Sri Lanka

Economic Performance Assessment

September 2009

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

The authors of the present report are Rita Aggarwal, Michael Blackman, and Molly James of Nathan Associates.

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HIGHLIGHTS OF SRI LANKA PERFORMANCE

Economic growth	An average 6.4 percent growth rate for 2003-2008 masks a strong regional imbalance—nearly half of GDP comes from the Western Province. Economic growth has slowed in 2009, but growth potential is high since defeat of LTTE.
Poverty	Although the national poverty rate has declined in recent years, stark regional disparities persist and pose serious threats to stability.
Economic structure	Growth of the services sector outpaced agriculture. In 2008, services produced 57.3 percent of GDP and employed 42.1 percent of the workforce. Agriculture contributed 13.4 percent of GDP and employed 31.3 percent of the workforce.
Demography and environment	Moderate population growth and a relatively low age-dependency ratio favor economic and human development. In the near term, the resettlement of an estimated 280,000 refugees poses a formidable social and economic challenge for the government.
Gender	Gender equity in health and education is excellent, but disparities in labor force participation indicate that women have fewer opportunities for advancement.
Fiscal and monetary policy	The average annual inflation rate rose to 22.6 percent in June 2008 then fell to 14.4 percent in December 2008 thanks to declining world oil prices and tightened monetary policy. At 7.7 percent of GDP in 2008, the budget deficit was one of the world's highest. IMF targets call for reducing the deficit to 5 percent of GDP by 2011.
Business Environment	Corruption, a confusing and somewhat opaque regulatory system, and diminished public confidence in government commitment to the rule of law contribute to and reflect the challenges facing businesses in Sri Lanka.
Financial sector	State-owned banks still dominate. Private sector credit "crowded out" by government borrowing and global recession reduced businesses' own demand for credit. High interest rates should come down with recent Central Bank moves to loosen monetary policy. Nonbank financial services, such as leasing, are expanding.
External sector	The current account deficit of 9.4 percent of GDP in 2008 was double that of 2007. Foreign investors withdrew amid global crisis and exchange reserves dropped to dangerous lows. The balance of payments is stabilizing in 2009.
Economic infrastructure	Poor transportation infrastructure deters investment and constrains businesses throughout the country. Recent advances in telecommunications (phones and internet) are encouraging.
Science and technology	Intellectual capital is strong for a lower-middle income country. IPR protection has improved in recent years but requires more attention.
Health	Sri Lanka has a high life expectancy (72 years), low maternal mortality, and a low prevalence of HIV, but high rates of child malnutrition and limited access to clean water remain concerns.
Education	Education status indicators for Sri Lanka show nearly universal availability of primary education. Yet low government spending on education (0.7 percent of GDP on primary education in 2006) may be jeopardizing future achievement.
Employment and workforce	Addressing ethnic-based disparities in employment will continue to be a challenge for the government. The public sector workforce is large and the cost of firing redundant workers is extremely high.
Agriculture	Agriculture demonstrates low labor productivity, despite having high per hectare rice yields. To improve sectoral performance, market based reforms need to be implemented to encourage diversification into higher value-added production. Given that the Sri Lankan government owns 80 percent of the land, tenure reforms and improved access to land are necessary to increase the productivity of the agricultural sector.

SRI LANKA: STRENGTHS AND WEAKNESSES—SELECTED INDICATORS

Selected Indicators, by Topic	Strengths	Weaknesses
Growth performance		
Real GDP growth	X	
Growth of labor productivity	X	
Investment productivity—incremental capital-output ratio (ICOR)		X
Poverty and inequality		
Population below minimum dietary energy consumption		X
Demography and environment		
Population growth rate	X	
Youth dependency rate	X	
Gender		
Primary completion rates, male, female	X	
Labor force participation rates, female		X
Fiscal and monetary policy		
Government budget balance		X
Government expense		X
Business environment		
Rule of law index		X
Government effectiveness index		X
Financial sector		
Domestic credit to the private sector		X
Money supply (M2), percent GDP		X
External sector		
Trade in goods and services, percent GDP		X
Debt service ratio, percent exports	X	
Current account balance		X
Foreign direct investment, percent GDP	X	
Trade in services, percent GDP		X
Remittance receipts, percent GDP	X	
Economic infrastructure		
Overall infrastructure quality		X
Quality of infrastructure—rail		X
Quality of infrastructure—electricity supply		X
Internet users per 100 people		X

Selected Indicators, by Topic	Strengths	Weaknesses
Science and technology		
FDI technology transfer index	**X**	
Availability of scientists and engineers	**X**	
Health		
HIV prevalence	**X**	
Life expectancy at birth	**X**	
Prevalence of child malnutrition		**X**
Access to improved water source		**X**
Education		
Net primary enrollment rate	**X**	
Primary completion rate		**X**
Expenditure on primary education		**X**
Employment and workforce		
Labor force participation rate		**X**
Growth of labor force	**X**	
Rigidity of employment index		**X**
Agriculture		
Agriculture value-added per worker		**X**
Cereal yield	**X**	

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

1. Introduction

This report is one of a series of economic performance assessments prepared for the EGAT Bureau to provide USAID missions and regional bureaus with a concise evaluation of key indicators covering a broad range of issues relating to economic growth performance in designated host countries. Each report draws on a variety of international data sources[1] and uses international benchmarking against reference group averages, comparator countries, and statistical norms to identify major constraints, trends, and opportunities for strengthening growth and reducing poverty. In this report, Sri Lanka's economic performance is compared to that of lower-middle-income (LMI) countries and LMI countries in Asia (median values) and to performance in the Philippines and Thailand.

METHODOLOGY

The methodology used here is analogous to examining an automobile dashboard to see which gauges are signaling problems. Sometimes a blinking light has obvious implications—such as the need to fill the fuel tank. In other cases, it may be necessary to have a mechanic probe more deeply to assess the source of the trouble and determine the best course of action.[2] Similarly, the economic performance assessment is based on an examination of key economic and social indicators, to see which ones are signaling problems. Some "blinking" indicators have clear implications, while others may require further study to investigate the problems more fully and identify appropriate courses for programmatic action.

The analysis is organized around two mutually supportive goals: transformational growth and poverty reduction.[3] Broad-based growth is the most powerful instrument for poverty reduction. At the same time, programs to reduce poverty and lessen inequality can help to underpin rapid and sustainable growth. These interactions can create a virtuous cycle of economic transformation and human development.

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[1] Sources include the World Bank, the International Monetary Fund, the Millennium Challenge Corporation, the United Nations (including the Millennium Development Goals database), the World Economic Forum, and host-country documents and data sources. This report reflects data available as of July 2009.

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

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

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

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

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

The remainder of the report presents the most important results of the diagnostic analysis, in four sections: overview of the economy; private sector enabling environment; and pro-poor growth environment. Table 1-1 summarizes the topical coverage. Appendix A briefly explains indictor selection criteria and the benchmarking methodology, and lists all indicators examined for this report. Appendix B provides a full tabulation of the data and international benchmarks examined for this report, along with technical notes on the data sources and definitions.

Table 1-1
Topic Coverage

Overview of the Economy	Private Sector Enabling Environment	Pro-Poor Growth Environment
• Growth performance • Poverty and inequality • Economic structure • Demographic and environmental conditions • Gender	• Fiscal and monetary policy • Business environment • Financial sector • External sector • Economic infrastructure • Science and technology	• Health • Education • Employment and workforce • Agriculture

DATA QUALITY AND FORMAT

The breadth and quality of data collected for Sri Lanka are comprehensive and current, particularly the economic data. Some data for social conditions are dated, with reporting based on 2003/2004 figures. The World Bank gave Sri Lanka a score of 70 (out of 100) on its 2008 Statistical Capacity Indicator Index. This score is well above that expected for a country with Sri

Lanka's characteristics and in line with the lower middle-income (LMI) Asia median score of 70.7, but well below scores for our country comparators: the Philippines (88) and Thailand (82). Sri Lanka did not score well on statistical practice (50). The World Bank's cites several problems, such as the use of old base years for national accounts (1996) and price data (1952), a lack of consolidated government accounts, and failure to adopt the IMF's Special Data Dissemination Standards (SDDS). Data on Sri Lanka's northern and eastern provinces are very limited, though this should improve dramatically as post-conflict reconstruction begins. It should also be noted that this report uses poverty data from 2006/07 based on national surveys done by the Sri Lanka Department of Census and Statistics. This data is not reported in the World Bank Social Indicators dataset nor does the website for the Millennium Development Goals provide this in their country datasheet for Sri Lanka, reporting instead data from 2002 household surveys.

2. Overview of the Economy

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

CONFLICT BACKGROUND

Sri Lanka's economic situation reflects the legacy of more than 25 years of armed conflict. Drawing resources away from productive investment and leaving a large portion of the country underdeveloped, the conflict arose after independence in 1948 when the Sinhalese, comprising more than 80 percent of the population, implemented "Sinhala-only" laws that discriminated against Tamils, who comprise about 14 percent of the population. Discriminatory policies in the 1960s and 1970s further antagonized and alienated the Tamil community.

In the early 1980s, the Liberation Tigers of Tamil Elam (LTTE) rose to prominence by demanding a separate state for Tamils in the northern and eastern parts of Sri Lanka. Establishing a stronghold in those regions for many years, the LTTE ran a separate government and financed operations through a mix of extortion and contributions from the diaspora and other sympathetic sources outside the country. Considered a terrorist organization by the United States, the LTTE acted violently against the military forces of the Sinhalese government as well as moderate Tamils who condemned the LTTE's methods. The Government of Sri Lanka approved a military intervention by India from 1987–1990, but this failed to suppress the LTTE, and was followed in May 1991 by the assassination of Rajiv Ghandi, a female LTTE suicide bomber. Periodic cease fires brokered by other countries and donors always relapsed into fighting. In 2006, the government of Mahinda Rajapaksa stepped up its efforts to defeat the LTTE and proclaimed victory in May 2009. Exhibit 2-1 traces events of 2008 leading up to this proclamation.

The final months of the war displaced more than 280,000 people, most of them still in camps as of August 2009. The government maintains that refugees must be screened for hard core LTTE cadres before release and resettlement and that resettlement lands must be cleared of mines. Resettling and rebuilding the north and east will be a formidable task, as will accommodating the aspirations of the Tamil minority for economic opportunities and a meaningful voice in their own governance.

Exhibit 2-1
Economic and Conflict Chronology in Sri Lanka, 2008–2009

2008

January. Government pulls out of 2002 ceasefire agreement.

June. Inflation rate peaks at 28.2 percent.

July. Sri Lankan military says it has captured the Tamil Tigers naval base of Vidattaltivu in the north.

November. Foreign exchange reserves stood at $1.7 billion, the equivalent to 1.5 months of imports.

December. Sri Lankan troops and Tamil rebels claim to have inflicted heavy casualties on each other in the north.

2009

January. Government troops capture the northern town of Kilinochchi, held for ten years by the Tamil Tigers as their administrative headquarters. President Rajapakse claims unparalleled victory and urges the rebels to surrender.

February. International concern for thousands of civilians trapped in the battle zone prompts calls for a cease-fire. Claiming it is on the verge of destroying the Tamil Tigers the government rejects a cease fire but offers amnesty to rebels if they surrender. Tamil Tiger planes conduct suicide raids against Colombo.

February. Inflation rate drops to 7.6 percent, reaching single digits for first time since July 2006.

March. Former rebel leader Karuna is sworn in as minister of national integration and reconciliation. United Nations High Commissioner for Human Rights Navi Pillay accuses both sides of war crimes.

The government rejects conditions attached to an IMF emergency loan worth $1.9 billion, denies U.S. pressure causing delay to agreement.

May. Government declares Tigers defeated after army forces overrun last patch of rebel territory. Military says rebel leader Velupillai Prabhakaran was killed in the fighting. Tamil Tiger statement says the group will lay down its arms.

July. IMF approves $2.6 billion loan to stabilize balance of payments crisis.

August. Foreign exchange reserves built up to $2.2 billion. First post-war local elections in north. Governing coalition wins in Jaffna but in Vavuniya voters back candidates who supported Tamil Tigers.

SOURCE: BBC News and additional economic news sources.

GROWTH PERFORMANCE

From 2003 to 2008 Sri Lanka enjoyed strong economic growth, with GDP growth averaging 6.4 percent. In 2008, despite the fourth quarter economic crisis, Sri Lanka managed an impressive 6 percent increase in GDP. In comparison the Philippines grew 4.6 percent and Thailand merely 2.6 percent in 2008. Sri Lanka performed above its expected value of 4.1 percent and measured up to its LMI-Asia (6.4 percent) and LMI (5.8 percent) peers (Figure 2-1).

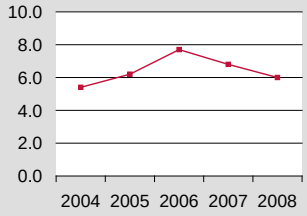
Per capita GDP has nearly doubled in the past few years, going from $1,063 in 2004 to $1,972 in 2008. However, this average increase in the standard of living for Sri Lankans masks huge regional inequities; the west contributed a whopping 48.4 percent of GDP in 2007 while the conflict-ridden north contributed a mere 2.9 percent (see Poverty and Inequality).[4]

[4] Central Bank of Sri Lanka, National Output and Expenditure, Gross Domestic Product by Province at Current Factor Cost Prices (2003-2007), Table 4.

Figure 2-1
Real GDP Growth, Percent Change

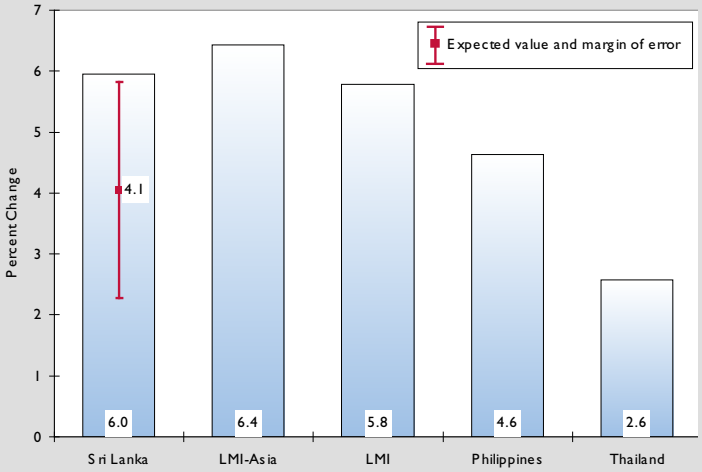
Despite respectable growth, Sri Lanka faces significant macroeconomic challenges.

Time Series

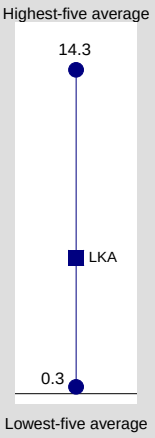


Year	Value
2004	5.4
2005	6.2
2006	7.7
2007	6.8
2008	6.0
Summary for 2004-2008	
Five year average	6.4
Trend growth rate	2.6

Comparisons to other countries, most recent year



Sri Lanka Global Standing



SOURCE: IMF World Economic Outlook

CAS code: 11P3

Despite Sri Lanka's high growth rates, the country has struggled with significant macroeconomic imbalances due to the financing of expansive budget deficits. This left the country particularly vulnerable to the external shocks emanating from the global crisis that started in 2008. The country's current account deficit on its balance of payments soared to 9.4 percent of GDP, inflation rates doubled those of just two years earlier, and an effort to stabilize a depreciating currency left gross official reserves at the end of the year sufficient for only for 1.5 months of imports.

In early 2009 many observers believed that Sri Lanka was teetering on the brink of macroeconomic disaster.[5] But the decisive victory over the LTTE in May 2009, improvements in monetary and exchange rate policy, and a rebounding trade account pulled Sri Lanka from the edge. The country has since negotiated an IMF $2.6 billion stand-by agreement and foreign investors are returning, stabilizing the balance of payments situation. Other donors are also now increasing aid. The IMF is forecasting a GDP growth rate of 3 percent for 2009, and some Sri Lankan authorities project even higher growth.[6]

[5] Domestic oil prices remained relatively stable because of price controls imposed before 2006, but gradual lifting of controls in 2006 and 2007 resulted in domestic inflation when international oil prices increased. See Nombulelo Duma, Pass-Through of External Shocks to Inflation in Sri Lanka, *IMF Working Paper* 08/78.

[6] The central bank was forecasting 6 percent GDP growth for 2009 in January 2009. *Sri Lankan Daily News and Reports,* January 2009.

The "peace dividend" and Sri Lanka's proximity to the already reviving Indian economy mean that growth could indeed accelerate, and be distributed more equitably, but several macroeconomic indicators, particularly the large fiscal deficit, poses a serious challenge that needs the government's immediate attention. These points are elaborated on in the discussion of the External Sector in Section 3.

The incremental capital-output ratio (ICOR) is the amount of investment needed per unit of additional output; a low ratio signals efficiency. Sri Lanka's average ICOR declined from 5.9 during the 2001–2005 period to 3.7 during the 2006–2008 period, indicating tremendous gains in capital efficiency. In fact, countries where capital is used most productively typically have an ICOR of 4 or less. Here, Sri Lanka compares favorably with ICORs for LMI-Asia (4.9), LMI countries (4.7), and Thailand (4.8).

IMF Stand-By Arrangement

Sri Lanka's approximately $2.6 billion 20-month stand-by arrangement with the IMF aims to help it rebuild its international reserves, reduce the fiscal deficit to a sustainable 5 percent of GDP by 2011, and strengthen the financial sector. IMF funds will increase central bank reserves rather than financing budget expenditures. An initial disbursement of about $322 million was made upon approval.

In addition to its increased capital efficiency, Sri Lanka's labor efficiency increased. In 2007 Sri Lanka's labor productivity increased 4.5 percent. In contrast, the Philippines grew 3.2 percent and Thailand increased 4.1 percent.

In 2008, gross fixed investment in Sri Lanka was 25.3 percent of GDP—matching the regression benchmark value (25.7 percent), better than the LMI-Asia median (25 percent) and the LMI median (24.3 percent), much better than the Philippines' average (14.8 percent) but outpaced by Thailand's average of 26.8 percent (2007) (Figure 2-2). Sri Lanka's investment rate, however, has not grown significantly in recent years and much higher rates—on the order of 30 percent or more—will be needed to sustain the high growth rates in other industrializing Asian nations.

These issues will all be discussed in greater detail in other sections of this report, but lower levels of investment are largely attributable to the government's habit of spending more than it collects and to military spending, which absorbs resources that could be productively invested in infrastructure and other efforts to improve the business climate. The conflict in the north and east also impeded growth in tourism, fisheries and agriculture—industries that could have thrived in the absence of conflict.

POVERTY AND INEQUALITY

Widespread poverty and inequality are related to a lack of security, education, health, income, and employment opportunities. Moreover, high levels of poverty and extreme income inequality can be prime motivators for political unrest, ethnic grievances, and outright civil strife.[7]

In Sri Lanka, widespread poverty and inequality pose continuing threats to political and economic stability and complicate the post-war recovery. Despite a decline in the poverty rate from 22.7

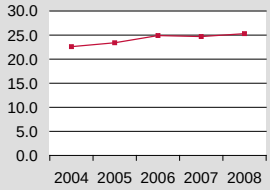
[7] Paul Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done About It,* London: Oxford University Press, 2007, 19.

percent in 2002 to 15.2 percent in 2006/07,[8] regional disparities are significant. The poverty rate of Western province (8.2 percent) contrasts sharply with the country's poorest provinces in south central Sri Lanka Uva (27 percent) and Sabaragamuwa (24.2 percent). Moreover, the gap between households—urban, rural and estate (covering tea, rubber and coconut sectors)—has widened since 1990/91. The urban rate has declined by 59 percent and the rural rate by 47 percent, while the rate among estate households has increased 56 percent.[9] Data are not available for the Northern Province and the Trincomalee district, regions most affected by the conflict.

