⁵ IMF, *Sierra Leone, PRSP*, 33

Fisheries alone contribute 9.4 percent of GDP and are the most important source of employment for coastal Sierra Leoneans.⁶⁶

Agricultural production has grown since the end of the conflict, although from a very low base. The FAO crop production index for Sierra Leone increased from 93.5 in 1999 to 115.0 in 2004. This is well over the expected value of 103.3 for a country with Sierra Leone’s characteristics and the LI-SSA and LI medians of 104.6 and 105.3 respectively (see Figure 4-5). Indeed, food production has seen a significant increase since 1999, with rice and cassava production increasing by 80 percent and 100 percent, respectively by 2003.⁶⁷ Similarly, coffee production grew from an estimated 1,500 metric tons (MT) in 2000/01 to 50,700 MT in 2004/05 and maize from 10,032 MT to an estimated 445,033 MT by 2002/03.

Figure 4-5
Crop Production Index (1999–2001=100)



Small and ruminant livestock are one of the greatest victims of conflict because they are scavenged by marauding militias. So the significant recovery of the animal stock witnessed in Sierra Leone between 1999/2000 and 2004/05 is welcome. An estimated 505,307 households own

⁶⁶ Ibid., 34

⁶⁷ Government of the Republic of Sierra Leone, *Millennium Development Goals Report for Sierra Leone*, 2005, 13

livestock in Sierra Leone.⁶⁸ With donor and NGO assistance, the stock of goats has grown by an estimated 5,526 percent, sheep by 2,818 percent, ducks by 2,678 percent, and chicken by 1,407 percent.⁶⁹ These indicators of production demonstrate how low agricultural production had reached before the conflict ended. The FAO estimated that in 2002, of the 580,000 metric tons of cereal consumption needed, domestic production met only about 46 percent; the rest came from imports and foreign aid.⁷⁰ Achieving food security is therefore now a national priority, as evidenced in the Strategy for National Agricultural Development, Food Security Strategy, Nutrition and Health Strategy, and the PRSP.

Among the major constraints that the agricultural sector must overcome are low capital investment, weak credit and microfinance markets, poor infrastructure, and weak or nonexistent agricultural support services. Donors—FAO, UNDP, and the World Bank—have identified agriculture and food security as high priorities for support for Sierra Leone. For instance, in mid-2007, the World Bank approved a \$30 million grant to Sierra Leone to improve efficiency along the value chain of agricultural commodities and bring greater benefits to producers.⁷¹ Indeed, agricultural revitalization in Sierra Leone will require a broad-based approach involving the private sector, financial markets, local and large-scale producers, government resources for infrastructure and policy initiatives, and donor technical assistance.

⁶⁸ *Sierra Leone Integrated Household Survey (2003/04) Final Statistical Report*, November 2007, 56

⁶⁹ Statistics Sierra Leone, *Annual Statistical Digest 2005/06*, 84

⁷⁰ *Ibid.*

⁷¹ World Bank, Press Release No. 2007/372/AFR. <http://go.worldbank.org/YKP7KTGDD0>

Appendix A. CAS Methodology

CRITERIA FOR SELECTING INDICATORS

The economic recovery evaluation in this report balances the need for broad coverage and diagnostic value with the requirement of brevity and clarity. The analysis covers 15 topics related to economic growth and just over 100 variables. For the sake of brevity, the write-up in the text highlights issues for which the “dashboard lights” appear to be signaling problems and which suggest priorities for USAID intervention. The table below provides a full list of indicators examined for this report. The data supplement in Appendix B contains the complete data set for Sierra Leone, including data for benchmark comparisons, and technical notes for every indicator.

For each topic, our analysis begins with a screening of primary performance indicators. These Level I indicators are selected to address the questions: What are the factors affecting economic growth? What are the economic performance obstacles to peace? How intense is or was the conflict? How delicate is the situation? The primary indicators also include descriptive variables such as per capita income, structure of the labor force, and youth bulge.

When Level I indicators suggest weak performance, we review a limited set of *diagnostic supporting indicators*. These Level II indicators provide additional details, or shed light on *why* the primary indicators may be weak.¹ For example, if economic growth is poor, one can examine data on investment and disarmament and demobilization as diagnostic indicators. If life expectancy is low in a particular country, one can examine determinants such as access to improved sanitation or refugees and internally displaced persons per capita following the conflict.²

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

¹ The distinction between *primary* and *diagnostic supporting indicators* is not always clear-cut. In many cases, it is difficult to find readily available discerning and broadly applicable diagnostic indicators.

² Deeper analysis using more detailed data (Level III) is beyond the scope of this series.

Millennium Challenge Corporation. Finally, redundancy is minimized. If two indicators provide similar information, preference is given to one that is easier to understand or that is most widely used. For example, both the Gini coefficient and the share of income accruing to the poorest 20 percent of households can be used to gauge income inequality. We use the income share because it is simpler and more sensitive to changes.

BENCHMARKING METHODOLOGY

Comparative benchmarking is the main tool used to evaluate each indicator. The analysis draws on several criteria rather than a single mechanical rule. The starting point is a comparison of performance in the country being assessed relative to the average for countries in the same income group and region—for Sierra Leone, lower-income countries in sub-Saharan Africa.³ Three other comparisons provide additional perspective: (1) the global average for the income group; (2) respective values for two comparator countries approved by the USAID mission; and (3) the average for the world’s five best- and five worst-performing countries. Most comparisons are framed in terms of values for the latest year of data from available sources. Five-year trends are also taken into account when this information sheds light on the performance assessment.⁴ In many cases, however, data limitations preclude time series analysis.

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.⁵ This approach has three advantages. First, the benchmark is customized to the country’s level of income. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology allows the quantification of the margin of error and establishment of a “normal band” for a country with characteristics similar to those of the country being assessed. An observed value falling outside this band on the side of poor performance signals a serious problem.⁶ Finally, where relevant, the country’s performance is weighed against absolute standards. For example, a double-digit inflation rate is a sign of macroeconomic problems, regardless of the regional comparisons or other benchmark results.

³ Income groups as defined by the World Bank for 2008. For this study, the average is defined in terms of the median so that values are not distorted by outliers.

⁴ 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.

⁵ This is a cross-sectional OLS regression using data for all developing countries. For any indicator, Y , the regression equation takes the form: Y (or $\ln Y$, as relevant) = $a + b * \ln \text{PCI} + c * \text{Region} + \text{error}$ – where PCI is per capita income in PPP\$, and Region is a set of 0-1 dummy variables indicating the region in which each country is located. When estimates are obtained for the parameters a , b , and c , the predicted value for the Angola is computed by plugging in Angola-specific values for PCI and Region. Where applicable, the regression also controls for population size and petroleum exports (as a percentage of GDP).

⁶ This report uses a margin of error of 0.68 times the standard error of estimate (adjusted for heteroskedasticity, where appropriate). With this value, 25 percent of the observations should fall outside the normal range on the side of poor performance (and 25 percent on the side of good performance). Some regressions produce a very large standard error, giving a “normal band” that is too wide to provide a discerning test of good or bad performance.

POSTCONFLICT CAS INDICATORS

Indicator	Level ^a	MDG, MCA, EcGov, CAS std ^b
Profile of Conflict and Recovery		
Failed State Index score	I	
Episode of significant violence, highest magnitude in previous 10 years	I	
Type of conflict, highest magnitude in previous 10 years	I	
Magnitude of societal-systemic impact, highest magnitude in previous 10 years	I	
Disarmament, demobilization and reintegration	II	
Human Rights Index score	II	
Refugees and IDPs per capita	II	
Postconflict Economic Growth		
Per capita GDP, \$PPP	I	CAS std
Real GDP growth	I	CAS std
Gross fixed investment, % GDP	II	CAS std
Poverty and Inequality		
Income share, poorest 20%	I	CAS std
Population living on less than \$1 PPP per day	I	MDG; CAS std
Population living below national poverty line	I	MDG; CAS std
Human Poverty Index	I	
Population below minimum dietary energy consumption	II	MDG; CAS std
Economic Structure		
Output structure	I	CAS std
Labor force structure	I	CAS std
Adjusted savings: energy depletion, % GNI	II	
Adjusted savings: mineral depletion, % GNI	II	
Demography and Environment		
Adult literacy rate	I	CAS std
Youth dependency rate	I	CAS std
Youth bulge	I	
Environmental performance index	I	CAS std
Population growth rate	I	CAS std
Rural population density	I	
Percentage of population living in urban areas	I	CAS std
Frequency and scope of natural disasters	II	
Net migration rate	II	

Indicator	Level ^a	MDG, MCA, EcGov, CAS std ^b
Gender and Children		
Gender empowerment measure	I	
Girls' primary completion rate	I	MCA; CAS std
Gross enrollment rate, all education levels, male and female	I	MDG; CAS std
Life expectancy, male and female	I	CAS std
Labor force participation rate, male and female	I	CAS std
Internally displaced females, per capita	II	
Use of child soldiers, government and political groups	II	
Economic Stabilization and Government Capacity		
Government Effectiveness Index	I	
Government expenditure, % GDP	I	EcGov; CAS std
Government revenue, % GDP	I	EcGov; CAS std
Money supply growth	I	EcGov; CAS std
Inflation rate	I	MCA; CAS std
Overall government budget balance, including grants, % GDP	II	MCA, EcGov; CAS std
Interest payments and total government expenditure	II	CAS std
Subsidies and other current transfers and total government expenditure	II	CAS std
Institutional capacity	II	
Business Environment		
Control of corruption index	I	CAS std
Rule of law index	I	MCA, EcGov; CAS std
Voice and accountability	I	
Ease of doing business rank	I	EcGov; CAS std
Time to start a business	II	MCA; EcGov; CAS std
Procedures to start a business	II	EcGov; CAS std
Cost of starting a business, % GNI	II	MCA; EcGov; CAS std
Time to enforce a contract	II	EcGov; CAS std
Procedures to enforce a contract	II	EcGov; CAS std
Cost to enforce a contract, % claim	II	
Time to register property	II	EcGov; CAS std
Financial Sector		
Domestic credit to private sector, % GDP	I	CAS std
Interest rate spread	I	CAS std
Money supply, % GDP	I	CAS std
Real Interest rate	II	CAS std
Banking sector default rates	II	

