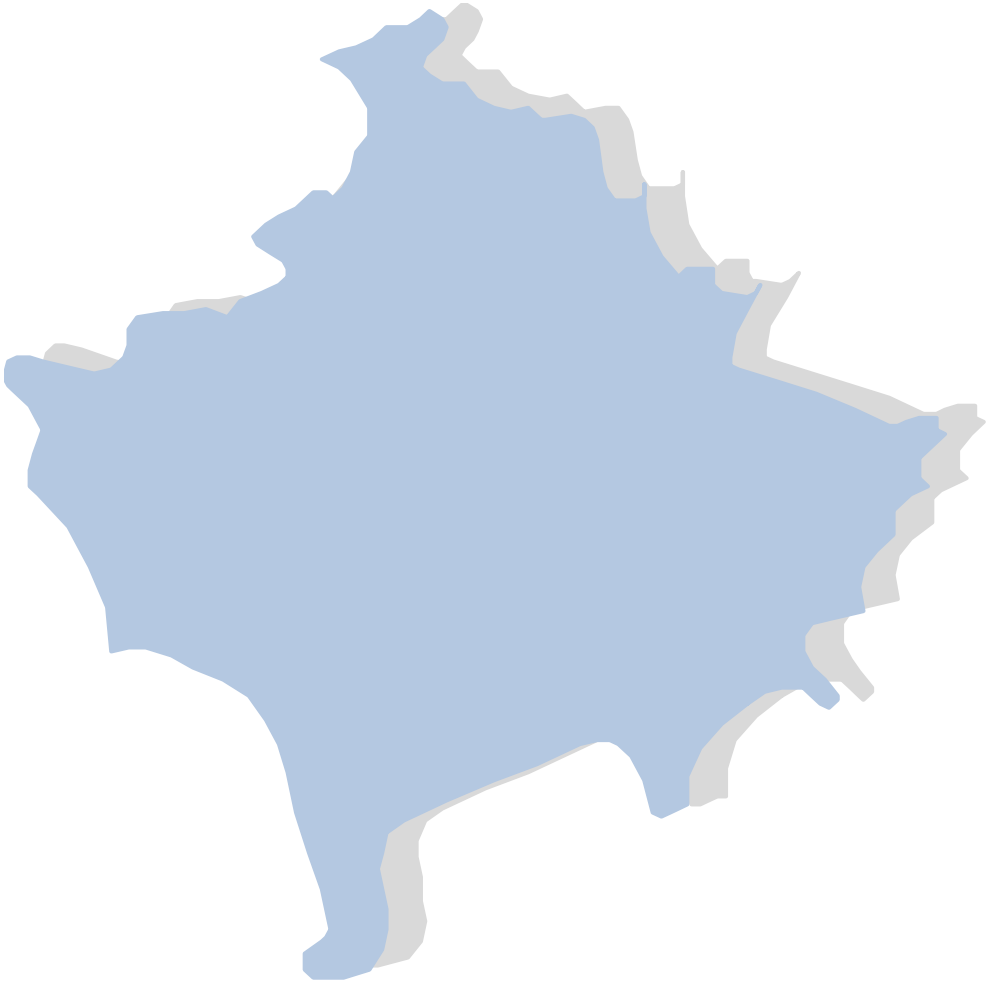
Kosovo
Economic Performance Assessment



May 2008

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

Kosovo
Economic Performance Assessment

DISCLAIMER

The views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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

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

Under Contract No. GEG-I-00-04-00002-00, Task Order 004, 2006-2008, Nathan Associates continues to provide support to the EGAT Bureau by producing analytical reports evaluating economic growth performance in designated host countries. Through the same task order, Nathan is also developing a special template for countries emerging from crisis, assessing data issues in countries with large gaps in their data; conducting in-depth sector reviews based on the diagnostic analysis in the country reports; and providing other analytical support to the EGAT Bureau.

The authors of the present report are Alexander Greenbaum, Amy Cogan Wares, Molly James, Peter Miller, and Pooja Pokhrel.

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

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

Rose Mary Garcia
Chief of Party, CAS Project
Nathan Associates Inc.
RGarcia@nathaninc.com