Figure 2-2
Gross Fixed Investment, Percent GDP

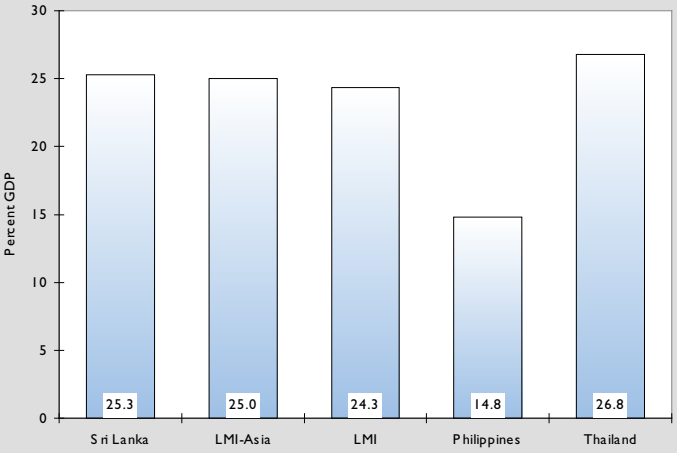
Although gross fixed investment has grown, it is still insufficient to sustain rapid growth.

Time Series

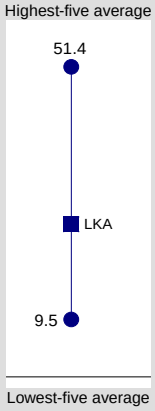


Year	Value
2004	22.6
2005	23.4
2006	24.9
2007	24.7
2008	25.3
Summary for 2004-2008	
Five year average	24.2
Trend growth rate	2.8

Comparisons to other countries, most recent year



Sri Lanka Global Standing



SOURCE: Sri Lanka Central Bank and World Development Indicators 2009

CAS code: 11S3

Malnutrition is a concern. According to the Household Income and Expenditure Survey (2006/07), half of the Sri Lankan population (50.7 percent) lack adequate dietary energy consumption.[10] Sri Lanka's malnutrition rate has remained static since 1990 (50.9 percent). About one-third of the population is employed in agriculture (see Economic Structure). This makes the population susceptible to external shocks such as drought and flooding.

[8] Department of Statistics. Poverty in Sri Lanka (Based on Household Income and Expenditure Survey 2006/07), 2. Data for this survey was collected in monthly rounds from July 2006 to June 2007. The survey excludes the districts in the Northern Province and Trincomalee district.

[9] Department of Statistics. Poverty in Sri Lanka (Based on Household Income and Expenditure Survey 2006/07), 6.

[10] The FAO defines undernourishment as the condition of people whose dietary energy consumption is continuously below a minimum dietary energy requirement for maintaining a healthy life and carrying out light physical activity.

Sri Lanka's performance on the UNDP's Human Poverty Index (HPI) indicates some improvement in conditions for the poor. This index provides a broad gauge of poverty that takes into account deprivation in health and education as well as income poverty. On a scale of 0 (zero deprivation incidence) to 100 (high deprivation incidence), Sri Lanka's score decreased marginally from 17.7 in 2002 to 16.9 in 2006. This score, however, is worse than scores for Thailand (9.0) and the Philippines (12.5) and much worse than the score expected for a country with Sri Lanka's characteristics (7.3).

National statistics, although dated, show that the poorest 20 percent of the population held only a 3.6 percent share of income in 2003/04, down from 4.1 percent in 1996/97.[11] This is below the Philippines 5.6 percent (2006) and the LMI median and Thailand, both 6.1 percent (2004). Now that the conflict in the north and east has ended, more attention can be paid to improving the livelihoods of the poor in those areas

ECONOMIC STRUCTURE

According to Sri Lanka's Central Bank, agriculture contributed 13.4 percent to GDP in 2008, a slight increase from an average contribution of 11.6 percent between 2005 and 2007. Agriculture's share of GDP in Thailand was only 11.4 percent and in the Philippines 14.1 percent. The LMI-Asia median share was 18.4 percent. According to the Asian Development Bank, Sri Lanka's agricultural sector grew 7.5 percent in 2008. This increase is largely attributable to reclamation of abandoned rice paddies driven by the government's commitment to increasing domestic production. Future agricultural growth would be best facilitated by better land titling and conciliatory government policy in former conflict areas.

Industry's share of GDP has remained stagnant, coming in at 29.4 percent in 2008, slightly above the expected value of 28.2 percent. These values were less than those for LMI-Asia (39.3 percent), the Philippines (31.7 percent), and Thailand (43.9 percent) (2007). The industrial base remains concentrated in the garments, processed food, and chemical and plastic products industries. The infrastructure projects now being planned for the north should spur growth in construction and manufacturing.

Outpacing growth in agriculture and industry, growth in Sri Lanka's services sector dominates the economy, with telecommunication services prominent. In 2008, 57.3 percent of GDP was from this sector. This is close to the expected value (58.1 percent) and exceeding shares in LMI-Asia (45.1 percent), the Philippines (54.2 percent), and Thailand (44.7 percent) (2007).

Agriculture's share of employment has been declining and was 31.3 percent in 2008, far below shares in the Philippines (37 percent) and Thailand (42.6 percent) (2005). Meanwhile employment in industry (26.6 percent) and services (42.1 percent) has increased slightly (see Figure 2-3). Although industrial exports (e.g., garments) and services (e.g. hotels and restaurants) have been hurt by the global economic downturn, they are both relatively more productive than agriculture. Workers are continuing the decade-long shift from low-productivity agriculture to higher value-added activities.

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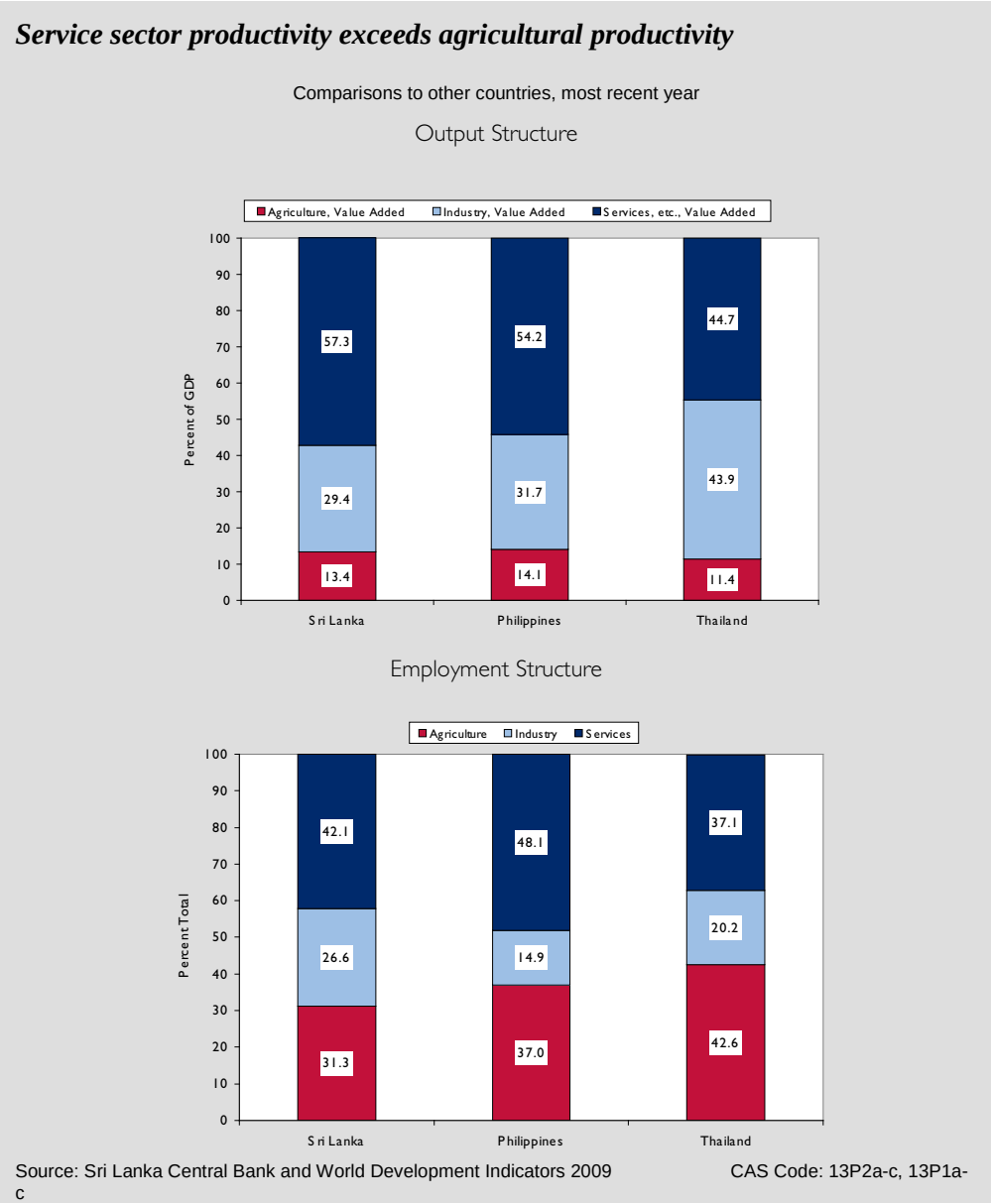
[11] Central Bank, Special Statistical Appendix, Table 9; excluding Northern and Eastern Provinces.

Figure 2-3
Output and Labor Force Structure



Source: Sri Lanka Central Bank and World Development Indicators 2009 CAS Code: 13P2a-c, 13P1a-c

DEMOGRAPHY AND ENVIRONMENT

Sri Lanka's population of 20.2 million is growing by an estimated 1.0 percent per year.[12] This moderate pace translates into a relatively low and declining youth dependency ratio. In the five years to 2007, this ratio fell from 36.8 dependents per 100 working age adults to 33.4 dependents.[13] This is well below the LMI-Asia median of 52.1 and the Philippines' 58.5, and nearing Thailand's 30. Moderate population growth and a low age-dependency ratio reduce the

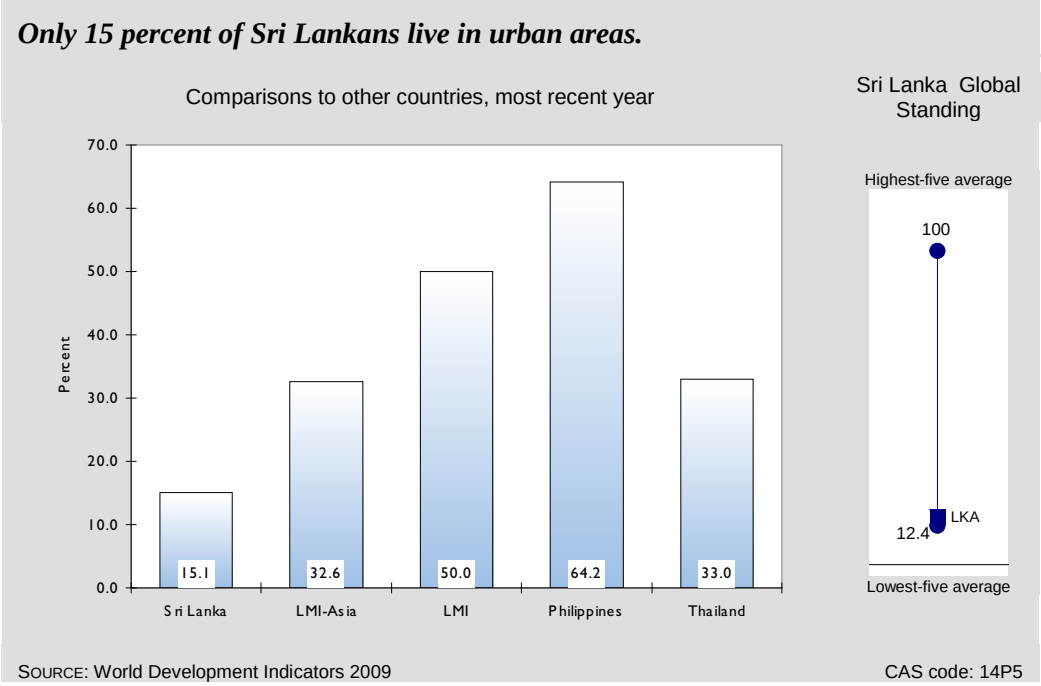
[12] Sri Lanka Central Bank, Statistical Appendix, April 2009, Table 49.

[13] 2008 data from the Department of Census and Statistics indicate a slightly higher youth dependency rate of 36.3 percent. The WDI figure is used here for benchmarking purposes.

household consumption burden for income earners and ease demand for public services, thereby favoring economic and human development. They also reduce the number of those entering the labor market. Coupled with appropriate labor market policies these trends favor faster growth and more youth employment. Also favorable is Sri Lanka's adult literacy rate of 91 percent (2006). This is in line with the expected value for a country with Sri Lanka's characteristics but below the LMI-Asia median and literacy rates in the Philippines (93.4 percent) and Thailand (94.1 percent).

Sri Lanka has a decidedly rural population; more than 85 percent live in rural areas (Figure 2-4). Rural density is also a high 1,823 persons per square kilometer of land, much higher than in the Philippines (553) and Thailand (300).[14] High rural density increases pressure on land and natural resources. In addition, competing claims on land by returning refugees and the current land cultivators can be a source of violent conflict. This could be an immediate problem in northern and eastern Sri Lanka where an estimated 280,000 (mostly Tamil) displaced persons are being housed in refugee camps.[15] Refugees must be resettled rapidly to restart economic growth in the north and ensure that the displaced are involved in rebuilding. The environmental and health conditions in refugee camps, such as Manik Farms, are below UN standards and the health and safety of refugees is threatened by insufficient supplies of water, overcrowding, and poor sanitation.

Figure 2-4
Population Living in Urban Areas



[14] World Development Indicators, 2008.

[15] Can Peace Succeed? www.asia-monitor.com, accessed 13 August 2009.

National environmental indicators for Sri Lanka, however, are positive in comparison to other countries in its income group. Sri Lanka scores well on the Environmental Performance Index (EPI), a broad gauge of environmental sustainability compiled by Yale and Columbia. Sri Lanka's score is 79.5 (on an ascending scale of 0 to 100), which is higher than the LMI-Asia median of 60.4 and LMI median of 64.8 and slightly above the Philippines' 77.9 and Thailand's 79.2.

Donor assistance will be critical to ensure the rapid resettlement of refugees displaced by the war. Donors can also support policies to diminish water pollution and increase access to potable ground water (see discussion under Health).

GENDER

Gender equity enables faster economic growth by ensuring that the productive capacities of all citizens can be developed and used to their full extent. Sri Lanka performs well on most basic indicators of gender equity, with the exception of labor force participation.

A fundamental gauge of gender equity in health conditions and living standards is life expectancy at birth. In Sri Lanka, average life expectancy in 2006 was 75.8 years for women, compared to 68.2 years for men. This 7.6 year difference in favor of women conforms to the international norm. In countries with an advanced level of human development, women live about five more years than men. In Thailand, the life expectancy for women is 74.7 years, and the gender gap is even wider at 9.1 years.

There is also a differential in favor of females in the gross enrollment ratio at all levels of schooling (primary through tertiary). In 2006, this rate was 69.9 percent for females and 67.5 for males. This gender differential of 2.4 percentage points is better than the Philippines' 3.8 percentage point differential and on par with Thailand.

As in many developing countries, a significant gender disparity exists in labor force participation. In 2007, 75.2 percent of working-age males and just 42.8 percent of working-age females were in the labor force. This 32.4 percentage point differential is higher than all benchmarks (Figure 2-5).[16] The unemployment rate among females in Sri Lanka (7.9 percent) was also higher than males (4.2 percent) in the first quarter of 2009—and this trend is even more pronounced in the central and northern regions.[17] This level of gender inequality in the labor markets seriously undermines the country's productive potential.

As women in Sri Lanka progress in educational achievement, policymakers would do well to focus on creating equitable opportunities for women in the workplace so that all Sri Lankans can fulfill their productive potential and contribute to national development.

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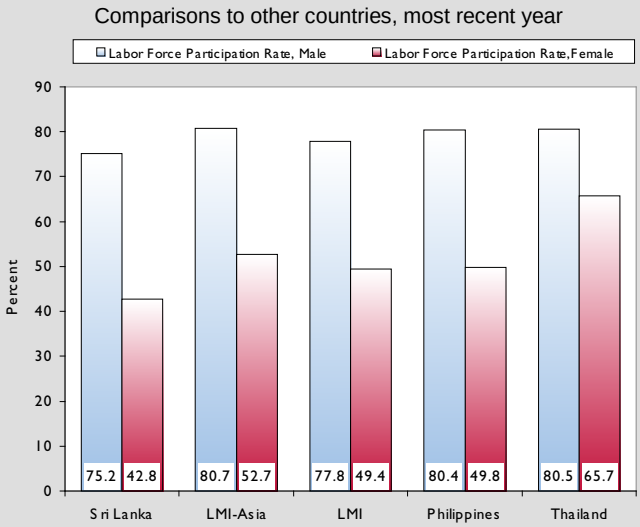
[16] Sri Lanka Department of Census statistics show slightly lower labor force participation rates for 2007 (68.2 percent males and 33.7 percent females) and 2008 (67.6 percent males and 35.0 percent females). The WDI statistics are used here for benchmarking purposes.

[17] Department of Census and Statistics. Quarterly Report of the Sri Lanka Labour Force, Q1 2009.

Figure 2-5
Labor Force Participation Rate

Gender inequality in the labor force reduces Sri Lanka's productive capacity.



SOURCE: World Development Indicators 2009 CAS code: 15P4

3. Private Sector Enabling Environment

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

FISCAL AND MONETARY POLICY

The sustainability of Sri Lanka's 5 percent to 6 percent growth rate is in question given the country's persistently high budget and trade deficits, as well as rising inflation. Significant macroeconomic imbalances came to a head in 2008 as inflation rose to more than 20 percent then peaked in June at 28.2 percent. Import prices for oil and food rose as a result of the 2008 global economic crisis, but domestic fiscal and monetary policies contributed heavily to inflation; neighboring countries experiencing similar supply side shocks had inflation rates half that of Sri Lanka's. The Philippines and Thailand had an inflation rate of 9.3 percent and 5.5 percent respectively, while the LMI-Asia median was 7 percent and the LMI region experienced an inflation rate of 8.3 percent (Figure 3-1).[18]

[18] The IMF and others have documented that external supply shocks were not the primary reason for Sri Lanka's high inflation rates.

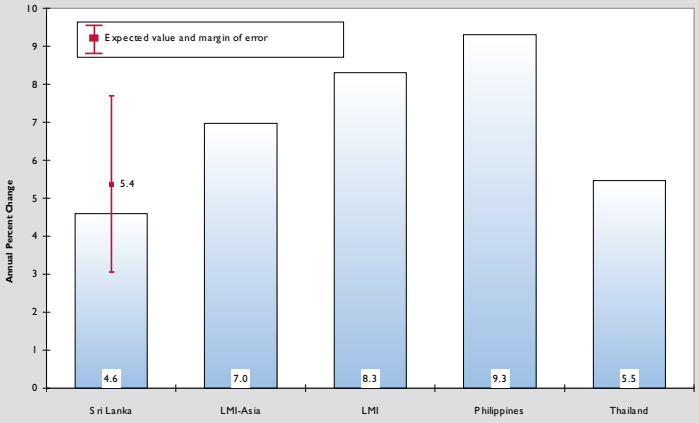
Figure 3-1
Inflation Rate

The inflation rate has fallen significantly after reaching double digit highs in 2008.