Indicator	Level ^a	MDG, MCA, EcGov, CAS std ^b
External Sector		
Aid , % GNI	I	CAS std
Current account balance, % GDP	I	CAS std
Debt service ratio, % exports	I	MDG; CAS std
Export growth of goods and services	I	CAS std
Foreign direct investment, % GDP	I	CAS std
Gross international reserves, months of imports	I	EcGov; CAS std
Present value of debt, % GNI	I	CAS std
Remittance receipts, % exports	I	CAS std
Concentration of exports	I	CAS std
Logistics Performance Index – customs	II	
Trade in goods and services, % GDP	II	CAS std
Real effective exchange rate (REER)	II	EcGov; CAS std
Country credit rating	II	
Economic Infrastructure		
Logistics Performance Index, infrastructure	I	
Number of electrical outages (per month)	I	
Telephone density, fixed line and mobile per 100	I	CAS std
Internet users per 1000 people	II	MDG; CAS std
Roads paved, % total roads	II	CAS std
Percentage of households with access to electricity	II	
Overall infrastructure quality	II	EcGov; CAS std
Quality of infrastructure— air, ports, railroads, electricity, and roads	II	CAS std
Health		
Child mortality rate (per 1,000 live births)	I	
Maternal mortality rate (per 100,000 live births)	I	MDG; CAS std
Life expectancy at birth	I	CAS std
HIV prevalence	II	CAS std
Access to improved sanitation	II	MDG; CAS std
Access to improved water source	II	MDG; CAS std
Prevalence of child malnutrition (weight for age)	II	CAS std
Public health expenditure, % GDP	II	MCA, EcGov; CAS std
Education		
Net primary enrollment rate	I	MDG; CAS std
Net secondary enrollment rate	I	CAS std
Gross tertiary enrollment rate	I	CAS std
Persistence in school to grade 5	I	MDG; CAS std
Youth literacy rate	I	CAS std

Indicator	Level ^a	MDG, MCA, EcGov, CAS std ^b
Education expenditure, primary, % GDP	II	MCA, EcGov; CAS std
Pupil-teacher ratio, primary school	II	CAS std
Employment and Workforce		
Labor force participation rate	I	CAS std
Rigidity of employment index	I	EcGov; CAS std
Economically active children, % children 7-14	I	CAS std
Unemployment rate, 15-24 year olds	I	
Informal sector employment, % labor force	II	
Agriculture		
Agriculture value added per worker	I	CAS std
Crop production index	II	EcGov; CAS, std
Agricultural export growth	II	CAS, std

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

^b MDG—Millennium Development Goal indicator

MCA—Millennium Challenge Account indicator

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

CAS std—Standard CAS template indicator for template version, December 2006.

Appendix B. Data Supplement

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

	Profile of Conflict and Recovery							
	Statistical Capacity Indicator	Failed State Index Score	Episode of significant violence, highest magnitude in previous 10 years	Type of conflict, highest magnitude in previous 10 years	Magnitude of societal-systemic impact, highest magnitude in previous 10 years	Disarmament, Demobilization and Reintegration	Human Rights Index	Refugee and IDPs per Capita
Indicator Number	01P1	11P1	11P2	11P3	11P4	11S1	11S2	11S3
<i>Sierra Leone Data</i>								
Latest Year (T)	2008	2008	.	.	2003	2006	2006	2007
Value Year T	42	92.3	.	.	3.0	1.0	3.0	37,157
Value Year T-1	46	93.4	.	.	.	.	3.0	.
Value Year T-2	42	96.6	.	.	.	.	3.0	.
Value Year T-3	35	102.1	.	.	.	.	4.0	.
Value Year T-4	22	.	.	.	.	.	3.0	.
Average Value, 5 year	37.4	.	.	.	.	.	3.2	.
Growth Trend	15.7	.	.	.	.	.	-2.9	.
<i>Benchmark Data</i>								
Regression Benchmark	49.0	.	.	.	.	.	.	.
Lower Bound	42.5	.	.	.	.	.	.	.
Upper Bound	55.4	.	.	.	.	.	.	.
Latest Year Ghana	2008	2008	.	.	.	.	2006	2007
Ghana Value Latest Year	57	64.6	.	.	.	.	3.0	6,717.0
Latest Year Liberia	2008	2008	2003	2003	2003	2006	2006	2007
Liberia Value Latest Year	32	91.0	1.0	1.0	1.0	1.0	3.0	139,439.0
LI - SSA	57.7	90.0	.	.	.	.	.	.
Lower Middle Income	59.3	91.1	.	.	.	1.0	.	.
High Five Avg.	90.7	110.5	.	.	.	.	.	.
Low Five Avg.	24.7	18.7	.	.	.	.	.	.

Indicator Number	Postconflict Economic Growth			Poverty & Inequality				
	Per Capita GDP, PPP	Real GDP Growth (% Change)	Gross Fixed Investment (% GDP)	Incomes-share, Poorest 20%	Population living on less than \$1 PPP per day	Population living below national poverty line	Human Poverty Index	Population below minimum dietary energy consumption
	12P1	12P2	12S1	13P1	13P2	13P3	13P4	13S1
Sierra Leone Data								
<i>Latest Year (T)</i>	2007	2007	2007	2003	2004	2004	2005	2002
Value Year T	693	6.8	17.2	6.5	57.0	70.2	51.7	50.0
Value Year T-1	648	7.4	15.5	.	.	.	51.9	.
Value Year T-2	600	7.3	17.4	.	.	.	.	.
Value Year T-3	558	7.4	10.7	.	.	.	.	.
Value Year T-4	519	9.5	13.9	.	.	.	.	.
Average Value, 5 year	603.3	7.7	14.9	.	.	.	.	.
Growth Trend	7.3	-6.5	8.0	.	.	.	.	.
Benchmark Data								
Regression Benchmark	.	4.7	19.8	6.1	73.2	60.4	40.9	39.1
Lower Bound	.	3.0	16.1	5.4	68.7	54.5	35.2	33.1
Upper Bound	.	6.5	23.6	6.9	77.6	66.3	46.6	45.0
<i>Latest Year Ghana</i>	2007	2007	2007	.	2005	2006	2005	2002
Ghana Value Latest Year	1,426	6.3	32.9	.	44.8	28.5	32.3	12.0
<i>Latest Year Liberia</i>	2007	2007	2005	.	.	.	.	2002
Liberia Value Latest Year	358	9.5	16.4	.	.	.	.	49.0
LI - SSA	814	3.6	17.5	.	.	.	40.9	33.5
Lower Middle Income	1,098	5.9	20.4	.	.	.	39.9	31.5
High Five Avg.	49,317.2	16.7	51.3	9.1	45.1	55.1	56.7	67.0
Low Five Avg.	365.0	0.7	9.5	2.3	2.1	15.2	3.9	2.5

Economic Structure								
Indicator Number	Output Structure (Agriculture, value added, % GDP)	Output Structure (Industry, value added, % GDP)	Output Structure (Service, value added, % GDP)	Labor Force Structure (Employment in Agriculture)	Labor Force Structure (Employment in Industry)	Labor Force Structure (Employment in Services)	Adjusted savings: Energy depletion (% GNI)	Adjusted savings: Mineral depletion (% GNI)
	14P1a	14P1b	14P1c	14P2a	14P2b	14P2c	14S1a	14S1b
<i>Sierra Leone Data</i>								
<i>Latest Year (T)</i>	2007	2007	2007	2004	.	.	2006	2006
Value Year T	44.3	24.2	31.5	68.0	.	.	0.0	0.0
Value Year T-1	47.4	25.5	27.1	.	.	.	0.0	0.0
Value Year T-2	45.8	24.7	29.5	.	.	.	0.0	0.0
Value Year T-3	45.9	24.7	29.3	.	.	.	0.0	0.0
Value Year T-4	46.7	24.7	28.6	.	.	.	0.0	0.0
Average Value, 5 year	46.0	24.8	29.2	.	.	.	0.0	0.0
Growth Trend	-0.8	-0.1	1.2	.	.	.	0.0	0.0
<i>Benchmark Data</i>								
Regression Benchmark	35.7	17.2	40.7	78.8	4.3	19.3	-0.4	0.3
Lower Bound	31.3	12.6	34.9	72.6	2.0	13.7	-4.4	-1.9
Upper Bound	40.1	21.8	46.5	85.0	6.6	24.9	3.6	2.5
<i>Latest Year Ghana</i>	2007	2007	2007	2000	2000	2000	2006	2006
Ghana Value Latest Year	36.3	25.3	38.4	55.0	14.0	31.1	0.0	7.7
<i>Latest Year Liberia</i>	2005	2005	2005	2000	2000	2000	2006	2006
Liberia Value Latest Year	65.8	15.7	18.4	70.0	8.0	22.0	0.0	0.1
LI - SSA	36.4	19.1	44.2	.	.	.	0.0	0.0
Lower Middle Income	32.7	25.0	45.1	.	.	.	0.0	0.0
High Five Avg.	56.9	70.1	85.3	.	.	80.4	89.8	24.1
Low Five Avg.	0.3	9.4	18.0	.	.	24.2	0.0	0.0

