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Tanzania

Economic Performance Assessment

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Tanzania

Economic Performance

Assessment

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

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

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

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Contents

Highlights of Performance	iii
Tanzania: Notable Strengths and Weaknesses – Selected Indicators	iv
1. Introduction	1
2. Overview of the Economy	3
Growth Performance	3
Poverty and Inequality	5
Economic Structure	6
Demography and Environment	7
Gender	8
3. Private Sector Enabling Environment	9
Fiscal and Monetary Policy	9
Business Environment	12
Financial Sector	13
External Sector	14
Economic Infrastructure	17
Science and Technology	18
4. Pro-Poor Growth Environment	21
Health	21
Education	23
Employment and Workforce	24
Agriculture	25
Appendix. Indicator Criteria and Benchmarking Methodology	

Illustrations

Figures

Figure 2-1. Real GDP Growth	4
Figure 2-2. Gross Fixed Investment	5
Figure 2-3. Agriculture Value Added	7
Figure 3-1. Government Revenue	11
Figure 3-2. Inflation Rate	11
Figure 3-3. Doing Business Composite Index	12
Figure 3-4. Domestic Credit to Private Sector	14
Figure 3-5. Growth in Exports of Goods and Services	15
Figure 3-6. Aid, Percent of GNI	16
Figure 3-7. Telephone Density, Fixed Line and Mobile	18
Figure 3-8. FDI Technology Transfer Index	19
Figure 4-1. HIV Prevalence	22
Figure 4-2. Maternal Mortality	23
Figure 4-3. Net Primary Enrollment	24
Figure 4-4. Labor Force Participation	25
Figure 4-5. Cereal Yield	26

Table

Table 1-1. Topic Coverage	2
---------------------------	---

Exhibit

Exhibit 3-1. IMF Program Status for Tanzania	10
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HIGHLIGHTS OF TANZANIA'S PERFORMANCE

Economic Growth	Economic growth has averaged over 6 percent for the past five years, but low investment is a serious constraint on continued rapid growth.
Poverty	Based on the limited data available, poverty in Tanzania remains widespread, though less severe than many other low-income African countries.
Economic Structure	Tanzania remains heavily dependent on agriculture; there has been little progress in diversifying the structure of the economy in recent years.
Gender	Gender indicators show a mixed picture. Inequalities in adult literacy are persistent, but gender balance in the school system is much better.
Demography and Environment	Population growth rates, while slowing, remain high; this makes the task of poverty reduction more difficult. One direct consequence is that the age dependency rate remains very high.
Fiscal and Monetary Policy	Macroeconomic performance has been strong: fiscal policy has been solid and monetary policy has been successful in keeping inflation low.
Business Environment	The business environment indicators lag behind regional standards, and corruption is a serious impediment to doing business.
Financial Sector	Financial sector performance is poor. Credit to the private sector is very low, while interest rate spreads and real interest rates are very high.
External sector	Export performance is strong. Nonetheless, exports remain highly concentrated and susceptible to shocks due to weather conditions and commodity price changes. FDI inflows are low, and aid dependence is high.
Health	Poor health conditions are reflected in a very low and declining life expectancy; the HIV/AIDS prevalence rate of 8.8 percent is not just a health problem, but also an economic growth problem.
Education	Education indicators are mixed. Net primary enrollment is low compared to the benchmarks, but youth literacy is high.
Employment and Workforce	Tanzania has very high labor participation rates, reflecting the pressures of poverty, and the widespread use of child labor.
Agriculture	Agriculture has fared well in recent years. The average growth rate has been high, but performance remains susceptible to droughts; there is great scope for improvement in productivity.

Note: The methodology for comparative benchmarking is explained in the Appendix.

TANZANIA: NOTABLE STRENGTHS AND WEAKNESSES – SELECTED INDICATORS¹

Indicators, by topic	Notable Strengths	Notable Weaknesses
Growth Performance		
Investment efficiency: incremental capital-output ratio	X	
Labor productivity growth (%)	X	
Real GDP growth (%)	X	
Share of gross fixed private investment in GDP (%)		X
Poverty and Inequality		
Human poverty index	X	
Population (%) living below minimum dietary consumption		X
Demography and Environment		
Environmental Sustainability Index	X	
Fiscal and Monetary Policy		
Inflation rate (%)	X	
Business Environment		
Corruption perception index		X
Cost of starting a business (% GNI per capita)		X
Time to enforce a contract, days (2004)	X	
Financial Sector		
Domestic credit to private sector (% GDP)		X
External Sector		
Aid (% GNI)		X
FDI (% GDP)		X
Gross private capital inflows (% GDP)		X
Growth in exports of goods and services (%)	X	
Trade policy index		X
Economic Infrastructure		
Telephone density (lines per 1,000 people)	X	
Health		
Access to improved sanitation (% of population)	X	

¹ The chart identifies selective indicators for which Tanzania's performance is particularly strong or weak relative to the benchmark standards; details are discussed in the text. A separate Data Supplement for Tanzania presents a full tabulation of the data examined for this report, including the international benchmark data, along with technical notes on the data sources and definitions.

Indicators, by topic	Notable Strengths	Notable Weaknesses
Access to improved water source (% of population)	X	
Births (%) attended by skilled health personnel		X
Child immunization rate (%)	X	
HIV prevalence (%)		X
Maternal mortality rate (deaths per 100,000)		X
Education		
Net primary enrollment rate (%)		X
Persistence in school to grade 5 (%)	X	
Youth literacy rate (%)	X	
Employment and Workforce		
Rigidity of employment index		X
Agriculture		
Agriculture value added per worker (1995 \$US)	X	

1. Introduction

This paper is one of a series of Economic Performance Assessments prepared for the EGAT Bureau to provide USAID missions and regional bureaus with a concise evaluation of a broad range of indicators relating to economic growth performance in designated countries. The report draws on a variety of international data sources,¹ and uses international benchmarking to identify major constraints, trends, and opportunities for strengthening growth and reducing poverty.

The methodology used here is analogous to examining an automobile dashboard to see which gauges are signaling problems. Sometimes a blinking light has obvious implications—such as the need to fill the fuel tank. In other cases, it may be necessary to have a mechanic probe more deeply to assess the source of the trouble and discern the best course of action.² Similarly, the Economic Performance Assessment is based on an examination of key economic and social indicators, to see which ones are signaling problems. In some cases a “blinking” indicator has clear implications, while in other instances a detailed study may be needed to investigate the problems more fully and identify an appropriate course for programmatic action.

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

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

¹ Sources include the latest data from USAID’s internal Economic and Social Database (ESDB), and from readily accessible public information sources. The ESDB is compiled and maintained by the Development Information Service (DIS), under PPC/CDIE. It is accessible to staff through the USAID intranet.

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

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

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*.⁴ Here, too, many elements are involved, including effective education and health systems; policies facilitating job creation; agricultural development (in countries where the poor depend predominantly on farming); dismantling barriers to micro and small enterprise development; and progress toward gender equity.

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

The remainder of the report discusses the most important results of the diagnostic analysis, in three sections: Overview of the Economy; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topic coverage. The Appendix provides a brief explanation of the criteria used for selecting indicators, the benchmarking methodology, and a table showing the full set of indicators examined for this report.

Table 1-1
Topic Coverage

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

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

2. Overview of the Economy

This section reviews basic information on Tanzania's macroeconomic performance, poverty and inequality, economic structure, demographic and environmental conditions, and indicators of gender equity.¹ Some of the indicators cited here are descriptive rather than analytical, and are included to provide context for the performance analysis.

GROWTH PERFORMANCE

Since the 1990s, per capita GDP in Tanzania has been on the rise. Yet in 2004 the level of per capita GDP, at 295 USD, remains well below the average of 407 USD for low-income countries of sub-Saharan Africa (hereafter, LIC-Africa). The income disparity is even more striking when measured in purchasing power parity (PPP) dollars. While Tanzania's per capita GDP in 2004 was 673 PPP dollars, the average for LIC-Africa was twice as high, at 1,267 PPP dollars; for low-income countries globally the figure is even higher, at 1,560 PPP dollars. On the other hand, Tanzania's growth trend has been impressive; annual GDP growth has averaged 6.4 percent over the last five years, exceeding seven percent in 2002 and 2003 (Figure 2-1, Real GDP Growth). Tanzania's growth rate of 6.3 percent in 2004 is well above the rate achieved in Kenya (3.1 percent) and in South Africa (3.7 percent).² It is also higher than the regression benchmark for countries with Tanzania's characteristics (5.2 percent).³ This strong growth performance reflects the fruits of responsible monetary and fiscal policy, concerted reforms, rapid export growth, and significant debt relief.

Basic indicators of productivity are signaling excellent growth prospects. Growth in labor force productivity averaged 3.2 percent per year from 1999 to 2003, and exceeded 4.5 percent for the last two years of the period. Current labor productivity growth is more than double the average for LIC-Africa (1.9 percent), and far better than the figures for Kenya (-0.9 percent) and South Africa (0.9 percent). Investment productivity has also been strong, and improving. The incremental capital-output ratio (ICOR), which is the amount of capital investment needed per

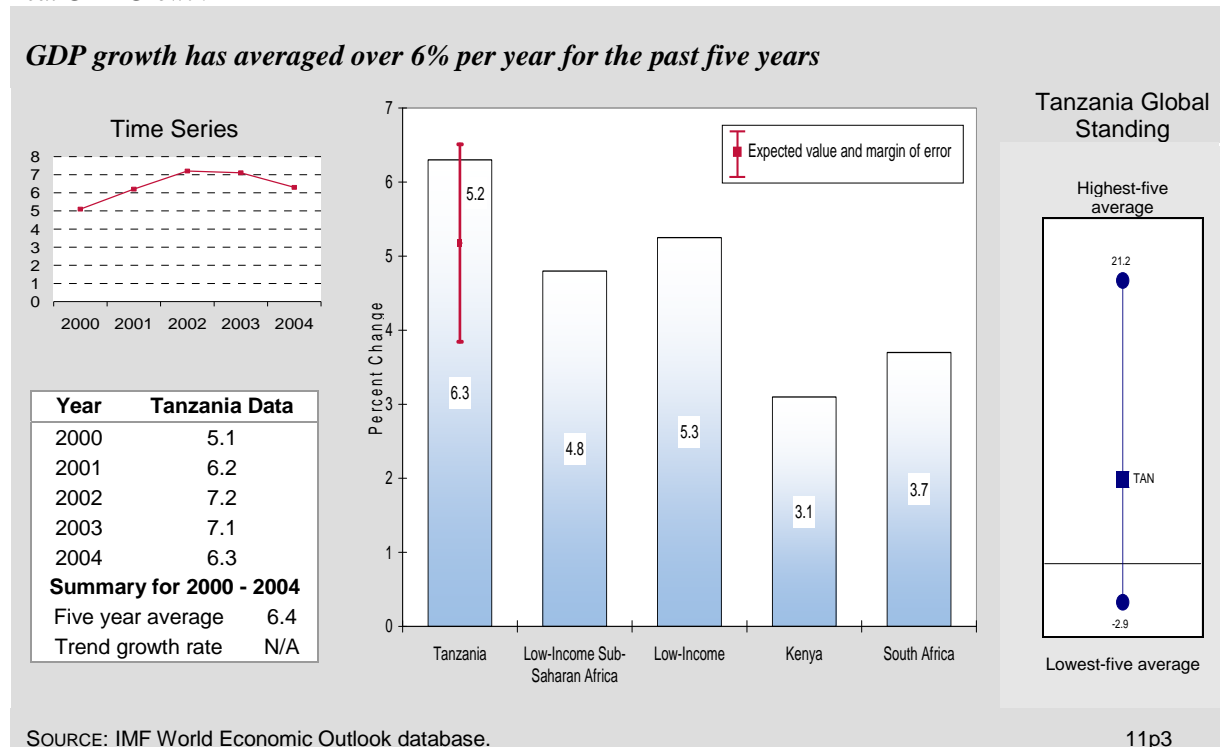
¹ A separate Data Supplement provides a full tabulation of the data for Tanzania and the international benchmarks, including indicators not discussed in the text, as well as technical notes on the data sources and definitions.

² Kenya and South Africa are used in this report as comparators, at the request of USAID/Tanzania. Also note that the country-group averages used in this report are median values rather than means, to minimize the effect of outliers.

³ The regression benchmarks are based on statistical analysis that establishes an expected value for the indicator, controlling for income and regional effects. The Appendix has a more complete explanation of the methodology.

unit of extra output, averaged 3.0 for the period 1999-2003.⁴ A sustained value below 4.0 is a hallmark of efficient investment. Bearing in mind that lower values represent higher efficiency, the ICOR for Tanzania is better than the LIC-Africa average (4.7) and performance in South Africa (3.5), and far superior to efficiency levels in Kenya (13.5).

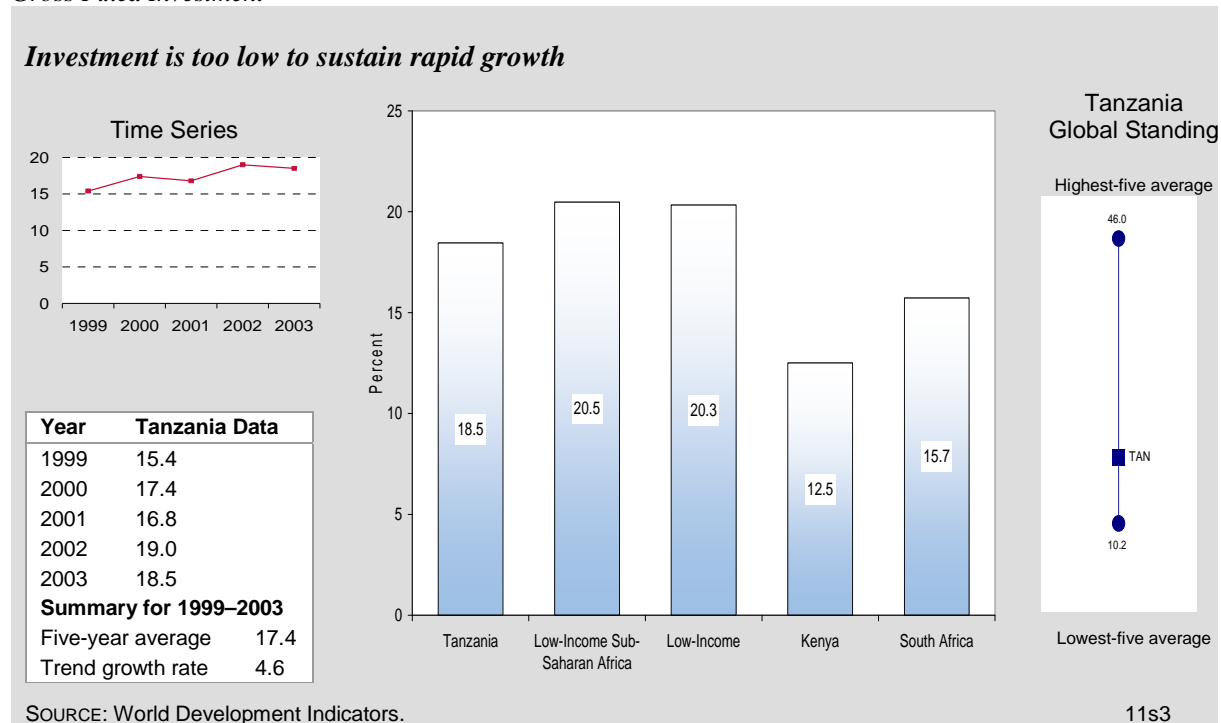
Figure 2-1
Real GDP Growth



The troubling part of Tanzania’s growth performance is the low level of investment. Gross fixed investment averaged only 17.4 percent of GDP from 1999 to 2003 (Figure 2-2, Gross Fixed Investment). Even though this exceeds recent investment rates in Kenya (12.5 percent) and South Africa (15.7 percent), the investment rate is lower than the averages for low-income Sub-Saharan Africa (20.5 percent). More to the point, a value below 20 percent is a sign that the economy is unlikely to sustain rapid economic growth, putting into question Tanzania’s ability to maintain the strong performance in recent years. Similarly, the gross fixed *private* investment is extremely low and declining, standing at 11.1 percent in 2003; any value below 15 percent suggests a compelling need to focus donor intervention on improving the business enabling environment.

⁴ IMF Article IV review provides FY2004 estimated data, which allows one to obtain an additional 6 months of data. In order to focus on actual rather than estimated figures, the FY2004 estimates have been examined only if significant changes are observed.

Figure 2-2
Gross Fixed Investment



As discussed in section 3, further reforms to the business enabling environment are required to encourage higher rates of investment, both domestic and foreign.

POVERTY AND INEQUALITY⁵

According to the PRSP progress report for 2002/2003, there is not much evidence that poverty has been declining over the past decade, despite solid macroeconomic performance. Nonetheless, the latest poverty estimates show that the incidence of poverty is lower than in many other African countries. In particular, the proportion of population living below the national poverty line was estimated at 35.7 percent in 2001, much better than the regression benchmark of 56.9 percent for an African country with Tanzania’s level of income and estimates for Kenya (55.4 percent) and South Africa (50.0 percent), suggesting a relatively equitable distribution of income.⁶ This inference is corroborated by the UNDP Human Poverty Index (HPI), which takes into account deprivation in health and education, as well as income.⁷ Tanzania’s HPI score for 2002 was 36.0, much better than the regression benchmark of 49.7, as well as the average for LIC-Africa of 45.0. Tanzania’s HPI is slightly better than that for Kenya (37.5), and remarkably close to the score for South Africa (31.7).

⁵ According to the most recent PRSP progress report, for 2002/2003, the quality of the poverty monitoring data requires improvement.

⁶ National poverty lines differ across countries, thus cross-country comparisons must be interpreted with caution. Due to insufficient data reporting by other countries, regional averages obtained from WDI are likely to be inaccurate and are not used for comparison.

⁷ The HPI ranges from 0 (no deprivation) to 100 (maximum deprivation).

On the other hand, the percent of population unable to obtain a minimum level of dietary energy consumption in Tanzania stands at 43 percent, which is much higher than the average of 33 percent for LIC-Africa, and Kenya's score of 37 percent. This observation underscores the fact that poverty remains severe and pervasive.