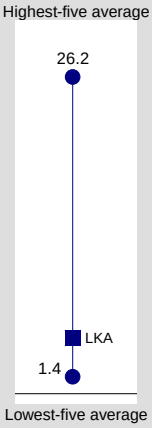
Time Series

Year	Value
2005	11.0
2006	10.0
2007	15.8
2008	22.6
2009	4.6
Summary for 2005-2009	
Five year average	12.8
Trend growth rate	-9.3

Comparisons to other countries, most recent year



Sri Lanka Global Standing
*excluding Zimbabwe



SOURCE: IMF Press release and World Economic Outlook database

CAS code: 21P4

An obvious culprit behind Sri Lanka's high inflation is the budget deficit, which has hovered around 7 percent of GDP (including grants) in recent years then shot up to 7.7 percent in 2008 to become one of the highest in the world. The severity of the imbalance is evident when one notes that the budget deficit in the Philippines was 0.9 percent of GDP while Thailand maintained a budget surplus of 0.8 percent in 2008.

The budget deficit is the result of low government revenues and high expenditures. Between 2006 and 2008 revenues averaged around 15 percent of GDP, roughly half of the amount predicted by the regression benchmark (32 percent of GDP), while expenditures were maintained at around 23 percent of GDP. In 2008, revenues declined significantly as the government reduced import tariffs on food and cut the value-added tax on gasoline in order to dampen the effects of the economic downturn.[19] In the final months of 2008 sharp drops in imports and exports reduced export and import taxes, thereby reducing overall government revenues.

The widening of the deficit was in large part due to the government's renewed commitment to fighting the LTTE in 2006. From 2006 to 2008, defense spending jumped 56 percent [20] and in

[19] However, in late 2008, it resorted to ad hoc cesses to raise additional revenue, and cess revenue now accounts for 4.3% of the total tax take, up from 1.4% in 2006. This development has made the tax system increasingly complex and the 2009 budget called for a presidential task force to plan a rationalization. Narhari Rao and Nimali Hasitha Witckremasinghe, "Sri Lanka" *Asian Development Bank, 2009 Outlook*.

[20] Data from Sri Lanka Central Bank, *Statistical Appendix*, 2008, data for 2008 are provisional. Table 100.

2008 military spending comprised 23 percent of all expenditures and 5 percent of GDP. Sri Lanka has a large army for a country its size with180,000 regular troops. It has also invested heavily in weapons systems.[21] The military defeated the LTTE in May 2009, but it is still in charge of supervising the 280,000 Tamils in refugee camps and defense expenditures are unlikely to be reduced in 2009 or 2010.

Other expenditures include various subsidies, particularly on fertilizer for the agriculture sector, which puts pressure on the budget as international prices for this input increase. Public sector salaries and wages are high, as is the cost of debt repayment. The costs of deficit financing are huge, with interest payments accounting for 28 percent of expenditures in 2008.[22]

With the recent end to the military conflict, the government should be able to focus on productive investments that improve the investment climate. Already there is great interest in infrastructure projects to reduce transportation costs. Sri Lanka may also benefit from grant funding that donors were unwilling to provide during the conflict.

The government's expansionary fiscal policy of the years before the global crisis cannot be sustained in the post-conflict period. The IMF loan has a target fiscal deficit of 5 percent of GDP by 2011 and increased domestic resource mobilization has to be a top priority. The government's 2009 budget proposes to set up a presidential task force to rationalize national tax policy; and it is hoped that tax collection will be improved by broadening the tax base, reducing exemptions, and increasing enforcement. Revenue collected from personal income, profits, and capital gains as a percent of total revenue is significantly lower than comparator countries at 19.3 percent, while high import duties and export taxes generated 15 percent of revenue. Trade taxes as a percent of all taxes in Sri Lanka are much higher than in Thailand (5.5 percent) but lower than in the Philippines (average 20 percent).

Monetary Policy

To finance the deficit the government has been borrowing from the Central Bank of Sri Lanka (CBSL) and commercial banks, and more recently from foreign commercial sources (see discussion of External Sector below). The CBSL has been a "buyer of last resort" for the government, purchasing unsold Treasury bills below market rates to finance government borrowing. The resulting increases in the money supply have contributed significantly to the high inflation rates of the past few years. The sharp spike in inflation in June 2008, however, was caused primarily by the rise in world oil prices. Plummeting oil prices in the last quarter of 2008, along with tightened monetary policy, led to a decline in domestic prices.[23] The 2009 inflation rate is estimated to be 4.6 percent, falling from an annual average of 22.6 percent in 2008.

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21 "Sri Lanka faces demons beyond the war; Army burden stunts economy", theage.com.au, author: Matt Wade, January 24, 2009. Source: http://www.theage.com.au/world/sri-lanka-faces-demons-beyond-the-war-20090123-7onw.html?page=-1

22 Sri Lanka Central Bank Statistical Appendix. Table 100.

23 The CBSL lowered reserve money growth targets three times in 2008, from 14.7 percent to 9.7 percent. Asian Development Bank, Sri Lanka 2009 Outlook.

As the global recession set in at the beginning of 2009, the CBSL once again began relaxing monetary policy by lowering interest rates. In January 2009 it lowered the penal rate, which it uses when lending to commercial banks who need extra funds to balance their level of cash reserves, by 200 basis points to 17 percent,[24] and in June reduced the repurchase rate to 8.5 percent and reverse repurchase rate to 11 percent, after having frozen both for the previous 22 months. The shift in monetary policy to a growth orientation seems justified given the depth of the global recession, the declining trend in global and domestic inflation, and the need to replace falling income from exports with domestic economic activity.

Commercial banks had raised nominal interest rates in 2008 in response to high inflation and although prices have come down, real interest rates have been high for much of 2009 (the interest rate on Treasury Bills has been 18 percent), making it even harder for the private sector, already suffering from declining sales, to get new credit.[25]

Whether the CBSL will reduce rates even further remains to be seen, as lower rates may have negative implications for the exchange rate and cause further depreciation of the currency. A lower value of the rupee would make it difficult for the government to pay back debt denominated in dollars. Years of borrowing to be able to spend more than what was collected have left the government with little room to maneuver as it tries to restore macroeconomic stability.

BUSINESS ENVIRONMENT

Institutional barriers to doing business, including corruption in government, are critical determinants of private sector development and prospects for sustainable growth. The legal, regulatory, and institutional underpinnings of the economy are crucial determinants of both private sector and broader economic growth. Institutional inefficiencies or barriers, including government corruption, stymie economic development.

In the World Bank's *Doing Business 2009* report (which uses 2008 data), Sri Lanka is ranked 102 overall, making it the leading reformer for business regulation in South Asia. This composite index features several performance measures, including number of procedures for starting a business, registering property, and enforcing contracts. While on these and other measures Sri Lanka falls within international norms and has relatively good standing in South Asia, it would do well to improve its business environment.

For example, it takes 1,318 days to enforce a contract in Sri Lanka, which compares poorly with the expected value (652 days) and the LMI-Asia median (591 days), and the time it takes in Thailand (479 days) and the Philippines (842 days). And even though Sri Lanka is a booming transshipment hub for India, it ranks 66 out of 81 countries on trading across borders, which

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[24] Lanka Business Online, Rate Cut (January 12, 2009) Source: http://www.lankabusinessonline.com/fullstory.php?nid=1633856703 Accessed August 31, 2009

[25] Global Insight, Monetary Easing Cycle Extended in Sri Lanka. June 16, 2009. The press release by the SLCB in January 2009 indicates that it feels less risk of inflation and expects banks to lower their interest rates for lending.

gauges time and costs associated with importing and exporting. Meanwhile, the Philippines is ranked at 58 and Thailand at 10. Sri Lanka's rank is consistent with observations that trade protectionism—additional import taxes, customs delays, and extra charges—is on the rise.[26]

In other areas measured by the Doing Business Indicators, including those directly relevant to foreign direct investment, Sri Lanka's performance is mixed in relation to comparators. On average, it takes 83 days to register property in Sri Lanka compared to 50 days in LMI-Asia, only 33 days in the Philippines, and a mere 2 days in Thailand. On investment protection measures Sri Lanka (70) performs better than the Philippines (126), but not nearly as well as Thailand (11). The protecting investors index measures the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain along three dimensions: transparency and extent of disclosure, liability for director self-dealing, and shareholders' ability to sue officers and directors for misconduct. On the employing workers index, which measures the costs of hiring and firing workers and the rigidity of working hours, Sri Lanka (110) performs better than the Philippines (126), but far worse than Thailand (56).

Corruption and governance continue to be problems. Over the past three years Sri Lanka's score on Transparency International's Corruption Perceptions Index has averaged 3.16. Scores below 5 indicate a serious corruption problem in the public sector, while a score of 3 verges on rampant corruption. In 2008, Sri Lanka (3.2) falls in between Thailand (3.5) and the Philippines (2.3).

Sri Lanka's scores on the World Bank's Rule of Law and Regulatory Quality indices also point to serious governance problems. Both indices score performance on a scale of -2.5 to +2.5, with a mean of 0. Sri Lanka's rule of law score deteriorated from 0.04 in 2007 to -0.01 in 2008. This contrasts favorably, however, with the Philippines (-0.49 in 2008) and LMI-Asia (-0.43) and Thailand (-0.3) (See Figure 3-2). According to the International Bar Association, executive discretion over judicial appointments makes the judiciary vulnerable to executive interference and jeopardizes its independence. The failure of the Government of Sri Lanka to re-establish the Constitutional Council has eroded public confidence in its commitment to independent institutions and the rule of law.[27]

Sri Lanka's regulatory quality score fell from -0.10 in 2006 to -0.28 in 2008, which compares unfavorably with the Philippines' score (-0.05) and Thailand's (0.26) (Figure 3-3). Sri Lanka's score reflects the fact that its somewhat confusing and opaque regulatory system raises the cost of doing business.

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[26] Sally, Razeen, Sri Lanka at the Crossroads, *Far Eastern Economic Review*, July/August 2009, p. 34.

[27] Justice in Retreat, International Bar Association Human Rights Institute Report, May 2009.

Figure 3-2
Rule of Law Index

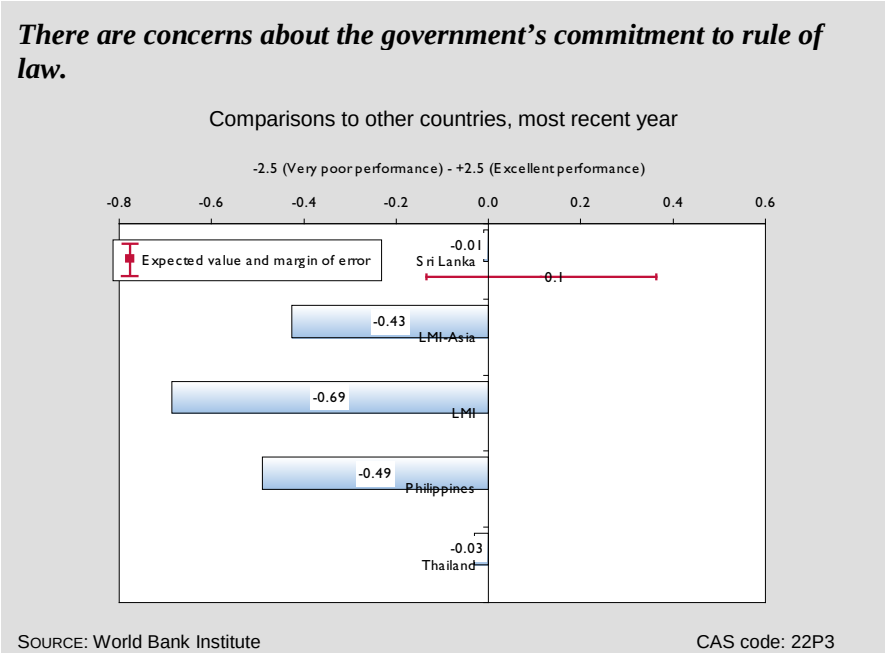
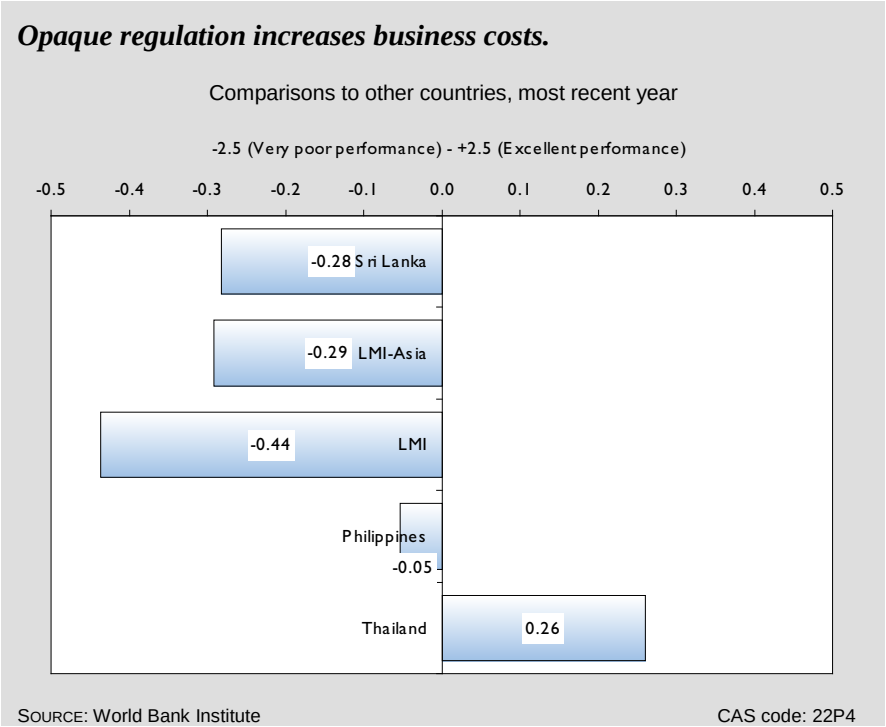


Figure 3-3
Regulatory Quality Index



Now that the civil conflict has ended, more attention needs to be paid to regional differences in the institutional environment for doing business. Donors should promote legal and regulatory

systems that make it easier to establish and operate small and medium-sized businesses, especially in the impoverished north and east. Since the World Bank Office in Sri Lanka reports that rural entrepreneurs mentioned that laws and regulations are sometimes improperly implemented, special efforts should be made to collect subnational business indicators to guide and report on donor-supported reforms in disadvantaged regions.[28]

FINANCIAL SECTOR

A sound and efficient financial sector is a key to mobilizing saving, fostering productive investment, and improving risk management. State-owned institutions dominate Sri Lanka's financial system. State banks hold nearly half of banking assets and nearly a quarter of financial sector assets. Government debt represents the largest single exposure of the financial system, accounting for approximately a quarter of bank assets (loans and investments) and more than 90 percent of investments of the pension and insurance institutions.[29]

Banks are the leading part of Sri Lanka's financial sector; their assets are approximately two-thirds of financial sector assets. The two largest commercial banks are state-owned. In addition to other commercial banks are many finance companies and leasing companies. The Employee Provident Fund, comprising nearly 15 percent of financial sector assets and managed by the Central Bank of Sri Lanka, dominates the pensions sector. The vast majority of pension fund assets are held as government debt. Insurance is relatively underdeveloped in Sri Lanka; premiums are a mere 1.5 percent of GDP.

Sri Lanka's financial system is relatively underdeveloped compared to other lower middle-income countries. For example, its ratio of broad money (currency plus bank deposits) to GDP declined from 37.9 percent in 2006 to 34.6 percent in 2008. By this measure, monetary deepening in Sri Lanka is below the expected value (59.7 percent) and the LMI-Asia median (45.4 percent) and less than in the Philippines (52.9 percent) and considerably less than in Thailand (99.7 percent) (2007).

Growth in domestic credit to the private sector has also decelerating, going from 34 percent in 2006 to 28.9 percent in 2008. On this measure Sri Lanka underperforms compared to its expected value (39.4 percent), LMI-Asia (30.5 percent), and Thailand (92.4 percent) (2007), but is on par with the Philippines (28.8 percent) (Figure 3-4). This decline is attributable to high real interest rates that resulted from tighter monetary policy in 2008 and bank lending for deficit financing and government-owned corporations that crowds out lending for private businesses. And as global demand contracted in late 2008 and into 2009, so did demand for many of Sri Lanka's exports and tourism as well as private demand for credit as businesses saw orders fall and became reluctant to undertake new investments.

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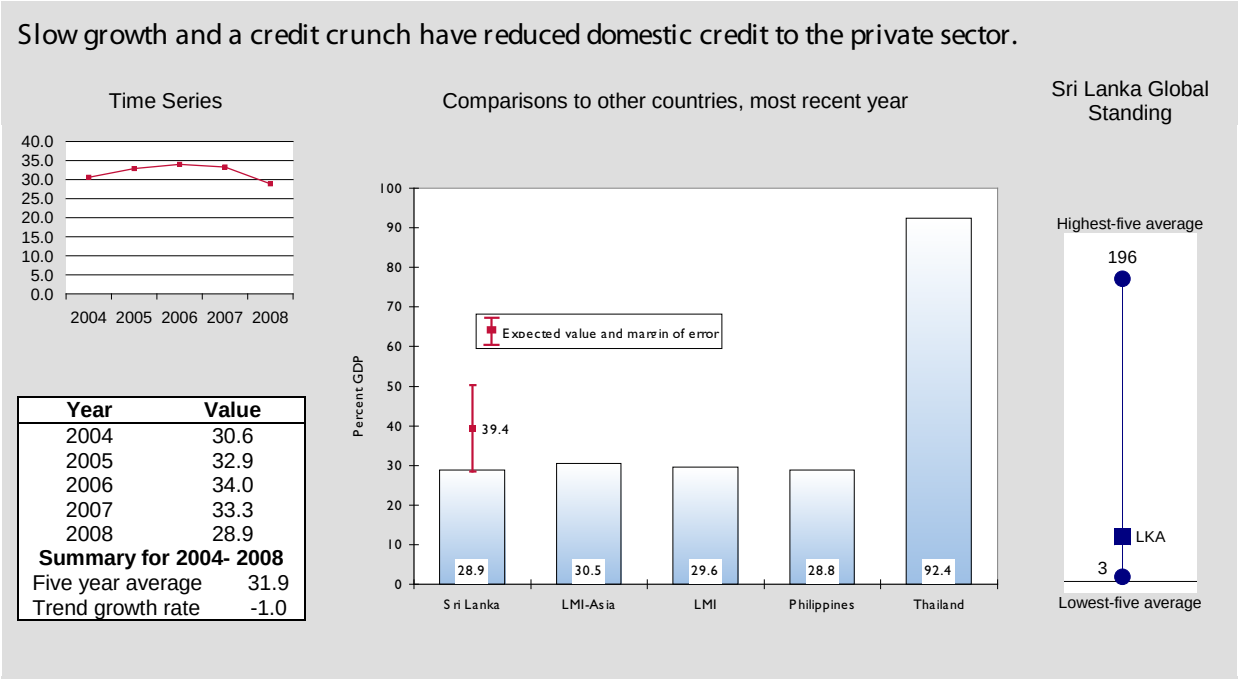
[28] World Bank Sri Lank Office Website, Governance in Sri Lanka, 2009.