Contents

Illustrations

Figures

Tables

HIGHLIGHTS OF KOSOVO'S PERFORMANCE

Economic Growth	GDP growth has been modest in recent years, largely because of weak private sector expansion. The level of private investment is growing, but investment efficiency is a major concern. Uncertainty over the impact of donor downsizing on the economy, which has largely been sustained by foreign assistance, is significant.
Poverty	Nearly half the population lives below the poverty line, with children and the elderly most affected by extreme poverty. Poverty is reportedly increasing in rural areas and among ethnic minorities.
Economic Structure	Services account for a high share of GDP, owing in large part to donor presence in the country. Although employment in agriculture and industry is evenly split, productivity in the former is much lower. Industrial growth is stagnant.
Demography and Environment	With the youngest population in Europe, Kosovo has a high youth dependency rate—creating a broad need for educational and employment opportunities. The high rate of migration is causing a "brain drain" but is also supporting the economy through significant remittance receipts.
Gender	Literacy among women is improving, but the high degree of gender inequality in the labor market seriously undermines the country's productive potential.
Macroeconomic Policy	Adoption of the euro and prudent fiscal policy have kept inflation low. Revenues have increased, and in 2007 Kosovo posted a budget surplus of 9.8 percent of GDP. Government capacity to execute budgets and manage expenditures remains a key issue.
Business Environment	Much of Kosovo's legal and regulatory framework is in place, but implementation and enforcement are problems due to lack of capacity in local institutions. Corruption is perceived as an impediment to business.
Financial Sector	Kosovo's financial sector is growing rapidly, largely driven by increasing credit to the private sector. The interest rate spread is very high.
External Sector	Kosovo has a very large current account deficit and low levels of exports that are highly concentrated. It is highly dependent on remittances and foreign aid. A bright spot is increasing FDI.
Economic Infrastructure	In general, Kosovo's infrastructure is in bad shape. Interruptions in the supply of electricity are common. Almost two-thirds of all roads are unpaved.
Science and Technology	Advancement in science and technology has not been a political priority.
Health	Health outcomes are mixed. Life expectancy is on par with other countries in the region and maternal mortality rates are declining; however, child malnutrition and access to clean water remain severe problems. In addition, health services infrastructure is weak.
Education	Kosovo's commitment to education is evident in high enrollment rates, widespread literacy, and significant public spending on education. However, educational attainment splits along gender lines and is lower among minority ethnic groups—Roma, Ashkali, and Egyptians.
Employment and Workforce	With high unemployment and a rapidly growing working age population, productive job creation is a priority. Also, female labor force participation is very low and hinders productivity.
Agriculture	The agriculture sector is characterized by low productivity. Farms are small and fragmented with most production going to meet household needs.

KOSOVO: STRENGTHS AND WEAKNESSES—SELECTED INDICATORS

Selected Indicators, by Topic	Strengths	Weaknesses
Growth Performance		
Real GDP growth		X
GDP per capita, in current U.S. dollars		X
Investment productivity—incremental capital-output ratio (ICOR)		X
Poverty and Inequality		
Poverty headcount, national poverty line		X
Percent population below minimum dietary energy consumption		X
Demography and Environment		
Adult literacy rate	X	
Youth dependency rate		X
Urbanization rate		X
Gender		
Girls' primary enrollment rate	X	
Labor force participation rates, female		X
Fiscal and Monetary Policy		
Inflation	X	
Government budget balance	X	
Government revenue	X	
Government expenditures		X
Business Environment		
Rule of law index		X
Government effectiveness index		X
Financial Sector		
Domestic credit to the private sector	X	
Interest rate spread		X
External Sector		
Trade in goods and services, percentage of GDP		X
Debt service ratio, % exports		X
Current account balance		X
Remittance receipts, % exports	X	
Economic Infrastructure		
Quality of roads		X
Electricity supply		X
Health		
HIV prevalence	X	

Selected Indicators, by Topic	Strengths	Weaknesses
Access to improved sanitation		X
Access to improved water source		X
Births attended by skilled health personnel	X	
Child immunization rate		X
Education		
Net primary school enrollment rate	X	
Pupil-teacher ratio, primary School	X	
Employment and Workforce		
Unemployment rate		X
Labor force participation rate		X
Agriculture		
Growth in agricultural value added		X
Agriculture value added per worker		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 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. The 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. This study uses two other small, lower-middle income countries in the same region, Macedonia and Albania, as comparators. In addition, Kosovo's performance is compared to median values of lower-middle-income countries in the Eastern Europe and Central Asia (LMI-EE&CA) and lower-middle-income countries (LMI) globally.

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.

---

[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 March 2008.

[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 and build capabilities for the poor. We call this the ***pro-poor growth environment.*** Here, too, many elements are involved, including effective education and health systems, policies facilitating job creation, agricultural development (in countries where the poor depend predominantly on farming), dismantling barriers to micro and small enterprise development, and progress toward gender equity.

In countries such as Kosovo, which have experienced ongoing conflict, there is also an interaction between security conditions and economic performance. Overt conflict, or even the risk of serious conflict, can adversely affect growth; conversely, an end to conflict can deliver a peace dividend. In addition to conflict affecting the economy, economic conditions may either exacerbate or help to ameliorate security problems. Thus, it is useful to view economic performance in Kosovo through a conflict lens. Accordingly, this report includes a section on conflict risk.

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; Conflict Risk; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topical coverage. Appendix A provides a brief explanation of the criteria used for selecting indicators, the benchmarking methodology, and a table showing the full set of 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	Conflict Risk	Private Sector Enabling Environment	Pro-Poor Growth Environment
• Growth performance • Poverty and inequality • Economic structure • Demographic and environmental conditions • Gender	• Conflict in Kosovo • Current conflict indicators • Risk of conflict • Institutional capacity to cope with risk	• Macroeconomic 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 economic data collected for Kosovo is limited. The World Bank does not provide a score for Kosovo on its 2006 Statistical Capacity Indicator Index, but discusses the challenges associated with poor data in its *2005 Poverty Assessment.* The Statistical Office of Kosovo has made considerable progress in collecting household level data through surveys; however, there is no recent census data. As a result, it is not possible to assess how well the household surveys represent the population at large. Furthermore, methodological differences among surveys make comparisons problematic. Large data gaps remain in collection, and the Statistical Office of Kosovo does not allow open access to much of their data. GDP figures are estimates rather than actuals and further major revisions to Kosovo's national accounts have yet to be published. Kosovo is not included in many international benchmarking data sets, which complicates our analysis in several sections of the report. Nevertheless, we believe that our data set enables us to provide a broad assessment of key trends and issues in Kosovo's economy.