Tanzania was one of the first countries to complete a Poverty Reduction Strategy Paper, in October 2000. The poverty reduction strategy has focused on rural development, promotion of microfinance, development of the infrastructure, and facilitation of private investment in order to foster rapid economic growth to benefit the poor. The PRSP progress report also emphasizes a pressing need to improve governance, as a foundation for poverty reduction.

ECONOMIC STRUCTURE

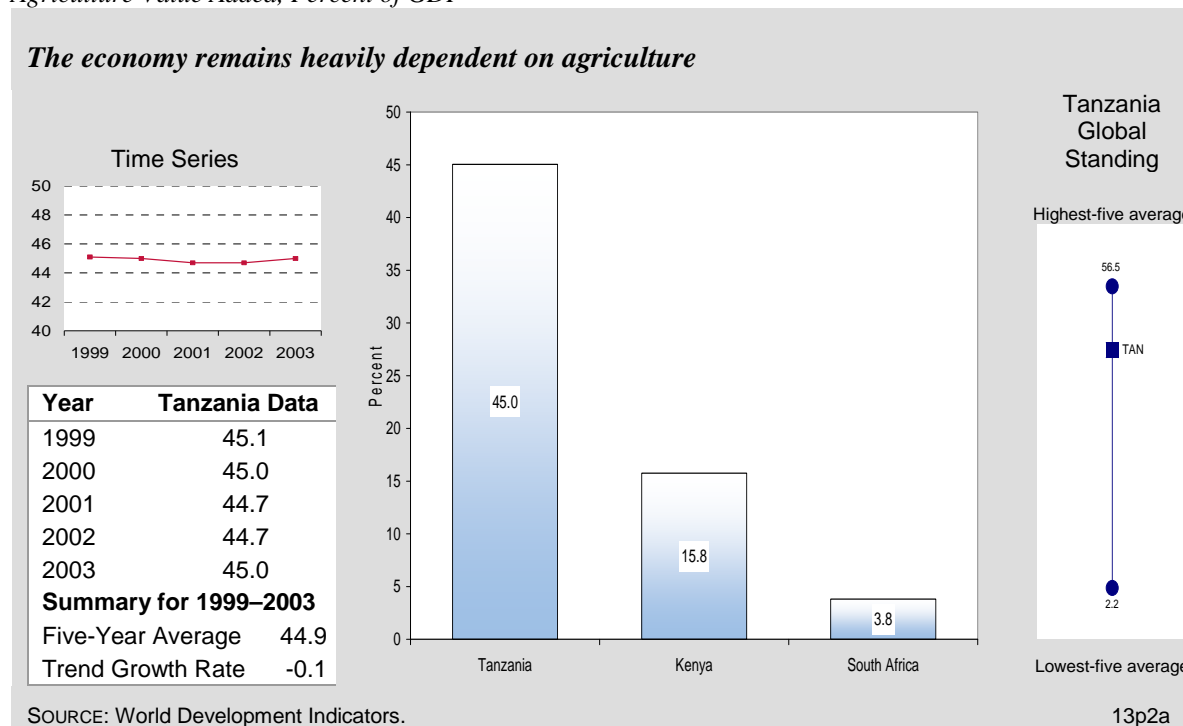
Agriculture accounts for 45 percent of GDP and provides the main source of livelihood for an estimated 80 percent of the workforce. The fact that a large fraction of the labor force produces less than half the output shows that productivity in agriculture is far lower than in other sectors. This is a standard condition for low-income countries, reflecting the importance of transformational growth as a source of rising productivity.

The 45 percent share of agriculture in GDP is high by all comparisons (Figure 2-3, Agriculture Value Added). Kenya and South Africa rely on agriculture far less than Tanzania does, with value-added shares of 15.8 percent and 3.8 percent, respectively, and the average for LIC-Africa is 31.7 percent. Thus Tanzania lags behind many other countries in the economic transformation needed to achieve higher income, and there has been little change in the output share for agriculture from 1999 to 2003 (latest data). Over that period, industry's share of GDP has risen slightly, mainly at the expense of the services sector. In absolute terms, industry's share of GDP is low, averaging 15.9 percent for the period 1999 to 2003, versus an average of 21.2 percent for LIC-Africa. Industry accounts for 19.6 percent and 31.0 percent of GDP in Kenya and South Africa, respectively. Looking at more disaggregated data, the construction and mining sectors have consistently led overall growth in recent years.⁸

Given low productivity levels in agriculture, programs to support investment and job creation outside agriculture can be a key to sustainable development and transformational growth.

⁸ Bank of Tanzania, *Economic and Operations Report for the Year Ended 30th June, 2003*. Dar el Salaam, Tanzania, 2003, 6-7.

Figure 2-3
Agriculture Value Added, Percent of GDP



DEMOGRAPHY AND ENVIRONMENT

Tanzania’s population is estimated at 36.6 million people (2004). The population growth rate has been decelerating steadily, to an estimated 1.9 percent per year in 2004, on par with the regional average of 2.1 percent, and Kenya’s growth rate of 1.8 percent. This deceleration will contribute to more rapid growth of per capita income over the next two decades, while also helping to ease the growth of demand for public services, including education and health. For the immediate future, however, the age dependency ratio remains very high, with 0.88 dependents per person of working age. This is equal to the average for LIC-Africa, but still a cause for concern. A high dependency rate is a symptom of deep poverty, showing that there are many mouths to feed for each hand to work. At the same time, the working age population is steadily becoming better educated, with the adult literacy rate reaching 77.1 percent in 2002. This is much better than the 59.8 percent average for LIC-Africa, and yet significantly below the literacy rates achieved in Kenya (84.3 percent) and South Africa (86.0 percent).

Tanzania’s population is highly dependent on the quality of the environment. A recently created international index of environmental sustainability gives Tanzania a score of 50.3, which is higher than the scores for Kenya (45.3) and South Africa (46.2), as well as the regression benchmark of 43.8 for a country with Tanzania’s characteristics.⁹ The scoring is based on 21 subcategories including direct environmental variables, as well as socioeconomic and institutional

⁹ The environmental sustainability index ranges from 0 (for the worst performance) to 100 (for the best performance).

variables relating to sustainable development. Looking at components of the index, the most serious problems for Tanzania are in the areas of air and water quality.

GENDER

Tanzania is clearly moving in the direction of gender equality. One basic indicator is the gender gap in adult literacy. This gap has an important effect on growth potential, because maternal education is strongly related to children's health, education, and nutrition. In Tanzania, the male literacy rate (85.2 percent) is 1.23 times higher than the female rate (69.2 percent). Five years earlier the ratio was 1.29, indicating considerable progress, since this figure changes only gradually over time. In comparative terms, the gender literacy differential in Tanzania is considerably better than the average ratio of 1.44 for LIC-Africa, though not nearly as good as the ratio in Kenya (1.15) or South Africa (1.02).

Looking at gender equity within the school system, Tanzania is doing extremely well. The most recent estimate of gross enrollment rates at all levels of education show that the country is nearing full equality, with a male-to-female ratio of 1.03. This is far better than the average of 1.20 for LIC-Africa, and on par with Kenya (1.04) and South Africa (1.01).

Turning to equity in health, the male-to-female ratio for life expectancy is 0.96, indicating that women live somewhat longer than men. This is similar to the average for LIC-Africa and the ratio for Kenya; for South Africa, however, the ratio is 0.89, indicating a much longer life expectancy for women, typical of higher-income countries. Looking beyond the gender ratio, life expectancy for women is extremely low and getting lower, primarily due to the impact of HIV/AIDS (see Health section below). There is an enormous need for improving health conditions, both for men and women.

Gender equity is not only important as a matter of basic human rights, but also because better opportunities and capabilities for women have positive implications for growth and productivity. Hence, gender issues fully merit the attention they have received as a cross-cutting theme in donor programs.

3. Private Sector Enabling Environment

This section reviews indicators for key components of the enabling environment for encouraging rapid and efficient growth of the private sector. Sound fiscal and monetary policies are essential for macroeconomic stability, which is a necessary (though not sufficient) condition for sustained growth. A dynamic market economy also depends on basic institutional foundations, including secure property rights, an effective system for enforcing contracts, and an efficient regulatory environment that does not impose undue barriers on business activities. Financial institutions play a major role in mobilizing and allocating saving, facilitating transactions, and creating instruments for risk management. Access to the global economy is another pillar of a good enabling environment, because the external sector is a central source of potential markets, modern inputs, technology, and finance, as well as competitive pressure for efficiency and rising productivity. Equally important is development of the physical infrastructure to support production and trade. Finally, developing countries need to adapt and apply science and technology as a basis for attracting efficient investment, improving competitiveness, and stimulating productivity growth.

FISCAL AND MONETARY POLICY¹

Tanzania's macroeconomic policy has been solid in recent years (Exhibit 3-1). Budget deficits have been low, signaling sound fiscal management. The overall deficit, inclusive of grant receipts, has been below 3.5 percent of GDP for the past five years, averaging 2.1 percent; this is well below the LIC-Africa standard of 4.6 percent. Even though the deficit of 2.9 percent for FY2004 is slightly higher than that in Kenya (2.2 percent) and South Africa (2.5), the fiscal posture is not a major concern.

¹ In 2005, WDI adopted a new system for classifying fiscal data, even though most developing countries still use the old classification. Subsequently, the WDI database includes fiscal data for very few developing countries, and the group averages derived from WDI are not meaningful due to the limited sample size. In this section, comparisons are based on absolute standards, benchmarks derived from 2004 WDI data, and figures for Kenya and South Africa.

Exhibit 3-1

IMF Program Status for Tanzania

The IMF recently completed the third review under the current three-year Poverty Reduction and Growth Facility (PRGF), but has not yet released the 2005 Article IV consultation report. At the completion of the second PRGF review	in 2004, the IMF commended the Tanzanian authorities for satisfactory implementation of the program and significant progress in macroeconomic stabilization and structural reform.
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Government expenditure averaged 19.1 percent of GDP for the same five-year period. Expenditure has been on an upward trend – reaching 22.5 percent of GDP in FY2004 – as the government has intensified its commitment to delivering essential public goods and combating poverty. This is above the normal range for a country with Tanzania’s low level of income, but government spending still absorbs a smaller share of economic resources than in Kenya (25 percent) or South Africa (29 percent).

Domestic revenues have also been rising, but more slowly than expenditures. At 12.9 percent of GDP in FY2004, revenues are within the normal range for a country at Tanzania’s level of income, but far below the levels achieved in Kenya and South Africa (Figure 3-1, Government Revenue). In absolute terms, revenue mobilization is low. A more troubling note is Tanzania’s heavy reliance on international trade taxes, which are highly distortionary. In FY2004, 26.1 percent of the revenue came from taxes on trade, a level that has not changed significantly over the past five years. In comparison, Kenya derives 14.8 percent of its revenue from trade taxes, while the share in South Africa is just 2.2 percent. Programs to broaden the tax base and strengthen tax administration are a priority, to enable the government to improve public services while reducing dependence on both trade taxes and foreign aid.

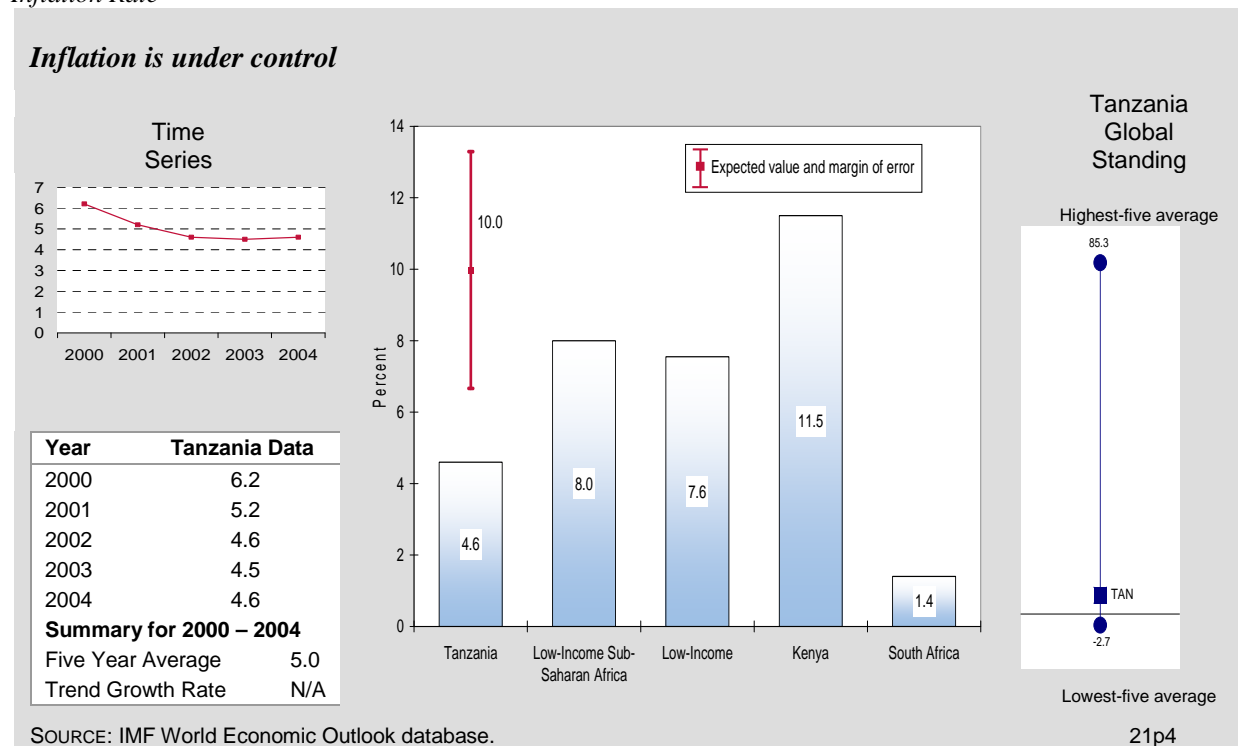
Inflation is well under control (Figure 3-2, Inflation Rate). At 4.6 percent in 2004, the inflation rate is significantly lower than the regression benchmark of 10.0 percent, and the LIC-Africa average of 8.0 percent.² Interestingly, money supply growth has averaged 18.4 percent over the period 1999 to 2003. This rate of money supply growth is compatible with low inflation as long as the economy maintains rapid growth and rising monetization (reflecting confidence in the economy). Nonetheless, the high rate of money growth must be monitored and managed carefully, to avoid the risk of reigniting inflation. It is also useful to note that the expansion in the money supply has been driven by an accumulation of foreign reserves and bank credit to public enterprises. There has been very little expansion of credit to the private sector – a strong negative signal in an otherwise favorable picture. As discussed below, programs to expand private sector access to credit warrant donors’ serious consideration

² A Millennium Challenge Account indicator.

Figure 3-1
Government Revenue, Percent of GDP



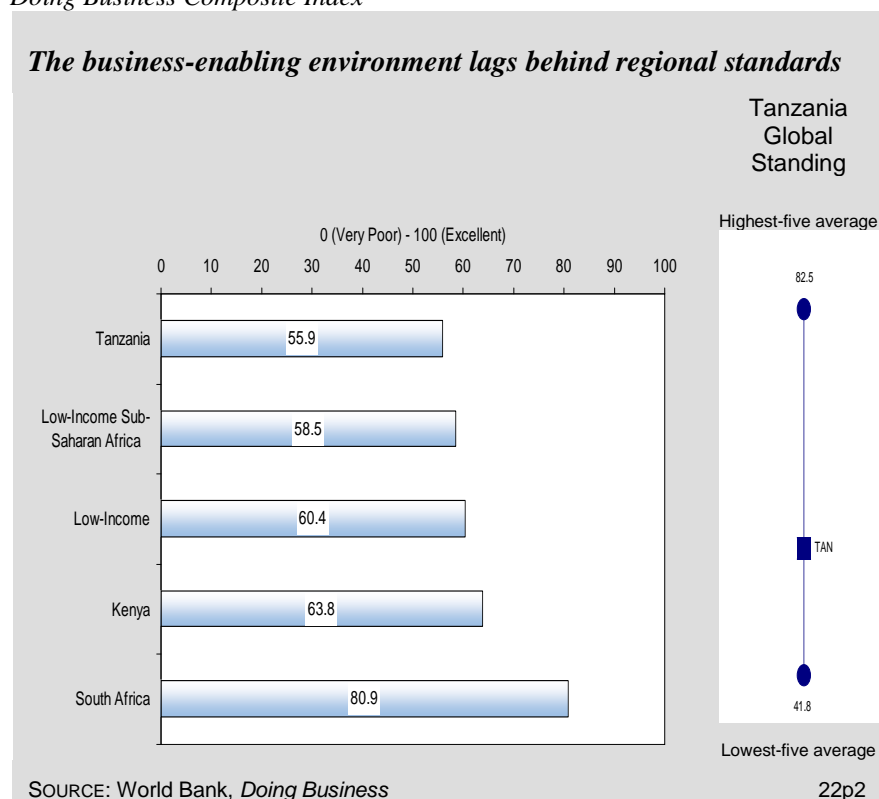
Figure 3-2
Inflation Rate



BUSINESS ENVIRONMENT

Tanzania's business environment is a critical constraint to private sector development and sustained growth. A composite index of Doing Business indicators illustrates a wide range of administrative and legal obstacles faced by the private sector.³ Tanzania's score of 55.9 is lower than the average for LIC-Africa and significantly worse than the scores for Kenya and South Africa (Figure 3-3, Doing Business Composite Index). One positive element is that the typical time required to enforce a contract in Tanzania is 242 days, versus 415 for LIC-Africa, 360 for Kenya, and 277 for South Africa; in addition, fewer procedures (21) are required to enforce a contract than the LIC-Africa average of 35 or the 25 and 26 for Kenya and South Africa, respectively. The cost of starting, however, is high: 186.9 percent of per capita income (in 2004), compared to the average of 143 percent for LIC-Africa and 53 percent and 9 percent for Kenya and South Africa, respectively.