[29] International Monetary Fund, Sri Lanka Financial System Stability Assessment Update, November 2007, p. 10.

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



SOURCE: IMF International Financial Statistics and World Development Indicators 2009 CAS code: 23P1

Commercial banks raised nominal interest rates on loans and deposits in the high inflation environment of 2008. With inflation in 2009 under control at 4 percent to 6 percent, banks should start reducing interest rates, although this will take some time as term deposits and CDs offering higher rates last year are still on the books. Real interest rates, which were negative for most of 2008, became positive in 2009 and are currently high.

Other credit services in addition to bank credit include leasing. Under a leasing arrangement, a lessee may make a prepayment and then enter into a pay-as-you go agreement, thereby reducing the burden of paying the entire amount for the use of a good or service upfront. Leasing arrangements can be very promising for small and medium-sized businesses that usually cannot borrow from commercial banks. Donors who are helping to develop such financial services should continue to do so and explore other means for making credit available to rural and small investors.

Stock market capitalization is another indicator of financial development. In 2007, Sri Lanka's ratio of stock market capitalization to GDP was 23.4 percent, above the expected value (8.9 percent), but significantly below the LMI-Asia median ratio (44 percent) and ratios in the Philippines (71.7 percent) and Thailand (79.9 percent). Like stock markets worldwide, Sri Lanka's was increasingly volatile in 2008 and 2009. By August 2009, however, the Colombo All Share Index had nearly returned to its 2007 pre-crisis level, no doubt a reaction in large part to the positive news of the end of conflict.

EXTERNAL SECTOR

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

International Trade and Current Account Balance

Three decades after discarding the closed-economy model of development, Sri Lanka is still much less active in trade than many similar countries. In 2008, trade flows equaled 64.7 percent of GDP. This is well below the normal range for a country with Sri Lanka's characteristics as estimated by the regression benchmark of 119.6 percent. It is also far lower than the figures for Thailand (139 percent) and the Philippines (84.8 percent).

The World Bank's *Doing Business in 2009* ranked Sri Lanka 66 among 181 countries for ease of trading across borders, a big improvement from previous years when Sri Lanka was closer to 100, although still behind comparator countries (see Business Environment section).

The country has performed moderately well in export growth, which averaged 8.7 percent between 2006-2008, but high export concentration in tea, garments, and rubber comprise make it particularly vulnerable to the global economic crisis. Thus, the trade deficit grew by 61 percent in 2008 to US$5.9 billion and the current account deficit more than doubled to 9.4 percent of GDP from 4.2 percent of GDP in 2007 (see Figure 3-5). The current account deficit was much higher than regional averages and the comparator countries: the LMI-Asia median amounted to a surplus of 0.2 percent of GDP and the LMI median had a deficit of 3.1 percent, while the Philippines had a surplus of 1.0 percent and Thailand a deficit of 0.1 percent.

Export growth declined from 10.7 percent in 2007 to 7.7 percent in 2008 as sales fell in the United States and EU, the main markets for Sri Lankan exports. Growth in apparel exports, for example, slowed from an estimated 7 percent in 2007 to 5 percent in 2008.[30] On a positive note, the Generalized System of Preferences for apparel as well as concessions from the European Union (EU) were conditionally extended for three years. Employing more than one million people and accounting for more than 50 percent of export earnings, the labor-intensive apparel industry is very important to Sri Lanka.[31]

Sri Lanka is one of world largest tea producers and tea exports are Sri Lanka's third largest source of foreign exchange. Earnings from this subsector exceeded $1 billion for the first time in 2007. Demand for tea remained strong in 2008 despite the recession, indicating a relatively

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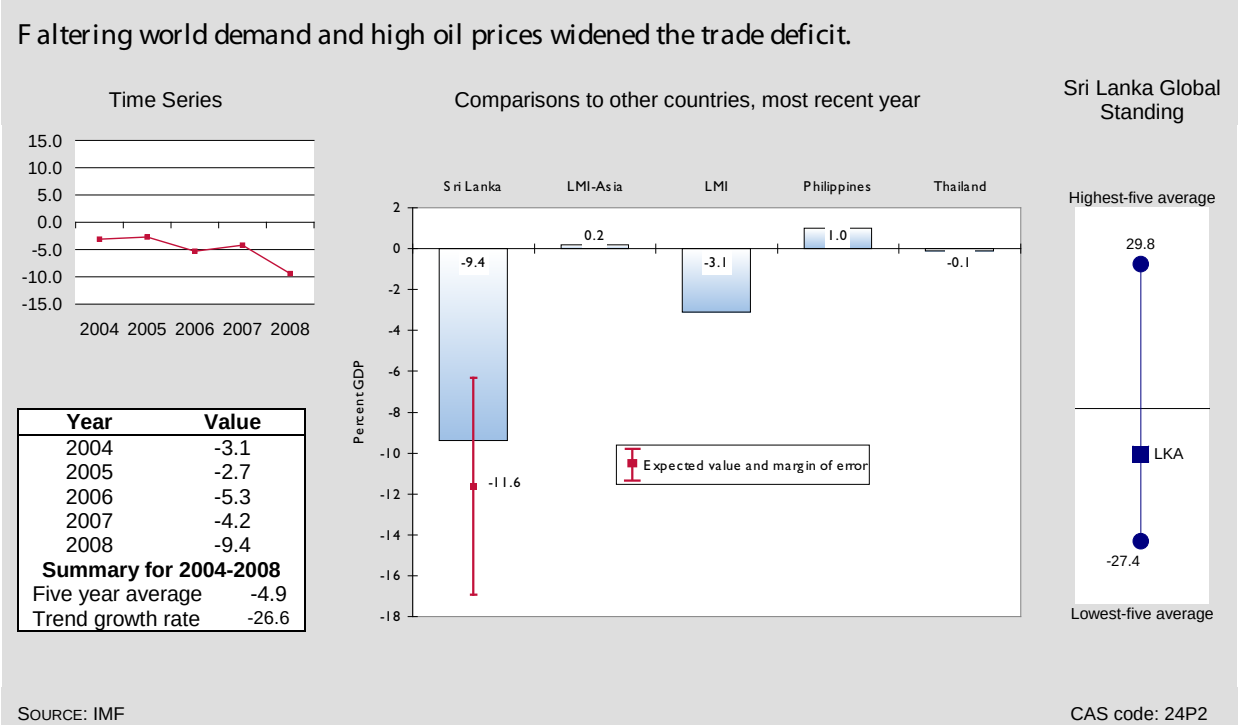
[30] Asian Development Bank, "Sri Lanka" 2009 Outlook.

[31] Sally, Razeen, "Sri Lanka at the Crossroads," *Far Eastern Economic Review*, July/August 2009.

inelastic demand for this product. Unfortunately, falling domestic production resulted in falling export revenues in the first half of 2009.

Figure 3-5
Current Account Balance, percent GDP



Year	Value
2004	-3.1
2005	-2.7
2006	-5.3
2007	-4.2
2008	-9.4
Summary for 2004-2008	
Five year average	-4.9
Trend growth rate	-26.6

SOURCE: IMF

CAS code: 24P2

Tourism is the country's fourth largest source of foreign exchange earnings and, according to the World Travel and Tourism Council, employs about 374,000 people. Tourist arrivals for 2008—about 438,475—declined by 11.2 percent from 2007. The global recession may limit the number of Western tourists arriving in Sri Lanka for the next couple of years, but more could arrive from India and the Middle East. The government, in fact, seems to be targeting these growing economies, as well as China, for their tourism potential.[32]

The value of Sri Lanka's imports increased in 2008, largely as a result of the higher import prices for oil, but also because of increased imports of fertilizer and food. Growth of trade in services also slowed from 14.2 percent in 2007 to 13.3 percent in 2008, contributing to the overall trade deficit.

Given falling fuel prices, import growth should slow and the trade deficit should decline significantly in 2009. International tea prices have risen recently to near the peak levels of last

[32] Business Monitor International, *Sri Lanka Tourism Report, Q1 2009: Including 5-year industry forecasts* (March 2009). The report mentions that Sri Lankan Airlines now has Chinese-speaking personnel on each flight to Beijing, as well as Chinese-speaking ground staff to help passengers in transit to Bandaranaike International Airport. And in January 2009, Sri Lanka signed an MOU with the government of Gujarat province in India to promote tourism.

year's commodity boom. In addition, remittances have risen steadily from US$1.56 billion in 2004 to US$2.9 billion in 2008[33] as the diaspora in the Middle East faithfully send earnings back to families in Sri Lanka. Remittances for the first six months of 2009 were up slightly from the same period last year, from US$1.50 billion to US$1.58 billion, and this will help to offset the deficit in the trade account.

How much rebound there will be in current account balance for 2009 remains to be seen. Estimates range from 4 percent to 5 percent of GDP to the government's much more optimistic estimate of 2.7 percent.

Foreign Investment, External Assistance, and International Reserves

Foreign direct investment (FDI) can boost productivity and growth by transferring technology, developing human capital, and enhancing competition. The flow of FDI into Sri Lanka has been growing slowly but steadily and reached nearly 2 percent of GDP in 2008. Since the opening up of the economy in the1970s, the government has established export processing zones and offered incentives offered to attract FDI for industrial development. The government has also granted tax exemptions to attract foreign investors, but began rationalizing exemptions in 2008 in order to recover revenue. Outside of the export processing zones, foreign investment is either partially or wholly restricted in many of Sri Lanka's sectors.[34]

While foreign investment as percent of GDP remains low compared to Thailand (3.9 percent), it was almost at par with the Philippines (2 percent) in 2008. Now that the "war on terror" has ended for Sri Lanka, foreign investors are very optimistic about growth prospects and private investment is starting to flow in, especially as opportunities for rebuilding open up in the north and east. In just May 2009 alone, US$123 million in foreign reserves entered the country as a result of the ending of the long-running conflict. Calamander Group Pte, an investment firm based in Singapore, announced in June that it will create the first private equity fund focused on Sri Lanka. Calamander plans to invest between $US50–US$70 million in the island nation's rubber, tea, timber, and other businesses in the next year and a half.[35]

External Borrowing

Sri Lanka's total external debt of US$15.1 billion and was 37 percent of GDP in 2008. The ratio of external debt service to export earnings has been increasing in recent years, from 7.9 percent in 2005 to an estimated 15 percent in 2008.[36] Sri Lanka has been turning increasingly to foreign commercial borrowing to finance its budget deficit, the share of which, in total foreign debt, rose

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[33] Sri Lanka Central Bank Statistical Appendix. Note that the 2008 figure was provisional in this document.

[34] Business Monitor International, *Sri Lanka Tourism Report, Q1 2009: Including 5-year industry forecasts* (March 2009).

[35] Asia Monitor, 2009 Growth Forecast Still on Track: Sri Lanka Economic Outlook, August 2009 source: www.asia-monitor.com.

[36] Sri Lanka Central Bank Statistical Appendix. Table 4.

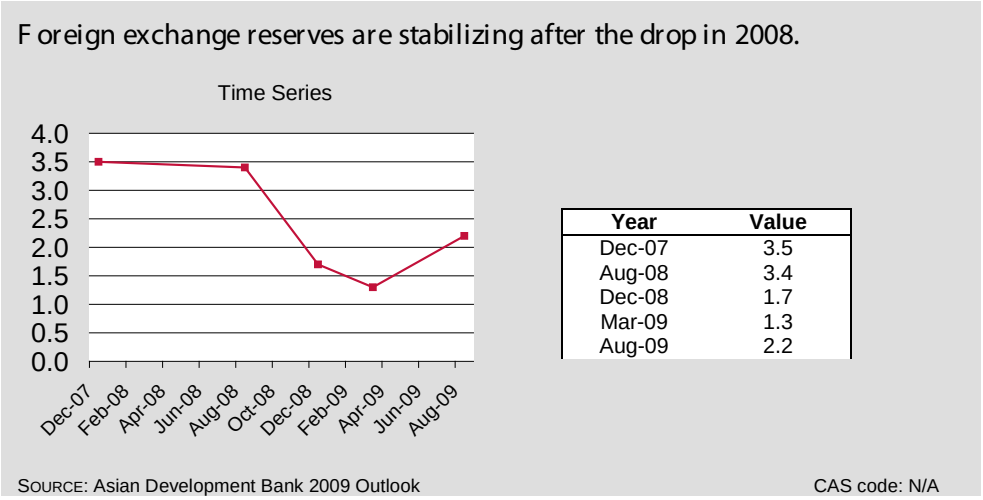
from 5 percent in 2003 to 13 percent in 2007.[37] The country floated its first sovereign bond in 2007, a US$500 million five-year issue with a high interest rate (8.25 percent). But with the onset of the global financial crisis in late 2008, foreign investors who had bought Sri Lankan debt sold off rupee-denominated securities, causing a balance of payments crisis in the country. Given renewed confidence in the country since the defeat of the LTTE, the government is considering issuing another sovereign bond, with the hope of obtaining a lower rate of interest.

Exchange Rate and International Reserves

The CBSL has been maintaining a managed float of the rupee and responded to the sudden withdrawal of foreign monies by intervening heavily in the foreign exchange market to keep the rupee from depreciating further against the U.S. dollar. This nearly resulted in a financial crisis as Sri Lanka's foreign exchange reserves plunged by US$800 million, more than 30 percent, between August and November 2008. The reserves stood at $1.7 billion in November 2008—equivalent to 1.5 months of imports, down from $3.4 billion in early August.

With the ending of the conflict and external monies flowing in, foreign exchange reserves have been built back up and were at US$2.2 billion in August 2009. The IMF loan will also be used primarily for stabilizing the balance of payments.

Figure 3-6
Foreign Exchange Reserves, $US billions



The CBSL's intervention to prevent depreciation—it had targeted a goal of 108 rupees to the U.S. dollar—was untenable because of the shortage of foreign reserves and the currency has been depreciating in 2009. In August, the rate was about 114 rupees to the U.S. dollar. If interest rates continue to decline, the nominal exchange rate may drop further.[38]

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[37] Asian Development Bank, "Sri Lanka" 2009 Outlook.

[38] The IMF package is predicting an exchange rate of $118/US$1 by 2010.

In 2008 the Sri Lankan rupee depreciated less than inflation accelerated, resulting in a real appreciation of the exchange rate. But starting in 2009 the rupee depreciated more than inflation rose, resulting in a real depreciation of the exchange rate. Export producers and those who produce goods in competition with imports have benefited, while importers and sectors with a high import content have suffered.

ECONOMIC INFRASTRUCTURE

Reliable physical infrastructure—for transportation, communications, power, and information technology—is necessary to improve competitiveness and expand productive capacity. Sri Lanka's poor quality of infrastructure is a serious deterrent to investment. The WEF compiles an annual index of infrastructure based on a survey of executive opinion in each country. For 2008, Sri Lanka received a rating of 3.8 on a scale of 1 (poor) to 7 (excellent), which is an increase from the 2007 rating of 3.3. This rating is above the global LMI and LMI-Asia medians of 3.0, but the lags well behind Thailand (4.8).

Transportation infrastructure is crucial for domestic and international trade. Sri Lanka's rail system, which once dominated transportation, has suffered from inadequate maintenance and two decades of conflict. Poor track condition, outdated signaling and communications systems, and an insufficient number of locomotives have all led to significant delays in train schedules and even to derailments. As a result, the highly congested national roads are now the primary means of moving commercial goods and the general public.

In 2006, approximately 81 percent of Sri Lanka's 91,907 kilometers road network was paved.[39] A major constraint on economic activities and development outside the Colombo Metropolitan area, however, is the poor condition of the inadequately maintained pavement. Through its Road Sector Assistance Project, the World Bank will be providing a US$100 million credit to the Sri Lankan government to improve roads. The project covers a network of 630 km of national roads.[40] Many roads linking the northeast to the rest of the country were closed for years during the conflict and have recently been reopened for public use. Rehabilitation of roads and infrastructure in the north will be a first step in rebuilding.

Electric power is also critical to manufacturing and commerce for the domestic market and for export. On the WEF index of electricity infrastructure quality, Sri Lanka's rating of 4.6 is below Thailand's rating of 5.5, but in line with the expected value of 4.5 and exceeds the LMI-Asia median of 3.8. Still, according to a 2004 Investment Climate Assessment (ICA) by the Asia Development Bank and the World Bank, the high cost and erratic quality of electricity in Sri Lanka is the top constraint on urban manufacturing there.

Information and communication infrastructure are now just as important as traditional infrastructure and electricity grids. Several indicators show that Sri Lanka lags behind its comparators in such infrastructure. Only 5.7 people per 100 were internet users in 2008, fewer than the global LMI median (8.6) and than in the Philippines (6) and Thailand (20) (Figure 3-7).

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[39] World Bank. Sri Lanka: Transport at a Glance, 2007.

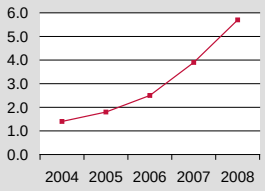
[40] World Bank. Sri Lanka: Road Sector Assistance Project.

Telephone density appears to be rising rapidly, going from 16.5 fixed and mobile telephones per 100 people in 2005 to 72.4 in 2008. As this is a worldwide phenomenon, the Philippines and Thailand outperform Sri Lanka with 79.7 line and 89.6 lines per 100 people.[41]

Figure 3-7
Internet Users, per 100 people

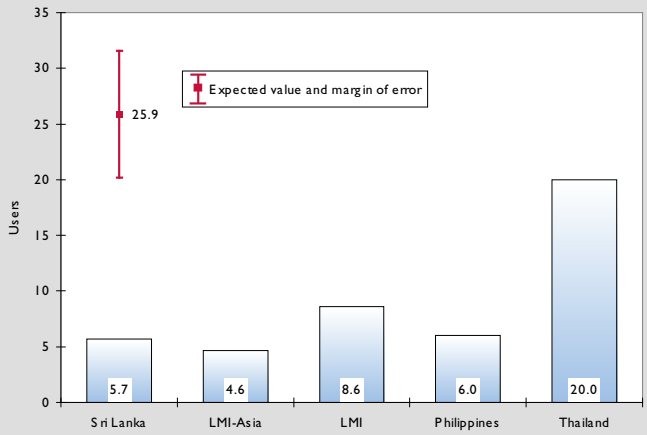
Internet users are increasing consistently but remain below benchmarks and expected value.

Time Series

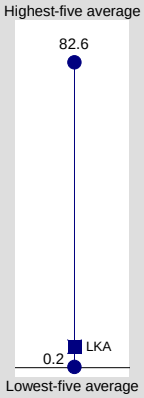


Year	Value
2004	1.4
2005	1.8
2006	2.5
2007	3.9
2008	5.7
Summary for 2004-2008	
Five year average	3.1
Trend growth rate	35.8

Comparisons to other countries, most recent year



Sri Lanka Global Standing



SOURCE: International Telecommunications Union

CAS code: 25P1

Low quality infrastructure in Sri Lanka deters investment, undermines the competitiveness of existing businesses, retards job creation, and generally impedes growth, particularly outside the Western Province. Donor assistance for the establishment of public-private partnerships and to encourage private sector participation in upgrading physical infrastructure, especially electricity and transport, can be a catalyst for rapid growth and help reduce regional imbalances.

SCIENCE AND TECHNOLOGY

Science and technology are vital to a dynamic business environment and are a driving force behind productivity and competitiveness. Even for LMI countries such as Sri Lanka, transformational development depends on acquiring and adapting technology from the global economy. Lack of capacity to access and use technology prevents an economy from benefiting from globalization.