2. Overview of the Economy

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

GROWTH PERFORMANCE

Kosovo stands at a critical juncture in becoming a sovereign economy after more than a decade of political violence and uncertainty. Under the guidance of the United Nations Interim Administration Mission in Kosovo (UNMIK) and the Provisional Institutions of Self-Government (PISG), Kosovo has established much of the institutional framework for self-government and responsibilities have gradually transferred from UNMIK to PISG. In early 2007, negotiations led by UN Special Envoy Martti Ahtisaari laid the groundwork for resolution of Kosovo's status. With its declaration of independence on February 17, 2008, Kosovo emerged as the newest nation state of the twenty-first century, although its independence has not been recognized by all countries, in particular, Serbia and Russia.

Despite great strides, the available data indicate that Kosovo is facing some serious economic challenges. Historically, it was one of the poorest regions of the former Federal Republic of Yugoslavia and is still struggling with high levels of poverty, relatively low growth, and extremely high unemployment. As a result, Kosovo has one of the lowest per capita incomes in Europe, at around $1,430 in current U.S. dollars in 2007.[4] This figure is low, especially in comparison to its neighboring states, the former Yugoslav Republic of Macedonia ($3,574) and Albania ($3,256). It is also low in comparison to the global median of lower-middle-income countries ($2,310) as well as the LMI-EE&CA median ($2,729) (see Figure 2-1).

Kosovo posted modest growth rates in 2006 and 2007. After a contraction in output of 1 percent in 2005, the country rebounded with estimated annual growth averaging 3.3 percent in the last two years. However, this is far lower than the growth rates in Macedonia (5.0 percent), and Albania (6.0 percent), as well as the LMI-EE&CA median growth rate of 7.3 percent (see Figure 2-2). Furthermore, given its rapidly growing population (see *Demography and Environment*)

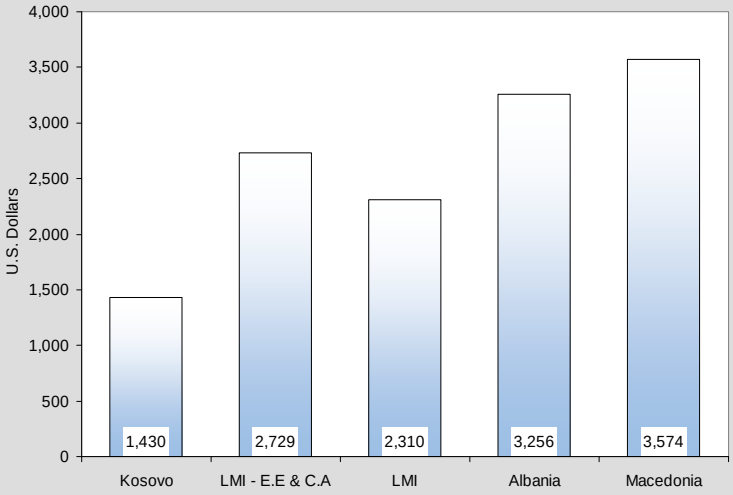
[4] Statistics for growth and income levels in Kosovo are unreliable and estimates differ from year to year. We rely in this report on the most recent data available, but these numbers are subject to change following further revision to available statistics. Currently, some significant revisions to the data are being suggested by the IMF.

Kosovo's growth rate is not sufficient to affect transformational development or to significantly reduce poverty.

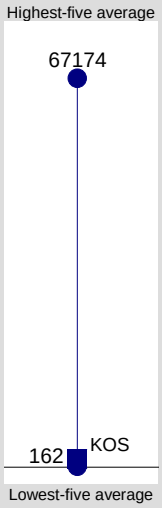
Figure 2-1
GDP Per Capita in Current U.S. dollars

Kosovo has one of the lowest per capita incomes in the region.