Figure 3-3
Doing Business Composite Index



Perhaps the most serious institutional problem is illustrated by the Corruption Perceptions Index (CPI) of Transparency International. Tanzania's CPI score was 2.8 in 2004, and has shown some improvement in the past five years.⁴ While Tanzania's score is better than the benchmarks of 2.3

³ See the Technical Notes for details. The Doing Business composite index has been constructed for this report, based on guidance from USAID/EGAT. The index ranges from 0 (worst performance) to 100 (best performance).

⁴ The CPI scores range from 1 (most perceived corruption) to 10 (least perceived corruption).

for LIC-Africa and 2.1 for Kenya, any value below 3.0 is considered to indicate rampant corruption, which is a major impediment to investment. This is consistent with Tanzania's weak score on the World Economic Forum's index of regulatory quality. Tanzania's score of 42.9 is well below that of Kenya (66.1) and South Africa (87.6).⁵ The main message for the government and the donor community is that the business environment remains unfriendly, discouraging investment and impairing the prospects for sustainable growth and poverty alleviation.

FINANCIAL SECTOR

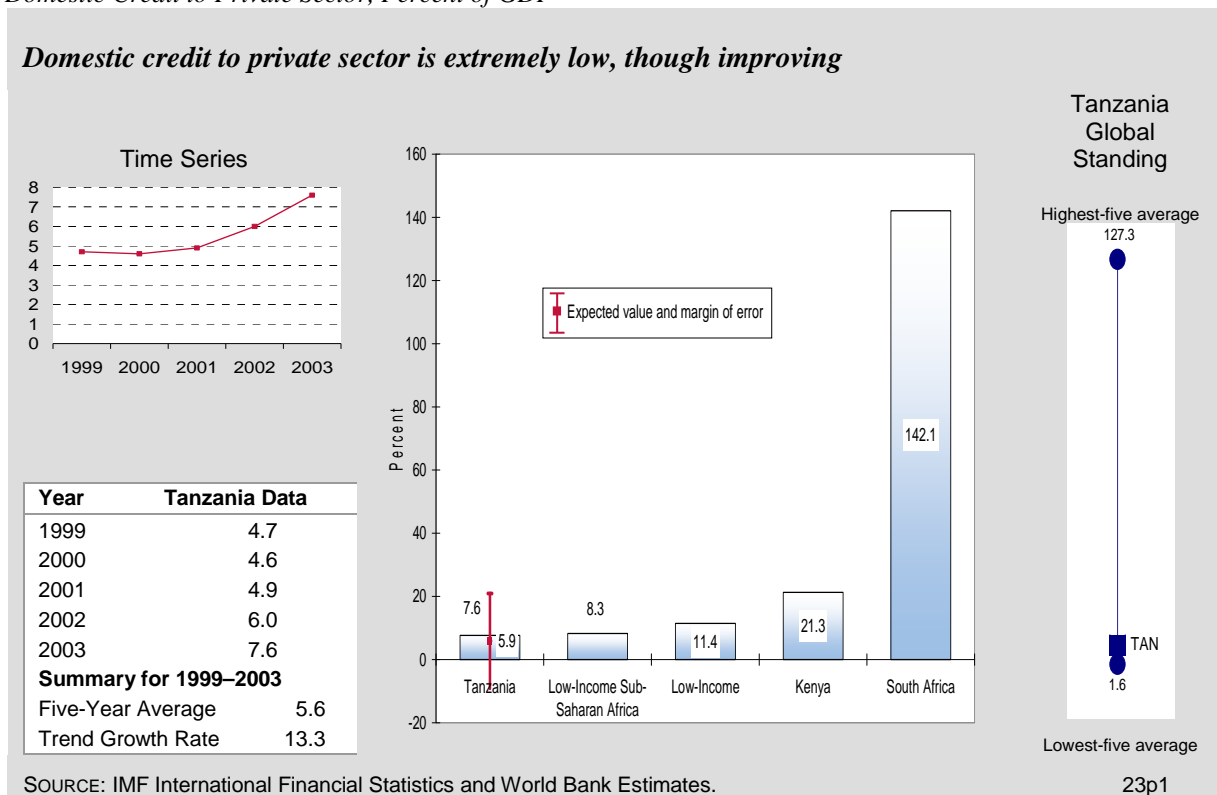
A sound and efficient financial sector is a key to mobilizing saving, fostering productive investment, and improving risk management. Tanzania's financial sector performance has improved, but much remains to be done. A basic indicator of financial development is the degree of monetization, measured by the ratio of broad money (which includes deposit balances) to GDP. The ratio for Tanzania, 20.7 percent, is on par with the average for LIC-Africa, but far lower than the standards achieved in Kenya (38 percent) and South Africa (61 percent). This relationship is echoed in a second fundamental indicator, domestic credit to the private sector, also as a percentage of GDP (Figure 3-4, Domestic Credit to Private Sector). This indicator averaged 5.6 percent from 1999 to 2003, well below the LIC-Africa average (8.3 percent), and far inferior to levels in Kenya (21.3 percent) and South Africa (142.1 percent).

Financial sector efficiency is also very weak. This can be inferred from the spread between deposit and loan rates, which averaged 13.7 percent for the period 1999 to 2003. This is similar to the average for LIC-Africa (12.9 percent), and not far from the spread in Kenya (12.4 percent). Even so, it is very high in absolute terms. As a consequence, the real interest rate for borrowers is very high, averaging 10.5 percent for the same period. Here, too, Tanzania's performance is comparable to the regional average, but much higher than in Kenya (4.7 percent) or South Africa (8.5 percent). Such high real interest rates are a major barrier to starting or expanding a business. Part of the problem is a weak institutional environment to support bank lending. For example, the cost to create collateral is 21.3 percent of per capita income, again comparable to the regional average, but much more burdensome than the collateral cost in Kenya (3.3 percent) or South Africa (2.3 percent). All of these factors contribute to low borrowing by Tanzanian businesses, contributing to the alarmingly low investment rates.

While the problems are very serious, there are clear signs of improvement. Over the five years to 2003, the monetization ratio and private sector credit ratio each increased by 3 percentage points, while the interest rate spread fell by 4 points, to 11.4 percent, and the real interest rate by 5 points, to 8.3 percent. Despite these positive signs, the financial system is still a critical constraint on investment and business development. Programs to strengthen the banking sector, improve the efficiency of financial intermediation, and overcome constraints that limit private sector access to credit are major candidates for two of the possible program areas for donor consideration.

⁵ The index ranges from 0 to 100 (from very poor to excellent regulatory environment).

Figure 3-4
Domestic Credit to Private Sector, Percent of GDP



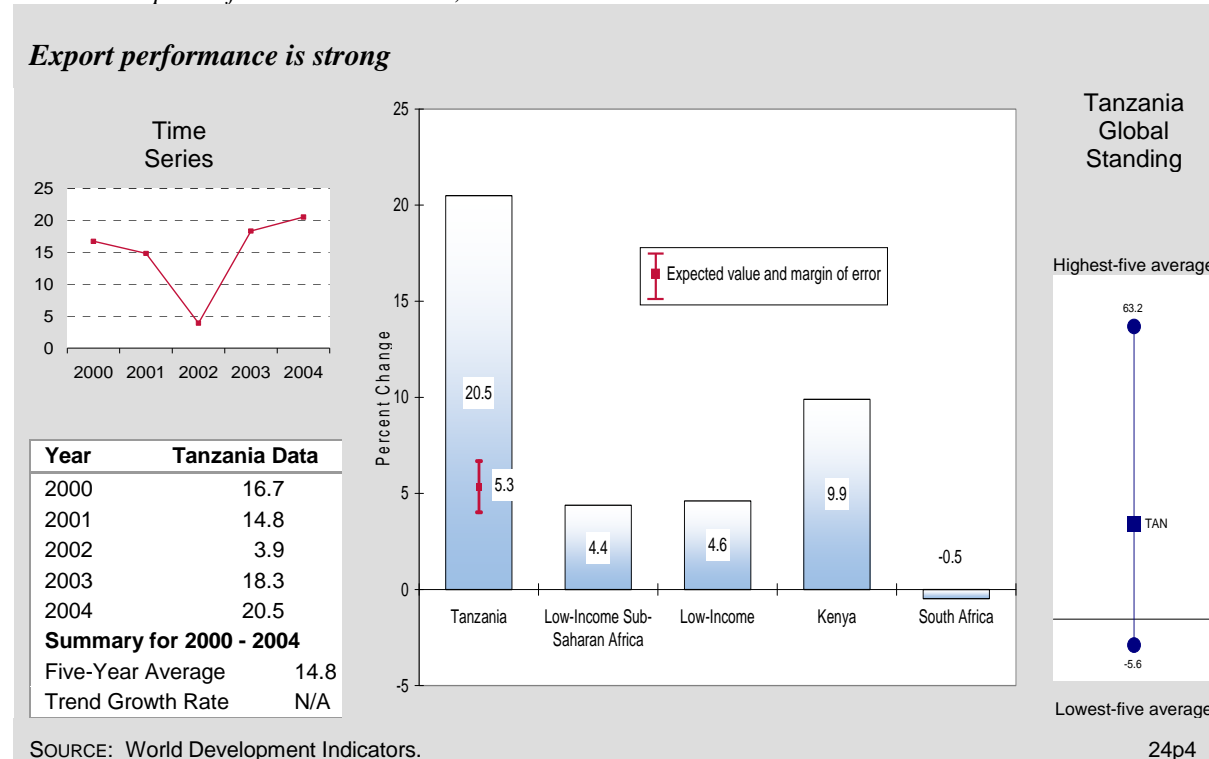
EXTERNAL SECTOR

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

The overall ratio of trade (exports plus imports) to GDP has risen from 39.7 percent in 1999 to 45.6 percent in 2003. This is in line with the regression benchmark for Tanzania, but below the trade ratios for Kenya and South Africa, both around 55 percent. Export performance has been quite strong; in 2003 and 2004, exports of goods and services rose by more than 15 percent, significantly above the LIC-Africa average, as well as export growth rates for Kenya and South Africa (Figure 3-5, Growth in Exports of Goods and Services). Compared to many African countries, Tanzania's exports are fairly well diversified. In most years the three leading products (using 3-digit SITC categories) account for less than half of total exports. Nonetheless, the broad category of food accounted for 59 percent of total exports in 2003, so the country remains heavily

dependent on primary products. Further steps to reduce dependence on primary products will reduce vulnerability to fluctuations in weather conditions and commodity markets.

Figure 3-5
Growth in Exports of Goods and Services, Percent



Tanzania's terms of trade rose by more than 30 percent from 1998 to 2002 (latest available data), indicating that the price of exports rose sharply relative to the price of imports. The subsequent rise in world oil prices has undoubtedly worked in the opposite direction. Another favorable factor for trade has been a substantial depreciation of the real exchange rate between 2000 and 2004, which enhances the competitiveness of Tanzanian products.⁶ One major problem is indicated by the Heritage Foundation's trade policy index.⁷ The index, which is used by the MCC as an eligibility criterion, is based on the weighted average import tariff rate, adjusted for nontariff barriers and corruption in the customs service. Scores range from 1 (very good) to 5 (poor). Tanzania's score has been steady at 5, the worst value, suggesting that Tanzania has far to go in reducing trade barriers that breed inefficiency and discriminate against production for export.

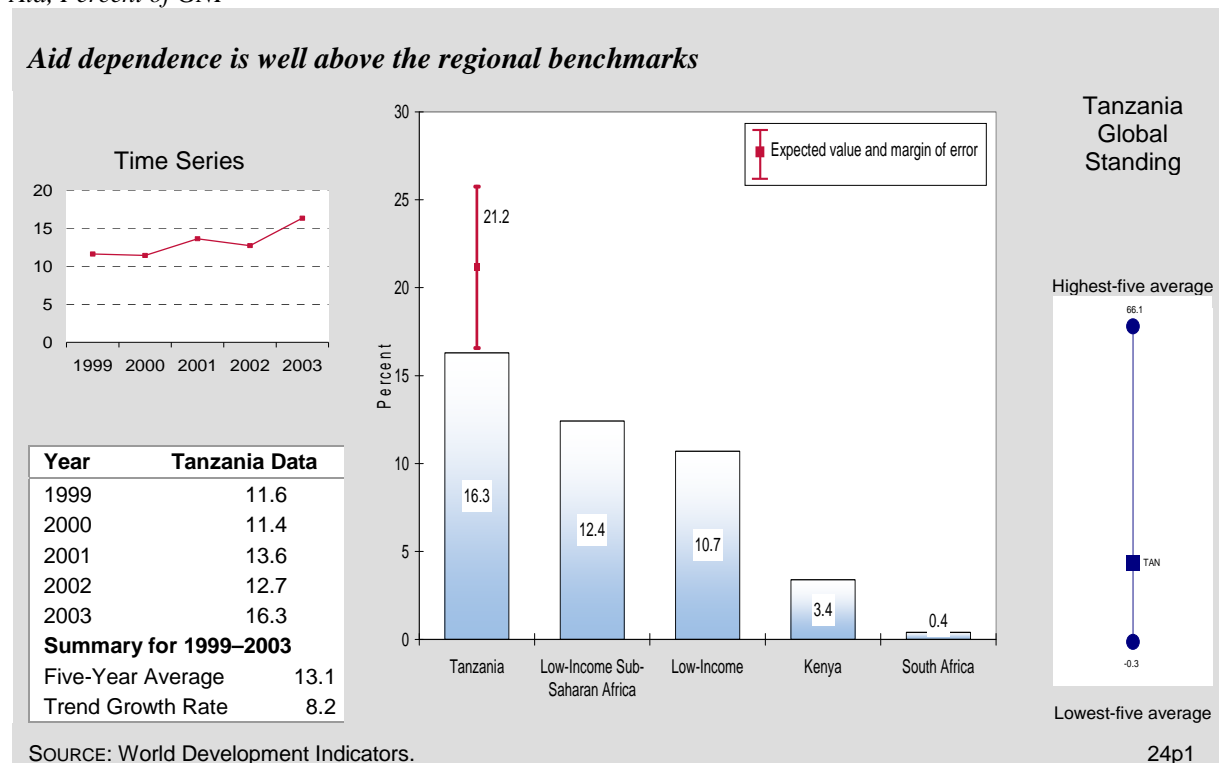
⁶ REER fell from approximately 155 foreign currency units per Tanzania shilling in 2000 to under 100 in 2004 (1995=100). Figures are based on a graph in the Third Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Requests for Waiver of Performance Criterion and Modification of Performance Criteria, IMF report 05/181, June 3, 2005.

⁷ A Millennium Challenge Account indicator.

The overall current account deficit has averaged 6.4 percent of GDP, but it is highly variable from year to year. For 2003, the deficit stood at 9.4 percent of GDP, well above the regression benchmark of 6.3 percent.⁸ The fact that the deficit was increasing at a time of strong export growth indicates that imports were soaring.⁹ The government must pay careful attention to avoid further deterioration.

By far the main source of external financing has been foreign aid. In 2003, net aid inflows amounted to 16.3 percent of gross national income, well above the regional benchmarks (Figure 3-6: Aid as Percent of GNI). This high degree of aid dependence underscores the need to attract more private capital inflows. Over the five years to 2003, foreign direct investment (FDI) averaged 3.9 percent of GDP, with a downward trend to 2.4 percent at the end of the period. Even so, Tanzania is receiving more FDI than the average for LIC-Africa (1.8 percent), as well as the relative inflows to Kenya and South Africa (0.6 and 0.5 percent, respectively). However, there are major problems with the investment climate, as shown by the UNDP’s index of inward FDI potential. This index measures the attractiveness of a country to foreign investors, on a scale of 0.0 to 1.0. Tanzania’s score is extremely low, at 0.1, and shows no signs of improvement.

Figure 3-6
Aid, Percent of GNI



⁸ According to the IMF’s Third Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility (IMF report 05/181, June 3, 2005), the current account deficit fell to 5.9 percent of GDP in FY2004, suggesting the large deficit in 2003 did not signal an adverse trend.

⁹ On average, imports grew at 25 percent per annum in the 1999–2003 period. Source: World Development Indicators.

On the liability side of the balance of payments, Tanzania has benefited immensely from the cancellation of bilateral debts by the Paris Club. In 2001, the present value of debt fell from 52.2 percent of GDP to 15.0 percent. The stock of debt rose to 22.2 percent of GDP in 2003, but in absolute terms this is not alarming, considering the very soft terms for new borrowing. In 2003, debt service amounted to just 5.2 percent of exports. The important issue is to ensure that new debt is applied to ensure rapid growth, so that debt service does not become a major burden again.

The clearest sign that the external sector is under control is the level of foreign exchange reserves, which reached 8.8 months of import cover at the end of 2003. This cushion against shocks is far better than the average of 4.1 months for LIC-Africa, which matches the figure for Kenya.

To improve Tanzania's prospects for sustaining rapid growth, USAID may want to consider programs that will help the country reduce aid dependence, by improving the climate for attracting foreign capital, while improving revenue mobilization and stimulating domestic saving. Programs to promote nontraditional exports are also vital for sustained transformational growth.