Demography & Environment										
	Adult literacy rate	Youth dependency rate	Youth Bulge	Environmental performance index	Population growth rate	Rural population density	Population living in urban areas	Frequency of natural disasters (No. per year)	Scope of natural disasters (No. people affected)	Net migration rate
Indicator Number	15P1	15P2	15P3	15P4	15P5	15P6	15P7	15S1a	15S1b	15S2
<i>Sierra Leone Data</i>										
Latest Year (T)	2004	2007	.	2007	2007	2005	2007	2008	2006	2007
Value Year T	34.8	42.9	.	40.0	1.8	588.4	37.4	1.0	0.0	0.2
Value Year T-1	.	42.8	.	49.5	2.8	570.1	37.1	0.0	271.8	.
Value Year T-2	.	42.8	.	.	3.6	577.1	36.8	0.0	13.1	.
Value Year T-3	.	42.7	.	.	4.3	588.9	36.5	0.0	2.0	.
Value Year T-4	.	42.7	.	.	4.7	604.3	36.3	0.0	0.0	.
Average Value, 5 year	.	42.8	.	.	3.4	585.8	36.8	0.2	57.4	.
Growth Trend	.	0.1	.	.	-23.5	-0.9	0.8	.	49.4	.
<i>Benchmark Data</i>										
Regression Benchmark	47.3	46.1	.	.	2.8	386.9	25.6	.	.	1.0
Lower Bound	36.1	43.9	.	.	2.5	60.1	17.8	.	.	-7.3
Upper Bound	58.5	48.3	.	.	3.2	713.6	33.3	.	.	9.3
Latest Year Ghana	.	2007	.	2007	2007	2005	2007	2007	2005	2008
Ghana Value Latest Year	.	38.2	.	70.8	2.0	281.1	49.3	1.0	10.3	-0.6
Latest Year Liberia	2004	2007	.	2006	2007	2005	2007	2005	2006	2008
Liberia Value Latest Year	51.9	47.2	.	51.0	4.8	377.5	59.5	1.0	0.0	15.1
LI - SSA	.	44.0	.	51.6	2.7	325.2	33.5	1.7	95.6	0.0
Lower Middle Income	.	42.8	.	54.8	2.4	421.4	30.4	1.7	103.1	0.0
High Five Avg.	.	97.9	.	89.1	4.0	6,147.6	100.0	16.3	22,027.8	20.3
Low Five Avg.	.	19.9	.	37.4	-0.8	6.7	12.4	0.0	0.0	-15.4

Gender & Children											
	Gender Empowerment	Girls' Primary completion rate	Gross Enrollment Rate, Male	Gross Enrollment Rate, Female	Life Expectancy at Birth, Male	Life Expectancy at Birth, Female	Labor Force Participation Rate, Male	Labor Force Participation Rate, Female	Internally displaced females per capita	Use of Child Soldiers - Government (0) no, (1) yes, (2) possible	Use of Child Soldiers - Political (0) no, (1) yes, (2) possible
Indicator Number	16P1	16P2	16P3a	16P3b	16P4a	16P4b	16P5a	16P5b	16S1	16S2a	16S2b
<i>Sierra Leone Data</i>											
Latest Year (T)	.	2007	2004	2004	2006	2006	2006	2006	.	2008	2008
Value Year T	.	69.8	75.0	55.0	40.7	43.9	94.6	58.5	.	0.0	0.0
Value Year T-1	40.3	43.6	94.5	58.4	.	.	.
Value Year T-2	94.4	58.3	.	.	.
Value Year T-3	93.9	58.4	.	.	.
Value Year T-4	39.3	42.8	94.1	58.5	.	.	.
Average Value, 5 year	94.3	58.4	.	.	.
Growth Trend	0.2	0.0	.	.	.
<i>Benchmark Data</i>											
Regression Benchmark	.	40.5	48.3	36.3	48.3	50.8	89.1	70.2	.	.	.
Lower Bound	.	29.9	43.0	29.8	45.2	47.8	86.3	62.7	.	.	.
Upper Bound	.	51.0	53.5	42.8	51.4	53.8	91.9	77.7	.	.	.
<i>Latest Year Ghana</i>											
Ghana Value Latest Year	.	67.8	50.0	44.0	59.3	60.1	76.0	71.8	.	0.0	0.0
<i>Latest Year Liberia</i>											
Liberia Value Latest Year	.	57.5	.	.	44.4	46.2	83.8	55.7	.	0.0	1.0
LI - SSA	.	44.2	50.0	44.0	48.5	49.8	88.6	66.2	.	1.0	1.0
Lower Middle Income	.	47.6	52.5	45.5	53.6	56.4	86.0	61.0	.	1.0	1.0
High Five Avg.	0.9	122.6	101.2	106.8	78.7	84.2	94.5	87.1	.	.	.
Low Five Avg.	0.2	20.0	28.0	21.8	38.5	38.9	64.9	19.8	.	.	.

Economic Stabilization & Government Capacity									
Indicator Number	Govt. effectiveness index (-2.5 for poor to 2.5 for excellent performance)	Government Expenditure (% GDP)	Government Revenue (% GDP)	Money Supply Growth	Inflation rate	Overall Budget Balance, Including Grants (% GDP)	Interest Payments/ Total Government Expenditure	Subsidies and Other Current Transfers/ Total Government Expenditure	Institutional Capacity
	21P1	21P2	21P3	21P4	21P5	21S1	21S2	21S3	21S4
<i>Sierra Leone Data</i>									
Latest Year (T)	2007	2007	2007	2007	2007	2007	2007	2007	2007
Value Year T	-1.08	16.6	15.7	22.7	12.2	-0.9	9.9	10.1	7.0
Value Year T-1	-1.08	21.4	11.4	21.5	7.9	11.4	15.7	11.1	.
Value Year T-2	-1.24	24.6	11.9	31.3	13.1	-2.7	18.7	7.0	.
Value Year T-3	-1.12	24.8	12.3	20.1	14.4	-3.5	22.2	6.2	.
Value Year T-4	-1.39	.	.	21.9	11.3	.	.	.	.
Average Value, 5 year	-1.2	.	.	23.5	11.8	.	.	.	.
Growth Trend	5.5	.	.	1.4	-4.5	.	.	.	.
<i>Benchmark Data</i>									
Regression Benchmark	-0.96	.	13.7	19.0	496.0	-1.5	.	.	.
Lower Bound	-1.20	.	9.9	12.1	-127.7	-3.6	.	.	.
Upper Bound	-0.72	.	17.5	26.0	1,119.7	0.7	.	.	.
Latest Year Ghana	2007	2007	2004	2006	2007	2007	.	.	2007
Ghana Value Latest Year	-0.04	37.0	22.5	42.8	12.7	-9.1	.	.	15.0
Latest Year Liberia	2007	.	2006/07	2007	2007	.	.	.	2007
Liberia Value Latest Year	-1.18	.	22.1	42.4	11.7	.	.	.	9.0
LI - SSA	-0.81	.	.	19.7	5.6	.	.	.	.
Lower Middle Income	-0.85	.	13.0	19.6	8.3	.	.	.	.
High Five Avg.	2.17	.	.	191.3	23.5	8.0	.	.	.
Low Five Avg.	-1.85	.	.	-0.4	1.7	-12.7	.	.	.

Business Environment											
Indicator Number	Control of Corruption Index (-2.5 for poor to 2.5 for excellent performance)	Rule of law index (-2.5 for poor to 2.5 for excellent performance)	Voice and Accountability (-2.5 for poor to 2.5 for excellent performance)	Ease of Doing Business Ranking (1 best to 181 worst)	Time to Start a Business (days)	Procedures to Start a Business	Cost of Starting a Business (% GNI per capita)	Time to Enforce a Contract (days)	Procedures to Enforce a Contract	Cost to Enforce a Contract (% claim)	Time to Register Property (days)
	22P1	22P2	22P3	22P4	22S1	22S2	22S3	22S4	22S5	22S6	22S7
<i>Sierra Leone Data</i>											
Latest Year (T)	2007	2007	2007	2009	2009	2009	2009	2009	2009	2009	2009
Value Year T	-1.02	-1.13	-0.33	156	17	7	56.2	515	40	150	86
Value Year T-1	-1.10	-1.15	-0.43	163	26	9	1,075.2	515	40	150	235
Value Year T-2	-1.03	-1.20	-0.62	.	26	9	1,194.5	515	40	150	235
Value Year T-3	-0.87	-1.10	-0.43	.	26	9	835.4	515	40	150	235
Value Year T-4	-0.89	-1.27	-0.64	.	26	9	1,268.4	515	40	150	235
Average Value, 5 year	-1.0	-1.2	-0.5	.	24.2	8.6	885.9	515	40.0	149.5	205.2
Growth Trend	-5.0	1.9	13.2	.	-8.5	-5.0	-59.8	0.0	0.0	0.0	-20.1
<i>Benchmark Data</i>											
Regression Benchmark	-0.85	-0.91	-0.56	155.3	37.7	10.3	207.1	611.3	39.9	44.0	96.3
Lower Bound	-1.06	-1.16	-0.91	134.9	14.5	8.7	172.6	455.7	36.7	33.0	53.3
Upper Bound	-0.65	-0.67	-0.21	175.8	60.8	11.9	241.7	766.9	43.1	55.1	139.2
Latest Year Ghana	2007	2007	2007	2009	2009	2009	2009	2009	2009	2009	2009
Ghana Value Latest Year	-0.17	-0.08	0.50	87	34	9	32.7	487	36	23	34
Latest Year Liberia	2007	2007	2007	2009	2009	2009	2009	2009	2009	2009	2009
Liberia Value Latest Year	-0.41	-1.06	-0.35	157	27	8	100.2	1,280	41	35	50
LI - SSA	-0.74	-0.85	-0.50	158.0	40.5	11.0	170.6	546.5	39.7	42.1	91.0
Lower Middle Income	-0.87	-0.93	-0.87	151.5	43.2	10.3	120.8	532.7	39.7	38.7	81.2
High Five Avg.	2.39	1.96	1.60	179.0	287.7	18.5	574.0	1,611.6	53.7	149.9	485.8
Low Five Avg.	-1.57	-1.93	-2.08	3.0	4.3	2.4	0.5	182.6	22.9	8.9	2.1