Comparisons to other countries, most recent year



Kosovo Global Standing



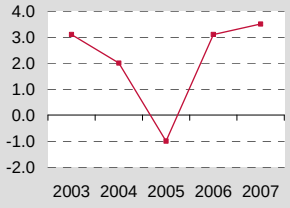
Source: IMF Kosovo, Gearing Toward Growth & Development (2004), IMF Aide Memoire (2007), IMF World Economic Outlook

CAS code: 11P2

Figure 2-2
Real GDP Growth

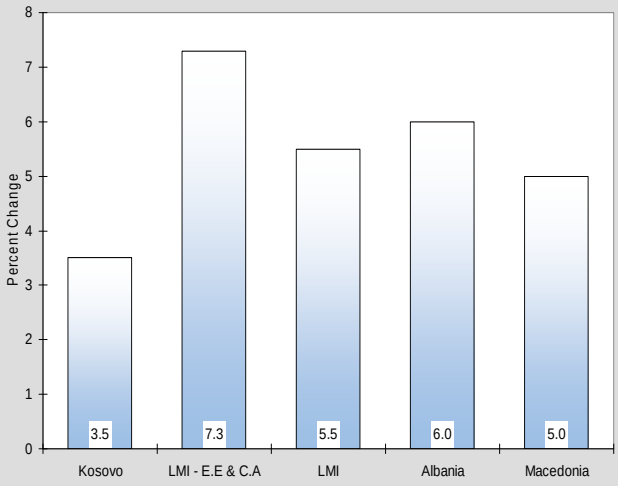
Despite progress in recent years, growth is still too low to affect large-scale poverty reduction and transformational change.

Time Series

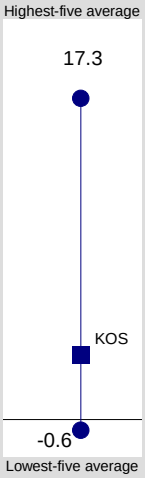


Year	Value
2003	3.1
2004	2.0
2005	-1.0
2006	3.1
2007	3.5
Summary for 2003- 2007	
Five year average	2.1
Trend growth rate	.

Comparisons to other countries, most recent year



Kosovo Global Standing



Source: IMF Kosovo, Gearing Toward Growth & Development (2004), IMF Aide Memoire (2007), IMF World Economic Outlook

CAS code: 11P3

In large part, Kosovo's relatively low growth rates can be attributed to declines in capital investment and the inefficiency of investment. The share of total gross fixed investment fell from more than 40 percent of GDP in 2001 to approximately 31 percent in 2006 because of rapid withdrawal of donor funding. This is typical of postconflict countries that have experienced a surge of reconstruction, and Kosovo's share of total gross fixed investment in GDP is higher than all comparators– Macedonia (18.4 percent), Albania (25.6 percent), the LMI median (20.6 percent). Kosovo will need to maintain these high levels of public investment in order to sustain economic growth. However, investment efficiency as measured by the incremental capital output ratio (ICOR) in Kosovo is a concern. The ICOR was 16.1 over the three years to 2006, meaning that $16.10 has been required to produce an extra unit of output.[5] Since a lower value for the ICOR indicates higher investment productivity, investment was far more efficient on average in other LMI countries in the region (3.6), Albania (5.3), as well as Macedonia (6.0). Countries using capital productively generally have an ICOR of 4 or below. Given Kosovo's rapidly changing economic landscape, its current ICOR is not necessarily a good predictor of future investment productivity.

The return to growth, albeit modest, is partly a result of the growing private sector. Kosovo's adoption of the euro has helped stabilize prices and limited vulnerability caused by currency fluctuations. Consequent private sector expansion has compensated for some of the reduction in investment caused by donor withdrawal. In 2006, the share of gross fixed private investment in GDP stood at 23 percent, above the benchmarks of Macedonia (17 percent) and the LMI regional median (18 percent), and just below Albania's 24 percent. Much of the increase in private sector investment is due to a boom in the housing market; the Medium Term Expenditure Framework (MTEF) 2008-2010 notes that housing accounted for more than 63 percent of private investment in Kosovo, although investment shares of other sectors have increased in recent years.[6]

Analysis of the data implies that Kosovo should try to adopt a pattern of self-sustaining growth supported by sustained public investment, improved employment opportunities, and a vibrant private sector.

POVERTY AND INEQUALITY

The UNDP's Human Poverty Index (HPI) provides a broad measure of poverty which takes into account life expectancy, literacy, access to safe water, and child nutrition. Kosovo's score has shown consistent improvement in recent years, declining from 17.6 in 2001 to 9.7 in 2004 and 9.1 in 2006. Nevertheless, the World Bank's 2007 assessment of poverty in Kosovo found that 45 percent of the population falls below the official poverty line, which in 2002 prices was 43 euros per month (approximately US$40 at 2002 exchange rates) and 16 percent of the population suffers from extreme poverty, defined as individuals lacking minimum dietary consumption (2005/2006) (see Figure 2-3).[7] While there has been some controversy regarding the data in this