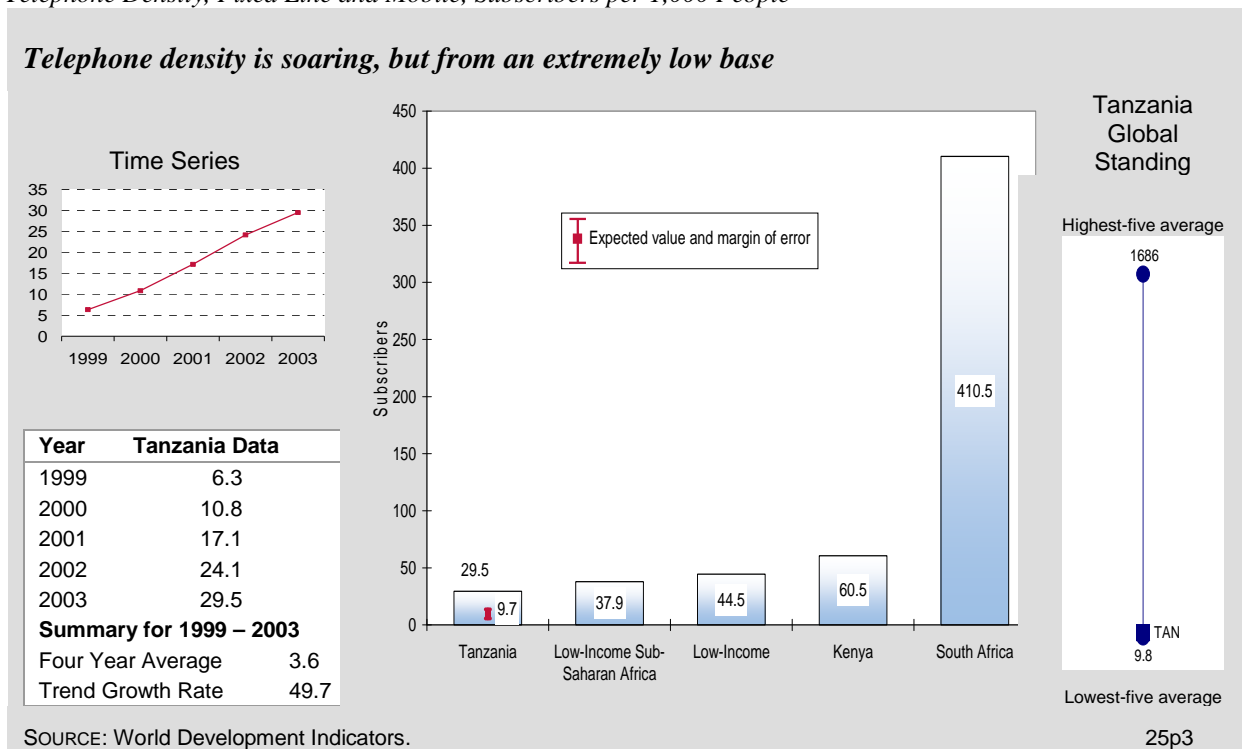
ECONOMIC INFRASTRUCTURE

A country's physical infrastructure—for transportation, communications, power, and information technology—is the backbone for improving competitiveness and expanding productive capacity. Most of Tanzania's infrastructure indicators are somewhat better than the benchmark standards. The broadest indicator is an index of executive perceptions of infrastructure quality, compiled by the World Economic Forum (WEF). Tanzania's score of 3.2 is well above the average of 2.4 for LIC-Africa, as well as Kenya's score of 2.3.¹⁰ Looking at subindices, Tanzania's performance is comparable to the regional standards for air transport and electricity, and better than the benchmark averages for ports and railroads.

According to the PRSP progress report for 2002/2003, Tanzania's road network has improved significantly in recent years, considerably aiding development of agriculture and manufacturing. The phone network has also improved greatly, with line density rising four-fold from 1999 to 2003, to 29.5 lines per 1,000 people (Figure 3-7, Telephone Density, Fixed Line and Mobile). Although this level is higher than the regression benchmark for a country with Tanzania's low level of income, the phone network is still far less extensive than the regional average (37.9 lines per 1,000 people), and the levels in Kenya (60.5) and South Africa (410.5). The internet infrastructure is in much the same condition as the phone system. The number of Internet users per 1,000 people rose sharply from 1.2 in 2000 to 7.1 in 2003. Although this compares well with the (very low) regional average of 4.3 users per 1,000 people, Tanzania still lags well behind Kenya (12.7) and, of course, South Africa (68.2).

¹⁰ Overall infrastructure quality index ranges from 1 (for "poorly developed and inefficient") to 7 (for "among the best in the world"). Not surprisingly, South Africa scores much better, at 5.2.

Figure 3-7
 Telephone Density, Fixed Line and Mobile, Subscribers per 1,000 People



These indicators suggest that donors may want to regard programs for infrastructure development as a priority for improving the investment climate and fostering sustainable growth.

SCIENCE AND TECHNOLOGY

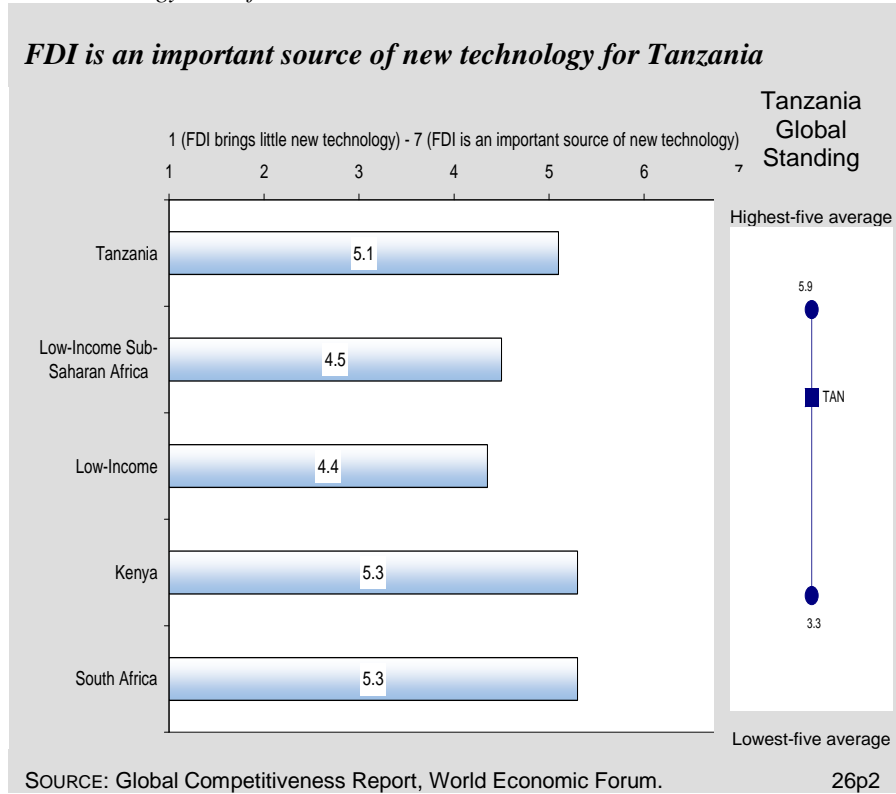
Science and technology are central elements of a dynamic business environment and a driving force behind increased productivity and competitiveness. Even for low-income countries, transformational development increasingly depends on acquiring and adapting technology from the global economy. Lack of capacity to access and utilize technology prevents an economy from leveraging the benefits of globalization. Unfortunately, few international indicators are available for judging performance in low-income countries. Hence, one must draw inferences from a very limited set of proxies.

One available indicator is the FDI technology transfer index, from the World Economic Forum, (Figure 3-8, FDI Technology Transfer Index). Tanzania’s relatively high score of 5.1¹¹ indicates that Tanzania is indeed obtaining new technology along with foreign investment. Local technology capacity, however, appears to be extremely weak, as indicated by the virtual absence of local patent applications filed by residents. This is a common theme for low-income countries, but nonetheless a serious concern, since weak scientific capacity is a major barrier to the absorption of new technology from other sources. Technology education, with a particular

¹¹ FDI technology transfer index ranges from 1 (FDI brings little new technology) to 7 (FDI is an important source of new technology).

emphasis on quality, should be a top priority for the government and the donor community, to secure the foundation for sustainable development.

Figure 3-8
FDI Technology Transfer Index



4. Pro-Poor Growth Environment

While rapid growth is the most powerful and dependable instrument for poverty reduction, the link from growth to poverty reduction is not mechanical. In some countries, the income of poor households grows faster than overall per capita income, while in other settings, growth benefits the non-poor far more than the poor. A pro-poor growth environment stems from policies and institutions that improve opportunities and capabilities for the poor, while reducing their vulnerabilities. Pro-poor growth is associated with improvements in primary health and education, the creation of jobs and income opportunities, the development of skills, microfinance, agricultural development (for countries with large populations of rural poor), and gender equality.¹ This section focuses on four of these issues: health, education, employment and the workforce, and agricultural development.

HEALTH

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

Tanzania's performance on health indicators is poor compared to most benchmark standards. HIV/AIDS is one of the most serious problems (Figure 4-1: HIV Prevalence). Prevalence of the virus in Tanzania was 8.8 percent at 2004, significantly above the average of 4.4 percent for LIC-Africa. World Bank estimates for Tanzania suggest the disease is cutting the growth of income per capita by 0.4 percent to 0.8 percent per year, depending on assumptions used.²

Life expectancy is the broadest indicator of health status. Partly because of HIV/AIDS, life expectancy is extremely low in Tanzania: 43 years in 2003. It is little comfort that the regional benchmarks are not much better, with an average for LIC-Africa of 46 years, and figures for Kenya and South Africa of 45 and 46 years, respectively. Even more troublesome is that life expectancy has been declining. Reversing this trend is critical, since poor health and a high

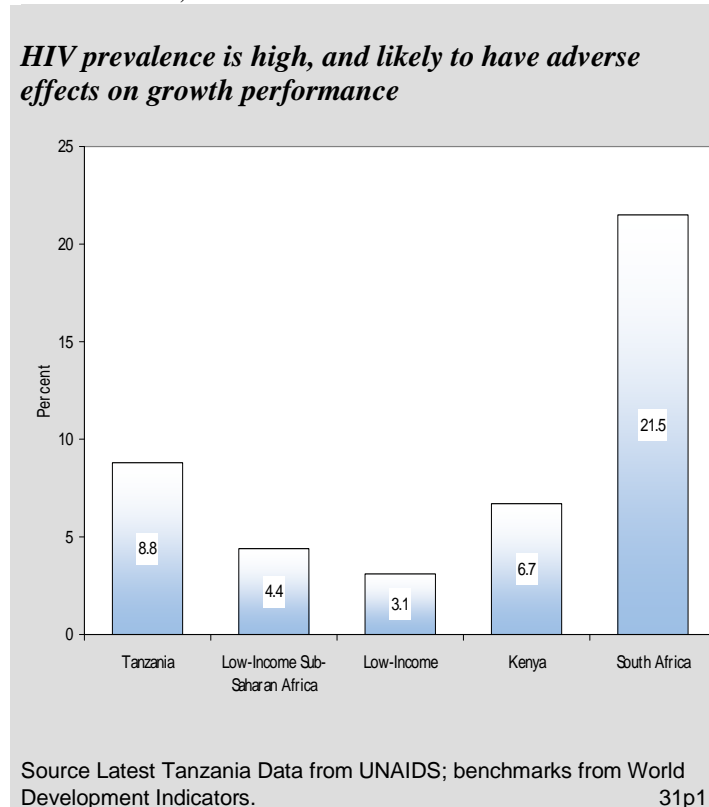
¹ For purposes of economic growth programming, the template does not cover emergency relief.

² PHNFLASH Issue 58, Population, Health and Nutrition (PHN) Department, World Bank, February 22, 1995; <http://www.worldbank.org/html/extdr/hnp/hddflash/issues/00075.html>

likelihood of premature death affect all aspects of the economy, including labor productivity, saving rates, the quality of public services, and the education of future generations.

Figure 4-1

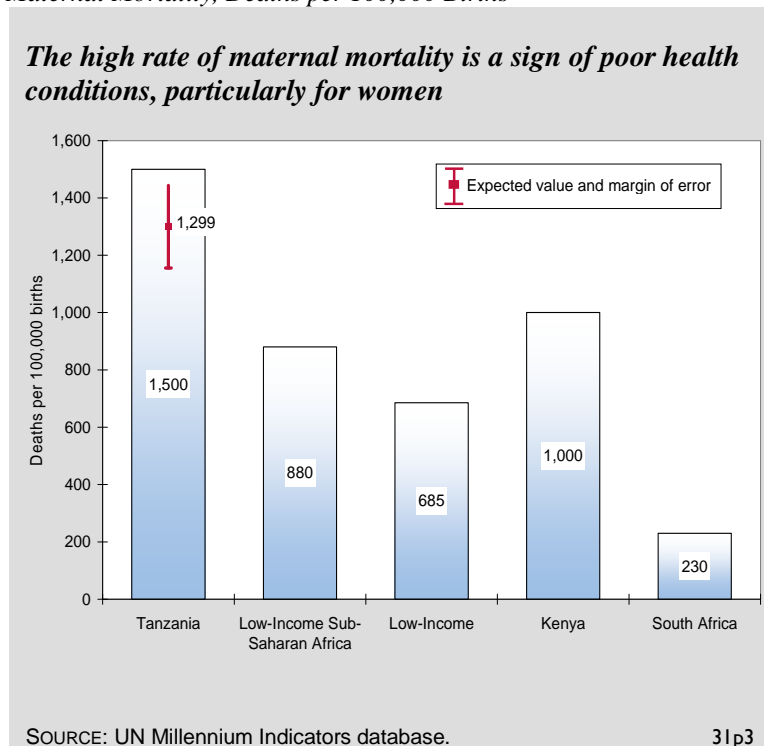
HIV Prevalence, Percent



The maternal mortality rate (MMR) remains extremely high at 1,500 deaths per 100,000 births, compared to the average for LIC-Africa, as well as the figures for Kenya and South Africa (Figure 4-2, Maternal Mortality). One cause of high maternal mortality is that only 36 percent of births are attended by skilled health personnel, which is low even by standards for LIC-Africa (averaging 46 percent). Other causes are the generally poor health status of women and widespread malnutrition. The child malnutrition rate, which is a proxy for the nutrition status of the general population, was 29.4 percent in 1999 (latest data); this is much higher than in Kenya (19.9 percent) and South Africa (11.5 percent), but comparable to the average for low-income countries in the region.

Government spending on health stood at 2.2 percent of GDP in 2004. This is in line with all the benchmark standards, but it is troubling to see that the figure has declined from 2.9 percent in 2001. Furthermore, given Tanzania's low level of GDP per capita, health spending is extremely low in absolute terms. Thus, it is vitally important that available funds are used efficiently. A favorable sign is that the child immunization rate is very high, at 96 percent in 2003, surpassing the rates in Kenya (73 percent) and South Africa (89 percent), as well as the LIC-Africa average (69 percent). Access to an improved water source and to improved sanitation are also well above the regional benchmarks (excluding South Africa).

Figure 4-2

Maternal Mortality, Deaths per 100,000 Births

In summary, poor health conditions are a major impediment to economic growth and both a primary factor and a result of severe poverty.

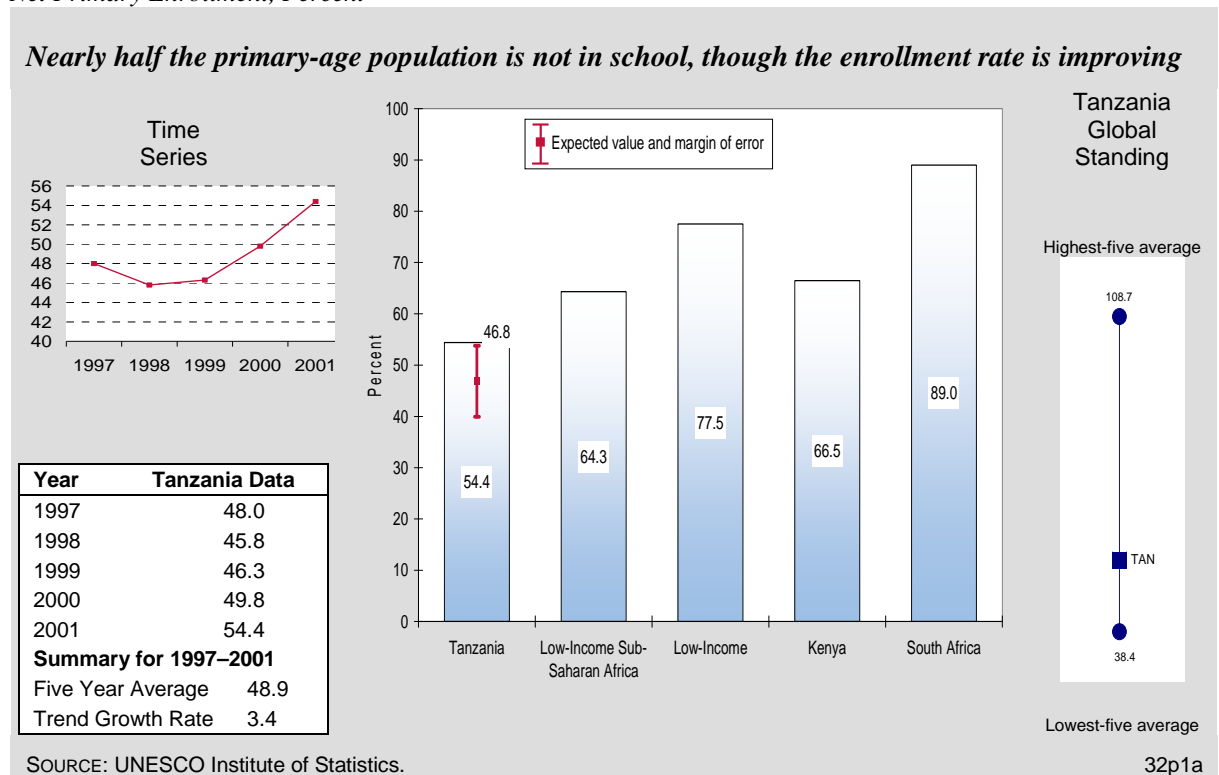
EDUCATION

Tanzania's performance on basic education is respectable, though with some exceptions. The net primary enrollment rate stood at 54.4 percent in 2001 (latest data), which is well above the regression benchmark of 46.9 percent, but below the values for the comparator countries and for low-income African countries as a group (Figure 4-3, Net Primary Enrollment). Signs of improvement are clear, as net primary enrollment rose by 6.4 percentage points over the latest five-year period. Also, persistence in school to grade 5 is 78.1 percent, which is very high compared to the average for LIC-Africa (66.9 percent) and the rate for Kenya (57.3 percent). The youth literacy rate of 91.6 percent is also very high compared to the average for LIC-Africa (75.0 percent), and on par with those of Kenya and South Africa.

The *quality* of education appears to be a major challenge. The pupil-teacher ratio for primary schools reached 53.0 in 2002, well above any of the relevant benchmarks. Spending on primary education, at 2.0 percent of GDP, is in line with all points of comparison but clearly inadequate to finance a sufficient number of teachers.³ Sustained rapid growth is therefore essential to enable the country to mobilize better financing for the education system.

³ A Millennium Challenge Account indicator.