Unfortunately, very few international indicators can be used to judge performance in this area for low- and lower-middle-income countries. From the limited information that is available, it appears that science and technology capability in Sri Lanka is above average for its level of development. For example, the annual WEF survey of executive perceptions of country

[41] International Telecommunications Union.

competitiveness includes a rating for the availability of scientists and engineers. For 2008, Sri Lanka received a score of 4.9 (on an ascending scale of 1 to 7), better than all comparators and above the expected value of 3.2. Moreover, Sri Lanka's score is consistently improving.

Another indicator is the WEF's index of FDI Technology Transfer, which gauges the degree to which FDI brings new technology into an economy. Sri Lanka's score of 5.1 (on the same ascending scale of 1 to 7) is above the expected value of 4.1 for a country with Sri Lanka's characteristics and on par with comparator economies the Philippines, Thailand, and the LMI-Asia median score.

Progress in science and technology is also influenced by intellectual property rights (IPR); weak protection of intellectual property can discourage investment involving innovative or proprietary technologies. Sri Lanka's score of 3.7 on the WEF's IPR index is just below Thailand's score of 3.9. Sri Lanka's performance on this indicator has also shown consistent improvement since 2006.

Investing in science and technology education linked to productive employment is one of the best ways to drive growth. Donors would do well to assist with workforce development and IPR reform.

4. Pro-Poor Growth Environment

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

HEALTH

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

Life expectancy at birth is commonly regarded as the best overall indicator of the health of a population. By this measure Sri Lanka's health system is performing well. In 2007 life expectancy was 72.4 years, significantly above the LMI-Asia median (66.5) and the LMI median (69.2) and even above life expectancy in the Philippines (71.7) and Thailand (70.6).

Sri Lanka also fares well on other health indicators, such as maternal mortality. In 2005, its maternal mortality rate was an estimated 58 maternal deaths per 100,000 live births, which is less than half of all benchmarks.[42] The rate is low as 98.5 percent of births (2007) are attended by a skilled health professional, on par with Thailand's 97 percent (2006) and much higher than the Philippines (only 60 percent in 2003).

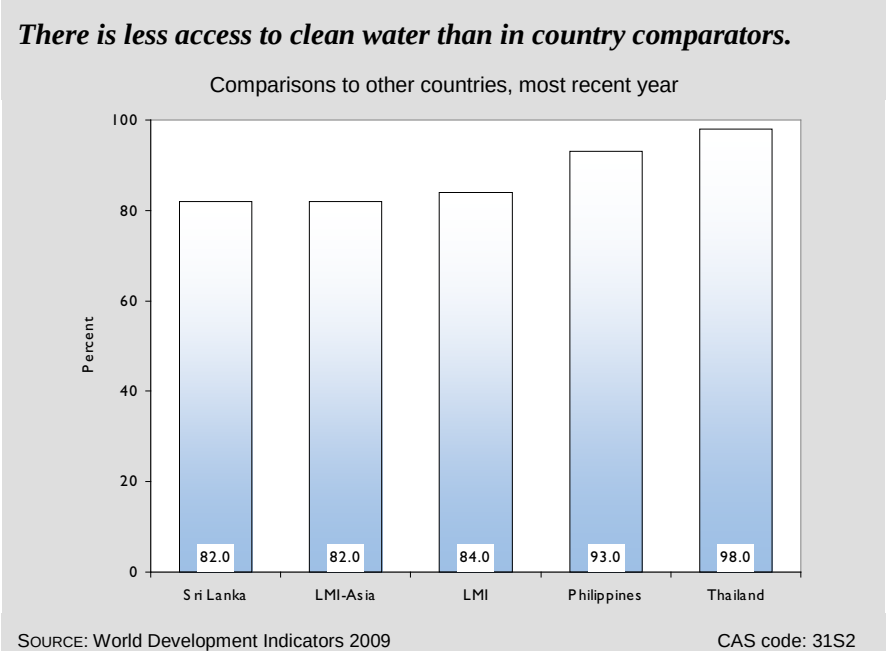
In several critical areas, however, there are deficiencies. For example, the child malnutrition rate in Sri Lanka was estimated at 21.6 percent in 2006/07. Although this shows improvement from

[42] 2003 data from the MDG Indicator of Sri Lanka Report, lists a rate of 19.7 percent. The 2005 WDI figure was used in the text for benchmarking purposes.

29.4 percent in 2000, it is significantly higher than in Thailand (7.0).[43] Children living on estates suffer the highest level of malnutrition (29.7 percent), compared to living in rural areas (21.7 percent) or urban areas (16.6 percent).[44] This basic deficiency raises serious concerns about long-term growth prospects, because child malnutrition today can impair the health and productivity of the next generation of workers. Statistics indicate that half of Sri Lankans lacks adequate dietary energy consumption (see discussion of Poverty and Inequality in section 2).

Access to clean water is another serious concern. In 2006 only 82 percent of the population in Sri Lanka had access to an improved water source, compared to 93 percent in the Philippines and 98 percent in Thailand (Figure 4-1). And 57.8 percent of Sri Lankans in estate households lack access to clean water. Access to improved sanitation is better. An estimated 86 percent of the population had access to improved sanitation in 2006— exceeding the expected value of 85.8 percent and just slightly less than in Thailand (96.0 percent).

Figure 4-1
Access to Improved Water



These health problems are clearly associated with the poverty and inequality discussed earlier. Government resources devoted to health have fallen in recent years, from 2 percent of GDP in 2006 to 1.7 percent in 2008. This is somewhat better than in the Philippines (1.3 percent), but significantly less than the LMI-median (2.6 percent) and Thailand and LMI-Asia (2.3 percent). More government and donor support will be required to reduce regional disparities on health indicators and should be understood as an essential investment in human capital.

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[43] Current data for other comparators were not available.

[44] MDG Indicators for Sri Lanka, 2008, 22.

EDUCATION

Investment in education is another cornerstone of economic growth and development. In addition, universal access to education can diminish grievances by reducing historic inequalities and fostering economic opportunity. Sri Lanka's strong commitment to education is evident in its high net primary school enrollment rate of 97.5 percent (2006/07). This is well above the expected value of 93.2 percent and outperforms all comparators. Regional disparities are also low, with net primary school enrollment rates in all provinces between 96 and 99 percent.[45]

The primary completion rate, however, was just 88.2 percent in 2006/07, lower than the rate in the Philippines (94 percent) and the global LMI-median (95.3 percent). The completion rate among estate households was 69.5 percent, well below rates for urban (87 percent) and rural households (89 percent). This high dropout rate for estate households is symptomatic of the poverty in this segment of the population.

Education *quality* is difficult to measure. At the primary level, a crude but common proxy is the pupil–teacher ratio, with fewer students per teacher being preferable. In 2006, there were 25.3 students per teacher in Sri Lanka, which is better than regional and income-group benchmarks as well as the ratio in the Philippines (34.6) but higher than in Thailand (17.7).

The country's educational performance has been achieved with a very little state expenditure on primary education. In 2006 (latest year available) spending on primary education amounted to just 0.7 percent of GDP, compared to the Philippines (1.5 percent) and Thailand (1.3 percent). More investment is needed to maintain enrollment rates and raise the retention rate. Doing so will expand economic opportunities for economic growth and poverty reduction.

EMPLOYMENT AND WORKFORCE

Between 2006 and 2008, Sri Lanka's labor force grew at an average rate of more than 2.2 percent compared to a population growth rate of 1.0 percent. About 9 million people were active in the labor force in 2008, with an overall labor force participation rate of 58.6 percent. While this has increased considerably since 2004 when it was 48.6 percent, it is still lower than the LMI-Asia median of 64.7 percent and the LMI median of 63 percent. Labor force participation rates are also higher in the Philippines (65.1 percent) and Thailand (72.8 percent).

The country has a well-educated and relatively cheap labor force. Sri Lankan workers are the most educated in South Asia: 90 percent can read and write and about 10 percent have received tertiary education.[46]

Sri Lanka's official unemployment rate in 2008 was 5.2 percent, although the official data exclude the northern and eastern provinces. Unemployment was much higher among females (8

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[45] MDG Indicators of Sri Lanka, 2008, 84. Data exclude Northern Province and Trincomalee district in the Eastern province.

[46] Business Monitor International, *Sri Lanka Tourism Report, Q1 2009: Including 5-year industry forecasts* (March 2009).

percent) than males (3.6 percent).[47] The labor market is fairly rigid. According to the *Doing Business 2009*, the cost of firing a redundant worker measured in weeks is equivalent to 3.25 years, much higher than in the Philippines (1.75 years) and Thailand (1 year). Dealing with these rigidities is very difficult, however, given the political clout of Sri Lanka's numerous labor unions.

The country has a huge public sector, with about 1.25 million people—or nearly 14 percent of the workforce—holding government jobs. New opportunities in the private sector that accompany rising private investment, foreign and domestic, should reduce the burden on state employment.

AGRICULTURE

With 31.3 percent of the labor force generating 13.4 percent of value added in Sri Lanka, labor productivity in agriculture is low compared to manufacturing or services. In 2008, value added per worker in agriculture was US$705 in constant 2000 prices—more than the LMI-Asia median (US$595) and value added in Thailand (US$615)—but less than in the Philippines (US$1,097).

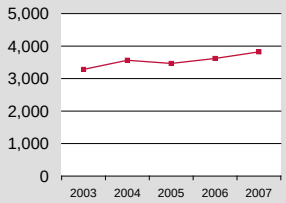
Performance on average yield indicators, however, is much better. The FAO reports that the average cereal yield in 2007 was 3,822 kilograms per hectare, exceeding the yield for LMI-Asia (3,164), the Philippines (3,261), and Thailand (2,752) (Figure 4-2). That the government subsidizes fertilizer in Sri Lanka is evident in statistics on fertilizer consumption: in 2005 (latest year of comparable data) consumption as measured by the quantity of plant nutrients per unit of arable land was 3,071 grams per hectare, high compared to consumption in the Philippines (1,310) and Thailand (1,207). This result is not surprising given the government's policy of self-sufficiency in rice production. Unfortunately, this policy combined with restrictions on imports—including a 20 percent tariff on rice imports—and price supports, all drive up prices.

[47] Sri Lanka Central Bank Statistical Appendix. Table 1.

Figure 4-2
Cereal Yield, kilograms per hectare

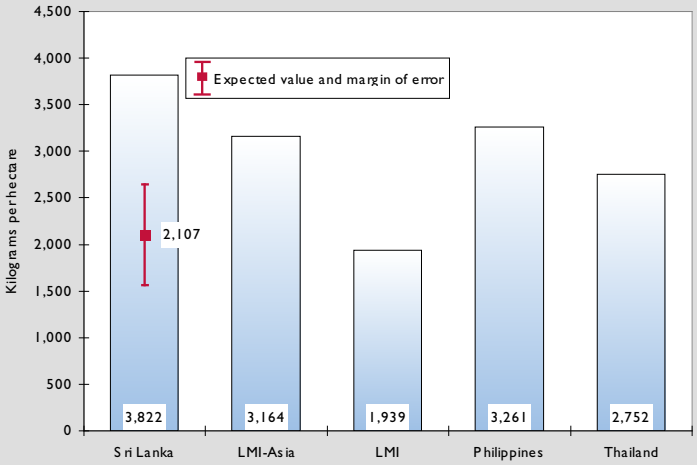
Iimport restrictions, price supports, and fertilizer subsidies result in high rice yields.

Time Series



Year	Value
2003	3,283
2004	3,564
2005	3,467
2006	3,619
2007	3,822
Summary for 2003-2007	
Five year average	3,551
Trend growth rate	3.2

Comparisons to other countries, most recent year



SOURCE: World Development Indicators, 2008 CAS code: 34P2

The self-sufficiency policy for rice erodes incentives for farmers to produce higher-value crops and saddles the government budget with expenditures that prevent spending on other items. Meanwhile, poor irrigation design, water management, and system maintenance have led to insufficient paddy water coverage. Rice production is therefore variable and vulnerable given the increasing reliance on rainfall.

The WEF's index of Agricultural Policy Cost is scaled from 1 (excessively burdensome) to 7 (well balanced). In 2008 Sri Lanka scored its expected value of 3.9, close to the score for LMI-Asia and the Philippines (3.8) and Thailand's score of 4.1. As the index is based on a survey of the opinions of the private sector, especially farmers and agribusiness, it shows that government policy is seen as impeding agricultural development. This suggests that the government's role in agriculture should be reduced and market forces allowed more scope to ensure that producers have the right information and incentives to diversify into higher value-added crops. The World Bank also cites the need to introduce improved technologies and seed, liberalize phytosanitary regulations to encourage private sector participation, strengthen agricultural research and extension services, and phase out tariff protection.[48]

With the government holding more than 80 percent of land held as "crown lands," land tenure and land market policies in Sri Lanka may need some reform if economic development is to gather momentum. Legislation enacted in 1972 was intended to abolish large private holdings and

[48] World Bank, Sri Lanka: Priorities for Agriculture and Rural Development, 2009.

encourage the transfer of land to near-landless or landless peasants,[49] but has resulted in increasing the amount of land under the control of government and state agencies or cooperatives. The government's ideological tenet that the state should control land decisions permeates land policies. Land grants, for example, prohibit farmers from selling land. This legacy explains why there has been little or no discussion of land privatization and why the Board of Investments rarely approves agribusiness projects. The legal and regulatory basis for leasing government-owned land is unclear, and the government does not openly acknowledge that such lands should be put to productive use.

Given Sri Lanka's low rate of urbanization and high incidence of rural poverty, policies to increase agricultural productivity are sorely needed. The cessation of conflict presents an excellent opportunity for adjusting policies and raising productivity. For example, seafood exports increased in 2009 after military fishing restrictions were lifted.[50] Agriculture development could benefit from donor assistance with marketing and processing and assistance that encourages the production of value-added output. Donor assistance should also aim to improve rural transportation infrastructure and thus curb production losses. Assistance to improve land titling would have multiple benefits. It would facilitate the resettlement of Tamils and the use of land as lending collateral. Assistance to reduce trade barriers would help agricultural producers get the pricing information they need to make sound decisions on what crops to invest in.

[49] For example, The Land Development Ordinance of 1935 restricted transfer of crown land to small holder peasants; the Land Reform Law of 1972 imposed a ceiling on private holdings above 20 hectares and sought to distribute land above this ceiling to benefit the landless.

[50] *Sri Lanka Daily News*, August 12, 2009.

Appendix A. CAS Methodology

CRITERIA FOR SELECTING INDICATORS

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

For each topic, the analysis begins with a screening of *primary performance indicators*. These Level I indicators are selected to answer the question: Is the country performing well or not in this area? The set of primary indicators also includes descriptive variables such as per capita income, the poverty head count, and the age dependency rate.

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

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

[1] Deeper analysis of the topic using more detailed data (Level III) is beyond the scope of this series.

accruing to the poorest 20 percent of households can be used to gauge income inequality. We use the income share because it is simpler and more sensitive to changes.

BENCHMARKING METHODOLOGY

Comparative benchmarking is the main tool used to evaluate each indicator. The analysis draws on several criteria, rather than a single mechanical rule. The starting point is a comparison of performance in Sri Lanka relative to the average for countries in the same income group and region —in this case, lower-middle-income countries in Asia.[2] For added perspective, three other comparisons are examined: (1) the global average for this income group; (2) respective values for two comparator countries approved by the Sri Lanka mission; and (3) the average for the five best- and five worst-performing countries globally. Most comparisons are framed in terms of values for the latest year of data from available sources. Five-year trends are also taken into account when this information sheds light on the performance assessment.[3]

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

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

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[2] Income groups as defined by the World Bank for 2008. In this report, the average is defined in terms of the median so that values are not distorted by outliers.

[3] 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.

[4] 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 PCI + c * Region + error – where PCI is per capita income in PPP$, and Region is a set of 0-1 dummy variables indicating the region in which each country is located. When estimates are obtained for the parameters a, b, and c, the predicted value for the Sri Lanka is computed by plugging in Sri Lanka-specific values for PCI and Region. Where applicable, the regression also controls for population size and petroleum exports (as a percentage of GDP).

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

STANDARD CAS INDICATORS

Indicator	Level	MDG, MCA, or EcGov[a]
Statistical Capacity Indicator	I	EcGov
Growth Performance		
Per capita GDP, in purchasing power parity Dollars	I	
Per capita GDP, in current US Dollars	I	
Real GDP Growth	I	
Growth of labor productivity	II	
Investment Productivity, incremental capital-output ratio (ICOR)	II	
Gross fixed investment, percent GDP	II	
Gross fixed private investment, percent GDP	II	
Poverty and Inequality		
Human poverty index (0 for excellent to 100 for poor)	I	
Income-share, poorest 20 percent	I	
Population living on less than $1.25 PPP per day	I	MDG
Poverty Headcount, by national poverty line	I	MDG
PRSP Status	I	EcGov
Population below minimum dietary energy consumption	II	MDG
Economic Structure		
Employment or labor force structure	I	
Output structure	I	
Demography and Environment		
Adult literacy rate	I	
Youth dependency rate/ Elderly dependency rate	I	
Environmental performance index (0 for poor to 100 for excellent)	I	
Population size and growth	I	
Percent of population living in urban areas	I	
Resource depletion, percent GNI	I	
Gender		
Primary completion rate, male, female	I	MCA
Gross enrollment rate, all levels, male, female	I	MDG
Life expectancy at birth, male, female	I	
Labor force participation rate, male, female	I	
Fiscal and Monetary Policy		
Govt. expenditure, percent GDP	I	EcGov
Govt. revenue, excluding grants, percent GDP	I	EcGov
Growth in the broad money supply	I	EcGov
Inflation rate	I	MCA
Overall govt. budget balance, including grants, percent GDP	I	MCA, EcGov
Composition of govt. expenditure	II	
Composition of govt. revenue	II	
Composition of money supply growth	II	

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

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

Indicator	Level	MDG, MCA, or EcGov[a]
Firing costs, weeks of wages	II	EcGov
Agriculture		
Agriculture value added per worker	I	
Cereal yield	I	
Growth in agricultural value-added	I	
Fertilizer consumption (100 grams per hectare of arable land)	II	
Agricultural policy costs index (1 for poor to 7 for excellent)	II	EcGov
Crop production index	II	
Livestock production index	II	

[a] *Level I = primary performance indicators, Level II = supporting diagnostic indicators*

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

Appendix B. Data Supplement

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

	Growth Performance							
	Statistical Capacity Indicator, 0 (Doesn't meet criteria) - 100 (Meets all criteria)	Per capita GDP (PPP), U.S. Dollars (PPP)	Per capita GDP, Current U.S. Dollars	Real GDP Growth, Percent change	Growth of Labor Productivity, Percent change	Investment Productivity, Incremental Capital-Output Ratio (ICOR), Ratio, Capital investment : GDP growth	Gross Fixed Investment, Percent GDP	Gross Fixed Private Investment, Percent GDP
Indicator Number	**11P0**	**11P1**	**11P2**	**11P3**	**11S1**	**11S2**	**11S3**	**11S4**
Sri Lanka Data								
Latest Year (T)	2008	2008	2008	2008	2007	2008	2008	2008
Value Year T	70	4,581	1,972	6.0	4.5	3.8	25.3	19.3
Value Year T-1	73	4,265	1,623	6.8	5.2	3.6	24.7	20.0
Value Year T-2	69	3,920	1,430	7.7	5.7	3.8	24.9	21.3
Value Year T-3	71	3,555	1,244	6.2	3.6	5.4	23.4	19.5
Value Year T-4	72	3,263	1,063	5.4	3.6	5.7	22.6	20.2
Average Value, 5 year	71.0	3,917	1,466	6.4	4.5	4.5	24.2	20.1
Growth Trend	-0.3	8.6	15.0	2.6	8.0	-12.2	2.8	-0.7
Benchmark Data								
Regression Benchmark	52.4			4.1			25.7	23.6
Lower Bound	46.0			2.3			21.7	21.3
Upper Bound	58.8			5.8			29.8	26.0
Latest Year Philippines	2008	2008	2008	2008	2007	2007	2007	2001
Philippines Value Latest Year	88	3,546	1,866	4.6	3.2	2.6	14.8	19.4
Latest Year Thailand	2008	2008	2008	2008	2007	2007	2007	
Thailand Value Latest Year	82	8,225	4,115	2.6	4.1	4.8	26.8	
LMI-Asia	70.7			6.4		4.9	25.0	
LMI	68.3	3,373	1,197	5.8		4.7	24.3	
High Five Avg.	91.1	50,231	47,058	14.3		123.3	51.4	
Low Five Avg.	24.6	472	160	0.3		-72.1	9.5	