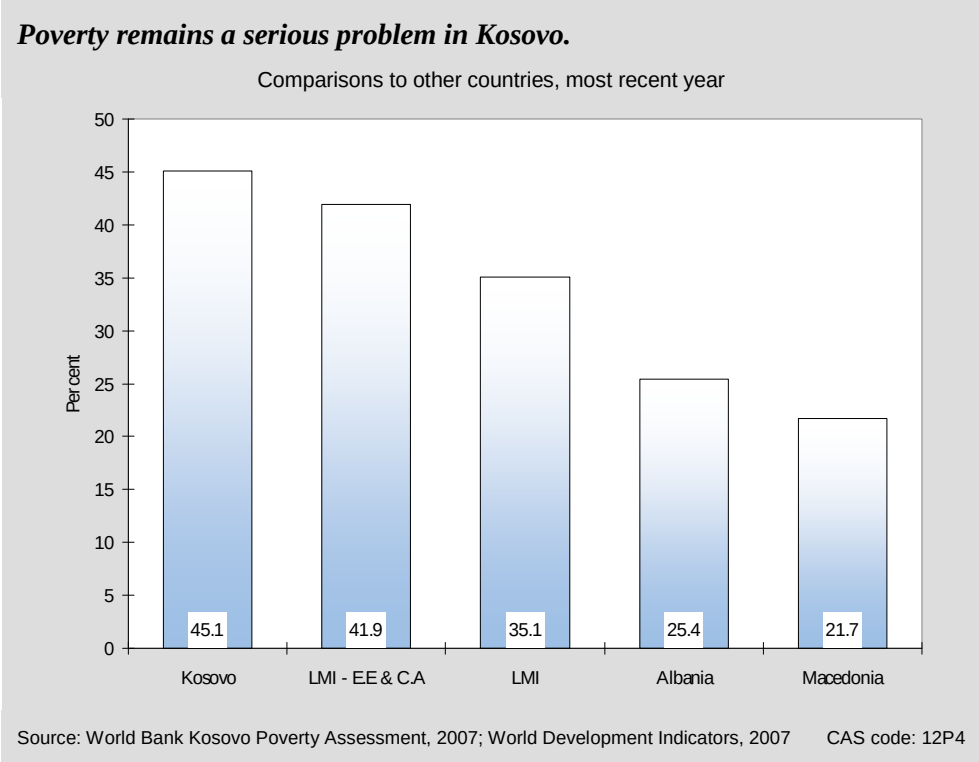
[5] Due to the unavailability of a consistent 5-year time series data for investment, the ICOR was calculated for a three-year period from 2004 to 2007. Even so, rather more than a usual degree of uncertainty should be attached to these estimates.

[6] MTEF, p.35.

[7] World Bank. *Kosovo Poverty Assessment*, 2007.

report, the evidence available indicates that the incidence of extreme poverty in Kosovo is nearly twice the regional median of 9 percent and more than double the incidence in Albania (6 percent in 2002) and Macedonia (7 percent in 2002). Extreme poverty is highest among children (17 percent pre-school-aged children, 17 percent among children aged 6-15) and the elderly (17 percent).[8] This deprivation has serious consequences for labor productivity and earning capacity as well as children's learning capabilities.

Figure 2-3
Poverty Headcount, % below National Poverty Line



One basic indicator of the distribution of income and wealth is the Gini coefficient, a measure of statistical distribution defined as a ratio of values between 0 and 1. A low coefficient indicates more equal distribution, and a high coefficient indicates more unequal distribution. In 2005, Kosovo's Gini coefficient was an estimated 0.30,[9] better than the LMI median of 0.41 and Macedonia's 0.39 (2003), and in line with Albania's 0.29 (2005).[10]

Ethnic and regional poverty differentials are also particularly important in postconflict conditions. Statistics on regional income inequality in Kosovo have to be interpreted with caution due to uncertainty about the quality of the survey data. The available information, however, suggests

[8] World Bank. *Kosovo Poverty Assessment*, 2005.

[9] Based on World Bank staff calculations from Household Budget Survey data. World Bank. *Kosovo Poverty Assessment*. 2007.

[10] Calculated from World Bank, *World Development Indicators*, 2007; World Bank, *Albania: Trends in Poverty and Inequality 2002-2005;* UNDP, *Human Development Report*, 2007.

that there are acute regional differences in poverty. The World Bank's analysis of data from the 2005/2006 survey reported that 44 percent of Kosovo-Serb households live in extreme poverty, compared to 15 percent in Kosovo-Albanian households and 23 percent for other ethnic groups.[11] In addition, there appears to be a divergence in the rural and urban poverty rates in recent years. In 2003, the rates were roughly equal, 44 percent for rural and 42 percent for urban. Survey data from 2005, however, indicate that urban poverty had declined by 5 percentage points, while rural poverty had risen by a similar amount.[12]

The data suggest that the government, with assistance from donors, should aim to stimulate investment and productivity and to narrow inequality between ethnic groups in order to ensure that growth creates better opportunities for income and wealth generation in the poorer segments of society.

ECONOMIC STRUCTURE

The latest estimates of the broad structure of output available at the time of this writing are from 2004. They show agriculture claiming an average 9 percent share of GDP for the period 2002-2004,[13] which is low compared to all benchmarks: the LMI-EE&CA median of 15.2 percent, Macedonia's 13.0 percent, and Albania's 22.8 percent. Industry's estimated contribution to GDP in 2004 was 27.1 percent, below the LMI-EE&CA median of 32.2 percent and Macedonia's 29.3 percent, but higher than Albania's 21.5 percent. Services' estimated share of GDP was a very high 64.3 percent in 2004, comparable to values for upper middle-income countries and well above the LMI-EE&CA median of 54.4 percent, Albania's 55.7 percent, and Macedonia's 57.7 percent. This breakdown, however, is a bit misleading given that, on average, 17 percent of GDP between 2002 and 2004 was attributable to UNMIK, inflating services' contribution to GDP.