Figure 4-3
Net Primary Enrollment, Percent

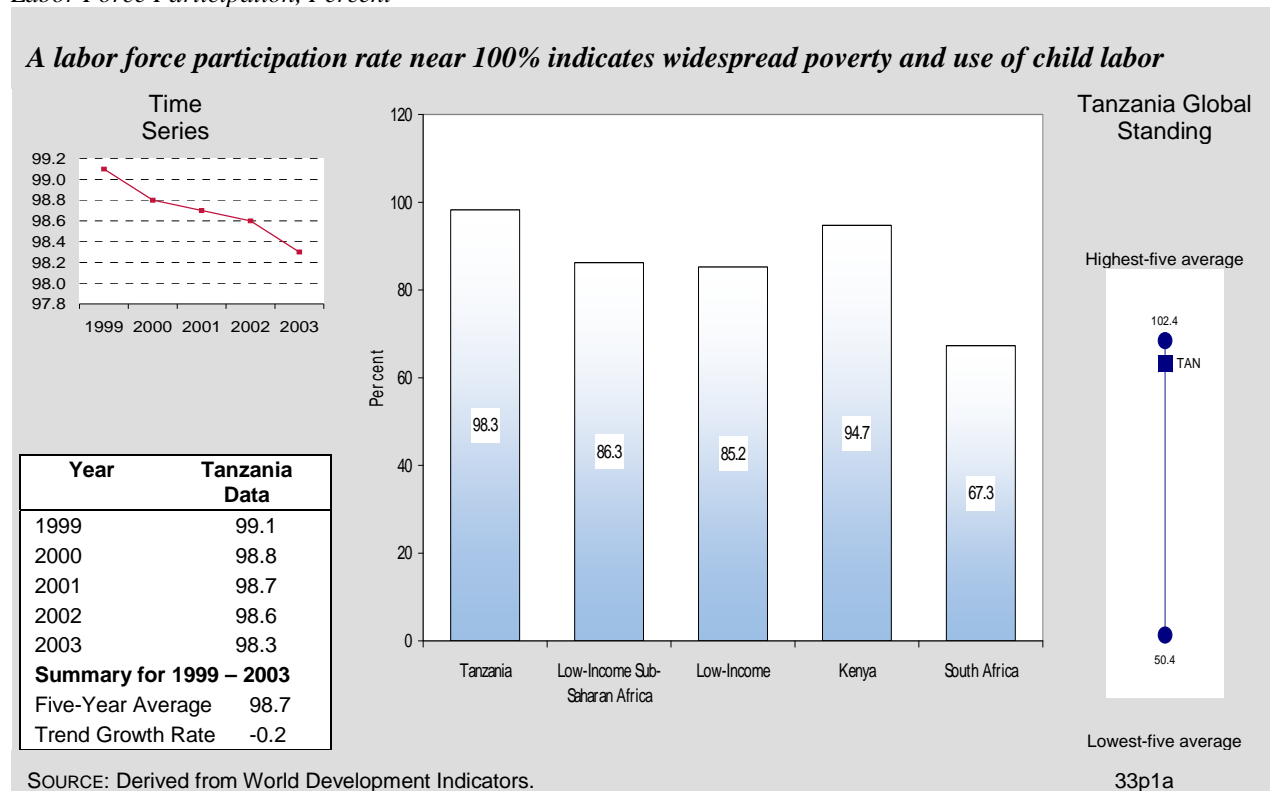


EMPLOYMENT AND WORKFORCE

Tanzania faces a huge need to create productive jobs and income generating opportunities for the growing population. Reflecting the country’s youthful demographic structure, the labor force is estimated to be growing by just over 2 percent per year. While this is comparable to the average growth rate of the labor force in LIC-Africa, the economy still needs to absorb roughly 400,000 new workers each year. This can be accomplished only by creating a compelling environment to foster private investment, business expansion, and productive opportunities for self-employment.

The labor force participation rate of 98.3 percent is well above the average for low-income sub-Saharan Africa and rates observed in Kenya and South Africa (Figure 4-4, Labor Force Participation). A participation rate this high is an indicator of widespread poverty: every able body has to work. Closer examination of the data shows that the participation rate for males is above 100 percent, most likely indicating a high incidence of child labor.

Figure 4-4
Labor Force Participation, Percent



Legal and regulatory impediments in the labor market are a serious hindrance to investment, job creation, and labor reallocation. The World Bank’s Index of Rigidity of Employment gauges the difficulty in hiring and firing. On a scale of 0 (no rigidity) to 100 (excessive rigidity), Tanzania’s score is 65. Like so many other indicators, this one is in line with the average for LIC-Africa, but is significantly worse than the scores for Kenya (24) and South Africa (52). Laws and regulations that unduly reduce labor market flexibility are a prime cause of poor employment performance and a drag on dynamic efficiency. Although these are very sensitive, labor market reforms are a priority for long-term success in creating jobs for the growing workforce, stimulating growth, and reducing poverty.

Another important consideration is that 85 percent of the female labor force is located in poverty-stricken rural areas,⁴ according to the International Labour Organization. Consequently, donors may want to consider programs to expand earning opportunities for women in rural areas.

AGRICULTURE

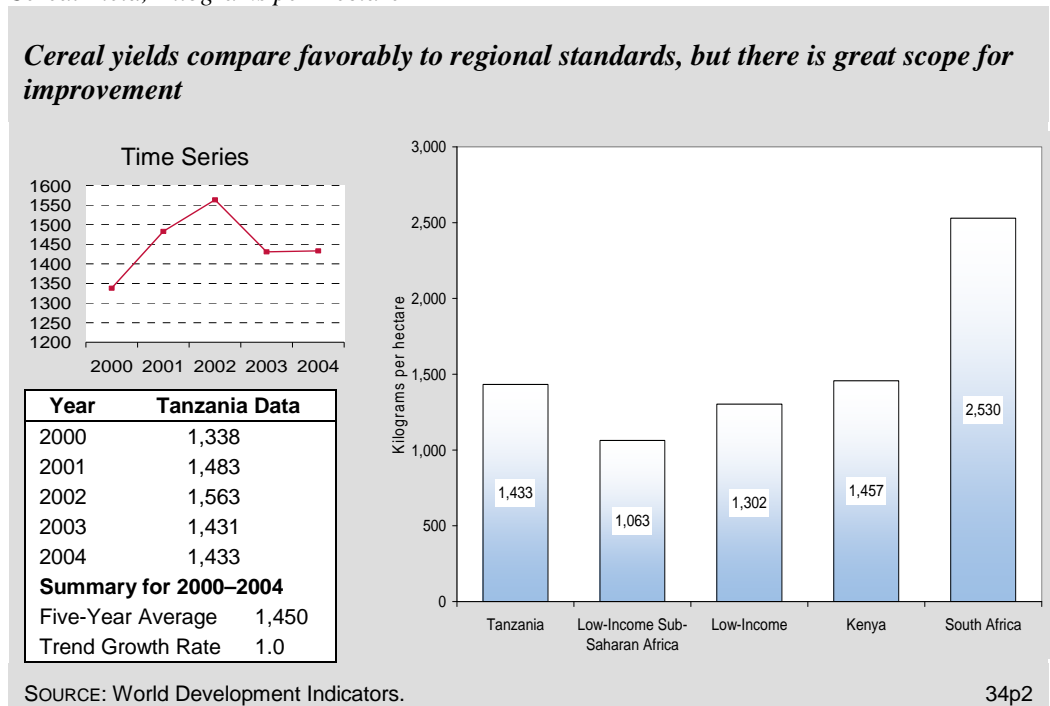
As shown in the Economic Structure section, employment and output in Tanzania are heavily concentrated in agriculture. In addition, rural areas are the main locus of poverty. Thus, agricultural development is a critical determinant of growth and poverty reduction. The underlying growth trend in agriculture has been reasonably strong, with value added rising at an

⁴ www.ilo.org/public/english/employment/gems/action/tanz.htm

average rate of 4.7 percent from 2000 to 2004. Improvements in labor productivity have been an important factor, as value added per worker rose by 2.9 percent per year over the period, to 290 USD. This is well above the regional benchmark of 250 USD for LIC-Africa, and 148 USD for Kenya.

Though Tanzania’s GDP shows growth in agriculture is strong, several supporting indicators suggest that agricultural output has been stagnant. An index of cereal yields, for example, showed no increase at all over the data period—though the good news is that yields in Tanzania are comparable to those in Kenya and well above the relevant group averages (Figure 4-5, Cereal Yield). A broader measure of crop production from the Food and Agriculture Organization shows no substantial gain; the index, defined to equal 100.0 for 1989–1991, stood at just 104.7 in 2004, compared to 102.0 in 2000. A similarly defined index for livestock production did a bit better, rising from 104.2 to just 109.1 over the same period. These figures cast into doubt the extent of progress, and donors may want to suggest programs to improve yields and enhance earning opportunities for poor farmers. At the same time, there is a fundamental need to promote investment and job creation outside agriculture, to pull workers into activities with higher productivity and better prospects for sustainable growth.

Figure 4-5
Cereal Yield, Kilograms per Hectare



Appendix. Indicator Criteria and Benchmarking Methodology

CRITERIA FOR SELECTING INDICATORS

The scope of the paper is constrained by the availability of suitable indicators. Indicators have been chosen to balance the need for broad coverage and diagnostic value, on the one hand, and the need of brevity and clarity, on the other. The analysis covers 15 EG-related topics, and just over 100 variables. For the sake of brevity, the write-up in the text highlights issues for which the “dashboard lights” appear to be signaling problems, which suggest possible priorities for USAID intervention. The accompanying table (below) provides a full list of the indicators examined for this report. A separate Data Supplement presents the complete data set for Tanzania, including the benchmark comparisons, and technical notes for every indicator.

For each topic, the analysis begins with an assessment of *primary performance indicators*. These “level I” indicators are selected to answer the question: Is the country performing well or not in this area? The set of primary indicators also includes a few descriptive variables, such as per capita income, the poverty head count, and the age dependency rate. In areas of weak performance, the analysis proceeds to review a limited set of *diagnostic supporting indicators*. These “level II” indicators provide more details about the problem or shed light on *why* the primary indicators may be weak. For example, if economic growth is poor, one can examine data on investment and productivity as diagnostic indicators. If a country performs poorly on educational achievement, as measured by the youth literacy rate, one can examine determinants such as expenditure on primary education, and the pupil-teacher ratio.³⁰

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

³⁰ Deeper analysis of the topic using more detailed data (level III) is beyond the scope of papers in this series.

Development Goal indicators, or evaluation data used by the Millennium Challenge Corporation. Finally, an effort has been made to minimize redundancy. If different indicators provide similar information, preference is given to one that is simplest to understand. 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 Tanzania relative to the average for countries in the same income group and region—in this case, low-income countries in Sub-Saharan Africa.³¹ For added perspective, three other comparisons are examined: (1) the global average for this income group; (2) respective values for two comparator countries selected by the Tanzania mission (Kenya and South Africa); and (3) the average for the five best and five worst performing countries globally. Most comparisons are framed in terms of values for the latest year of data from available sources. Five-year trends are also taken into account if they shed light on the performance assessment.³²

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.³³ This approach has three advantages. First, the benchmark is customized to Tanzania's specific level of income. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology allows one to quantify the margin of error and establish a "normal band" for a country with Tanzania's characteristics. An observed value falling outside this band on the side of poor performance signals a serious problem.³⁴

Finally, where relevant, Tanzania's performance is weighed against absolute standards. For example, the corruption perception index for Tanzania was 2.1 in 2004. Regardless of the regional comparisons or regression results, this is a sign of serious economic governance problems.

³¹ Income groups as defined by the World Bank for 2004. For this study, the average is defined in terms of the mean; future studies will use the median instead, because the values are not distorted by outliers.

³² 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.

³³ 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. Once estimates are obtained for the parameters a , b and c , the predicted value for Tanzania is computed by plugging in Tanzania-specific values for PCI and Region. Where applicable, the regression also controls for population size and petroleum exports (as a percentage of GDP).

³⁴ This report uses a margin of error of 0.66 times the standard error of estimate (adjusted for heteroskedasticity, where appropriate). With this value, 25% of the observations should fall outside the normal range on the side of poor performance (and 25% on the side of good performance). Some regressions produce a very large standard error, giving a "normal band" that is too wide to provide a discerning test of good or bad performance.

LIST OF INDICATORS

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

	Level	MDG/MCA/EcGov ^a	CAS Indicator Code
Business Environment			
Corruption perception index	I	EcGov	22P1
Doing business composite index	I	EcGov	22P2
Rule of law index	I	MCA / EcGov	22P3
Cost of starting a business, % GNI per capita	II	EcGov	22S1
Procedures to enforce contract	II	EcGov	22S2
Procedures to register property	II	EcGov	22S3
Procedures to start a business	II	EcGov	22S4
Time to enforce a contract	II	EcGov	22S5
Time to register property	II	EcGov	22S6
Time to start a business	II	EcGov	22S7
Financial Sector			
Domestic credit to private sector, % GDP	I		23P1
Interest rate spread	I		23P2
Money supply, % GDP	I		23P3
Stock market capitalization rate, % of GDP	I		23P4
Cost to create collateral	II		23S1
Country credit rating	II	MCA	23S2
Legal rights of borrowers and lenders index	II		23S3
Real Interest rate	I		23S4
External Sector			
Aid , % GNI	I		24P1
Current account balance, % GDP	I		24P2
Debt service ratio, % exports	I	MDG	24P3
Export growth of goods and services	I		24P4
Foreign direct investment, % GDP	I		24P5
Gross international reserves, months of imports	I	EcGov	24P6
Gross Private capital inflows, % GDP	I		24P7
Present value of debt, % GNI	I		24P8
Remittance receipts, % exports	I		24P9
Trade, % GDP	I		24P10
Concentration of Exports	II		24S1
Inward FDI Potential Index	II		24S2
Net barter terms of trade	II		24S3
Real effective exchange rate (REER)	II	EcGov	24S4
Structure of merchandise exports	II		24S5
Trade policy index	II	MCA / EcGov	24S6
Economic Infrastructure			
Internet users per 1000 people	I	MDG	25P1
Overall infrastructure quality	I	EcGov	25P2
Telephone density, fixed line and mobile	I	MDG	25P3
Quality of infrastructure – railroads, ports, air Transport, and electricity	II		25S1
Telephone cost, average local call	II		25S2
Science and Technology			
Expenditure for R&D, % GNI	I		26P1

	Level	MDG/MCA/EcGov ^a	CAS Indicator Code
FDI and technology transfer index	I		26P2
Patent applications filed by residents	I		26P3
PRO-POOR GROWTH ENVIRONMENT			
Health			
HIV prevalence	I		31P1
Life expectancy at birth	I		31P2
Maternal mortality rate	I	MDG	31P3
Access to improved sanitation	II	MDG	31S1
Access to improved water source	II	MDG	31S2
Births attended by skilled health personnel	II	MDG	31S3
Child immunization rate	II		31S4
Prevalence of child malnutrition (weight for age)	II		31S5
Public health expenditure, % GDP	II	EcGov	31S6
Education			
Net primary enrollment rate	I	MDG	32P1
Persistence in school to grade 5	I	MDG	32P2
Youth literacy rate	I		32P3
Education expenditure, primary, % GDP	II	MCA/ EcGov	32S1
Expenditure per student, % GDP per capita – primary, secondary, and tertiary	II	EcGov	32S2
Pupil-teacher ratio, primary school	II		32S3
Employment & Workforce			
Labor force participation rate, females, males, total	I		33P1
Rigidity of employment index	I	EcGov	33P2
Size and growth of the labor force	I		33P3
Unemployment rate	I		33P4
Agriculture			
Agriculture value added per worker	I		34P1
Cereal yield	I		34P2
Growth in agricultural value-added	I		34P3
Agricultural policy costs index	II	EcGov	34S1
Crop production index	II		34S2
Livestock production index	II		34S3

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

MDG = Millennium Development Goal indicator

MCA = Millennium Challenge Account indicator

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



USAID
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Tanzania Economic Performance Assessment

Data Supplement

August 2005

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

Tanzania Economic Performance Assessment

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Sponsored by the Economic Growth office of USAID's Bureau of Economic Growth, Agriculture and Trade (EGAT), and implemented by Nathan Associates Inc. under Contract No. PCE-I-00-00-00013-00, Task Order 004, the Country Analytical Support (CAS) Project, 2005-2006, Task Order 004, the Country Analytic Support (CAS) Project, 2004-2006, has developed a standard methodology for producing analytical reports to provide a clear and concise evaluation of economic growth performance in designated host countries. These reports are tailored to meet the needs of USAID missions and regional bureaus for country specific analysis. Each report contains:

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

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

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

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CONTENTS

Full Dataset: Tanzania and Benchmark Comparisons	1
Technical Notes	17

Growth Performance							
Indicator Number	Per capita GDP, purchasing power parity Dollars	Per capita GDP, current U.S. Dollars	Real GDP growth	Growth of labor productivity	Investment productivity - incremental capital-output ratio (ICOR)	Share of gross fixed investment in GDP, current prices	Share of gross fixed private investment in GDP, current prices
	11P1	11P2	11P3	11S1	11S2	11S3	11S4
Tanzania Data							
<i>Latest Year (T)</i>	2004	2004	2004	2003	2003	2003	2003
Value Year T	673.0	295.1	6.3	4.5	3.0	18.5	11.1
Value Year T-1	632.5	286.6	7.1	4.7	3.2	19.0	11.4
Value Year T-2	591.5	278.6	7.2	3.7	3.5	16.8	11.2
Value Year T-3	553.6	273.7	6.2	2.3	3.8	17.4	11.4
Value Year T-4	522.5	270.2	5.1	0.7	4.2	15.4	12.3
Average Value, 5 year	594.6	280.9	6.4	3.2	3.6	17.4	11.5
Growth Trend	6.6	2.3	.	.	-8.4	4.6	.
Benchmark Data							
Regression Benchmark	.	.	5.2	.	.	.	.
Lower Bound	.	.	3.8	.	.	.	.
Upper Bound	.	.	6.5	.	.	.	.
<i>Latest Year Kenya</i>	2004	2004	2004	2003	2003	2003	.
Kenya Value Latest Year	1,075.0	481.7	3.1	-0.9	13.5	12.5	.
<i>Latest Year South Africa</i>	2004	2004	2004	2003	2003	2003	.
South Africa Value Latest Year	10,603.3	4,499.9	3.7	0.9	3.5	15.7	.
Low-Income Sub-Saharan Africa Avg.	1,266.9	407.1	4.8	1.9	4.7	20.5	.
Low-Income Avg.	1,560.0	419.4	5.3	2.0	4.3	20.3	.
High Five Avg.	42,808.7	52,714.7	21.2	14.1	32.4	46.0	.
Low Five Avg.	664.0	121.5	-2.9	-13.3	-79.9	10.2	.