Financial Sector					
	Domestic credit to private sector (% GDP)	Interest rate spread	Money supply (% GDP)	Real Interest rate	Banking sector default rates
Indicator Number	23P1	23P2	23P3	23S1	23S2
<i>Sierra Leone Data</i>					
<i>Latest Year (T)</i>	2005	2006	2007	2007	.
Value Year T	4.8	13.6	19.6	12.2	.
Value Year T-1	4.7	13.5	19.1	11.1	.
Value Year T-2	4.0	11.9	18.2	10.4	.
Value Year T-3	2.9	11.6	17.4	5.2	.
Value Year T-4	2.2	13.9	18.0	10.7	.
Average Value, 5 year	3.7	12.9	18.5	9.9	.
Growth Trend	20.4	1.0	2.6	10.2	.
<i>Benchmark Data</i>					
Regression Benchmark	10.5	12.4	21.7	10.5	.
Lower Bound	-0.5	10.3	8.5	7.3	.
Upper Bound	21.5	14.5	34.9	13.8	.
<i>Latest Year Ghana</i>	2001	.	2006	.	.
Ghana Value Latest Year	11.8	.	29.2	.	.
<i>Latest Year Liberia</i>	2001	2005	2007	2007	.
Liberia Value Latest Year	3.4	13.6	23.4	0.9	.
LI - SSA	11.3	13.3	22.9	11.6	.
Lower Middle Income	11.6	11.5	26.0	8.6	.
High Five Avg.	179.5	.	198.9	35.3	.
Low Five Avg.	1.9	.	8.3	-20.7	.

External Sector													
Indicator Number	External Aid (% GNI)	Current Account Balance (% GDP)	Debt service ratio (% exports)	Export growth of goods and services	Foreign Direct Investment (% GDP)	Gross International Reserves (months of imports)	Present Value of Debt (% GNI)	Remittance Receipts (% exports)	Concentration of Exports	Trade Logistics Performance Index - Customs	Trade in Goods and Services (% GDP)	Real Effective Exchange Rate (REER)	Country Credit Ranking
	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24S1	24S2	24S3	24S4
<i>Sierra Leone Data</i>													
Latest Year (T)	2006	2007	2008	2003	2006	2007	2006	2005	2007	2007	2007	2007	2008
Value Year T	26.3	-3.8	12.5	10.1	4.1	4.5	9.9	0.9	93.1	1.6	65.0	73.8	168.0
Value Year T-1	29.2	-3.5	125.2	28.5	6.8	3.4	.	11.5	.	.	60.7	73.5	.
Value Year T-2	34.0	-7.1	73.1	-0.6	5.7	3.8	.	14.7	.	.	62.2	70.9	.
Value Year T-3	31.5	-5.8	30.1	1.9	0.9	3.1	.	22.4	.	.	55.8	69.5	.
Value Year T-4	38.9	-4.8	39.4	11.1	1.1	.	.	8.6	.	.	61.1	77.7	.
Average Value, 5 year	32.0	-5.0	56.1	10.2	3.7	.	.	11.6	.	.	61.0	73.1	.
Growth Trend	-8.6	9.7	-8.7	.	46.9	.	.	-51.6	.	.	2.1	-0.5	.
<i>Benchmark Data</i>													
Regression Benchmark	26.8	.	5.5	6.5	3.3	3.3	40.8	10.9	75.4	2.0	69.8	.	.
Lower Bound	21.8	.	-0.1	0.2	0.6	1.9	16.6	0.7	65.4	1.8	53.4	.	.
Upper Bound	31.8	.	11.1	12.7	6.0	4.8	65.1	21.1	85.4	2.1	86.2	.	.
Latest Year Ghana	2006	.	2001	2007	2006	2006	2006	2005	2007	2007	2007	2007	2008
Ghana Value Latest Year	9.3	.	11.4	2.6	3.4	3.2	21.2	2.6	68.7	2.0	95.4	114.7	93.0
Latest Year Liberia	2006	.	.	.	2006	2006	2006	.	.	2007	2007	.	2008
Liberia Value Latest Year	56.3	.	.	.	-13.3	1.4	1,128.4	.	.	2.4	89.9	.	170.0
LI - SSA	14.9	.	.	.	1.8	3.9	18.8	6.5	73.3	2.2	56.6	.	147.0
Lower Middle Income	11.6	.	12.4	9.1	2.2	3.6	25.6	7.3	69.1	2.1	67.6	93.9	143.5
High Five Avg.	53.8	23.8	.	.	75.9	15.8	.	87.1	.	3.9	294.4	.	.
Low Five Avg.	0.0	-29.3	.	.	-1.7	0.3	.	0.1	.	1.6	28.5	.	.

Economic Infrastructure												
Indicator Number	Logistics Performance Index - Infrastructure (score)	Number of Electrical Outages (per month)	Telephone Density, Fixed Line and Mobile (per 100 people)	Internet Users (per 100 people)	Roads Paved (% total)	Households with Access to Electricity	Overall Infrastructure Quality	Quality of Infrastructure - Air Transport Infrastructure Index	Quality of Infrastructure - Port Infrastructure Quality Index	Quality of Infrastructure - Rail Development Index	Quality of Infrastructure - Electricity Supply Index	Quality of Infrastructure - Roads
Indicator Number	25P1	25P2	25P3	25S1	25S2	25S3	25S4	25S5a	25S5b	25S5c	25S5d	25S5e
<i>Sierra Leone Data</i>												
<i>Latest Year (T)</i>	2007	.	2002	2007	2002	.	.	.	.	.	.	.
Value Year T	1.8	.	1.8	0.2	8.0	.	.	.	.	.	.	.
Value Year T-1	.	.	.	0.2	.	.	.	.	.	.	.	.
Value Year T-2	.	.	.	0.2	.	.	.	.	.	.	.	.
Value Year T-3	.	.	.	0.2	7.9	.	.	.	.	.	.	.
Value Year T-4	.	.	.	0.2	8.0	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	0.2	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	6.1	.	.	.	.	.	.	.	.
<i>Benchmark Data</i>												
Regression Benchmark	2.1	.	4.9	1.5	10.7	.	.	.	.	.	.	.
Lower Bound	1.9	.	-4.3	-2.2	-4.4	.	.	.	.	.	.	.
Upper Bound	2.3	.	14.1	5.1	25.7	.	.	.	.	.	.	.
<i>Latest Year Ghana</i>	2007	2007	2007	2007	2003	.	.	.	.	.	.	.
Ghana Value Latest Year	2.3	9.7	34.0	2.8	17.9	.	.	.	.	.	.	.
<i>Latest Year Liberia</i>	2007	.	.	2007	.	.	.	.	.	.	.	.
Liberia Value Latest Year	2.1	.	.	0.0	.	.	.	.	.	.	.	.
LI - SSA	2.1	.	1.7	1.0	.	.	2.4	3.4	2.5	1.6	2.5	2.5
Lower Middle Income	2.1	.	8.0	1.6	14.8	.	2.5	3.4	2.5	1.8	2.6	2.5
High Five Avg.	4.2	92.2	170.2	80.9	100.0	.	6.6	6.6	6.6	6.5	6.8	6.6
Low Five Avg.	1.5	0.4	2.1	0.1	4.8	.	1.8	2.4	1.4	1.1	1.5	1.6

Health								
Indicator Number	Child Mortality Rate (per 1,000 live births)	Maternal mortality rate (per 100,000 live births)	Life expectancy at birth	HIV prevalence	Access to improved sanitation	Access to improved water source	Prevalence of Child Malnutrition, Weight for Age	Public Health Expenditure (% GDP)
	31P1	31P2	31P3	31S1	31S2	31S3	31S4	31S5
Sierra Leone Data								
<i>Latest Year (T)</i>	2000	2005	2006	2007	2006	2006	2000	2001
Value Year T	286.0	2,100.0	42.2	1.7	11.0	53.0	27.2	1.8
Value Year T-1	.	.	41.9	.	.	.	.	2.1
Value Year T-2	.	.	.	1.6	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.	.
Value Year T-4	.	.	41.0	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.
Benchmark Data								
Regression Benchmark	155.5	988.4	50.6	2.5	29.2	57.0	27.8	2.4
Lower Bound	141.3	861.4	47.8	1.0	21.0	50.5	23.9	1.7
Upper Bound	169.8	1,115.4	53.5	4.0	37.5	63.5	31.8	3.1
<i>Latest Year Ghana</i>	2000	2005	2006	2007	2006	2006	2003	2001
Ghana Value Latest Year	112.0	560.0	59.7	1.9	10.0	80.0	18.8	2.8
<i>Latest Year Liberia</i>	2000	2005	2006	2007	2006	2006	2000	2001
Liberia Value Latest Year	235.0	1,200.0	45.3	1.7	32.0	64.0	26.5	1.6
LI - SSA	.	895.0	51.6	1.8	30.0	60.0	.	1.9
Lower Middle Income	141.0	765.0	56.2	1.6	31.0	65.0	26.3	1.9
High Five Avg.	255.0	.	81.7	21.6	100.0	100.0	.	9.7
Low Five Avg.	4.0	2.6	41.9	0.1	8.4	35.0	.	0.3