Agriculture's estimated share of the labor force is also a relatively low 21.4 percent, well below the LMI-EE&CA median of 41.4 percent and Albania's 58.4 percent but on par with Macedonia's 19.5 percent. Industry's share of the labor force also hovered around 20 percent, higher than the median LMI-EE&CA share of 16.1 percent and Albania's 13.5 percent, though well below Macedonia's 32.3 percent. The service sector's estimated share of the labor force increased from 53.5 percent in 2004 to 58.3 percent in 2006, much higher than all comparator benchmarks. A comparison of output and employment structure implies that labor productivity is very low in agriculture, where approximately 20 percent of the labor force produced less than 10 percent of value added. On this basis, industry and services are the most productive sectors in the economy (see Figure 2-4).

---

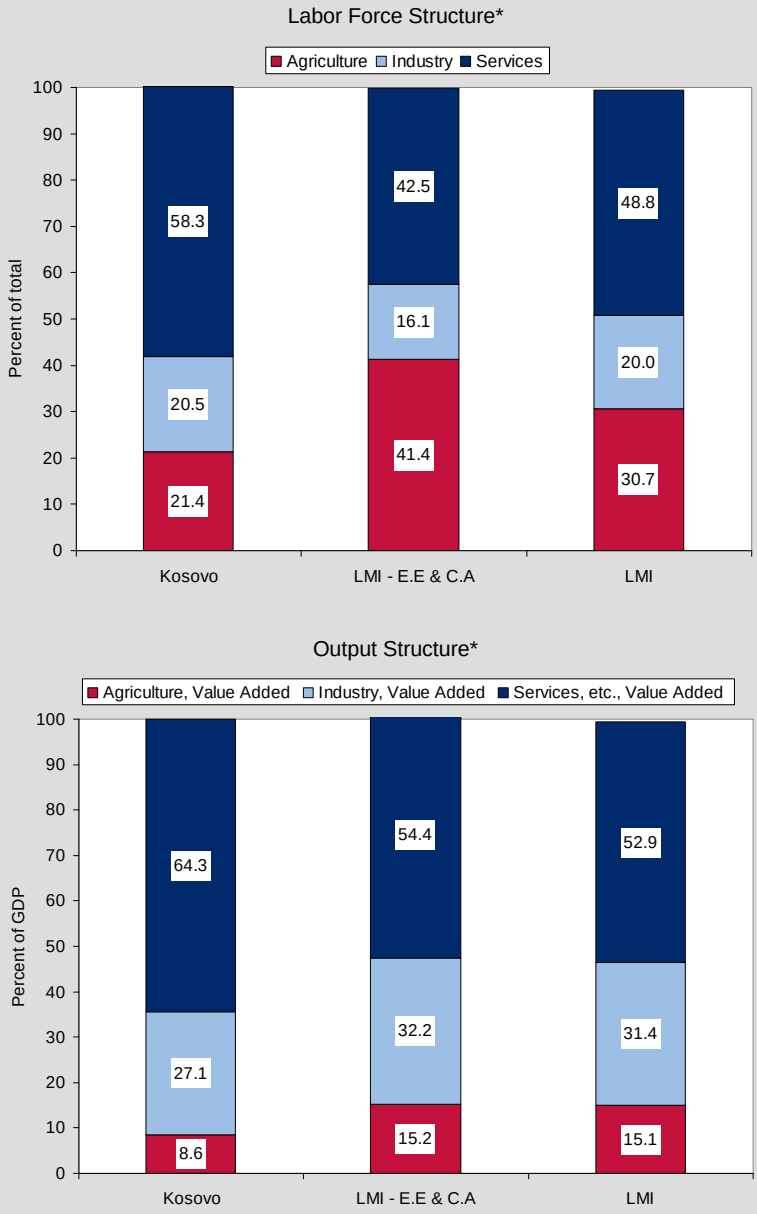
[11] The source, *Kosovo Poverty Assessment 2007*, notes that data quality is a concern and that these figures should be interpreted with caution.

[12] Based on World Bank staff calculations from Household Budget Survey data. *Kosovo Poverty Assessment*. 2007.

[13] Sector share data are from Economic Statistics, National Accounts, 2002-2004, Statistical Office of Kosovo.

Figure 2-4
Economic Structure

The labor force share in agriculture is well above the value added share, indicating low labor productivity relative to other sectors.