Poverty and Inequality							
Indicator Number	Human poverty index	Income share accruing to poorest 20%	Population (%) living on less than \$1 PPP per day	Poverty headcount (%), by national poverty line	PRSP Status	Population (%) below minimum dietary energy consumption	Poverty gap at \$1 PPP a day
	12P1	12P2	12P3	12P4	12P5	12S1	12S2
Tanzania Data							
<i>Latest Year (T)</i>	2002	.	.	2001	2003	2001	.
Value Year T	36.0	.	.	35.7	Yes	43.0	.
Value Year T-1	36.2	.	.	.	.	.	.
Value Year T-2	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.
Benchmark Data							
Regression Benchmark	49.7	5.9	47.2	56.9	.	.	.
Lower Bound	44.0	5.1	38.8	46.9	.	.	.
Upper Bound	55.4	6.8	55.7	66.8	.	.	.
<i>Latest Year Kenya</i>	2002	.	.	2001	.	2001	.
Kenya Value Latest Year	37.5	.	.	55.4	Yes	37.0	.
<i>Latest Year South Africa</i>	2002	2000	2000	2000	.	.	2000
South Africa Value Latest Year	31.7	3.5	10.7	50.0	No	.	1.7
Low-Income Sub-Saharan Africa Avg.	45.0	5.3	25.9	38.0	.	33.0	7.6
Low-Income Avg.	41.9	7.2	21.8	40.2	.	28.0	5.7
High Five Avg.	58.7	8.7	33.5	41.2	.	66.0	11.8
Low Five Avg.	3.9	5.9	2.0	37.1	.	3.0	0.5

Economic Structure						
	Labor force in agriculture, % total employment	Labor force in industry, % total employment	Labor force in services, % total employment	Output structure (agriculture, value added, % GDP)	Output structure (industry, value added, % GDP)	Output structure (services, etc., value added, % GDP)
Indicator Number	13P1a	13P1b	13P1c	13P2a	13P2b	13P2c
<i>Tanzania Data</i>						
<i>Latest Year (T)</i>	2002	2002	2002	2003	2003	2003
Value Year T	80.0	.	.	45.0	16.4	38.6
Value Year T-1	.	.	.	44.7	16.2	39.2
Value Year T-2	.	.	.	44.7	15.9	39.4
Value Year T-3	.	.	.	45.0	15.7	39.2
Value Year T-4	.	.	.	45.1	15.5	39.4
Average Value, 5 year	.	.	.	44.9	15.9	39.2
Growth Trend	.	.	.	-0.1	1.3	-0.4
<i>Benchmark Data</i>						
Regression Benchmark	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.
<i>Latest Year Kenya</i>	1999	1999	1999	2003	2003	2003
Kenya Value Latest Year	18.6	19.5	61.9	15.8	19.6	64.7
<i>Latest Year South Africa</i>	1999	1999	1999	2003	2003	2003
South Africa Value Latest Year	10.9	25.1	60.9	3.8	31.0	65.2
Low-Income Sub-Saharan Africa Avg.	18.6	19.5	61.9	31.7	21.2	41.9
Low-Income Avg.	48.7	14.4	33.5	29.7	23.2	43.0
High Five Avg.	41.5	37.1	72.8	56.5	60.7	77.3
Low Five Avg.	0.3	12.9	36.0	2.2	8.9	19.8

	Demography and Environment						Gender		
	Adult literacy rate	Age dependency rate	Environmental sustainability index	Population size (millions)	Population growth rate	Urbanization rate	Ratio of male to female - adult literacy rate	Ratio of male to female - gross enrollment rate, all levels	Ratio of male to female - life expectancy at birth
Indicator Number	14P1	14P2	14P3	14P4a	14P4b	14P5	15P1	15P2	15P3
Tanzania Data									
<i>Latest Year (T)</i>	2002	2004	2005	2004	2004	2004	2002	2,002.0	2002
Value Year T	77.1	0.88	50.3	36.6	1.9	36.4	1.23	1.03	0.96
Value Year T-1	76.1	0.89	.	35.9	2.0	35.4	1.24	1.00	1.00
Value Year T-2	75.0	0.90	.	35.2	2.1	34.3	.	.	.
Value Year T-3	73.8	0.91	.	34.4	2.2	33.3	1.27	1.00	1.00
Value Year T-4	72.7	0.92	.	33.7	2.3	32.3	1.29	1.00	1.00
Average Value, 5 year	74.9	0.90	.	35.2	2.1	34.3	1.26	1.01	0.99
Growth Trend	1.5	-0.94	.	2.1	-5.1	3.1	.	.	.
Benchmark Data									
Regression Benchmark	.	.	43.8	.	.	23.2	.	.	.
Lower Bound	.	.	40.1	.	.	13.9	.	.	.
Upper Bound	.	.	47.5	.	.	32.4	.	.	.
<i>Latest Year Kenya</i>	2002	2003	2005	2003	2003	2003	2002	2002	2002
Kenya Value Latest Year	84.3	0.81	45.3	31.9	1.8	36.3	1.15	1.04	0.95
<i>Latest Year South Africa</i>	2002	2003	2005	2003	2003	2003	2002	2002	2002
South Africa Value Latest Year	86.0	0.57	46.2	45.8	1.1	59.2	1.02	1.01	0.89
Low-Income Sub-Saharan Africa Avg.	59.8	0.88	.	10.5	2.1	36.6	1.44	1.20	0.95
Low-Income Avg.	59.9	0.85	.	10.2	2.0	34.5	1.36	1.19	0.95
High Five Avg.	99.7	1.03	.	613.2	3.8	100.0	2.40	1.69	1.01
Low Five Avg.	35.7	0.37	.	0.1	-0.8	9.2	0.92	0.84	0.85

Fiscal and Monetary Policy										
	Government expenditure, % GDP	Government revenue, % GDP	Growth in the broad money supply	Inflation rate	Overall government budget balance, including grants, % GDP	Composition of government expenditure (wages and salaries)	Composition of government expenditure (interest payments)	Composition of government expenditure (goods and services)	Composition of government expenditure (subsidies and other current transfers)	Composition of government expenditure (capital expenditure)
Indicator Number	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S1e
<i>Tanzania Data</i>										
<i>Latest Year (T)</i>	<i>2003/2004</i>	<i>2003/2004</i>	<i>2003</i>	<i>2004</i>	<i>2003/2004</i>	<i>2003/2004</i>	<i>2003/2004</i>	.	.	<i>2003/2004</i>
Value Year T	22.5	12.9	16.6	4.6	-2.9	18.3	4.8	.	.	25.5
Value Year T-1	19.8	12.1	25.1	4.5	-1.6	20.0	5.0	.	.	25.2
Value Year T-2	17.7	11.8	17.1	4.6	-1.1	22.5	8.0	.	.	19.1
Value Year T-3	17.0	12.0	14.8	5.2	-1.6	23.4	9.7	.	.	21.8
Value Year T-4	18.6	11.3	18.6	6.2	-3.3	22.4	10.0	.	.	28.3
Average Value, 5 year	19.1	12.0	18.4	5.0	-2.1	21.3	7.5	.	.	24.0
Growth Trend	5.5	2.8	.	.	2.6	-5.5	-19.1	.	.	-0.7
<i>Benchmark Data</i>										
Regression Benchmark	13.5	10.7	21.8	10.0	2.0	.	.	.	.	.
Lower Bound	9.5	6.8	14.8	6.7	-0.2	.	.	.	.	.
Upper Bound	17.5	14.7	28.8	13.3	4.3	.	.	.	.	.
<i>Latest Year Kenya</i>	<i>2001/2002</i>	<i>2001/2002</i>	<i>2003</i>	<i>2004</i>	<i>2001/2002</i>	<i>2000</i>	<i>2000</i>	<i>2000</i>	<i>2000</i>	.
Kenya Value Latest Year	25.0	21.6	11.9	11.5	-2.2	51.1	13.0	30.0	3.7	.
<i>Latest Year South Africa</i>	<i>2003</i>	<i>2003</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2003</i>	<i>2003</i>	<i>2003</i>	<i>2004</i>	.
South Africa Value Latest Year	28.9	27.0	12.5	1.4	-2.5	14.9	13.3	13.4	25.6	.
Low-Income Sub-Saharan Africa Avg.	17.1	15.4	15.4	8.0	-4.6	.	.	.	.	.
Low-Income Avg.	21.3	16.9	15.8	7.6	-0.8	.	.	.	.	.
High Five Avg.	43.7	37.2	134.4	85.3	3.4	39.2	18.8	38.8	57.2	.
Low Five Avg.	12.1	8.6	-8.5	-2.7	-8.1	6.2	1.9	6.0	2.6	.

Fiscal and Monetary Policy (cont'd)										
	Composition of government revenue (Taxes on goods and services)	Composition of government revenue (Taxes of income, profits and capital gains)	Composition of government revenue (Social security taxes)	Composition of government revenue (Taxes on international trade)	Composition of government revenue (Non-tax revenue)	Composition of money supply growth (Net credit to government)	Composition of money supply growth (Credit to the private sector)	Composition of money supply growth (Net credit to non-financial public enterprises)	Composition of money supply growth (Net foreign assets)	Composition of money supply growth (Other items, net)
Indicator Number	21S2a	21S2b	21S2c	21S2d	21S2e	21S3a	21S3b	21S3c	21S3d	21S3e
<i>Tanzania Data</i>										
<i>Latest Year (T)</i>	<i>2003/2004</i>	<i>2003/2004</i>	.	<i>2003/2004</i>	<i>2003/2004</i>	<i>2003</i>	<i>2003</i>	<i>2003</i>	<i>2003</i>	<i>2003</i>
Value Year T	22.0	24.9	.	36.1	8.5	-113.2	0.0	72.3	217.5	-76.6
Value Year T-1	21.3	22.7	.	37.6	9.2	6.1	-0.2	40.7	86.2	-32.7
Value Year T-2	20.7	21.9	.	38.6	10.0	-36.1	-2.7	29.4	131.9	-22.5
Value Year T-3	20.3	20.9	.	39.1	11.0	-25.5	-1.1	17.3	157.9	-48.7
Value Year T-4	23.2	26.6	.	28.5	10.4	48.9	0.5	32.7	79.1	-61.0
Average Value, 5 year	21.5	23.4	.	36.0	9.8	-24.0	-0.7	38.5	134.5	-48.3
Growth Trend	-0.6	-0.5	.	4.4	-5.8	.	.	27.7	15.2	-0.5
<i>Benchmark Data</i>										
Regression Benchmark	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.
<i>Latest Year Kenya</i>	<i>2004</i>	<i>2004</i>	.	<i>2004</i>	.	.	.	.	.	.
Kenya Value Latest Year	39.8	27.3	.	14.8	.	.	.	.	.	.
<i>Latest Year South Africa</i>	<i>2004</i>	<i>2003</i>	.	<i>2003</i>	.	.	.	.	.	.
South Africa Value Latest Year	33.6	52.0	.	2.2	.	.	.	.	.	.
Low-Income Sub-Saharan Africa Avg.	.	.	.	.	.	.	.	.	.	.
Low-Income Avg.	.	.	.	.	.	.	.	.	.	.
High Five Avg.	42.9	42.2	.	34.1	.	.	.	.	.	.
Low Five Avg.	5.0	3.3	.	0.5	.	.	.	.	.	.

Business Environment											
	Corruption perception index	Doing business composite index	Rule of law index	Regulatory quality index	Cost of starting a business, % GNI per capita	Procedures to enforce a contract	Procedures to register property	Procedures to start a business	Time to enforce a contract	Time to register property	Time to start a business
Indicator Number	22P1	22P2	22P3	22P4	22S1	22S2	22S3	22S4	22S5	22S6	22S7
Tanzania Data											
<i>Latest Year (T)</i>	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004
Value Year T	2.8	55.9	-0.5	42.9	186.9	21	12	13	242.0	61.0	35.0
Value Year T-1	2.5	.	.	.	.	.	.	.	.	.	.
Value Year T-2	2.7	.	-0.5	.	.	.	.	.	.	.	.
Value Year T-3	2.2	.	.	.	.	.	.	.	.	.	.
Value Year T-4	2.5	.	-0.3	.	.	.	.	.	.	.	.
Average Value, 5 year	2.5	.	-0.4	.	.	.	.	.	.	.	.
Growth Trend	3.6	.	.	.	.	.	.	.	.	.	.
Benchmark Data											
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.	.
<i>Latest Year Kenya</i>	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004
Kenya Value Latest Year	2.1	63.8	-1.0	66.1	53.4	25	7	12.0	360.0	39.0	47.0
<i>Latest Year South Africa</i>	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004
South Africa Value Latest Year	4.6	80.9	0.3	87.6	9.1	26	6	9.0	277.0	20.0	38.0
Low-Income Sub-Saharan Africa Avg.	2.3	58.5	-1.0	.	143.4	35	6	11.0	415.0	93.0	45.5
Low-Income Avg.	2.3	60.4	-1.0	.	31.4	35	6	11.0	395.0	70.0	45.0
High Five Avg.	9.5	82.5	2.0	121.6	2,226.8	55	16	17.2	1,178.2	484.6	172.2
Low Five Avg.	1.6	41.8	-1.9	21.3	0.0	13	2	2.4	50.8	2.0	4.2

Financial Sector								
	Domestic credit to private sector, % GDP	Interest rate spread, lending rate minus deposit rate	Money supply (M2), % GDP	Stock market capitalization rate, % GDP	Cost to create collateral	Country credit rating	Legal rights of borrowers and lenders index	Real interest rate
Indicator Number	23P1	23P2	23P3	23P4	23S1	23S2	23S3	23S4
<i>Tanzania Data</i>								
<i>Latest Year (T)</i>	2003	2003	2003	2001	2004	2005	2004	2003
Value Year T	7.6	11.4	20.7	4.2	21.3	26.3	5.0	8.3
Value Year T-1	6.0	13.1	19.5	2.6	.	.	.	9.4
Value Year T-2	4.9	15.5	18.3	2.1	.	.	.	12.2
Value Year T-3	4.6	14.2	18.0	2.8	.	.	.	13.1
Value Year T-4	4.7	14.1	17.5	.	.	.	.	9.3
Average Value, 5 year	5.6	13.7	18.8	2.9	.	.	.	10.5
Growth Trend	13.3	-4.9	4.4	15.2	.	.	.	-5.4
<i>Benchmark Data</i>								
Regression Benchmark	5.9	14.1	20.5	13.9	.	.	.	.
Lower Bound	-9.1	11.3	5.6	-3.4	.	.	.	.
Upper Bound	20.9	17.0	35.4	31.2	.	.	.	.
<i>Latest Year Kenya</i>	2003	2003	2003	2003	2004	2005	2004	2003
Kenya Value Latest Year	21.3	12.4	38.1	29.1	3.3	26.5	8.0	4.7
<i>Latest Year South Africa</i>	2003	2003	2003	2003	2004	.	2004	2003
South Africa Value Latest Year	142.1	5.2	60.7	167.5	2.3	.	6.0	8.5
Low-Income Sub-Saharan Africa Avg.	8.3	12.9	21.6	17.5	27.0	18.9	4.0	13.7
Low-Income Avg.	11.4	12.4	23.8	30.6	13.7	19.7	4.0	10.7
High Five Avg.	127.3	44.9	160.8	182.5	121.6	51.5	9.6	36.2
Low Five Avg.	1.6	1.0	4.8	8.3	0.0	9.4	1.2	-4.6

External Sector										
	Aid, % GNI	Current account balance, % GDP	Debt service ratio, % exports	Exports growth, goods and services	Foreign direct investment, % GDP	Gross international reserves, months of imports	Gross private capital inflows, %GDP	Present value of debt, % GNI	Remittance receipts, % exports	Trade, % GDP
Indicator Number	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24P10
<i>Tanzania Data</i>										
<i>Latest Year (T)</i>	2003	2003	2003	2004	2003	2003	2002	2003	.	2003
Value Year T	16.3	-9.4	5.2	20.5	2.4	8.8	2.5	22.2	.	45.6
Value Year T-1	12.7	-2.6	6.7	18.3	2.5	7.9	3.5	18.8	.	41.7
Value Year T-2	13.6	-5.1	10.2	3.9	3.5	5.8	5.1	15.0	.	41.0
Value Year T-3	11.4	-5.5	12.8	14.8	5.1	5.2	6.0	52.2	.	37.1
Value Year T-4	11.6	-9.7	18.5	16.7	6.0	4.0	2.1	.	.	39.7
Average Value, 5 year	13.1	-6.4	10.7	14.8	3.9	6.3	3.8	27.0	.	41.0
Growth Trend	8.2	7.8	-27.5	.	-22.5	22.3	-1.8	-20.9	.	4.0
<i>Benchmark Data</i>										
Regression Benchmark	21.2	-6.3	12.4	5.3	3.7	4.6	.	80.5	.	46.7
Lower Bound	16.6	-10.6	5.0	-0.2	0.0	3.3	.	57.1	.	26.9
Upper Bound	25.8	-2.0	19.7	10.9	7.4	5.9	.	104.0	.	66.6
<i>Latest Year Kenya</i>	2003	2003	2003	2003	2003	2003	2003	2003	2002	2003
Kenya Value Latest Year	3.4	0.5	15.8	9.9	0.6	4.1	0.6	42.9	0.0	54.2
<i>Latest Year South Africa</i>	2003	2003	2003	2003	2003	2003	2003	2003	.	2003
South Africa Value Latest Year	0.4	-0.9	9.0	-0.5	0.5	2.0	1.1	23.2	.	54.6
Low-Income Sub-Saharan Africa Avg.	12.4	-5.6	10.4	4.4	1.8	4.1	.	65.6	10.0	73.1
Low-Income Avg.	10.7	-4.3	10.4	4.6	1.7	3.7	.	59.1	14.6	71.0
High Five Avg.	66.1	18.0	61.5	63.2	99.4	18.6	.	380.0	86.5	178.1
Low Five Avg.	-0.3	-27.8	0.9	-5.6	-0.4	0.3	.	9.1	0.0	33.9