	Poverty and Inequality					
	Human Poverty Index, 0 (no deprivation) - 100 (high deprivation)	Income Share, Poorest 20%, Percent	Population Living on Less Than $1.25 PPP per Day, Percent	Poverty Headcount, National Poverty Line, Percent	PRSP Status, N/A	Population Below Minimum Dietary Energy Consumption, Percent
Indicator Number	**12P1**	**12P2**	**12P3**	**12P4**	**12P5**	**12S1**
Sri Lanka Data						
Latest Year (T)	2006	2003/2004	2002	2006/07	2002	2006/07
Value Year T	16.9	3.6	14.0	15.2	yes	50.7
Value Year T-1	17.8					
Value Year T-2						
Value Year T-3						
Value Year T-4	17.7			22.7		
Average Value, 5 year						
Growth Trend						
Benchmark Data						
Regression Benchmark	7.3	3.3	6.9	42.9		10.8
Lower Bound	1.6	2.6	2.5	37.0		4.9
Upper Bound	13.0	4.0	11.4	48.8		16.8
Latest Year Philippines	2006	2006	2006		N/A	2004
Philippines Value Latest Year	12.5	5.6	22.6			16.0
Latest Year Thailand	2006	2004	2004		N/A	2004
Thailand Value Latest Year	9.0	6.1	2.0			17.0
LMI-Asia	17.7					
LMI	17.0	6.1	13.4			
High Five Avg.	56.6	10.0	46.5	55.1		67.0
Low Five Avg.	2.5	2.7	2.0	15.2		2.5

	Economic Structure					
	Labor Force Structure (Employment in agriculture), Percent	Labor Force Structure (Employment in industry), Percent	Labor Force Structure (Employment in services), Percent	Output structure (Agriculture, value added), Percent GDP	Output structure (Industry, value added), Percent GDP	Output structure (Services, etc., value added), Percent GDP
Indicator Number	**13P1a**	**13P1b**	**13P1c**	**13P2a**	**13P2b**	**13P2c**
Sri Lanka Data						
Latest Year (T)	2008	2008	2008	2008	2008	2008
Value Year T	31.3	26.6	42.1	13.4	29.4	57.3
Value Year T-1	32.3	26.2	41.2	11.7	29.9	58.4
Value Year T-2	33.5	22.8	36.8	11.3	30.6	58.0
Value Year T-3	34.3	23.4	38.7	11.8	30.2	58.0
Value Year T-4	34.5	20.8	37.9	12.5	28.6	58.8
Average Value, 5 year	33.2	24.0	39.3	12.1	29.7	58.1
Growth Trend	-2.5	6.0	2.7	1.3	0.5	-0.4
Benchmark Data						
Regression Benchmark	11.0	22.7	63.9	7.0	28.2	58.1
Lower Bound	4.6	20.4	58.0	2.5	23.2	52.3
Upper Bound	17.4	25.0	69.8	11.4	33.2	63.8
Latest Year Philippines	2005	2005	2005	2007	2007	2007
Philippines Value Latest Year	37.0	14.9	48.1	14.1	31.7	54.2
Latest Year Thailand	2005	2005	2005	2007	2007	2007
Thailand Value Latest Year	42.6	20.2	37.1	11.4	43.9	44.7
LMI-Asia				18.4	39.3	45.1
LMI				14.1	30.8	52.3
High Five Avg.	67.9	38.9	80.4	56.9	70.1	85.4
Low Five Avg.	0.2	9.1	24.2	0.3	9.3	18.0

	Demography and Environment							
	Adult Literacy Rate, Percent	Youth Dependency Rate, Ratio Youth : Working Age Population	Elderly Dependency Rate, Ratio Elderly : Working Age Population	Environmental Performance Index, 0 (Very poor performance) - 100 (Very good performance)	Population Size, Million	Population Growth, Annual percent change	Population Living in Urban Areas, Percent	Resource Depletion, Percent GNI
Indicator Number	**14P1**	**14P2a**	**14P2b**	**14P3**	**14P4a**	**14P4b**	**14P5**	**14P6**
Sri Lanka Data								
Latest Year (T)	2006	2007	2007	2008	2008	2008	2007	2007
Value Year T	90.8	33.4	9.6	79.5	20.2	1.0	15.1	0.6
Value Year T-1	90.7	34.1	9.4		20.0	0.6	15.1	0.3
Value Year T-2	92.5	34.9	9.4	64.6	19.9	1.1	15.1	0.3
Value Year T-3		35.8	9.4		19.7	1.1	15.2	0.4
Value Year T-4		36.8	9.4		19.5	1.1	15.3	0.4
Average Value, 5 year		35.0	9.4		19.9	1.0	15.2	0.4
Growth Trend		-2.4	0.4		0.9	-8.0	-0.4	7.8
Benchmark Data								
Regression Benchmark	91.4	48.4	10.5		0.2	1.0	68.7	10.4
Lower Bound	80.2	43.7	9.3		0.0	0.6	61.3	6.1
Upper Bound	102.6	53.2	11.8		0.3	1.3	76.2	14.6
Latest Year Philippines	2007	2007	2007	2008	2007	2007	2007	2007
Philippines Value Latest Year	93.4	58.5	6.6	77.9	87.9	1.9	64.2	2.1
Latest Year Thailand	2007	2007	2007	2008	2007	2007	2007	2007
Thailand Value Latest Year	94.1	30.0	11.5	79.2	63.8	0.6	33.0	4.3
LMI-Asia	93.4	52.1	6.6	60.4	19.9	1.7	32.6	4.4
LMI	93.3	59.2	7.4	64.8	6.9	1.7	50.0	4.0
High Five Avg.	99.8	97.7	28.7	89.1	626.4	5.0	100.0	65.9
Low Five Avg.	36.2	19.9	2.8	37.4	0.0	-0.9	12.4	

	Gender							
	Primary Completion Rate, Male, Percent	Primary Completion Rate, Female, Percent	Gross Enrollment Ratio, All Levels of Education, Male, Percent	Gross Enrollment Ratio, All Levels of Education, Female, Percent	Life Expectancy, Male, Years	Life Expectancy, Female, Years	Labor Force Participation Rate, Male, Percent	Labor Force Participation Rate, Female, Percent
Indicator Number	**15P1a**	**15P1b**	**15P2a**	**15P2b**	**15P3a**	**15P3b**	**15P4a**	**15P4b**
Sri Lanka Data								
Latest Year (T)	2006	2006	2006	2006	2006	2006	2007	2007
Value Year T	105.6	106.8	67.5	69.9	68.2	75.8	75.2	42.8
Value Year T-1	107.3	107.8	69.2	71.9	67.9	75.6	74.3	42.6
Value Year T-2					71.7	77.0	75.2	40.8
Value Year T-3			65.5	67.5			75.8	41.6
Value Year T-4			66.3	68.1			76.5	40.8
Average Value, 5 year							75.4	41.7
Growth Trend							-0.5	1.2
Benchmark Data								
Regression Benchmark			77.3	81.8	70.0	76.1	87.3	55.7
Lower Bound			72.0	75.2	66.9	73.1	84.3	47.9
Upper Bound			82.5	88.3	73.0	79.1	90.2	63.5
Latest Year Philippines	2006	2006	2006	2006	2006	2006	2007	2007
Philippines Value Latest Year	90.3	97.5	77.8	81.6	69.1	73.5	80.4	49.8
Latest Year Thailand	2007	2007	2006	2006	2006	2006	2007	2007
Thailand Value Latest Year	98.7	103.6	76.6	79.6	65.6	74.7	80.5	65.7
LMI-Asia	94.6	99.3	67.4	65.7	64.1	67.5	80.7	52.7
LMI	91.8	92.9	68.9	71.4	65.5	72.0	77.8	49.4
High Five Avg.			103.0	109.9	78.8	84.8	91.3	85.9
Low Five Avg.			31.6	22.3	39.3	40.0	56.7	17.8

	Fiscal and Monetary Policy										
	Government Expenditure, Percent GDP	Government Revenue, excluding grants, Percent GDP	Money Supply Growth, Percent change	Inflation Rate, Annual Percent	Overall Budget Balance, Including Grants, Percent GDP	Composition of Government Expenditure (Wages and salaries), Percent	Composition of Government Expenditure (Goods and services), Percent	Composition of Government Expenditure (Interest payments), Percent	Composition of Government Expenditure (Subsidies and other current transfers), Percent	Composition of Government Expenditure (Capital expense), Percent	Composition of Government Expenditure (Other expense), Percent
Indicator Number	**21P1**	**21P2**	**21P3**	**21P4**	**21P5**	**21S1a**	**21S1b**	**21S1c**	**21S1d**	**21S1e**	**21S1f**
Sri Lanka Data											
Latest Year (T)	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008
Value Year T	22.6	14.9	8.4	22.6	-7.7	17.7	7.8	15.1	11.6	47.7	0.1
Value Year T-1	23.5	15.8	16.5	15.8	-6.5	18.9	5.5	15.3	11.8	48.4	0.1
Value Year T-2	24.3	16.2	17.9	10.0	-6.9	17.8	6.4	14.5	13.3	48.0	0.0
Value Year T-3		15.5	19.0	11.0	-7.0	17.4	5.8	14.5	14.9	47.3	0.2
Value Year T-4		14.9	19.6	9.0	-7.3	15.9	6.5	17.5	17.5	44.5	0.3
Average Value, 5 year		15.5	16.3	13.7	-7.1	17.5	6.4	15.4	13.4	47.2	0.1
Growth Trend		0.2	-18.4	22.1	-0.3	2.9	3.1	-2.4	-7.7	1.6	-33.6
Benchmark Data											
Regression Benchmark		32.2	14.4	5.4	-2.1						
Lower Bound		28.3	6.4	3.1	-5.1						
Upper Bound		36.0	22.4	7.7	0.9						
Latest Year Philippines		2007	2007	2008	2008						
Philippines Value Latest Year		15.8	5.4	9.3	-0.9						
Latest Year Thailand		2007	2007	2008	2008						
Thailand Value Latest Year		19.6	2.5	5.5	0.8						
LMI-Asia			18.5	7.0							
LMI			17.8	8.3							
High Five Avg.		46.1	4,490.3	26.2	8.1						
Low Five Avg.		8.6	-1.1	1.4	-8.2						

* global high excluding Zimbabwe

	Fiscal and Monetary Policy (cont'd)										
	Composition of Government Revenue (Taxes on income, profits and capital gains), Percent	Composition of Government Revenue (Taxes on goods and services), Percent	Composition of Government Revenue (Taxes on international trade), Percent	Composition of Government Revenue (Social contributions), Percent	Composition of Government Revenue (Other taxes), Percent	Composition of Government Revenue (Grants and other revenue), Percent	Composition of Money Supply Growth (Domestic credit to the public sector), Percent	Composition of Money Supply Growth (Domestic credit to the private sector), Percent	Composition of Money Supply Growth (Domestic credit to non-financial public enterprises), Percent	Composition of Money Supply Growth (Net foreign assets, reserves), Percent	Composition of Money Supply Growth (Other items net), Percent
Indicator Number	**21S2a**	**21S2b**	**21S2c**	**21S2d**	**21S2e**	**21S2f**	**21S3a**	**21S3b**	**21S3c**	**21S3d**	**21S3e**
Sri Lanka Data											
Latest Year (T)	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008
Value Year T	19.3	46.8	15.0	0.0	8.3	10.6	157.3	72.9	4.5	-110.0	-24.7
Value Year T-1	18.0	48.1	14.2	1.5	5.2	13.0	8.2	96.1	9.0	28.5	-41.7
Value Year T-2	15.9	51.1	14.6	1.3	2.9	14.2	59.5	104.8	8.1	-16.5	-55.9
Value Year T-3	12.7	55.3	13.7	1.2		17.1	18.1	101.9	-19.2	19.7	-20.5
Value Year T-4	12.9	59.8	15.2	1.1	0.0	11.0	32.2	80.4	3.4	2.2	-18.2
Average Value, 5 year	15.8	52.2	14.5	1.0		13.2	55.0	91.2	1.1	-15.2	-32.2
Growth Trend	11.5	-6.3	0.1			-3.5	23.8	-2.5			-13.2
Benchmark Data											
Regression Benchmark	11.0	39.0	7.4	11.2	3.5	23.4					
Lower Bound	5.3	31.0	0.9	6.4	1.6	16.7					
Upper Bound	16.8	47.0	13.8	16.0	5.3	30.1					
Latest Year Philippines	2007	2007	2007		2005	2007	2007	2007	2007	2007	2007
Philippines Value Latest Year	40.8	28.3	20.0		5.9	10.9	2.5	94.5	-35.4	201.3	-162.9
Latest Year Thailand	2007	2007	2007	2007	2007	2007	2008	2008	2008	2008	2008
Thailand Value Latest Year	37.1	39.8	5.5	4.8	0.5	12.4	8.7	75.6	-2.8	65.0	-46.5
LMI-Asia											
LMI											
High Five Avg.	54.0	64.4	40.9	46.9	18.8	78.3					
Low Five Avg.	1.9	4.8	-1.6	0.4	0.0	3.9					

	Business Environment									
	Control of Corruption Index, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Ease of Doing Business Index, Index Rank (1 - 181)	Rule of Law Index, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Regulatory Quality Index, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Government Effectiveness Index, -2.5 (Very poor performance) to +2.5 (Excellent performance)	Cost of Starting a Business % GNI per Capita, Percent GNI per Capita	Procedures to Enforce a Contract, Procedures	Procedures to Register Property, Procedures	Procedures to Start a Business, Procedures	Time to Enforce a Contract, Days
Indicator Number	**22P1**	**22P2**	**22P3**	**22P4**	**22P5**	**22S1**	**22S2**	**22S3**	**22S4**	**22S5**
Sri Lanka Data										
Latest Year (T)	2008	2009	2008	2008	2008	2009	2009	2009	2009	2009
Value Year T	-0.15	102	-0.01	-0.28	-0.29	7.1	40	8	4	1,318
Value Year T-1	-0.10	103	0.04	-0.11	-0.23	8.5	40	8	5	1,318
Value Year T-2	-0.13		0.07	-0.10	-0.27	9.2	40	8	8	1,318
Value Year T-3	-0.27		0.03	-0.21	-0.37	10.4	40	8	8	1,318
Value Year T-4	-0.13		-0.01	0.02	-0.37	10.7	40	8	8	1,318
Average Value, 5 year	-0.16		0.03	-0.14	-0.31	9.2	40	8	7	1,318
Growth Trend	7.04			-10.22	9.57	-10.2	0.0	0.0	-18.6	0.0
Benchmark Data										
Regression Benchmark	-0.05	85.7	0.11	9.20	-0.03	49.1	40.0	6.6	8.5	652.4
Lower Bound	-0.26	65.2	-0.13	9.15	-0.27	14.7	36.8	5.4	7.0	496.8
Upper Bound	0.15	106.1	0.36	9.24	0.21	83.6	43.2	7.7	10.1	808.0
Latest Year Philippines	2008	2009	2008	2008	2008	2009	2009	2009	2009	2009
Philippines Value Latest Year	-0.75	140	-0.49	-0.05	0.00	29.8	37	8	15	842
Latest Year Thailand	2008	2009	2008	2008	2008	2009	2009	2009	2009	2009
Thailand Value Latest Year	-0.38	13	-0.03	0.26	0.11	4.9	35	2	8	479
LMI-Asia	-0.57	92	-0.43	-0.29	-0.26	16.0	40.0	6.0	8.7	591.0
LMI	-0.65	118	-0.69	-0.44	-0.58	38.5	39.5	6.0	10.0	591.0
High Five Avg.	2.39		1.96	1.88	2.20	453.5	53.6	13.6	18.5	1,611.6
Low Five Avg.	-1.64		-2.01	-2.30	-1.91	0.4	22.8	1.6	2.3	184.6

	Business Environment (cont'd)				
	Time to Register Property, Days	Time to Start a Business, Days	Total Tax Payable by Business, Percent operating profit	Business Costs of Crime and Violence, 1 (Significant costs) - 7 (No significant costs)	Senior Manager Time Spent Dealing with Government Regulations, Percent
Indicator Number	**22S6**	**22S7**	**22S8**	**22S9**	**22S10**
Sri Lanka Data					
Latest Year (T)	2009	2009	2009	2008	2004
Value Year T	83	38	63.7	4.2	3.5
Value Year T-1	83	39	63.7	4.2	
Value Year T-2	83	50	61.9	3.8	
Value Year T-3	83	50	58.8		
Value Year T-4	83	50			
Average Value, 5 year	83	45			
Growth Trend	0.0	-8.0			
Benchmark Data					
Regression Benchmark	51.4	36.6	38.3	3.3	11.4
Lower Bound	8.6	13.4	26.2	2.8	9.1
Upper Bound	94.2	59.7	50.4	3.8	13.7
Latest Year Philippines	2009	2009	2009	2008	2003
Philippines Value Latest Year	33	52	50.8	4.3	6.9
Latest Year Thailand	2009	2009	2009	2008	2006
Thailand Value Latest Year	2	33	37.8	5.2	0.4
LMI-Asia	50.0	42.3	37.7	4.2	
LMI	46.0	38.0	39.5	4.2	7.9
High Five Avg.	427.5	286.7	250.0	6.6	20.0
Low Five Avg.	2.3	4.3	11.5	2.1	2.5

	Financial Sector							
	Domestic Credit to Private Sector, Percent GDP	Interest Rate Spread, Percent	Money Supply (M2), Percent GDP	Stock Market Capitalization Rate, Percent GDP	Credit Information Index, 0 (Poor) - 6 (Excellent)	Legal Rights of Borrowers and Lenders, 0 (Very poor performance) - 10 (Excellent)	Real Interest Rate, Percent	Number of Microfinance Borrowers, Borrowers
Indicator Number	**23P1**	**23P2**	**23P3**	**23P4**	**23P5**	**23S1**	**23S2**	**23S3**
Sri Lanka Data								
Latest Year (T)	2008	2008	2008	2007	2009	2009	2007	2007
Value Year T	28.9	8.0	34.6	23.4	5	4	2.7	711,165
Value Year T-1	33.3	8.0	36.5	27.5	3	3	1.4	774,800
Value Year T-2	34.0	6.0	37.9	23.4	4	3	0.3	682,879
Value Year T-3	32.9	5.1	38.4	17.7	4	3	0.6	376,619.0
Value Year T-4	30.6	4.4	37.7	14.4	4	3	4.9	
Average Value, 5 year	31.9	6.3	37.0	21.3	4	3	2.0	
Growth Trend	-1.0	16.5	-2.2	14.1	2	6	-3.8	
Benchmark Data								
Regression Benchmark	39.4	7.8	59.7	8.9	6.3	5.4	8.2	
Lower Bound	28.4	5.8	46.5	-18.3	4.4	4.1	4.3	
Upper Bound	50.4	9.9	72.8	36.1	8.2	6.8	12.2	
Latest Year Philippines	2007	2008	2007	2007	2009	2009	2007	2007
Philippines Value Latest Year	28.8	4.3	52.9	71.7	3	3	5.7	#REF!
Latest Year Thailand	2007	2008	2007	2007	2009	2009	2007	2007
Thailand Value Latest Year	92.4	4.6	99.7	79.9	5	4	3.7	4,740
LMI-Asia	30.5	6.5	45.4	44.0	3.0	4.0	2.4	
LMI	29.6	7.5	39.5	19.0	3.0	4.0	4.5	1,854,595.0
High Five Avg.	196.0	52.6	200.2	219.4	6.0	9.8	35.4	
Low Five Avg.	3.0	1.6	8.4	0.5		0.6	-20.7	