Source: Commission of European Communities 2007 Kosovo Progress Report and Statistical Office of Kosovo, Economic Statistics 2002-2004
*Data for Kosovo is for 2004

CAS code: 13P1a-c 13P2 a-c

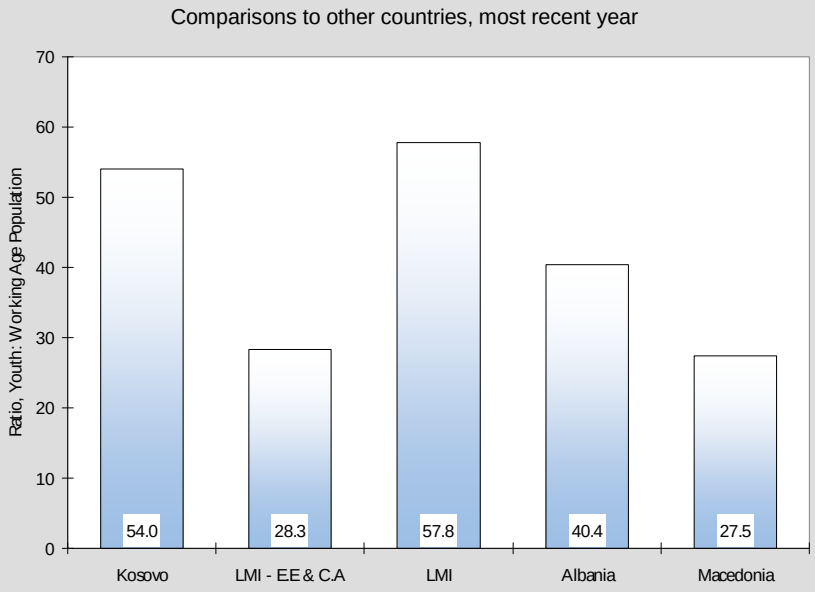
These sectoral patterns of employment and productivity have important implications for the structural transformation of Kosovo's economy, transformation that is at the heart of development. Agriculture's share of the labor force should be falling over time, with industry and service shares rising. At the same time rising agricultural productivity is essential to accelerate growth and reduce poverty. The Medium Term Expenditure Framework exercise for Kosovo focuses in particular on how competitiveness might be improved to attract international capital. This is an important step in the required process of transformation.

DEMOGRAPHY AND ENVIRONMENT

Kosovo's population of 2.1 million is growing at the relatively rapid rate of 1.4 percent per year (2006).[14] This is slightly lower than the LMI median of 1.5 percent but significantly higher than the 0.2 percent growth in both Albania and Macedonia. Kosovo also has the youngest population in Europe. Over half the country's population is under the age of 25 and approximately 21 percent are between 15 and 25.[15] As a result, Kosovo's youth dependency rate is a high 0.54, meaning that there are 54 dependents for every 100 working-age adults (Figure 2-5). This is just below the LMI median of 0.58, but much higher than Albania's 0.40 and Macedonia's 0.28. A high dependency ratio puts a strain on the educational system and other government services and heightens the need for rapid job creation.

Figure 2-5
Youth Dependency Rate

A high youth dependency rate is placing increasing pressure on government services.



Source: Kosovo Poverty Assessment, 2007; World Development Indicators, 2007 CAS code: 14P2a

Kosovo's population is largely rural, with only 35 percent living in urban areas, compared to 46 percent in Albania and 70 percent in Macedonia. Such a low urbanization rate reflects the continued importance of the rural sector in Kosovo's economy. Despite this, adult literacy was high at 94 percent in 2003.[16]

---

[14] Commission of the European Communities. *Commission Staff Working Document: Kosovo (Under UNSCR 1244) 2007 Progress Report.* November 6, 2007.

[15] United Nations Development Programme. *Human Development Report (Kosovo),* 2006.

[16] World Bank. *Kosovo Poverty Assessment*, 2005.

Migration has been a constant in Kosovo for decades. It is estimated that about 17 percent of Kosovars live abroad, making remittances an important component of the country's economy (see *External Sector).* The majority (60 percent) has citizenship in their resident countries and another 34 percent have temporary resident permits.[17]

Demographic pressures and poverty are often sources of environmental stress. Kosovo faces severe environmental challenges with regard to water quality, waste management, and air and soil pollution (see *Health*). Kosovo's environment is directly affected by unplanned construction, outdated energy production facilities, and illegal waste disposal sites with frequent uncontrolled burning of waste.[18] Although several air and environmental protection laws have been passed, the legal framework requires further development and effective enforcement will require concerted effort.

Kosovo faces demographic pressures from a large and growing population of youth and economic stress resulting from poor sanitation infrastructure. Policymakers and donors should consider focusing on long-term commitments to promoting pro-poor economic growth strategies that improve living standards for the poor, lessen environmental stress, and spur job creation.

GENDER

Gender equity enables faster economic growth by ensuring that the productive capacities of all citizens can be developed and used to full extent. Kosovo performs well on health and literacy indicators, but the high degree of gender inequality in secondary education and the labor market seriously undermine the country's productive potential.

Although life expectancy on an absolute level is lower than in Albania and Macedonia, the margin by which women outlive men in Kosovo is typical of its neighbors and of OECD countries.[19] This indicates that discrepancies in healthcare outcomes for females are not substantial.

Female literacy in Kosovo is 87 percent, compared to 97 percent for men; however the disparity is concentrated in older generations. Among 15-34 year olds, female literacy is 98 percent and male literacy 99 percent.[20] Enrollment levels for females are similar to those for males in the early years of primary education, but decline in later years for an overall primary enrollment ratio of 0.92. The divergence accelerates at the secondary level where the ratio of females to males is just 0.79.[21]

---

[17] Forum 2015/Riinvest Institute. *Diaspora and Migration Policies*, December 2007.