External Sector (cont'd)										
	Concentration of exports (top three exports, 3-digit SITC)	Inward FDI potential index	Net barter terms of trade	Real effective exchange rate index (1995=100)	Structure of merchandise exports (agricultural raw materials)	Structure of merchandise exports (fuel)	Structure of merchandise exports (manufactured goods)	Structure of merchandise exports (ores and metals)	Structure of merchandise exports (food)	Trade policy index
Indicator Number	24S1	24S2	24S3	24S4	24S5a	24S5b	24S5c	24S5d	24S5e	24S6
<i>Tanzania Data</i>										
<i>Latest Year (T)</i>	2003	2000-2002	2002	.	2003	2003	2003	2003	2003	2004
Value Year T	50.6	0.104	131.0	.	11.6	2.0	18.1	9.2	59.0	5.0
Value Year T-1	49.6	0.099	123.0	.	11.1	0.1	14.9	12.5	61.3	5.0
Value Year T-2	45.6	0.104	100.0	.	13.2	0.2	16.6	8.8	61.1	5.0
Value Year T-3	43.2	0.111	99.0	.	13.4	0.1	19.6	0.5	66.2	5.0
Value Year T-4	44.4	0.119	98.0	.	13.2	0.3	15.5	0.8	70.1	5.0
Average Value, 5 year	46.7	0.107	110.2	.	12.5	0.6	16.9	6.4	63.5	5.0
Growth Trend	4.1	-3.8	8.3	.	-4.3	42.7	0.3	124.8	-4.1	0.0
<i>Benchmark Data</i>										
Regression Benchmark	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.
<i>Latest Year Kenya</i>	2003	2000-2002	2002	.	2003	2003	2003	2003	2003	2004
Kenya Value Latest Year	51.7	0.100	98.0	.	10.9	19.3	24.2	3.0	42.7	5.0
<i>Latest Year South Africa</i>	2003	2000-2002	2002	.	2003	2003	2003	2003	2003	2004
South Africa Value Latest Year	28.5	0.185	103.0	.	2.8	9.8	58.2	19.2	9.9	4.0
Low-Income Sub-Saharan Africa Avg.	.	.	100.0	.	9.2	1.6	18.1	3.8	52.3	4.0
Low-Income Avg.	.	.	100.0	.	7.3	1.8	20.0	3.4	37.2	4.0
High Five Avg.	.	.	149.8	.	30.8	92.8	94.2	51.5	91.0	5.0
Low Five Avg.	.	.	71.8	.	0.0	0.0	2.6	0.0	0.5	1.4

Economic Infrastructure								
	Internet users per 1000 people	Overall infrastructure quality index	Telephone density, fixed line and mobile, per 1000 people	Quality of infrastructure index - air transport	Quality of infrastructure index - ports	Quality of infrastructure index - railroads	Quality of infrastructure index - electricity	Telephone cost, average local call
Indicator Number	25P1	25P2	25P3	25S1a	25S1b	25S1c	25S1d	25S2
<i>Tanzania Data</i>								
<i>Latest Year (T)</i>	2003	2004	2003	2004	2004	2004	2004	2002
Value Year T	7.1	3.2	29.5	3.4	3.2	2.900	2.4	0.120
Value Year T-1	3.0	.	24.1	.	.	.	.	0.070
Value Year T-2	3.0	.	17.1	.	.	.	.	0.080
Value Year T-3	1.2	.	10.8	.	.	.	.	0.080
Value Year T-4	.	.	6.3	.	.	.	.	0.090
Average Value, 5 year	3.6	.	17.6	.	.	.	.	0.088
Growth Trend	69.1	.	47.4	.	.	.	.	3.3
<i>Benchmark Data</i>								
Regression Benchmark	17.3	.	9.7	.	.	.	.	.
Lower Bound	-11.6	.	5.7	.	.	.	.	.
Upper Bound	46.2	.	13.7	.	.	.	.	.
<i>Latest Year Kenya</i>	2003	2004	2003	2004	2004	2004	2004	2002
Kenya Value Latest Year	12.7	2.3	60.5	4.7	2.9	1.800	3.0	0.070
<i>Latest Year South Africa</i>	2003	2004	2002	2004	2004	2004	2004	2003
South Africa Value Latest Year	68.2	5.2	410.5	6.0	4.6	4.500	6.0	0.150
Low-Income Sub-Saharan Africa Avg.	4.3	2.4	37.9	3.4	2.1	1.700	2.4	0.090
Low-Income Avg.	5.2	2.4	44.5	3.4	2.1	1.700	2.6	0.060
High Five Avg.	585.8	6.7	1,686.0	6.7	6.6	6.480	6.9	0.410
Low Five Avg.	0.9	1.5	9.8	2.4	1.3	1.1	1.4	0.000

Science and Technology			
	Expenditure for R&D, % GDP	FDI technology transfer index	Patent applications filed by residents
Indicator Number	26P1	26P2	26P3
Tanzania Data			
<i>Latest Year (T)</i>	.	2004	2002
Value Year T	.	5.1	0.0
Value Year T-1	.	.	2.0
Value Year T-2	.	.	0.0
Value Year T-3	.	.	0.0
Value Year T-4	.	.	.
Average Value, 5 year	.	.	0.5
Growth Trend	.	.	.
Benchmark Data			
Regression Benchmark	.	.	.
Lower Bound	.	.	.
Upper Bound	.	.	.
<i>Latest Year Kenya</i>	.	2004	2002
Kenya Value Latest Year	.	5.3	0.0
<i>Latest Year South Africa</i>	2002	2004	2002
South Africa Value Latest Year	1	5.3	184.0
Low-Income Sub-Saharan Africa Avg.	0.4	4.5	0.0
Low-Income Avg.	0.3	4.4	0.0
High Five Avg.	3.5	5.9	153,540.2
Low Five Avg.	0.1	3.3	0.0

Health									
	HIV prevalence	Life expectancy at birth	Maternal mortality rate	Access to improved sanitation	Access to improved water source	Births attended by skilled health personnel	Child immunization rate	Prevalence of child malnutrition (weight for age)	Public health expenditure, % GDP
Indicator Number	31P1	31P2	31P3	31S1	31S2	31S3	31S4	31S5	31S6
Tanzania Data									
<i>Latest Year (T)</i>	2003	2003	2000	2002	2002	1999	2003	1999	2005
Value Year T	8.8	42.7	1,500	46.0	73.0	35.8	96.0	29.4	2.2
Value Year T-1	.	43.1	.	.	.	.	89.0	.	2.2
Value Year T-2	9.0	.	.	.	68.0	.	84.0	.	.
Value Year T-3	.	.	.	.	54.0	38.2	78.5	30.6	2.7
Value Year T-4	8.1	45.0	.	.	.	.	74.0	.	2.9
Average Value, 5 year	8.6	43.6	.	.	.	.	84.3	.	2.5
Growth Trend	.	.	.	.	.	.	6.7	.	.
Benchmark Data									
Regression Benchmark	.	42.3	1,299	.	.	.	.	.	.
Lower Bound	.	38.5	1,155	.	.	.	.	.	.
Upper Bound	.	46.0	1,444	.	.	.	.	.	.
<i>Latest Year Kenya</i>	2003	2003	2000	2002	2002	2003	2003	2003	2002
Kenya Value Latest Year	6.7	45.4	1,000	48.0	62.0	41.0	72.5	19.9	2.2
<i>Latest Year South Africa</i>	2003	2003	2000	2002	2002	1998	2003	1999	2002
South Africa Value Latest Year	21.5	45.7	230	67.0	87.0	84.4	88.5	11.5	3.5
Low-Income Sub-Saharan Africa Avg.	4.4	46.2	880	34.0	59.0	50.8	69.0	30.8	2.1
Low-Income Avg.	3.1	51.8	685	37.0	62.0	40.6	71.5	31.0	2.2
High Five Avg.	30.2	80.5	1,720	100.0	100.0	.	99.0	36.3	8.7
Low Five Avg.	0.1	37.3	2	8.0	26.4	20.8	39.0	7.3	0.6

Education							
Indicator Number	Net primary enrollment rate (total)	Net primary enrollment rate (female)	Net primary enrollment rate (male)	Persistence in school to grade 5 (total)	Persistence in school to grade 5 (female)	Persistence in school to grade 5 (male)	Youth literacy rate
	32P1a	32P1b	32P1c	32P2a	32P2b	32P2c	32P3
Tanzania Data							
<i>Latest Year (T)</i>	2001	2001	2001	2000	2000	2000	2002
Value Year T	54.4	54.5	54.3	78.1	79.9	76.4	91.6
Value Year T-1	49.8	50.5	49.2	.	.	.	91.1
Value Year T-2	46.3	47.2	45.5	80.9	83.3	78.6	90.6
Value Year T-3	45.8	46.6	45.1	.	.	.	89.9
Value Year T-4	48.0	49.0	48.0	.	.	.	89.2
Average Value, 5 year	48.9	49.5	48.4	.	.	.	90.5
Growth Trend	3.4	2.9	3.4	.	.	.	0.7
Benchmark Data							
Regression Benchmark	46.8	.	.	55.7	.	.	70.4
Lower Bound	39.9	.	.	46.5	.	.	62.2
Upper Bound	53.8	.	.	64.9	.	.	78.6
<i>Latest Year Kenya</i>	2002	2002	2002	2001	2001	2001	2002
Kenya Value Latest Year	66.5	66.5	66.4	59.0	57.3	60.9	95.8
<i>Latest Year South Africa</i>	2002	2002	2002	2001	2001	2001	2002
South Africa Value Latest Year	89.0	89.3	88.7	86.0	93.5	79.5	91.8
Low-Income Sub-Saharan Africa Avg.	64.3	62.1	68.7	66.9	64.7	65.4	75.0
Low-Income Avg.	77.5	71.8	77.4	64.8	65.2	63.7	77.4
High Five Avg.	108.7	107.5	109.7	99.2	99.8	99.3	99.8
Low Five Avg.	38.4	33.2	43.5	52.3	51.5	51.8	46.4

Education (cont'd)					
Indicator Number	Education expenditure, primary, %GDP	Expenditure per student, % GDP per capita, primary	Expenditure per student, % GDP per capita, secondary	Expenditure per student, % GDP per capita, tertiary	Pupil-teacher ratio, primary school
Indicator Number	32S1	32S2a	32S2b	32S2c	32S3
<i>Tanzania Data</i>					
<i>Latest Year (T)</i>	2005	.	.	.	2002
Value Year T	1.99	.	.	.	53.0
Value Year T-1	2.11	.	.	.	46.5
Value Year T-2	.	.	.	.	40.9
Value Year T-3	.	.	.	.	40.4
Value Year T-4	.	.	.	.	38.0
Average Value, 5 year	.	.	.	.	43.8
Growth Trend	.	.	.	.	8.4
<i>Benchmark Data</i>					
Regression Benchmark	.	.	.	.	.
Lower Bound	.	.	.	.	.
Upper Bound	.	.	.	.	.
<i>Latest Year Kenya</i>	2005	.	.	.	2002
Kenya Value Latest Year	3.60	.	.	.	33.5
<i>Latest Year South Africa</i>	.	2001	2001	2001	2002
South Africa Value Latest Year	.	14.3	17.7	53.2	35.4
Low-Income Sub-Saharan Africa Avg.	1.95	11.8	33.0	201.3	46.9
Low-Income Avg.	1.81	9.7	17.4	62.4	42.6
High Five Avg.	5.54	31.3	46.9	344.3	65.5
Low Five Avg.	0.17	6.2	6.0	9.8	11.7

Employment and Workforce							
	Labor force participation rate (total)	Labor force participation rate (male)	Labor force participation rate (female)	Rigidity of employment index	Size of labor force	Labor force growth rate	Unemployment rate
Indicator Number	33P1a	33P1b	33P1c	33P2	33P3a	33P3b	33P4
Tanzania Data							
<i>Latest Year (T)</i>	2003	2003	2003	2004	2004	2004	.
Value Year T	98.3	101.7	95.0	65.0	18,967,670	2.1	.
Value Year T-1	98.6	102.0	95.3	.	18,582,230	2.2	.
Value Year T-2	98.7	102.1	95.5	.	18,184,510	2.3	.
Value Year T-3	98.8	102.0	95.6	.	17,775,660	2.4	.
Value Year T-4	99.1	102.4	96.0	.	17,356,810	2.4	.
Average Value, 5 year	.	102.0	95.5	.	18,173,376	2.3	.
Growth Trend	-0.2	-0.1	-0.3	.	2.2	.	.
Benchmark Data							
Regression Benchmark	.	.	.	60.8	.	.	.
Lower Bound	.	.	.	49.5	.	.	.
Upper Bound	.	.	.	72.1	.	.	.
<i>Latest Year Kenya</i>	2003	2003	2003	2004	2003	2003	.
Kenya Value Latest Year	94.7	101.6	87.9	24.0	16,614,115	2.1	.
<i>Latest Year South Africa</i>	2003	2003	2003	2004	2003	2003	2001
South Africa Value Latest Year	67.3	84.5	50.7	52.0	19,138,981	1.2	29.5
Low-Income Sub-Saharan Africa Avg.	86.3	98.0	75.6	64.5	4,670,411	2.2	10.0
Low-Income Avg.	85.2	97.1	73.0	50.0	4,569,843	2.3	6.8
High Five Avg.	102.4	112.6	97.0	84.6	320,847,150	5.0	24.3
Low Five Avg.	50.4	70.9	21.5	1.2	127,087	-0.4	1.7

Agriculture						
	Agriculture value added per worker	Cereal yield	Growth in agricultural value-added	Agricultural policy costs index	Crop production index (1989-91=100)	Livestock production index (1989-91=100)
Indicator Number	34P1	34P2	34P3	34S1	34S2	34S3
<i>Tanzania Data</i>						
<i>Latest Year (T)</i>	2003	2004	2004	2004	2004	2004
Value Year T	290.1	1,433.0	5.5	3.1	104.7	109.1
Value Year T-1	283.4	1,430.6	4.0	.	99.9	109.1
Value Year T-2	274.5	1,563.2	5.0	.	103.2	108.9
Value Year T-3	264.9	1,482.9	5.5	.	102.4	104.2
Value Year T-4	260.3	1,337.9	3.4	.	100.0	99.4
Average Value, 5 year	274.6	1,449.5	4.7	.	102.0	106.1
Growth Trend	2.9	1.0	6.8	.	0.7	2.3
<i>Benchmark Data</i>						
Regression Benchmark	177.7	.	.	.	.	.
Lower Bound	105.7	.	.	.	.	.
Upper Bound	249.8	.	.	.	.	.
<i>Latest Year Kenya</i>	2003	2004	2003	2004	2004	2004
Kenya Value Latest Year	148.2	1,456.8	1.5	3.5	96.0	108.7
<i>Latest Year South Africa</i>	2003	2004	2003	2004	2004	2004
South Africa Value Latest Year	2,251.0	2,530.1	-5.9	4.7	98.5	109.8
Low-Income Sub-Saharan Africa Avg.	249.7	1,063.1	5.2	3.5	104.7	107.0
Low-Income Avg.	295.9	1,302.0	4.2	3.6	105.0	107.6
High Five Avg.	40,134.9	7,775.3	27.5	5.3	134.9	145.5
Low Five Avg.	108.2	312.1	-10.7	2.4	69.5	78.3

Technical Notes

The following technical notes (updated as of August, 2005) identify the source for each indicator, provide a concise definition, indicate the coverage of USAID countries, and comment on data quality where pertinent. For reference purposes, a CAS code is also given for each indicator. In many cases, the descriptive information is taken directly from the original sources, as cited.

GROWTH PERFORMANCE

Per capita GDP, current US dollars

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P2

Per capita GDP, purchasing power parity dollars

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P1

Real GDP growth

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P3

Growth of labor productivity

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

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

data needed to compute these alternative measures of labor productivity.

Coverage: Data are available for about 85 USAID countries.

CAS Code # 11S1

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

Source: International benchmark data computed from World Development Indicators 2005, based on the five-year average of the share of fixed investment (NE.GDI.FTOT.ZS) and the five-year average GDP growth (NY.GDP.MKTP.KD.ZG). Updated figures for the target country are computed from IMF article IV Consultation Reports.

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

Coverage: Data are available for about 81 USAID countries.

CAS Code #11S2

Gross fixed investment, percentage of GDP

Source: IMF Article IV Consultation Reports for latest country data; international benchmark from the World Development Indicators 2005 series NE.GDI.FTOT.ZS.

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

Coverage: Data are available for about 84 USAID countries.

CAS Code # 11S3

Gross fixed private investment, percentage of GDP

Source: IMF Article IV Consultation Reports, for latest country data; World Development Indicators 2004, for international comparison data (explanation below). The estimation of this indicator involves taking the difference between gross fixed capital formation (% of GDP) (NE.GDLFTOT.ZS) and government capital expenditure (% of GDP). The latter term is the product of government capital expenditure (% of total expenditure) (GB.XPK.TOTL.ZS) and total government expenditure (% of GDP) (GB.XPD.TOTL.GD.ZS).

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

Coverage: Available from World Development Indicators 2004 for about 38 USAID countries. Starting in 2005, WDI no longer reports government capital expenditure, which is needed to compute this variable. The reason is that the World Bank has adopted a new system for Government Finance Statistics, which switches from reporting budget performance

based on cash outlays and receipts, to a modified accrual accounting system in which government capital formation is a balance sheet entry, and only the consumption of fixed capital (that is, a depreciation allowance) is treated as an expense. The template will include this variable when the required data can be obtained from IMF Article IV Consultation Reports or national data sources. Group and regression benchmarks will be computed from WDI 2004 (since group averages tend to be relatively stable).