Education											
	Net Primary Enrollment Rate, Total	Net Primary Enrollment Rate, Female	Net Primary Enrollment Rate, Male	Net Secondary Enrollment Rate	Gross Tertiary Enrollment Rate	Persistence in School to Grade 5 - Total	Persistence in School to Grade 5 - Female	Persistence in School to Grade 5 - Male	Youth Literacy Rate	Education Expenditure, Primary (% GDP)	Pupil-Teacher Ratio, Primary School
Indicator Number	32P1a	32P1b	32P1c	32P2	32P3	32P4a	32P4b	32P4c	32P5	32S1	32S2
<i>Sierra Leone Data</i>											
Latest Year (T)	2002/03	.	.	2007	2002	.	.	.	2004	.	2007
Value Year T	81.0	.	.	22.8	2.1	.	.	.	47.9	.	43.7
Value Year T-1	.	.	.	.	2.2	.	.	.	.	.	.
Value Year T-2	.	.	.	.	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.	.	.	.
<i>Benchmark Data</i>											
Regression Benchmark	61.8	58.5	66.5	17.8	2.1	.	.	.	64.8	.	46.1
Lower Bound	55.3	51.7	60.5	9.8	-4.7	.	.	.	55.5	.	41.8
Upper Bound	68.2	65.3	72.5	25.9	8.9	.	.	.	74.1	.	50.4
Latest Year Ghana	2007	2007	2007	2007	2007	.	.	.	.	.	2007
Ghana Value Latest Year	71.6	70.5	72.5	44.9	5.8	.	.	.	.	.	35.3
Latest Year Liberia	2006	2006	2006	2000	2000	.	.	.	2004	.	2006
Liberia Value Latest Year	39.5	38.9	40.1	17.1	15.5	.	.	.	67.4	.	19.3
LI - SSA	.	.	.	17.8	2.2	.	.	.	.	.	45.1
Lower Middle Income	68.6	67.6	69.2	19.9	2.5	.	.	.	.	.	41.9
High Five Avg.	99.4	99.6	99.6	97.1	79.3	.	.	.	.	.	63.3
Low Five Avg.	41.4	36.0	46.7	7.7	0.6	.	.	.	.	.	9.9

	Employment & Workforce						Agriculture		
	Labor Force Participation Rate	Rigidity of Employment Index	Economically Active Children, (Ages 7-14)	Unemployment Rate, (Ages 15-24), Total	Unemployment Rate, (Ages 15-24), Male	Informal Sector Employment	Agriculture Value Added per Worker (constant 2000 USD)	Crop Production Index (1999-2000 =100)	Agricultural Export Growth
Indicator Number	33P1	33P2	33P3	33P4a	33P4b	33S1	34P1	34S1	34S2
<i>Sierra Leone Data</i>									
Latest Year (T)	2006	2008	2000	.	.	.	.	2004	.
Value Year T	79.3	51.0	74	.	.	.	.	115.0	.
Value Year T-1	79.2	51.0	.	.	.	.	.	116.2	.
Value Year T-2	79.1	55.0	.	.	.	.	.	109.2	.
Value Year T-3	78.9	51.0	.	.	.	.	.	103.5	.
Value Year T-4	79.0	51.0	.	.	.	.	.	93.5	.
Average Value, 5 year	79.1	51.8	.	.	.	.	.	107.5	.
Growth Trend	0.1	0.0	.	.	.	.	.	5.3	.
<i>Benchmark Data</i>									
Regression Benchmark	83.1	49.7	42.3	.	.	.	183.2	103.3	63.9
Lower Bound	78.5	34.7	34.3	.	.	.	-793.3	96.2	12.3
Upper Bound	87.6	52.2	50.4	.	.	.	1,159.6	110.4	115.5
Latest Year Ghana	2006	2008	2003	.	2000	.	2005	2004	2006
Ghana Value Latest Year	77.4	37.0	6	.	12.7	.	331.9	121.2	72.6
Latest Year Liberia	2006	2008	.	.	.	.	.	2004	.
Liberia Value Latest Year	71.9	31.0	.	.	.	.	.	99.3	.
LI - SSA	80.4	43.0	.	.	.	.	221.2	104.6	24.1
Lower Middle Income	77.5	38.0	38.4	.	.	.	267.8	105.3	22.3
High Five Avg.	92.4	72.4	41.1	.	39.4	.	49,898.7	131.0	.
Low Five Avg.	50.1	0.0	8.6	.	4.4	.	90.9	65.3	.

Technical Notes

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

STATISTICAL CAPACITY

Statistical Capacity Indicator

Source: World Bank, updated annually:

<http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,contentMDK:20541648~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html>

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

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

CAS Code: 01P1

PROFILE OF CONFLICT AND RECOVERY

Failed States Index Score

Source: Fund for Peace, Failed States Index,

http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=99&Itemid=140

Definition: The Failed States Index assesses violent internal conflicts and measures the impact of mitigating strategies. Published annually by Fund for Peace, the index rates 12 social, economic, and political or military indicators, including mounting demographic pressures, massive movement of refugees or internally displaced persons, legacy of vengeance-seeking group grievance or group paranoia, chronic and sustained human flight, uneven economic development along group lines, sharp and/or severe economic decline, criminalization and/or delegitimization of the state, progressive deterioration of public services, suspension or arbitrary application of the rule of law and widespread violation of human rights; security apparatus operates as a "state within a state;" rise of factionalized elites; and intervention of other states or external political actors. Each indicator is ranked on a scale of 1 (low) to 10 (high). A high ranking reflects high intensity or pressure on the state (more likely to foster conflict), whereas a low ranking reflects lower intensity or pressure on the state (less likely to foster conflict). The rankings for the 12 indicators are combined to determine the country's overall score.

Coverage: Data are available for all USAID countries.

CAS Code: 11P1

Episode of Significant Violence, Highest Magnitude in Previous 10 years

Source: Center for Systemic Peace, Major Episodes of Political Violence, from Marshall, Monty G. 1998-2006. "Current Status of the World's Major Episodes of Political Violence," bimonthly reports to the U.S. government's Political Instability Task Force, <http://www.systemicpeace.org/warlist.htm>

Definition: The variable tells the date and duration of the conflict episode with the highest magnitude in the past 10 years and whether the conflict is ongoing. At times delineating the exact beginning or end of a conflict is difficult, so the years presented are considered most likely to capture the transformative periods of the episodes.

Coverage: Data available for all USAID countries.

CAS Code: 11P2

Type of Conflict, Highest Magnitude in Previous 10 years

Source: Center for Systemic Peace, Major Episodes of Political Violence, from Marshall, Monty G. 1998-2006. "Current Status of the World's Major Episodes of Political Violence," bimonthly reports to the U.S. government's Political Instability Task Force: <http://www.systemicpeace.org/warlist.htm>

Definition: This variable tries to capture the characteristics of the conflict episode with the highest magnitude in the last 10 years. The first letter (C, E, I) denotes what caused the violence: a civil-intrastate (C) episode involving rival political groups; ethnic-intrastate conflict (E) involving the state agent and a distinct ethnic group; or international event-interstate (I), usually involving two or more states, but possibly denoting a distinct polity resisting foreign domination (colonialism). The second letter (V, W, N) denotes episodes of violence (V) (i.e., the use of instrumental violence without necessarily exclusive goals); war-violence (W) between distinct, exclusive groups with the intent to impose a unilateral result to the contention; or independence (I)—an attempt to forcibly remove foreign domination.

Coverage: Data available for all USAID countries.

CAS Code: 11P3

Magnitude of Societal-Systemic Impact, Highest Magnitude in Previous 10 years

Source: Center for Systemic Peace, Major Episodes of Political Violence, from Marshall, Monty G. 1998-2006, "Current Status of the World's Major Episodes of Political Violence," bimonthly reports to the U.S. government's Political Instability Task Force:

<http://www.systemicpeace.org/warlist.htm>

Definition: This variable captures the highest magnitude of conflict episode in the last 10 years. Each episode is ranked on a scale impact of 1 (smallest) to 10 (greatest). From episodes in which the number of deaths is under 2,000, to extensive, systematic, and indiscriminate destruction of human resources and/or physical infrastructure with persistent and adverse effects.

Coverage: Data available for all USAID countries.

CAS Code: 11P4

Disarmament, Demobilization, and Reintegration

Source: Graduate Institute of International Studies in Geneva, Switzerland, Small Arms Survey, Cumulative Index 2001–2006, Search for “Where are DDR programmes currently being implemented?”

<http://www.unddr.org/whatisddr.php#11>

Data are also available from the UN DDR Resource Centre <http://www.unddr.org/>.

Definition: This indicator is a yes/no indicator that shows whether the military powers that perpetuated conflict are reforming through a formal UN-led Disarmament, Demobilization and Reintegration program.

Coverage: Data available for only UN-sponsored DDR programs, covering about 13 countries.

CAS Code: 11S1

Human Rights Index

Source: Gibney, M., Cornett L., and Wood, R. (2007), “Political Terror Scale 1976–2007,”

<http://www.politicalterrorstscale.org/ptsdata.html>

Definition: This variable shows the degree to which countries experience government-induced violence against their own population (1 is best and 5 is worst). The scores range from countries under secure rule of law with no imprisonment for their views, to violence in the form of assassinations and torture extended to the whole population. State-sponsored political terror (defined here as coercion directed at personal security) targets predominantly groups opposed to the state. It could lead eventually to the escalation of violence by pushing moderates to espouse radical ideas (after becoming less convinced that peaceful resolution is possible), or by increasing the cost of collective action, thus making resorting to violent means more attractive or economically viable. The “data” for the PTS is provided by the annual reports on human rights practices that are published by Amnesty International (A) and the U.S. State Department (S). Scores based on the U.S. State Department annual report are used in the Economic Recovery Report.

Coverage: Data are available for 188 countries.