	External Sector										
	External Aid, Percent GNI	Current Account Balance, Percent GDP	Debt Service ratio, Percent Exports	Exports Growth, Goods and Services, Percent change	Foreign Direct Investment, Percent GDP	Gross International Reserves, Months of Imports	Gross Private Capital Inflows, Percent GDP	Present Value of Debt, Percent GNI	Remittance Receipts, Percent Exports	Total Trade, Percent GDP	Trade in Services, Percent GDP
Indicator Number	**24P1**	**24P2**	**24P3**	**24P4**	**24P5**	**24P6**	**24P7**	**24P8**	**24P9**	**24P10**	**24P11**
Sri Lanka Data											
Latest Year (T)	2007	2008	2007	2008	2007	2008	2008	2007	2008	2008	2007
Value Year T	1.8	-9.4	7.2	7.7	1.9	1.6	11.2	41.6	28.8	64.7	13.3
Value Year T-1	2.8	-4.2	8.2	10.7	1.7	3.2	13.3		26.6	69.4	14.2
Value Year T-2	4.9	-5.3	3.7	7.9	1.1	2.9	23.5		25.4	72.3	14.9
Value Year T-3	2.5	-2.7	7.4	8.3	1.1	3.1	12.5		24.6	74.5	16.6
Value Year T-4	3.6	-3.1	7.4	11.3	1.2	2.8	11.3		21.4	80.3	16.4
Average Value, 5 year	3.1	-4.9	6.8	9.2	1.4	2.7	14.3		25.4	72.2	15.1
Growth Trend	-12.2	-26.6	0.4	-5.2	12.7	-10.9	0.4		6.7	-5.0	-5.7
Benchmark Data											
Regression Benchmark	1.3	-11.6	14.0	5.9	10.0	2.5	8.1	85.1	2.3	119.6	41.3
Lower Bound	-3.7	-16.9	9.0	-3.4	7.3	1.1	5.7	63.3	-8.5	102.5	35.3
Upper Bound	6.3	-6.3	19.1	15.2	12.6	4.0	10.6	106.9	13.1	136.6	47.4
Latest Year Philippines	2007	2008	2007	2007	2007	2007	2005	2007	2007	2007	2007
Philippines Value Latest Year	0.4	1.0	8.8	5.6	2.0	5.7	8.4	50.9	28.1	84.8	11.0
Latest Year Thailand	2007	2008	2007	2007	2007	2007	2005	2007	2007	2007	2007
Thailand Value Latest Year	-0.1	-0.1	1.3	7.1	3.9	6.0	4.9	29.1	0.9	139.0	28.0
LMI-Asia	3.2	0.2	7.5	6.5	2.5	4.3	2.4	41.6	5.6	78.1	16.0
LMI	3.2	-3.1	6.3	7.2	3.7	3.5	4.0	35.0	19.9	90.8	17.6
High Five Avg.	47.0	29.8	38.2		87.7	16.8	197.8	370.8	110.7	310.4	125.3
Low Five Avg.	0.0	-27.4	0.7		-2.4	0.3	-4.2	5.2	0.1	30.1	4.9

	External Sector (Cont'd)										
	Concentration of Exports, Percent	Inward FDI Potential Index, 0 (Very poor performance) to 1 (Excellent performance)	Net Barter Terms of Trade, Index: 2000 = 100	Real Effective Exchange Rate (REER), Index: 2000 = 100	Structure of Merchandise Exports (Agricultural raw materials exports), Percent	Structure of Merchandise Exports (Fuel exports), Percent	Structure of Merchandise Exports (Manufactures exports), Percent	Structure of Merchandise Exports (Ores and metals exports), Percent	Structure of Merchandise Exports (Food exports), Percent	Trade Policy Index, 0 (Very poor) - 100 (Excellent)	Ease of Trading Across Borders Ranking, Index Rank (1 - 181)
Indicator Number	**24S1**	**24S2**	**24S3**	**24S4**	**24S5a**	**24S5b**	**24S5c**	**24S5d**	**24S5e**	**24S6**	**24S7**
Sri Lanka Data											
Latest Year (T)	2006	2006	2007	2008	2008	2008	2008	2008	2008	2009	2009
Value Year T	13.3	0.1	75.8	118.1	21.7	3.1	75.7	1.5	5.6	71.0	66
Value Year T-1	16.0	0.1	79.4	100.2	18.7	2.2	78.1	1.7	6.7	69.6	60
Value Year T-2	16.2	0.1	81.8	100.0	17.7	2.7	78.5	1.7	5.3	71.6	
Value Year T-3	16.3	0.1	87.3	97.7	17.2	2.1	78.0	2.3	5.0	71	
Value Year T-4	17.4	0.1	92.9	90.6	17.5	1.7	78.3	2.1	3.0	77	
Average Value, 5 year	15.8	0.1	83.5	101.3	18.6	2.4	77.7	1.8	5.1	72.0	
Growth Trend	-5.6	-6.4	-5.0	5.6	5.1	12.5	-0.7	-9.4	15.3	-1.8	
Benchmark Data											
Regression Benchmark	70.0	0.2	110.6		1.4	18.7	17.9	0.3	36.5	73.2	89.5
Lower Bound	60.0	0.2	96.4		1.4	13.6	5.7	-5.5	22.6	68.2	66.4
Upper Bound	80.0	0.2	124.9		1.4	23.8	30.2	6.0	50.4	78.3	112.7
Latest Year Philippines	2006	2006	2007	2007	2007	2007	2007	2007	2007	2009	2009
Philippines Value Latest Year	28.0	0.2	81.7	112.3	0.5	2.4	51.0	5.1	5.9	78.6	58
Latest Year Thailand	2006	2006	2007		2007	2007	2007	2007	2007	2009	2009
Thailand Value Latest Year	12.2	0.2	96.1		4.7	4.5	75.8	1.8	11.5	75.6	10
LMI-Asia	31.8	0.2	95.2		1.8	2.4	74.2	2.2	11.4	70.7	78
LMI	48.6	0.2	96.8	100.8	1.7	6.5	44.4	2.4	16.5	70.3	111.8
High Five Avg.	97.5	0.5	120.7	144.6	44.3		94.9	55.1	95.0	90.3	
Low Five Avg.	7.3	0.1	70.2	59.1	0.0		0.9	0.0	0.4	13.8	

	Economic Infrastructure								
	Internet Users, Users per 100 people	Logistics Performance Index - Infrastructure, 1 (Poor) - 5 (Excellent)	Telephone Density, Fixed Line and Mobile, Telephones per 100 people	Overall Infrastructure Quality, 1 (Poor) - 7 (Excellent)	Quality of Infrastructure - Air Transport Infrastructure Index, 1 (Poor) - 7 (Excellent)	Quality of Infrastructure - Port Infrastructure Quality Index, 1 (Poor) - 7 (Excellent)	Quality of Infrastructure - Rail Development Index, 1 (Poor) - 7 (Excellent)	Quality of Infrastructure - Electricity Supply Index, 1 (Poor) - 7 (Excellent)	Roads, Paved, Percent
Indicator Number	**25P1**	**25P2**	**25P3**	**25P4**	**25S1a**	**25S1b**	**25S1c**	**25S1d**	**25S2**
Sri Lanka Data									
Latest Year (T)	2008	2007	2008	2008	2008	2008	2008	2008	2003
Value Year T	5.7	2.1	72.4	3.8	4.8	4.5	3.2	4.6	81.0
Value Year T-1	3.9		53.6	3.3	4.5	4.1	2.8	4.1	85.8
Value Year T-2	2.5		36.7	2.9	3.9	3.5	2.4	3.8	
Value Year T-3	1.8		23.4						
Value Year T-4	1.4		16.5						
Average Value, 5 year	3.1		40.4						
Growth Trend	35.8		37.7						
Benchmark Data									
Regression Benchmark	25.9	2.2	92.1		3.7	3.3	0.8	4.5	25.2
Lower Bound	20.2	2.0	77.4		3.2	2.8	0.5	4.0	10.2
Upper Bound	31.6	2.4	106.8		4.2	3.8	1.2	5.0	40.3
Latest Year Philippines	2008	2007	2008	2008	2008	2008	2008	2008	2003
Philippines Value Latest Year	6.0	2.3	79.9	2.9	4.1	3.2	1.8	4.2	9.9
Latest Year Thailand	2008	2007	2008	2008	2008	2008	2008	2008	2000
Thailand Value Latest Year	20.0	3.2	89.6	4.8	5.8	4.4	3.1	5.5	98.5
LMI-Asia	4.6	2.2	25.5	3.0	4.2	3.4	2.8	3.8	
LMI	8.6	2.2	44.2	3.0	4.1	3.3	1.9	3.9	59.5
High Five Avg.	82.6	4.2	176.6	6.6	6.7	6.6	6.5	6.8	100.0
Low Five Avg.	0.2	1.5	3.4	1.8	2.5	1.6	1.1	1.6	9.4

	Science and Technology			
	FDI Technology Transfer Index, 1 (Poor) - 7 (Excellent)	Availability of Scientists and Engineers, 1 (Non existent) - 7 (Widely available)	Scientific and Technology Journal Articles, Articles per Million people	IPR Protection, 1 (Poorly enforced) - 7 (Among the best)
Indicator Number	**26P1**	**26P2**	**26P3**	**26P4**
Sri Lanka Data				
Latest Year (T)	2008	2008	2005	2008
Value Year T	5.1	4.9	136.0	3.7
Value Year T-1	5.1	4.7	119.0	3.8
Value Year T-2	5.0	4.5	141.0	3.3
Value Year T-3			103.0	
Value Year T-4			76.0	
Average Value, 5 year			115.0	
Growth Trend			13.1	
Benchmark Data				
Regression Benchmark	4.1	3.2	3.5	3.2
Lower Bound	3.8	2.8	-1,242.1	2.9
Upper Bound	4.3	3.5	1,249.2	3.5
Latest Year Philippines	2008	2008	2005	2008
Philippines Value Latest Year	5.1	3.8	178.0	3.1
Latest Year Thailand	2008	2008	2005	2008
Thailand Value Latest Year	5.1	4.4	1,249.0	3.8
LMI-Asia	5.1	4.3	421.7	3.3
LMI	4.6	4.3	318.0	3.1
High Five Avg.	6.1	5.9	75,711.9	6.2
Low Five Avg.	3.6	2.7	55.1	2.0

	Health								
	HIV Prevalence, Percent	Life Expectancy at Birth, Years	Maternal Mortality Rate, Deaths per 100,000 live births	Access to Improved Sanitation, Percent	Access to Improved Water Source, Percent	Births Attended by Skilled Health Personnel, Percent	Child Immunization Rate, Percent	Prevalence of Child Malnutrition, Weight for Age, Percent	Public Health Expenditure, Percent GDP
Indicator Number	**31P1**	**31P2**	**31P3**	**31S1**	**31S2**	**31S3**	**31S4**	**31S5**	**31S6**
Sri Lanka Data									
Latest Year (T)	2007	2007	2005	2006	2006	2007	2007	2006/07	2008
Value Year T	<0.1	72.4	58	86.0	82.0	98.5	98.0	21.6	1.7
Value Year T-1		71.9					98.5		1.9
Value Year T-2		71.8					99.0		2.0
Value Year T-3							96.5		1.8
Value Year T-4							99.0		1.9
Average Value, 5 year							98.2		1.9
Growth Trend							0.0		-1.7
Benchmark Data									
Regression Benchmark	0.7	73.4	111.2	85.8	94.7	103.2	91.4	4.2	4.4
Lower Bound	-0.8	70.6	-15.3	76.6	87.8	94.3	85.3	-0.5	3.6
Upper Bound	2.2	76.3	237.7	94.9	101.5	112.1	97.6	8.8	5.1
Latest Year Philippines		2007	2005	2006	2006	2003	2007	2003	2006
Philippines Value Latest Year		71.7	230	78.0	93.0	59.8	89.5	20.7	1.3
Latest Year Thailand	2007	2007	2005	2006	2006	2006	2007	2006	2006
Thailand Value Latest Year	1.4	70.6	110	96.0	98.0	97.3	97.0	7.0	2.3
LMI-Asia	0.2	66.5	230.0	52.0	82.0		90.0		2.3
LMI	0.6	69.2	215.0	66.0	84.0		92.2		2.6
High Five Avg.	21.8	81.6	1,720.0	100.0	100.0		99.0		11.9
Low Five Avg.	0.1	41.8	2.6	8.4	39.0		37.7		0.4

	Education									
	Net Primary Enrollment Rate, Total, Percent	Net Primary Enrollment Rate, Female, Percent	Net Primary Enrollment Rate, Male, Percent	Primary Completion Rate, Total, Percent	Youth Literacy Rate, Total, Percent	Youth Literacy Rate, Male, Percent	Youth Literacy Rate, Female, Percent	Net Secondary Enrollment Rate, Total, Percent	Gross Tertiary Enrollment Rate, Total, Percent	Expenditure on Primary Education, Percent GDP
Indicator Number	**32P1a**	**32P1b**	**32P1c**	**32P2**	**32P3a**	**32P3b**	**32P3c**	**32P4**	**32P5**	**32S1**
Sri Lanka Data										
Latest Year (T)	2006/07	2003	2003	2006/07	2006	2006	2006			2006
Value Year T	97.5	99.9	99.4	88.2	97.5	97.0	97.9			0.7
Value Year T-1										0.8
Value Year T-2	96.7	99.3	98.7							0.6
Value Year T-3	99.7									0.6
Value Year T-4										0.6
Average Value, 5 year										0.7
Growth Trend										5.1
Benchmark Data										
Regression Benchmark	93.2	94.0	94.2		100.3	97.9	102.2	74.4	25.8	0.02
Lower Bound	86.8	87.3	88.2		90.9	92.8	90.4	66.1	19.0	0.01
Upper Bound	99.6	100.8	100.3		109.6	103.0	113.9	82.6	32.6	0.03
Latest Year Philippines	2006	2006	2006	2006	2007	2007	2007	2006	2006	2006
Philippines Value Latest Year	91.4	92.5	90.5	93.8	94.4	93.6	95.3	60.4	28.5	1.5
Latest Year Thailand	2007	2007	2007	2007	2007	2007	2007	2007	2007	2006
Thailand Value Latest Year	93.9	93.8	94.0	101.1	98.2	98.3	98.1	76.1	49.5	1.3
LMI-Asia	83.9	84.7	83.2	97.0	95.4	93.7	97.3	60.5	19.2	1.6
LMI	88.7	86.7	89.6	95.3	97.3	97.0	97.9			1.6
High Five Avg.	99.4	99.2	99.4		99.9	99.9	99.9	97.1	79.6	6.5
Low Five Avg.	41.4	36.0	46.7		48.0	56.3	39.5	7.7	0.6	0.2

	Education (cont'd)			
	Educational Expenditure per Student, Primary, Percent, GDP per capita	Educational Expenditure per Student, Secondary, Percent, GDP per capita	Educational Expenditure per Student, Tertiary, Percent, GDP per capita	Pupil-teacher Ratio, Primary School, Pupils per Teacher
Indicator Number	**32S2a**	**32S2b**	**32S2c**	**32S3**
Sri Lanka Data				
Latest Year (T)				2006
Value Year T				23.5
Value Year T-1				21.9
Value Year T-2				22.5
Value Year T-3				23.4
Value Year T-4				23.4
Average Value, 5 year				22.9
Growth Trend				-0.6
Benchmark Data				
Regression Benchmark	11.5	14.3	27.1	19.5
Lower Bound	8.3	8.2	-24.2	15.2
Upper Bound	14.7	20.4	78.5	23.8
Latest Year Philippines	2005	2005	2005	2006
Philippines Value Latest Year	8.6	9.1	11.5	34.6
Latest Year Thailand	2004	2004	2006	2007
Thailand Value Latest Year	13.8	15.2	28.0	17.7
LMI-Asia				
LMI				29.2
High Five Avg.	28.6	50.3	519.9	63.3
Low Five Avg.	6.5	6.8	10.4	9.9

	Employment and Workforce						
	Labor Force Participation Rate, Total, Percent	Rigidity of Employment Index, 0 (Minimum rigidity) - 100 (Maximum rigidity)	Size of the Labor Force, People	Growth of the Labor Force, Annual percent change	Unemployment Rate, Percent	Economically Active Children, (Ages 7-14), Percent	Firing Costs, Weeks of wages
Indicator Number	**33P1**	**33P2**	**33P3a**	**33P3b**	**33P4**	**33P5**	**33S1**
Sri Lanka Data							
Latest Year (T)	2007	2009	2007	2007	2008		2009
Value Year T	58.6	27	8,987,016	2.2	5.2	0.7	169
Value Year T-1	58.0	27	8,795,795	2.4	6.0		169
Value Year T-2	57.6	27	8,590,707	0.5	6.5		169
Value Year T-3	58.3	27	8,549,597	1.8	7.2		169
Value Year T-4	58.3	27	8,398,900	2.2	8.5		108
Average Value, 5 year	58.2	27.0	8,664,403	1.8	6.7		157
Growth Trend	0.1	0.0	1.6	2.9	-11.7		9
Benchmark Data							
Regression Benchmark	72.2	19.7	70,181	2.2	9.8	5.8	
Lower Bound	67.6	10.9	-1,486,296	1.6	6.8	-2.3	
Upper Bound	76.7	28.5	1,626,659	2.7	12.8	13.8	
Latest Year Philippines	2007	2009	2007	2007	2008	2001	2009
Philippines Value Latest Year	65.1	35.0	36,929,253	3.9	7.4	13.3	91
Latest Year Thailand	2007	2009	2007	2007	2008	2005	2009
Thailand Value Latest Year	72.8	18.0	36,630,187	0.6	1.4	15.1	54
LMI-Asia	64.7	27.0	8,791,172	2.2			54
LMI	63.0	33.2	2,889,548	2.4			54
High Five Avg.	87.1	74.3	315,591,526	6	28.0		232
Low Five Avg.	44.8		52,572	-1	1.8		

	Agriculture							
	Agriculture Value Added per Worker, US Dollars, Constant 2000	Cereal Yield, Kilograms per hectare	Growth in Agricultural Value-Added, Percent change	Fertilizer Consumption, 100 grams per hectare of arable land	Agricultural Policy Costs Index, 1 (Excessively burdensome) - 7 (Balances all interests)	Crop Production Index, Index: 1999-2001 = 100	Livestock Production Index, Index: 1999-2001 = 100	Agricultural Export Growth, Percent change
Indicator Number	**34P1**	**34P2**	**34P3**	**34P4**	**34S1**	**34S2**	**34S3**	**34S4**
Sri Lanka Data								
Latest Year (T)	2005	2007	2007	2005	2008	2005	2005	2005
Value Year T	705	3,822	3.3	3,071	3.9	104.3	119.9	2.7
Value Year T-1	697	3,619	6.3	2,826	3.8	97.4	114.5	21.1
Value Year T-2	703	3,467	1.8	2,723	3.4	102.1	112.0	33.7
Value Year T-3	697	3,564	0.0	3,112		99.3	109.4	2.0
Value Year T-4	727	3,283	1.7	2,724		97.6	108.3	
Average Value, 5 year	706	3,551	2.6	2,891		100.1	112.8	
Growth Trend	-0.6	3.2	93.5	1.4		1.1	2.5	
Benchmark Data								
Regression Benchmark	3,540.5	2,107	1.1	845.4	3.9	103.4	102.0	14.1
Lower Bound	2,568	1,567	-2.7	194.1	3.6	96.3	96.4	-37.4
Upper Bound	4,513	2,647	4.9	1,497	4.2	110.5	107.6	65.7
Latest Year Philippines	2005	2007	2007	2005	2008	2005	2005	2007
Philippines Value Latest Year	1,097	3,261	4.9	1,310	3.8	115.1	111.2	5.8
Latest Year Thailand	2005	2007	2007	2005	2008	2005	2005	2007
Thailand Value Latest Year	615	2,752	3.9	1,207	4.1	105.5	99.8	5.3
LMI-Asia	595	3,164	3.7	1,499	3.8	106.8	112.9	19.1
LMI	1,237	1,939	3.2	575	3.7	112.0	112.8	14.8
High Five Avg.	50,342	7,695	15.9	17,297	5.2	142.7	155.4	362,806.7
Low Five Avg.	76	438	-374.7	3	2.6	70.4	85.4	-59.8

Technical Notes

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

STATISTICAL CAPACITY

Statistical Capacity Indicator

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

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

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

CAS Code # 01P1

GROWTH PERFORMANCE

Per capita GDP, in Purchasing Power Parity Dollars

Source: World Bank International Comparison Program, at

http://go.worldbank.org/VMCB80AB40

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

Coverage: Data are available for about 65 USAID countries.