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

CAS Code #11S4

POVERTY AND INEQUALITY

Human poverty index

Source: UNDP, Human Development Report.

http://hdr.undp.org/reports/global/2004/pdf/hdr04_HDI.pdf for 2004 edition; updates may be found at http://hdr.undp.org/reports/view_reports.cfm?type=1

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

Coverage: Data are available for about 60 USAID countries.

CAS Code #12P1

Income share held by lowest 20%

Source: World Development Indicators 2005 series SI.DST.FRST.20. These are World Bank staff estimates based on primary household survey data obtained from government statistical agencies and World Bank country departments. Alternate source for target countries: Country Poverty Reduction Strategy Paper:

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

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

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

CAS Code # 12P2

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

Source: World Development Indicators 2005 series SI.POV.DDAY, original data from National Surveys. Alternate source for target countries: the country's Poverty Reduction Strategy Paper:

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

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

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

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

CAS Code #12P3

Population below minimum dietary energy consumption

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code # 12S1

Poverty headcount, national poverty line

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

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

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

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

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

CAS Code #12P4

PRSP Status

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

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

Coverage: All countries having PRSPs are so indicated.

CAS Code #12P5

Poverty gap at \$1 PPP a day

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

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

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

CAS Code #12S2

ECONOMIC STRUCTURE

Labor force or employment structure

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

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

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

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

CAS Code #13P1

Output structure

Source: World Development Indicators 2005 series NV.AGR.TOTL.ZS for value added in agriculture as a percentage of GDP; series NV.IND.TOTL.ZS for the share of industry; and NV.SRV.TETC.ZS for the share of services.

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

Coverage: Data are available for about 86 USAID countries.

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

CAS Code #13P2

DEMOGRAPHY AND ENVIRONMENT

Adult literacy rate

Source: World Development Indicators 2005 series SE.ADT.LITR.ZS, based on UNESCO calculations.

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

Coverage: Data are available for about 66 USAID countries.

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

CAS Code # 14P1

Age dependency rate

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

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

Coverage: Data are available for about 89 USAID countries.

CAS Code #14P2

Environmental Sustainability Index

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

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

Coverage: Data are available for about 83 USAID countries.

CAS Code #14P3

Population size (in millions) and growth

Source: World Development Indicators 2005 series SP.POP.TOTL for total population, and series SP.POP.GROW for the population growth rate.

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

Coverage: Data are available for about 88 USAID countries.

CAS Code # 14P4

Urbanization rate

Source: World Development Indicators 2005 series SP.URB.TOTL.IN.ZS.

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

Coverage: Data are available for about 86 USAID countries.

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

CAS Code #14P5

GENDER

Adult literacy rate, ratio of male to female

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #15P1

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

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

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

Coverage: Data are available for about 83 USAID countries.

CAS Code # 15P2

Life expectancy, ratio of male to female

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #15P3

FISCAL AND MONETARY POLICY

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

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

Overall budget balance (including grants), or Cash surplus/deficit, as percentages of GDP

Source: For countries using the new GFS system (see explanation at the beginning of this section), benchmarking data on the government's cash surplus/deficit are obtained from World Development Indicators 2005 series GC.BAL.CASH.GD.ZS. For countries that are not yet using the new system, benchmarking data on the overall budget balance are obtained from WDI 2004, series GB.BAL.OVRL.GD.ZS. Latest country data is obtained from national data sources or from IMF Article IV Reviews: www.imf.org/external/np/sec/aiv/index.htm.

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

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

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

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

CAS Code # 21P5

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

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

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

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

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

CAS Code # 21S1

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

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

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

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

CAS Code # 21S1

Composition of government revenue

Source: The latest country and comparison country data is taken from national data sources or from IMF Article IV Reviews: www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data are taken directly from WDI 2005 database: (1) taxes on goods and services (% of revenue), series GC.TAX.GSRV.RV.ZS; (2) taxes on income, profits and capital gains (% of revenue), series GC.TAX.YPKG.RV.ZS; (3) taxes on international trade (% of revenue), series GC.TAX.INTT.RV.ZS; (4) other taxes (% of revenue), series GC.TAX.OTHR.RV.ZS; (5) social contributions (% of revenue), series GC.REV.SOCL.ZS; and (6) grants and other revenue (% of revenue), series GC.REV.GOTR.ZS.

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

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

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

CAS Code # 21S2

Composition of money supply growth

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

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

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

Coverage: Data are available for about 86 USAID countries.

CAS Code # 21S3

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

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

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

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

Coverage: Data are available for about 42 USAID countries.

CAS Code # 21P1

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

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

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

Coverage: Data are available for about 41 USAID countries.

CAS Code # 21S2

Government revenue, excluding grants, percentage of GDP

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

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

Coverage: Data are available for about 47 USAID countries.

CAS Code # 21P2

Inflation rate

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

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

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

Coverage: Data are available for about 85 USAID countries.

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

CAS Code #21P4

Money supply growth

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

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

² This variable is no longer available in WDI 2005.

International Monetary Fund, International Financial Statistics, and World Bank estimates.

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

Coverage: Data are available for about 81 USAID countries.

CAS Code #21P3

BUSINESS ENVIRONMENT

Corruption perception index

Source: Transparency International:

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

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

Coverage: Data are available for about 79 USAID countries.

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

CAS Code # 22P1

Doing business composite index

Source: Constructed using World Bank, Doing Business Indicators <http://ru.worldbank.org/DoingBusiness/> by scaling all the "Doing Business" indicators from 0 (lowest in the world) to 100 (highest) and then taking an average of all the scaled indicators, weighting each of seven Doing Business categories equally.

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 22P2

Rule of law index

Source: World Bank Institute,

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

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

Coverage: Data are available for nearly all USAID countries.

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

CAS Code #22P3

Regulatory Quality Index

Source: World Bank Institute;

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

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

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

Gaps: Data are available for nearly all USAID countries.

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

CAS Code #22P4

Cost to start a business, % of GNI per capita

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #22S1

Procedures to enforce a contract

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 22S2

Procedures to register property

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #22S3

Procedures to start a business

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 22S4

Time to enforce a contract

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 22S5

Time to register property

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #22S6

Time to start a business

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #22S7

FINANCIAL SECTOR**Cost to Create Collateral**

Source: World Bank Doing Business; Getting Credit category:

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

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

Coverage: Data are available for about 74 USAID countries.

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

CAS Code #23S1

Country credit rating

Source: Millennium Challenge Corporation. Original data comes from the Institutional Investor Magazine. <http://www.mca.gov/countries/rankings/index.shtml>.

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

Coverage: Data are available for about 58 USAID countries.

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

CAS Code # 23S2

Domestic credit to private sector, percent of GDP

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code # 23P1

Interest rate spread

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

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

Coverage: Data are available for about 66 USAID countries.

CAS Code # 23P2

Legal rights of borrowers and lenders

Source: World Bank Doing Business; Getting Credit category:

<http://rru.worldbank.org/DoingBusiness/ExploreTopics/GettingCredit/CompareAll.aspx>. The index is based on data collected through research of collateral and insolvency laws supported by survey data on secured transactions laws.

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 23S3

Money supply, percent of GDP

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

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

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

Coverage: Data are available for about 81 USAID countries.

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

CAS Code # 23P3

Real interest rate

Source: World Development Indicators 2005 series FR.INR.RINR.

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

Coverage: Data are available for about 68 USAID countries.

CAS Code # 23S4

Stock Market Capitalization Rate, % of GDP

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

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

Coverage: Data are available for about 54 USAID countries.

CAS Code # 23P4

EXTERNAL SECTOR

Aid, % of GNI

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005 series DT.ODA.ALLD.GN.ZS.

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

Coverage: Data are available for about 84 USAID countries.

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

CAS Code #24P1

Concentration of exports

Source: Constructed with ITC COMTRADE data by aggregating the value for the top 3 export product groups (SITC Rev.3), and dividing by total exports. Raw data: <http://www.intracen.org/tradstat/site3-3d/indexre.htm>.

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

Coverage: Available for about 74 USAID countries.

Data Quality: Smuggling represents a serious problem in a number of countries. For countries that do not report trade data to the United Nations, ITC uses partner country data. There are a number of shortcomings with this approach: ITC does not cover trade with other non-reporting countries; trans-shipments may hide the actual source of supply; and reporting standards include transport cost and insurance in measuring exports but exclude these items when measuring imports.

CAS Code # 24S1

Current Account Balance, percent of GDP

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

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

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

Coverage: Data are available for about 79 USAID countries.

CAS Code # 24P2

Debt service ratio

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005, series DT.TDS.DECT.EX.ZS, based on World Bank, Global Development Finance data.

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

Coverage: Data are available for about 77 USAID countries.

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

CAS Code # 24P3

Foreign Direct Investment, percent of GDP

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005, series BX.KLT.DINV.DT.GD.ZS, based on International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, Global Development Finance, and World Bank and OECD GDP estimates.

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

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

Gross international reserves, months of imports

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

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

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

Coverage: Data are available for about 77 USAID countries.
CAS Code # 24P6

Gross Private Capital Inflows, percent of GDP

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

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

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

Coverage: Information on coverage is not easily accessible.

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

CAS Code #24P7

Exports growth, goods and services

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data from World Development Indicators 2005, series NE.EXP.GNFS.KD.ZG, based on World Bank national accounts data, and OECD National Accounts data files.

Definitions: Annual growth rate of exports of goods and services based on constant local currency units. Exports include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude

labor and property income (formerly called factor services), as well as transfer payments.

Coverage: Data are available for about 81 USAID countries.
CAS Code # 24P4

Inward FDI Potential Index

Source: UNCTAD. Indicator is available online at <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=2471&lang=1>.

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

Coverage: Data are available for about 77 USAID countries.
CAS Code # 24S2

Net barter terms of trade

Source: World Development Indicators 2005, series TT.PRI.MRCH.XD.WD

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

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

Present value of debt, percent of GNI

Source: World Development Indicators 2005 series DT.DOD.PVLX.GN.ZS, based on Global Development Finance data.

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

Coverage: Data are available for about 80 USAID countries.

Data Quality: The coverage, and quality of debt data vary widely across countries due to the wide spectrum of debt instruments, the unwillingness on the part of the government to provide information, and lack of capacity in reporting. Discrepancies are significant when the exchange rate fluctuations, debt cancellations and re-scheduling occur.

CAS Code # 24P8

Real effective exchange rate (REER)

Source: IMF Article IV Reviews:

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

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

Coverage: Information on coverage is not easily accessible.

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

CAS Code # 24S4

Remittances receipts, percent of exports

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 24P9

Structure of merchandise exports

Source: World Development Indicators 2005. Exports from five categories are used: Food exports series TX.VAL.FOOD.ZS.UN; Agricultural raw materials exports series TX.VAL.AGRI.ZS.UN; Manufactures exports series TX.VAL.MANF.ZS.UN; Ores and metals exports series TX.VAL.MMTL.ZS.UN; and Fuel exports series TX.VAL.FUEL.ZS.UN.

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

Coverage: Data are available for about 78 USAID countries.

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

CAS Code # 24S5

Trade in goods and services, as a percentage of GDP

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

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

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

Coverage: Data available for about 84 USAID countries.

CAS Code # 24P10

Trade Policy Index

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

Definition: The index measures the degree to which government hinders the free flow of foreign commerce based on a country's weighted average tariff rate (weighted by imports from the country's trading partners), with adjustments for non-tariff barriers and corruption in the custom service. The index ranges in value from 1 (for low

levels of barriers to trade) to 5 (for high levels of barriers to trade).

Coverage: Data are available for about 83 USAID countries.

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

CAS Code # 24S6

ECONOMIC INFRASTRUCTURE

Internet users per 1,000 people

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code # 25P1

Overall Infrastructure Quality

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

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 25P2

Telephone density, fixed line and mobile

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

Definition: The indicator is the sum of subscribers to telephone mainlines and mobile phones per 1,000 people. Fixed lines represent telephone mainlines connected to the public switched telephone network. Mobile phone subscribers refer to users of cellular based technology with access to the public switched telephone network.

Coverage: Data are available for about 88 USAID countries.

CAS Code #25P3

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

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

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #25S1

Telephone cost, average local call

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

Definition: Cost of local call is measured by the cost of a three-minute, peak rate, fixed line call within the same exchange area using the subscriber's equipment (i.e., not from a public phone).

Coverage: Data are available for about 82 USAID countries.

CAS Code #25S2

SCIENCE AND TECHNOLOGY**Expenditure in Research and Development, percent of GDP**

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

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

Coverage: Data are available for about 26 USAID countries.

CAS Code #26P1

FDI technology transfer index

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

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #26P2

Patent applications filed, by residents

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

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

Coverage: Data are available for about 63 USAID countries.

CAS Code #26P3

HEALTH**HIV prevalence rate**

Source: UNAIDS for most recent country data:

<http://www.unaids.org/Unaids/EN/Resources/epidemiology.asp>. World Development Indicators 2005 for benchmark data, series SH.DYN.AIDS.ZS.

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

Coverage: Data are available for about 79 USAID countries.

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

CAS Code #31P1

Life expectancy at birth

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

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

Coverage: Data are available for about 88 USAID countries.

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

CAS Code #31P2

Maternal mortality rate

Source: UN Millennium Indicators Database, http://millenniumindicators.un.org/unsd/mi/mi_series_results.asp?rowId=553 based on WHO, UNICEF and UNFPA data.

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

Coverage: Data are available for about 87 USAID countries.

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

CAS Code #31P3

Access to improved sanitation

Source: World Development Indicators 2005, series SH.STA.ACSN.

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

Coverage: Data are available for about 82 USAID countries.

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

CAS Code #31S1

Access to improved water source

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

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

Coverage: Data are available for about 83 USAID countries.

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

CAS Code # 31S2

Births attended by skilled health personnel

Source: World Development Indicators 2005, series SH.STA.BRTC.ZS.

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

Coverage: Data are available for about 62 USAID countries.

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

CAS Code # 31S3

Child immunization rate

Source: World Development Indicators 2005, estimated by averaging two series: Immunization, DPT (% of children ages 12-23 months) (SH.IMM.IDPT) and Immunization, measles (% of children ages 12-23 months) (SH.IMM.MEAS)

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #31S4

Prevalence of child malnutrition, weight for age

Source: World Development Indicators 2005, series SH.STA.MALN.ZS.

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

Coverage: Data are available for about 55 USAID countries.

CAS Code # 31S5

Public health expenditure, percent of GDP

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

International benchmarking data from World Development Indicators 2005, (SH.XPD.PUBL.ZS), based on World Health Organization, World Health Report and updates and from the OECD, supplemented by World Bank poverty assessments and country and sector studies.

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #31S6

EDUCATION

Net primary enrollment rate - female, male and total

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

Definition: The indicator measures the proportion of the population of the official age for primary, secondary or

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code # 32P1

Persistence to grade 5 – female, male, and total

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

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

Coverage: Data are available for about 48 USAID countries.

CAS Code # 32P2

Youth literacy rate

Source: World Development Indicators 2005, series SE.ADT.1524.LT.ZS.

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

Coverage: Data are available for about 67 USAID countries.

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

CAS Code #32P3

Expenditure on primary education, percent GDP

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

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

Coverage: Data are available for about 58 USAID countries.

Data Quality: The MCC obtains the data from national sources via US embassies.

CAS Code #32S1

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

Source: World Development Indicators 2005 series SE.XPD.PRIM.PC.ZS (primary); SE.XPD.SECO.PC.ZS (secondary); and SE.XPD.TERT.PC.ZS (tertiary).

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

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

Data Quality: Education statistics should be interpreted with caution because the data are out of date by 2 or 3 years; also, the statistics reflects solely public spending, generally excluding spending by religious schools, which play a

significant role in many developing countries. Data for some countries and for some years refer to spending by the ministry of education only.

CAS Code # 32S2

Pupil-teacher ratio, primary school

Source: World Development Indicators 2005 series SE.PRM.ENRL.TC.ZS.

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

Coverage: Data are available for about 76 USAID countries.

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

CAS Code # 32S3

EMPLOYMENT AND WORKFORCE

Labor force participation rate – total, male, female

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

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

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

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #33P1

Rigidity of employment index

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

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

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

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 33P2

Size and growth of the labor force

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #33P3

Unemployment rate

Source: World Development Indicators 2005 series SL.UEM.TOTL.ZS.

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

Coverage: Data are available for about 50 USAID countries.

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

CAS Code # 33P4

AGRICULTURE

Agriculture value added per worker

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

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

Coverage: Data are available for about 80 USAID countries.

CAS Code # 34P1

Cereal yield

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

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

Coverage: Data are available for about 84 USAID countries.

Data Quality: Data on cereal yield may be affected by a variety of reporting and timing differences. The FAO allocates production data to the calendar year in which the bulk of the harvest took place. But most of a crop harvested near the end of a year will be used in the following year. Cereal crops harvested for hay or harvested green for food, feed, or silage, and those used for grazing, are generally excluded. But millet and sorghum, which are grown as feed for livestock and poultry in Europe and North America, are used as food in Africa, Asia, and countries of the former Soviet Union. So some cereal crops are excluded from the data for some countries and included elsewhere, depending on their use.

CAS Code # 34P2

Growth in agricultural value added

Source: The latest country data are taken from national data sources or from IMF Article IV Reviews: www.imf.org/external/np/sec/aiv/index.htm. The benchmarking data are from World Development Indicators 2005 series NV.AGR.TOTL.KD.ZG

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

Coverage: Data are available for about 84 USAID countries.

CAS Code # 34P3

Agricultural policy costs index

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

Definition: The index measures executives' perceptions of agricultural policy costs in their respective country. Executives grade, on a scale from 1 to 7, whether the cost of agricultural policy in a given country is (1) excessively burdensome, or (7) balances all economic agents' interests.

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 34S1

Crop production index

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

Definition: Crop production index shows agricultural production for each year relative to the period 1999-2001 = 100. The index includes production of all crops except fodder crops. Regional and income group aggregates for the FAO's

production indices are calculated from the underlying values in international dollars, normalized to the base period.

Coverage: Data are available for about 85 USAID countries.

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

Coverage: Data are available for about 85 USAID countries.

CAS Code # 34S2

Livestock Production index

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

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

Coverage: Data are available for about 85 USAID countries.

Data Quality: See comments on the Crop Production Index.

CAS Code # 34S3