CAS Code: 11S2

Refugees and IDPs per Capita

Source: United Nations High Commissioner for Refugees, <http://www.unhcr.org/statistics.html> and World Development Indicators.

Definition: Number of refugees and IDPs divided by total population. Refugees include persons recognized under the 1951 Convention relating to the Status of Refugees, its 1967 Protocol, the 1969 OAU Convention Governing the Specific Aspects of Refugee Problems in Africa, those recognized in accordance with the UNHCR Statute, persons granted a complementary form of protection, and persons granted temporary protection. Internally displaced persons (IDPs) are defined as “persons or groups of persons who have been forced or obligated to flee or leave their homes or places of

habitual residence, in particular as a result of avoiding or in order to avoid the effect of armed conflict, situations of generalized violence, violations of human rights, or natural or manmade disasters, and who have not crossed an internationally recognized state border.” (Guiding Principles on Internal Displacement, Introduction, para. 2). Unlike refugees, who have been deprived of the protection of their state of origin, IDPs remain legally under the protection of national authorities of their country of habitual residence. Internally displaced persons are those forced to flee their homes because their lives were at danger, but unlike refugees, they did not cross international borders. Estimates come from various sources, including the Internal Displacement Monitoring Center, United Nations High Commission for Human Rights, and United Nations Office for the Coordination of Humanitarian Affairs. Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship—except for refugees not permanently settled in the country of asylum, which are generally considered part of the population of their country of origin.

Coverage: 75 USAID countries

CAS Code: 11S3

POSTCONFLICT ECONOMIC GROWTH

Per capita GDP, \$PPP

Source: International Monetary Fund (IMF) World Economic Outlook database, updated every 6 months:

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

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

Coverage: Data are available for about 65 USAID countries.

CAS Code: 12P1

Real GDP Growth

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code: 12P2

Gross Fixed Investment, Percentage of GDP

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

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

Coverage: Data are available for about 84 USAID countries.

CAS Code: 12S1

POVERTY AND INEQUALITY

Income Share, Poorest 20%

Source: World Development Indicators, most recent publication series SI.DST.FRST.20. These are World Bank staff estimates based on primary household survey data obtained from government statistical agencies and World Bank country departments. An alternative source is the country's Poverty Reduction Strategy Paper:

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

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

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

CAS Code: 13P1

Population Living on Less than \$1 PPP per Day

Source: World Development Indicators, most recent publication series SI.POV.DDAY, original data from national surveys. An alternative source is the country's Poverty Reduction Strategy Paper:

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

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

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

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

CAS Code: 13P2

Population Living Below National Poverty Line

Source: World Development Indicators, most recent publication series SI.POV.NAHC. An alternative source is the country's Poverty Reduction Strategy Paper:

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

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

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

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

CAS Code: 13P3

Human Poverty Index

Source: UNDP, Human Development Report. <http://hdrstats.undp.org/indicators/18.html> for most recent edition; updates are at <http://hdr.undp.org/en/statistics/data/>

Definition: The index measures deprivation in terms of not meeting target levels for specific economic and quality-of-life indicators. Values are based on (1) the percentage of

people not expected to survive to age 40, (2) the percentage of adults who are illiterate, and (3) the percentage of people who fail to attain a "decent living standard," which is subdivided into three (equally weighted) items: (1) the percentage of people without access to safe water, (2) the percentage of people without access to health services, and (3) the percentage of underweight children. The HPI ranges in value from 0 (zero incidence of deprivation) to 100 (high incidence of deprivation).

Coverage: Data are available for about 60 USAID countries.

CAS Code: 13P4

Population below Minimum Dietary Energy Consumption

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code: 13S1

ECONOMIC STRUCTURE

Output Structure

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

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

Coverage: Data are available for about 86 USAID countries.

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

CAS Code: 14P1a-c

Employment or Labor Force Structure

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

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

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

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

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

CAS Code: 14P2a-c

Adjusted Savings: Energy Depletion, percentage of GNI

Source: World Development Indicators, most recent publication series NY.ADJ.DNGY.GN.ZS.

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

Coverage: Data are available for about 88 USAID countries.

CAS Code: 14S1a

Adjusted Savings: Mineral Depletion, percentage of GNI

Source: World Development Indicators, most recent publication series NY.ADJ.DMIN.GN.ZS.

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

Coverage: Data are available for about 88 USAID countries.

CAS Code: 14S1b

DEMOGRAPHY AND ENVIRONMENT

Adult Literacy Rate

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

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

Coverage: Data are available for about 66 USAID countries.

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

CAS Code: 15P1

Youth Dependency Rate

Source: World Development Indicators, most recent publication series.

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

Coverage: Data are available for about 89 USAID countries.

CAS Code: 15P2

Youth Bulge

Source: Obtained from individual country sources.

Definition: Youth bulge is calculated as the percentage of the population ages 15–24 divided by the total population (WDI SP.POP.TOTL)

Coverage: Data are available for about 35 USAID countries.

CAS Code: 15P3

Environmental Performance Index

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

Definition: The Environmental Performance Index (EPI) is a composite index of national environmental protection, which tracks (1) environmental health, (2) air quality, (3) water resources, (4) biodiversity and habitat, (5) productive natural resources, and (6) sustainable energy. The index is a weighted average of these six policy categories giving more weight to environmental health (EPI = 0.5 × Environmental Health + 0.1 × (Air Quality + Water Resources + Productive Natural Resources + Biodiversity and Habitat + Sustainable Energy)). The index values range from 0 (for very poor performance) to 100 (for very good performance).

Coverage: Data are available for about 80 USAID countries.

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

CAS Code: 15P4

Population Growth Rate

Source: World Development Indicators, most recent publication series SP.POP.GROW.

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

Coverage: Data are available for about 88 USAID countries.

CAS Code: 15P5

Rural Population Density

Source: World Development Indicators, most recent publication series EN.RUR.DNST

Definition: Rural population density (rural population per sq. km of arable land) is the rural population divided by the arable land area. Rural population is calculated as the difference between the total population and the urban population. Arable land includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. Land abandoned as a result of shifting

cultivation is excluded. Estimates are from the Food and Agriculture Organization and World Bank population estimates.

Coverage: Nearly all relevant countries.

CAS Code: 15P6

Percentage of Population Living in Urban Areas

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

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

Coverage: Data are available for about 86 USAID countries.

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

CAS Code: 15P7

Frequency and Scope of Natural Disasters

Source: Centre for Research on the Epidemiology of Disasters, Emergency Events Database,

http://www.emdat.be/Database/CountryProfile/countryprofile_s.php

Definition: This indicator measures the human-impact effects of natural disasters and the frequency of these occurrences. Natural disasters are defined as natural hazard events that have at least one of the following human-impact effects: 10 or more people reported killed, 100 people reported affected, declaration of a state of emergency, or call for international assistance. The scope is measured by the total number of people affected. This includes the number of people suffering from physical injuries, trauma, or an illness requiring medical treatment as a direct result of a disaster, the number of people needing immediate assistance for shelter, and the people requiring immediate assistance during a period of emergency; it can also include displaced or evacuated people.

Coverage: Data are available for nearly all USAID countries.

CAS Code: 15S1a-b

Net Migration Rate

Source: CIA World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/>

Definition: Net migration rate (migrants per 1,000 population) is the difference between the number of persons entering and leaving a country during the year per 1,000 persons (based on midyear population). An excess of persons entering the country is referred to as net immigration (e.g., 3.56 migrants per 1,000 population); an excess of persons leaving the country as net emigration (e.g., -9.26 migrants per 1,000 population).

Coverage: Data are available for nearly all USAID countries.

Data quality: The source does not specify the estimating methodology.

CAS Code: 15S2

GENDER AND CHILDREN

Gender Empowerment Measure

Source: UNDP, Human Development Report, <http://hdrstats.undp.org/indicators/279.html>.

Definition: Captures gender inequality in three areas: political participation and decision-making power, as measured by women's and men's participation in parliamentary seats; economic participation and decision-making power, as measured by two indicators – women's and men's percentage shares of positions as legislators, senior officials and managers and women's and men's percentage shares of professionals and technical positions; and power over economic resources, as measured by estimated earned income.

Coverage: Data are available for half of USAID countries.

CAS Code: 16P1

Primary Completion Rate, Female

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

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

Coverage: Data are available for about 128 USAID countries.

Data quality: Completion rates are based on data collected during annual school surveys, typically conducted at the beginning of the school year. The indicator does not measure the quality of the education.

CAS Code: 16P2

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

Source: United Nations Organization for Education, Science, and Culture UNESCO: http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?ReportId=136&IF_Language=en&BR_Topic=0

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code: 16P3a-b

Life Expectancy, Male and Female

Source: Estimated from UNDP Human Development Indicators: <http://hdrstats.undp.org/indicators/271.html> and <http://hdrstats.undp.org/indicators/270.html> for most recent edition; updates may be found at <http://hdr.undp.org/en/statistics/data/>

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

Coverage: Data are available for about 85 USAID countries.

CAS Code: 16P4a-b

Labor Force Participation Rate, Male and Female.

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

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code: 16P5a-b

Internally Displaced Females per Capita

Source: UNHCR, 2005 Global Refugee Trends, Annex, Table 14, <http://www.unhcr.org/statistics.html> and World Development Indicators, most recent publication series SP.POP.TOTL.

Definition: Internally displaced women protected or assisted by UNHCR, divided by total population estimates.

Coverage: Data are available for 14 USAID countries.

Data quality: Most of the world's internal-displacement situations are not covered by UNHCR and are thus not reflected in these statistics.