CAS Code #11P1

Per capita GDP, in current US Dollars

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P2

Real GDP Growth

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P3

Growth of Labor Force Productivity

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

Definition: Labor productivity is defined here as the ratio of GDP (in constant prices) to the size of the working age population age 15 and older that participate in the labor force.

Coverage: Data are available for about 85 USAID countries.

CAS Code # 11S1

Investment Productivity, Incremental Capital-Output Ratio (ICOR)

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

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

Coverage: Data are available for about 81 USAID countries.

CAS Code #11S2

Gross Fixed Investment, Percentage of GDP

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

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

Coverage: Data are available for about 84 USAID countries.

CAS Code # 11S3

Gross Fixed Private Investment, Percentage of GDP

Source: IMF Article IV consultation report, for latest country data www.imf.org/external/np/sec/aiv/index.htm; World Development Indicators, for international comparison data (explanation below). The estimation of this indicator involves taking the difference between gross fixed capital formation (percent of GDP) (NE.GDI.FTOT.ZS) and government

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

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

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

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

CAS Code #11S4

POVERTY AND INEQUALITY

Human Poverty Index

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

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

Coverage: Data are available for about 60 USAID countries.

CAS Code #12P1

Income Share, Poorest 20 Percent

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

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

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

CAS Code # 12P2

Percentage of Population Living on Less than $1.25 PPP per Day

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

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

Definition: The indicator captures the percentage of the population living on less than $1.25 a day at 2005 international prices. As a result of revisions in PPP exchange rates, poverty rates for individual countries cannot be compared with poverty rates reported in WDI editions prior to 2009.

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

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

CAS Code #12P3

Poverty Headcount, National Poverty Line

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

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

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

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

CAS Code #12P4

PRSP Status

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

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

Coverage: All countries having PRSPs are so indicated.

CAS Code #12P5

Percent of Population below Minimum Dietary Energy Consumption

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code # 12S1

ECONOMIC STRUCTURE

Employment or Labor Force Structure

Source: World Development Indicators, most recent publication series SL.AGR.EMPL.ZS for agriculture, series SL.IND.EMPL.ZS for industry, and series SL.SRV.EMPL.ZS for services. Alternative source: CIA World Fact Book: https://www.cia.gov/library/publications/the-world-factbook/index.html

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

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

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

CAS Code #13P1

Output Structure

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

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

Coverage: Data are available for about 86 USAID countries.

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

CAS Code #13P2

DEMOGRAPHY AND ENVIRONMENT

Adult Literacy Rate

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

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

Coverage: Data are available for about 66 USAID countries.

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

CAS Code # 14P1

Youth Dependency Rate

Source: World Development Indicators, most recent publication series.

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

Coverage: Data are available for about 89 USAID countries.

CAS Code #14P2a

Elderly Dependency Rate

Source: World Development Indicators, most recent publication series.

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

Coverage: Data are available for about 89 USAID countries.

CAS Code #14P2b

Environmental Performance Index

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

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code #14P3

Population Size and Growth

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code # 14P4

Population Living In Urban Areas

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

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

Coverage: Data are available for about 86 USAID countries.

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

CAS Code #14P5

Resource Depletion, Percent GNI

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

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

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

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

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code #14P6

GENDER

Primary Completion Rate, Male and Female

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

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

Coverage: Data are available for about 128 USAID countries.

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

CAS Code #15P1

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

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

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code #15P2

Life Expectancy, Male and Female

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #15P3

Labor Force Participation Rate, Male and Female

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

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #15P4

FISCAL AND MONETARY POLICY

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

acquisition of financial assets). Most countries do not use the new GFS system, so country coverage of fiscal data in WDI 2005 is limited. For this reason, the template continues to use data from IMF Article IV consultations and domestic country websites on a cash outlays and receipts system.

Government Expenditure, Percentage of GDP

Source: IMF Article IV consultation report for latest country data www.imf.org/external/np/sec/aiv/index.htm;

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

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

CAS Code # 21P1

Government Revenue, excluding grants, Percentage of GDP

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

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

Gaps: Data missing for about 24 USAID countries.

CAS Code # 21P2

Growth in Broad Money Supply

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

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

Coverage: Data are available for about 81 USAID countries.

CAS Code #21P3

Inflation Rate

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

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

Coverage: Data are available for about 85 USAID countries.

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

CAS Code # 21P4

Overall Budget Balance, Including Grants, Percentage of GDP

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

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

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

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

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

CAS Code # 21P5

Composition of Government Expenditure

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

Definition: Central government expenditure, broken down into the following six categories: (1) wages and salaries; (2) goods and services; (3) interest payments; (4) subsidies and other current transfers; (5) capital expenditures; and (6) other expense.

Coverage: Data are available for the majority of USAID countries

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

CAS Code # 21S1

Composition of Government Revenue

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

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

Coverage: Data are available for about 46 USAID countries.

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

CAS Code # 21S2

Composition of Money Supply Growth

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

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

Coverage: Data are available for about 86 USAID countries.

CAS Code # 21S3

BUSINESS ENVIRONMENT

Control of Corruption Index

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

Definition: The Control of Corruption index is an aggregation of various indicators that measure the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. Index ranges from -2.5 (for very poor performance) to +2.5 (for excellent performance).
This is also an MCC indicator, under the criterion of ruling justly. The MCC rescales the values as percentile rankings relative to the set of MCA eligible countries, ranging from a value from 0 (for very poor performance) to 100 (for excellent performance). Some country reports use the MCC scaling.

Coverage: Data are available for nearly all USAID countries.

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

CAS Code # 22P1

Ease of Doing Business Index

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code # 22P2

Rule of Law Index

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

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

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

Coverage: Data are available for nearly all USAID countries.

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

CAS Code #22P3

Regulatory Quality Index

Source: World Bank Institute;

http://www.govindicators.org

Definition: The regulatory quality index measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. It is computed from survey data from multiple sources. The index values range from -2.5 (very poor performance) to +2.5 (excellent performance).
This is also an MCC indicator, under the criterion of encouraging economic freedom. The MCC rescales the values as percentile rankings relative to the set of MCA eligible countries, ranging from a value from 0 (for very poor performance) to 100 (for excellent performance). Some country reports use the MCC scaling.

Gaps: Data are available for nearly all USAID countries.

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

CAS Code #22P4

Government Effectiveness Index

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code #22P5

Cost of Starting a Business

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code #22S1

Procedures to Enforce a Contract

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code # 22S2

Procedures to Register Property

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code #22S3

Procedures to Start a Business

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code # 22S4

Time to Enforce a Contract

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code # 22S5

Time to Register Property

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code #22S6

Time to Start a Business

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code #22S7

Total Tax Payable by Business

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

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

Coverage: Data are available for nearly all USAID countries

CAS Code #22S8

Business Costs of Crime, Violence and Terrorism Index

Source: Global Competitiveness Report, World Economic Forum.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #22S9

Senior Manager Time Spent Dealing with Government Regulations

Source: World Bank Enterprise Surveys, Bureaucracy section, www.enterprisesurveys.org

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

Coverage: Data available for about 80 USAID countries.

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

CAS Code #22S10

FINANCIAL SECTOR

Domestic Credit to Private Sector, Percentage of GDP

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code # 23P1

Interest Rate Spread

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

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

Coverage: Data are available for about 66 USAID countries.

CAS Code # 23P2

Money Supply, Percentage of GDP

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

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

Coverage: Data are available for about 81 USAID countries.

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

CAS Code # 23P3

Stock Market Capitalization Rate, Percentage of GDP

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

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

Coverage: Data are available for about 54 USAID countries.

CAS Code # 23P4

Credit Information Index

Source: World Bank, Doing Business; Getting Credit Category: http://www.doingbusiness.org/ExploreTopics/GettingCredit/

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

Coverage: Data are available for nearly all USAID countries.

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

CAS Code # 23P5

Legal Rights of Borrowers and Lenders Index

Source: World Bank Doing Business; Getting Credit category: http://www.doingbusiness.org/ExploreTopics/GettingCredit/ The index is based on data collected through research of collateral and insolvency laws supported by survey data on secured transactions laws.

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

Coverage: Data are available for nearly all USAID countries.

CAS Code # 23S1

Real Interest Rate

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

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

Coverage: Data are available for about 68 USAID countries.

CAS Code # 23S2

Number of Active Microfinance Borrowers

Source: The Mix Market.

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

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

Coverage: Data are available for about 68 USAID countries.

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

CAS Code # 23S3

EXTERNAL SECTOR

Aid, Percentage of GNI

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

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

Coverage: Data are available for about 84 USAID countries.

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

CAS Code #24P1

Current Account Balance, Percentage of GDP

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

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

Coverage: Data are available for about 79 USAID countries.

CAS Code # 24P2

Debt Service ratio

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

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

Definition: The debt service is the sum of interest and principal payments made by or due from a country in a given year, expressed as a percentage of exports of goods and services.

Coverage: Data are available for about 77 USAID countries.

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

CAS Code # 24P3

Exports Growth, Goods and Services

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

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

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

Coverage: Data are available for about 81 USAID countries.

CAS Code # 24P4

Foreign Direct Investment, Percentage of GDP

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code #24P5

Gross International Reserves, Months of Imports

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

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

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

Coverage: Data are available for about 77 USAID countries.

CAS Code # 24P6

Gross Private Capital Inflows, Percentage of GDP

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

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

Coverage: Information on coverage is not easily accessible.

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

CAS Code #24P7

Present Value of Debt, Percentage of GNI

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

Definition: Present value of debt is the sum of short-term external debt plus the discounted sum of total debt service payments due on public, publicly guaranteed, and private

non-guaranteed long-term external debt over the life of existing loans. The indicator measures the value of debt relative to the GNI.

Coverage: Data are available for about 80 USAID countries.

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

CAS Code # 24P8

Remittances Receipts, Percentage of Exports

Source: Latest country data obtained from national data sources or IMF Article IV consultation reports: www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data are obtained from World Development Indicators, most recent publication and remittances data compiled by the World Bank at http://go.worldbank.org/QOWEWD6TA0. The figure is constructed by dividing workers' remittances (receipts), by exports of goods and services, WDI series BX.GSR.GNFS.CD.

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

Coverage: Data are available for all USAID countries.

CAS Code # 24P9

Trade, Percentage of GDP

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

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

Coverage: Data available for about 84 USAID countries.

CAS Code # 24P10

Trade in Services, Percentage of GDP

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

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

Coverage: Data available for about 80 USAID countries.

CAS Code # 24P11

Concentration of Exports

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

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

Coverage: Available for about 74 USAID countries.

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

CAS Code # 24S1

Inward FDI Potential Index

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

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

Coverage: Data are available for about 77 USAID countries.

CAS Code # 24S2

Net Barter Terms of Trade

Source: World Development Indicators, most recent publication, series TT.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 2000.

Coverage: Data are available for about 51 USAID countries.

CAS Code # 24S3

Real Effective Exchange Rate (REER)

Source: IMF Article IV consultation reports: www.imf.org/external/np/sec/aiv/index.htm;

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

Coverage: Information on coverage is not easily accessible.

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

CAS Code # 24S4

Structure of Merchandise Exports

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

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

Coverage: Data are available for about 78 USAID countries.

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

CAS Code # 24S5

Trade Policy Index

Source: Index of Economic Freedom, Heritage Foundation: http://www.heritage.org/Index/. The Trade Policy Score (index) is one component of the Index of Economic Freedom.

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

Coverage: Data are available for about 83 USAID countries.

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

CAS Code # 24S6

Ease of Trading Across Borders Ranking

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

Definitions: The 181 economies covered by the Doing Business report are ranked on the ease with which one may import into and export out of the economy. The ranking is based on a simple average of the economy's ranking on each of the composite indicators for Trading Across Borders: number of documents to import and export, cost to import and export, and time to import and export.

Coverage: Data are available for nearly all USAID countries.

CAS Code # 24S7

ECONOMIC INFRASTRUCTURE

Internet Users per 100 people

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code # 25P1

Logistics Performance Index, Infrastructure

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

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

Coverage: Data are available for about 80 USAID countries.

CAS Code # 25P2

Telephone Density, Fixed Line and Mobile per 100 people

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #25P3

Overall Infrastructure Quality Index

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

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 25P4

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

Source: Global Competitiveness Report, World Economic Forum http://www.weforum.org/documents/gcr0809/index.html.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #25S1

Roads, paved (% total)

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code #25S2

SCIENCE AND TECHNOLOGY

FDI Technology Transfer Index

Source: Global Competitiveness Report, World Economic Forum http://www.weforum.org/documents/gcr0809/index.html.

Definition: The index measures executives' perceptions of FDI as a source of new technology for the country.

Executives grade, on a scale from 1 to 7, whether foreign direct investment in their country brings little new technology (1), or is an important source of new technology (7).

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 26P1

Availability of Scientists and Engineers Index

Source: Global Competitiveness Report, World Economic Forum http://www.weforum.org/documents/gcr0809/index.html.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #26P2

Science and Technology Journal Articles, per Million People

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

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

Coverage: Data are available for about 82 USAID countries.
CAS Code #26P3

IPR Protection Index

Source: Global Competitiveness Report, World Economic Forum http://www.weforum.org/documents/gcr0809/index.html.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #26P4

HEALTH

HIV Prevalence

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

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

Coverage: Data are available for about 79 USAID countries.

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

CAS Code # 31P1

Life Expectancy at Birth

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

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

Coverage: Data are available for about 88 USAID countries.

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

CAS Code # 31P2

Maternal Mortality Rate

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

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

Coverage: Data are available for about 87 USAID countries.

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

CAS Code # 31P3

Access to Improved Sanitation

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code #31S1

Access to Improved Water Source

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

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

Coverage: Data are available for about 83 USAID countries.

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

CAS Code # 31S2

Births Attended by Skilled Health Personnel

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

Definition: The indicator is the percentage of deliveries attended by personnel trained to give the necessary supervision, care, and advice to women during pregnancy,

labor, and the postpartum period, to conduct interviews on their own, and to care for newborns.

Coverage: Data are available for about 62 USAID countries.

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

CAS Code # 31S3

Child Immunization Rate

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #31S4

Prevalence of Child Malnutrition—Weight for Age

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

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

Coverage: Data are available for about 55 USAID countries.

CAS Code # 31S5

Public Health Expenditure, Percentage of GDP

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

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #31S6

EDUCATION

Net Primary Enrollment Rate—Female, Male and Total

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

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code # 32P1

Primary Completion Rate—Total

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

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

Coverage: Data are available for about 128 USAID countries

CAS Code # 32P2

Youth Literacy Rate—Female, Male, and Total

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

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

Coverage: Data are available for about 67 USAID countries.

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

CAS Code #32P3

Net Secondary Enrollment Rate, Total

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

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

Coverage: Not available for draft.

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

CAS Code #32P4

Gross Tertiary Enrollment Rate, Total

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

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

condition of admission, the successful completion of education at the secondary level.

Coverage: Not available for draft.

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

CAS Code #32P5

Expenditure on Primary Education, Percentage of GDP

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

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

Coverage: Data are available for about 58 USAID countries.

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

CAS Code #32S1

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

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

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

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

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

CAS Code # 32S2

Pupil-teacher Ratio, Primary School

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

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

Coverage: Data are available for about 76 USAID countries.

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

CAS Code # 32S3

EMPLOYMENT AND WORKFORCE

Labor Force Participation Rate

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #33P1

Rigidity of Employment Index

Source: World Bank, Doing Business, Employing workers category: http://www.doingbusiness.org/ExploreTopics/EmployingWorkers/

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

Coverage: Data are available for nearly all USAID countries.

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

CAS Code # 33P2

Size and Growth of the Labor Force

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #33P3

Unemployment Rate

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

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

Coverage: Data are available for about 50 USAID countries.

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

CAS Code # 33P4

Economically Active Children, Percentage Children Ages 7-14

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

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

CAS Code # 33P5

Firing Costs, Weeks of Wages

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

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

Coverage: Data available for nearly all USAID countries.

CAS Code # 33S1

AGRICULTURE

Agriculture Value Added per Worker

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

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

Coverage: Data are available for about 80 USAID countries.

CAS Code # 34P1

Cereal Yield

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

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

Coverage: Data are available for about 84 USAID countries.

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

CAS Code # 34P2

Growth in Agricultural Value-Added

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

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

Coverage: Data are available for about 84 USAID countries.

CAS Code # 34P3

Fertilizer Consumption (100 grams per hectare of arable land)

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

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

Coverage: Data available for

CAS Code #34P4

Agricultural Policy Costs Index

Source: Global Competitiveness Report, World Economic Forum http://www.weforum.org/documents/gcr0809/index.html.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 34S1

Crop Production Index

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

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

Coverage: Data are available for about 85 USAID countries.

Data Quality: Regional and income group aggregates for the FAO's production indices are calculated from the underlying values in international dollars, normalized to the base period 1999–2001. The FAO obtains data from official and semiofficial reports of crop yields, area under production, and livestock numbers. If data are not available, the FAO makes estimates. To ease cross-country comparisons, the FAO uses international commodity prices to value production

expressed in international dollars (equivalent in purchasing power to the U.S. dollar). This method assigns a single price to each commodity so that, for example, one metric ton of wheat has the same price regardless of where it was produced. The use of international prices eliminates fluctuations in the value of output due to transitory movements of nominal exchange rates unrelated to the purchasing power of the domestic currency.

Coverage: Data are available for about 85 USAID countries.

CAS Code # 34S2

Livestock Production Index

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

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

Coverage: Data are available for about 85 USAID countries.

Data Quality: See comments on the Crop Production Index.

CAS Code # 34S3

Agriculture Export Growth

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

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

Coverage: Not available for draft.

CAS Code # 34S4