CAS Code: 16S1

Use of Child Soldiers, Government and Political

Source: Text in country reports of Child Soldiers.org, <http://www.child-soldiers.org/library/global-reports>, and The UN DDR Resource Centre <http://www.unddr.org/>

Definition: The 2002 Optional Protocol to the UN Convention on the Rights of the Child set 18 as the minimum age for participation in hostilities, for compulsory recruitment by governments, and all recruitment into armed groups. The use of child soldier is therefore defined as an individual under the age of 18 participating in government forces or in armed political groups.

Coverage: Data are available for approximately 70 percent of USAID countries.

Data quality: Information for country entries was gathered from a wide range of sources, including governments, UN agencies and peacekeeping missions, other intergovernmental organizations, news media, academic sources, and human rights and humanitarian organizations. Information was also provided by coalition members and partners and by local nongovernmental organizations, journalists, lawyers, activists, and others in many countries. The Child Soldier Global Report data was recoded as follows: E, I, S, or G = 1 (yes); P, B or L = 2 (possibly); N or N/A = 0 (no).

CAS Code: 16S2a-b

ECONOMIC STABILIZATION AND GOVERNMENT CAPACITY

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

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

Government Effectiveness Index

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

Definition: Based on perception surveys from 17 sources, this index measures the quality of public and civil services and the degree of the public sector's independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

Coverage: Data are available for all USAID countries.

CAS Code: 21P1

Government Expense, Percent of GDP

Source: IMF Article IV Reviews for latest country data:

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

Original data from the IMF, Government Finance Statistics Yearbook, and World Bank estimates.

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

Coverage: Data are available for about 70 percent of USAID countries.

CAS Code: 21P2

Government Revenue, Percent of GDP

Source: IMF Article IV reviews for latest country data:

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

World Development Indicators for benchmarking data (GC.REV.XGRT.GD.ZS). Original data from the IMF, Government Finance Statistics Yearbook and data file, and World Bank estimates.

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

Coverage: Data are missing for about 24 USAID countries.

CAS Code: 21P3

Money Supply Growth

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

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

Benchmarking data are from World Development Indicators, most recent publication, series FM.LBL.MQMY.ZG. Original source of WDI data is IMF, International Financial Statistics, and World Bank estimates.

Definition: Average annual growth rate in the broad money supply, M2 (money plus quasimoney) measured as the change in end-of-year totals relative to the preceding year. M2 is made up of the sum of currency outside banks, checking account deposits other than those of the central government, and the time, savings, and foreign currency deposits of resident sectors other than the central

government. M2 corresponds to the sum of lines 34 and 35 in the IMF's International Financial Statistics (IFS).

Coverage: Data are available for about 81 USAID countries.

CAS Code: 21P4

Inflation Rate

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

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

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

Coverage: Data are available for about 85 USAID countries.

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

CAS Code: 21P5

Overall Government Budget Balance, including Grants, Percent of GDP

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

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

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

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

Coverage: Data are available in WDI 2005 for 41 USAID countries.

CAS Code: 21S1

Interest Payments/Total Government Expenditure

Source: National data sources or IMF Article IV consultative reports: www.imf.org/external/np/sec/aiv/index.htm.

Definition: Interest payments as a percent of total expense.

Coverage: Data are available for about half of USAID countries.

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

CAS Code: 21S2

Subsidies and Other Current Transfers/Total Government Expenditure

Source: National data sources or IMF Article IV consultative reports: www.imf.org/external/np/sec/aiv/index.htm.

Definition: Subsidies and other current transfers as a percent of total expense.

Coverage: Data are available for about half of USAID countries.

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

CAS Code: 21S3

Institutional Capacity

Source: Fund for Peace, content analysis

<http://www.fundforpeace.org>

Definition: Fund for Peace computes this index by analyzing leadership, police, military, civil service, and judiciary capacity, applying a rating to each element on a 1 (worst) to 5 (best) scale and summing the result.

Coverage: Data are available for all USAID countries.

CAS Code: 21S4

BUSINESS ENVIRONMENT

Control of Corruption Index

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

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

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

Coverage: Data are available for nearly all USAID countries.

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

CAS Code: 22P1

Rule of Law Index

Source: World Bank Institute: <http://www.govindicators.org>. This indicator is based on perceptions of the legal system, drawn from 12 data sources.

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

Coverage: Data are available for nearly all USAID countries.

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

CAS Code: 22P2

Voice and Accountability

Source: World Bank Institute, Governance Indicators, (Kaufmann, Kraay, and Mastruzzi, September 2006) <http://web.worldbank.org/WBSITE/EXTERNAL/WBI/EXT/WBIGOVANTCOR/0..contentMDK:21045735~pagePK:64168445~menuPK:1866365~piPK:64168309~theSitePK:1740530,00.html>

Definition: Based on seven representative sources, this index measures the government's capacity to transfer power in a legitimate manner and offer civil liberties and political rights. Although this is a subjective index of perception, the index is based on a broad range of sources: 31 data sources produced by 25 organizations, ranging from international organizations to political and business risk-rating agencies (Afrobarometer, Latinobarometro), think tanks, and NGOs.

Coverage: Data are available for all USAID countries.

CAS Code: 22P3

Ease of Doing Business Index

Source: World Bank, Doing Business Indictors <http://www.doingbusiness.org/>

Definition: The Ease of Doing Business index ranks economies from 1 to 181. The index is calculated as the ranking on the simple average of country percentile rankings on each of the 10 topics covered in Doing Business in 2006: starting a business, dealing with licenses, hiring and firing, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business.

Coverage: Data are available for nearly all USAID countries.

CAS Code: 22P4

Time to Start a Business

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code: 22S1

Procedures to Start a Business

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code: 22S2

Cost of Starting a Business

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code: 22S3

Time to Enforce a Contract

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code: 22S4

Procedures to Enforce a Contract

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code: 22S5

Cost to Enforce a Contract, Percent of Claim

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

Definition: Cost is recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita. Only official costs required by law are recorded, including court and enforcement costs and average attorney fees where the use of attorneys is mandatory or common.

Coverage: Data are available for nearly all USAID countries.

CAS Code: 22S6

Time to Register Property

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code: 22S7

FINANCIAL SECTOR

Domestic Credit to Private Sector, Percent of GDP

Source: IMF Article IV reviews or national data sources for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators, most recent publication series FS.AST.PRVT.GD.ZS for benchmarking data. The WDI data originate with IMF International Financial Statistics and data files and World Bank estimates.

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

Coverage: Data are available for about 82 USAID countries.

CAS Code: 23P1

Interest Rate Spread

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

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

Coverage: Data are available for about 66 USAID countries.

CAS Code: 23P2

Money Supply, Percent of GDP

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

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

Coverage: Data are available for about 81 USAID countries.

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

CAS Code: 23P3

Real Interest Rate

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

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

Coverage: Data are available for about 68 USAID countries.

CAS Code: 23S1

Banking Sector Default Rates

Source: IMF, Financial Soundness Indicators, Coordinated Compilation Exercise for Financial Soundness Indicators: core series of nonperforming loans to total loans, <http://www.imf.org/external/np/sta/fsi/datars1.htm>

Definition: This is calculated by taking the value of nonperforming loans as the numerator and the total value of the loan portfolio (including nonperforming loans, and before the deduction of specific loan loss provisions) as the denominator.

Coverage: Data are available for 29 USAID countries.

CAS Code: 23S2

EXTERNAL SECTOR

Aid, Percent of GNI

Source: Latest country data obtained from national data sources or IMF Article IV Reviews: www.imf.org/external/np/sec/aiv/index.htm

Benchmarking data from World Development Indicators, most recent publication series DT.ODA.ALLD.GN.ZS.

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

Coverage: Data are available for about 84 USAID countries.

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

CAS Code: 24P1

Current Account Balance, Percent of GDP

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

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

Coverage: Data are available for about 79 USAID countries.

CAS Code: 24P2

Debt Service Ratio, Percent of Exports

Source: Latest country data obtained from national data sources or IMF Article IV Reviews: www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators, most recent publication, series DT.TDS.DECT.EX.ZS, based on World Bank, Global Development Finance data.

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

Coverage: Data are available for about 77 USAID countries.

Data quality: See data quality comments on present value of debt, percent of GNI, about debt data reported.

CAS Code: 24P3

Export Growth of Goods and Services

Source: Latest country data obtained from national data sources or IMF Article IV Reviews: www.imf.org/external/np/sec/aiv/index.htm.

Benchmarking data from World Development Indicators, most recent publication, series NE.EXP.GNFS.KD.ZG, based on World Bank national accounts data, and OECD National Accounts data files.

Definitions: Annual growth rate of exports of goods and services based on constant local currency units. Exports include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services,

such as communication, construction, financial, information, business, personal, and government services. They exclude labor and property income (formerly called factor services), as well as transfer payments.

Coverage: Data are available for about 81 USAID countries.

CAS Code: 24P4

Foreign Direct Investment, Percent of GDP

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

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

Benchmarking data from World Development Indicators, most recent publication, series BX.KLT.DINV.DT.GD.ZS, based on IMF, International Financial Statistics and Balance of Payments databases, World Bank, Global Development Finance, and World Bank and OECD GDP estimates.

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

Coverage: Data are available for about 82 USAID countries.

CAS Code: 24P5

Gross International Reserves, Months of Imports

Source: Latest country data obtained from national data sources or IMF Article IV reviews: www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators, most recent publication, series FI.RES.TOTL.MO.

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

Coverage: Data are available for about 77 USAID countries.

CAS Code: 24P6

Present Value of Debt, Percent of GNI

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

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code: 24P7

Remittance Receipts, Percent of Exports

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

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

Benchmarking data are obtained from World Development Indicators, most recent publication. The figure is constructed by dividing workers' remittances (receipts), series BX.TRF.PWKR.CD, by exports of goods and services, series BX.GSR.GNFS.CD.

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

Coverage: Data are available for about 74 USAID countries.

CAS Code: 24P8

Concentration of Exports

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

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

Coverage: Data are available for about 74 USAID countries.

Data quality: Smuggling is a serious problem in some countries. For countries that do not report trade data to the United Nations, ITC uses partner country data. This approach has a number of shortcomings: ITC does not cover trade with nonreporting countries; transshipments may hide the actual source of supply; and transport cost and insurance are included in measuring exports but excluded in measuring imports.

CAS Code: 24P9

Trade Logistics Performance Index—Customs

Source: Latest country score obtained from World Bank Logistics Performance Index country scorecard: <http://info.worldbank.org/etools/tradesurveyv/mode1a.asp>

Definition: The Logistics Performance Index is a simple average of a country's score on seven dimensions: the efficiency and effectiveness of clearance process by customs and other border control agencies; the quality of transport and IT infrastructure for logistics; the ease and affordability of arranging shipments; competence in the local logistics industry (e.g., transport operators, customs brokers); ability to track and trace shipments; domestic logistics costs (e.g., local transportation, terminal handling, warehousing); and the timeliness of shipments in reaching destination. This indicator captures the first dimension.

Coverage: Data available for about 150 countries.

CAS Code: 24S1

Trade in Goods and Services, as a Percentage of GDP

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

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

Coverage: Data available for about 84 USAID countries.

CAS Code: 24S2

Real Effective Exchange Rate (REER)

Source: IMF Article IV reviews:

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

Definition: The REER is an index number with base 1995=100 that measures the value of a currency against a weighted average of foreign currencies. It is calculated as the nominal effective exchange rate divided by a price deflator or index of costs. The IMF defines the REER so that an increase in the value represents a real appreciation of the home currency and a decrease represents a real depreciation.

Coverage: Information on coverage is not easily accessible.

Data quality: Changes in REER should be interpreted with caution. For many countries the weights from 1990 onward take into account trade in 1988–90, and an index of relative changes in consumer prices is used as the deflator.

CAS Code: 24S3

Country Credit Rating

Source: Institutional Investor Magazine

<http://www.iimagazine.com/Rankings/RankingsCountryCredit.aspx>

Definition: Institutional Investor Magazine measures individual countries' creditworthiness by asking senior economists and risk managers for their predictions on credit risk, exchange rate risk, valuation correction, and risk impact. The rating is on a scale of 0 to 100 with 100 being the best rating possible.

Coverage: Data are available for about 80 USAID countries.

CAS Code: 24S4

ECONOMIC INFRASTRUCTURE

Logistics Performance Index, Infrastructure

Source: Latest country score obtained from World Bank Logistics Performance Index country scorecard:

<http://info.worldbank.org/etools/tradesurvey/mode1a.asp>

Definition: The Logistics Performance Index is a simple average of a country's score on seven factors: the efficiency and effectiveness of the clearance process by customs and other border control agencies; the quality of transport and IT infrastructure for logistics; the ease and affordability of arranging shipments; competence in the local logistics industry (e.g., transport operators, customs brokers); the ability to track and trace shipments; domestic logistics costs (e.g., local transportation, terminal handling, warehousing); and the timeliness of shipments in reaching destination. This indicator captures the second dimension.

Coverage: Data available for about 150 countries.

CAS Code: 25P1

Number of Electrical Outages (per Month)

Source: World Bank, Enterprise Surveys, Infrastructure. <http://www.enterprisesurveys.org/>

Definition: This indicator shows the average number of power outage in a typical month.

Coverage: Data available for a small number of countries.

CAS Code: 25P2

Telephone Density, Fixed Line and Mobile

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code: 25P3

Internet Users per 100 People

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code: 25S1

Roads Paved, Percent of Total Roads

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code: 25S2

Percentage of Households with Access to Electricity

Source: Obtained from individual country sources.

Definition: Access to electricity is defined as the percentage of households that have electrical power.

Coverage: Data are available for about 25 USAID countries.

CAS Code: 25S3

Overall Infrastructure Quality

Source: Global Competitiveness Report, World Economic Forum

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

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code: 25S4

Quality of Infrastructure—Air, Ports, Railroads, Electricity, and Roads

Source: Global Competitiveness Report, World Economic Forum:

<http://www.weforum.org/documents/gcr0809/index.html>.

Definition: The index measures executives' perceptions of general infrastructure in their own countries. Executives

grade, on a scale from 1 to 7, whether railroads, ports, air transport, and electricity are poorly developed (1) or among the best in the world (7).

Coverage: Data are available for about 52 USAID countries.

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

CAS Code: 25S5 a-e

HEALTH

Child Mortality Rate (per 1,000 Live Births)

Source: World Development Indicators, most recent publication series SH.DYN.MORT.

Definition: The indicator is the number of children dying before reaching the age of five, per 1,000 live births in a given year, if subject to current age-specific mortality rates.

Coverage: Data are available for about 87 USAID countries.

CAS Code: 31P1

Maternal Mortality Rate

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

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

Coverage: Data are available for about 87 USAID countries.

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

CAS Code: 31P2

Life Expectancy at Birth

Source: World Development Indicators, most recent publication, males SP.DYN.LE00.MA.IN, females SP.DYN.LE00.FE.IN.

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

Coverage: Data are available for about 88 USAID countries.

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

CAS Code: 31P3

HIV Prevalence

Source: UNAIDS for most recent country data: http://data.unaids.org/pub/GlobalReport/2008/20080813_gr08_prev1549_1990_2007_en.xls. World Development Indicators, most recent publication for benchmark data, series SH.DYN.AIDS.ZS.

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

Coverage: Data are available for about 79 USAID countries.

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

CAS Code: 31S1

Access to Improved Sanitation

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

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

Coverage: Data are available for about 82 USAID countries.

Data quality: Coverage rates may include nonfunctioning systems.

CAS Code: 31S2

Access to Improved Water Source

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

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

Coverage: Data are available for about 83 USAID countries.

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

CAS Code: 31S3

Prevalence of Child Malnutrition (Weight for Age)

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

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

Coverage: Data are available for about 55 USAID countries.

CAS Code: 31S4

Public Health Expenditure, Percent of GDP

Source: Latest data for host country are obtained from the MCC: <http://www.mcc.gov/selection/scorecards/2007/>. International benchmarking data from World Development Indicators, most recent publication (SH.XPD.PUBL.ZS), based on WHO, World Health Report, and updates from the OECD, supplemented by World Bank poverty assessments and country and sector studies.

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

Coverage: Data are available for about 88 USAID countries.

CAS Code: 31S5

EDUCATION

Net Primary Enrollment Rate, Total, Male and Female

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

Definition: The indicator measures the proportion of the population of the official age for primary, secondary, or tertiary education enrolled in primary schools according to

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code: 32P1a-c

Net Secondary Enrollment Rate

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

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

Coverage: Data are available for half of USAID countries.

Data quality: A break in the series between 1997 and 1998 is due to a change from International Standard Classification of Education (ISCED) 76 to ISCED97. Recent data are provisional.

CAS Code: 32P2

Gross Tertiary Enrollment Rate

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

Definitions: Gross enrollment ratio is the ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the level of education shown. Tertiary education, whether or not to an advanced research qualification, normally requires as a minimum condition of admission the successful completion of education at the secondary level.

Coverage: Data are available for nearly all USAID countries.

Data quality: A break in the series between 1997 and 1998 is due to a change from International Standard Classification of Education (ISCED) 76 to ISCED97. Recent data are provisional.

CAS Code: 32P3

Persistence in School to Grade 5, Total, Male and Female

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

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

CAS Code: 32P4a-c

Youth Literacy Rate

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

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

Coverage: Data are available for about 67 USAID countries.

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

CAS Code: 32P5

Education Expenditure, Primary, Percent of GDP

Source: Millennium Challenge Corporation:

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

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

Coverage: Data are available for about 58 USAID countries.

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

CAS Code: 32S1

Pupil–Teacher Ratio, Primary School

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

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

Coverage: Data are available for about 76 USAID countries.

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

CAS Code: 32S2

EMPLOYMENT AND WORKFORCE

Labor Force Participation Rate

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code: 33P1

Rigidity of Employment Index

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

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

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

Coverage: Data are available for nearly all USAID countries.

Data quality: Compiled by the World Bank from survey responses to in-country specialists.

CAS Code: 33P2

Economically Active Children, percent of Children Ages 7–14

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

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

Coverage: Data are available for 35 USAID countries.

CAS Code: 33P3

Unemployment Rate (15–24-Year-old Males, and Total 15–24-Year Olds)

Source: World Development Indicators, most recent publication series SL.UEM.1524.MA.ZS.

Definitions: Youth unemployment refers to the share of the labor force ages 15–24 without work but available for and seeking employment.

Coverage: Data are available for 35 USAID countries.

Data quality: Definitions of labor force and unemployment differ by country; thus caution is needed when benchmarking.

CAS Code: 33P4a-b

Informal Sector Employment, Percentage of Labor Force

Source: Normally obtained from national sources such as a labor market survey.

Definition: Informal sector employment is defined as economic activities that fall outside the formal economy regulated by economic and legal institutions. It is economic activity that is not taxed or included in the government's GNP.

Coverage: Data are available for about 20 USAID countries.

Data quality: The indicator is inherently difficult to calculate and the methodology may differ by country; thus caution is needed when benchmarking.

CAS Code: 33S1

AGRICULTURE

Agriculture Value Added per Worker

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

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

Coverage: Data are available for about 80 USAID countries.

CAS Code: 34P1

Crop Production Index

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

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

Coverage: Data are available for about 85 USAID countries.

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

Coverage: Data are available for about 85 USAID countries.

CAS Code: 34S1

Agricultural Export Growth

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code: 34S2