[18] Riinvest Institute. Second Millennium Development Goals Report for Kosovo, October 17, 2007.

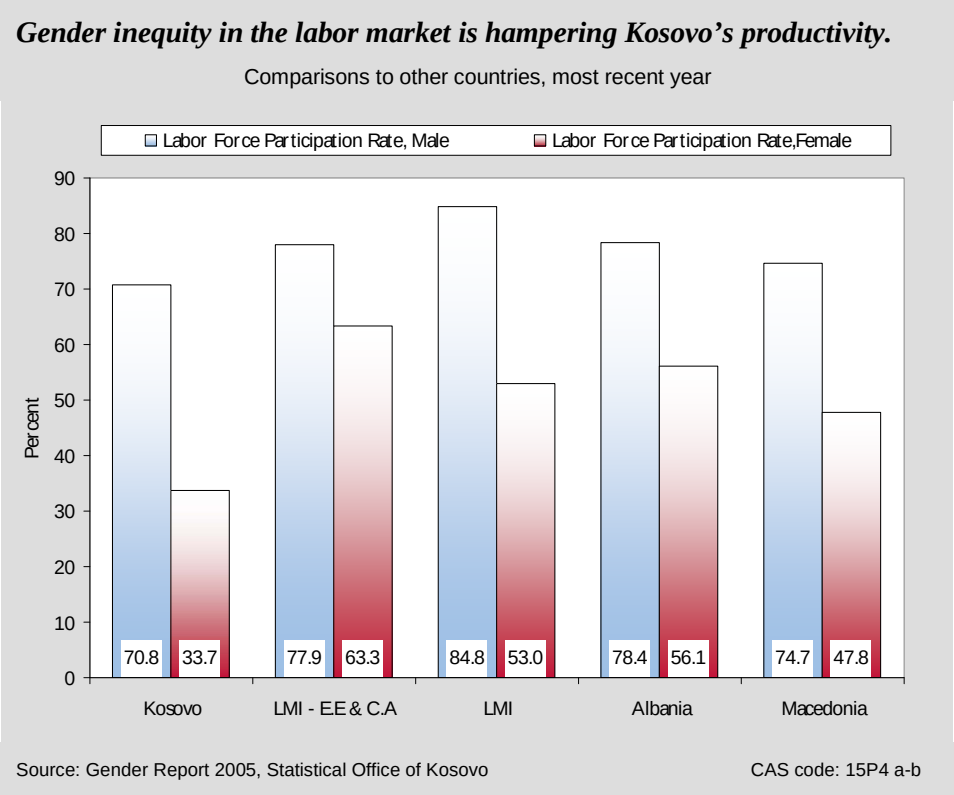
[19] The ratio of male to female life expectancy in most OECD countries is between 0.89 and 0.95, with an average of about 0.93. Ratios below 0.89 indicate a problem with male life expectancy. Several transition countries have ratios below 0.8. The ratio of male to female life expectancy in Kosovo is 0.94.

[20] Statistical Office of Kosovo. *Women and Men in Kosovo.* February 2007.

[21] UNDP. *Human Development Report (Kosovo)*, 2006.

Labor force participation by both females and males is far below the regional average and comparator countries. It is widely considered that this is linked to the level of unemployment, which discourages workers from entering the labor force, and the high level of remittances, which has raised the "reservation wage", the minimum wage at which a worker is prepared to accept a job, in the labor market (see *Employment and Workforce*). Only 34 percent of Kosovo's women are actively in the labor force, compared to 56 percent in Albania and 48 percent in Macedonia. Of particular concern here is the extreme gender disparity in the workforce. The ratio of female to male participation in the labor force is 0.48, substantially worse than in Albania (0.72) and Macedonia (0.64), and far worse than the regional average (0.81) (Figure 2-6).

Figure 2-6
Labor Force Participation, Male and Female



Gender equity not only is a matter of basic human rights, but also has positive implications for growth and productivity in furthering opportunities for women. Kosovo is already suffering a high loss of productive labor due to emigration (see *Demography*), so the government, with assistance from donors, needs to make every effort to engage all members of the workforce in productive activities.

3. Conflict Risk and Economics

According to recent literature on conflict and growth, conflict can dampen growth by drawing resources into nonproductive military activities, impeding investment in physical capital and human resources, impairing fiscal capacity for essential government expenditures, and imposing a debt burden that encumbers future budgets.[22] One influential study found that civil wars reduce GDP per capita at an annual rate of 2.2 percent relative to estimates of what would occur in the absence of conflict.[23] The impact on per capita income is especially pronounced in regions directly affected by conflict.[24] Although improvements have been rapid in recent years, Kosovo has been an unstable and divided part of the world for many centuries. Its population has comprised ethnic Serbs, Roma (Gypsy), and Albanians since the Ottoman era.

CONFLICT IN KOSOVO'S RECENT HISTORY

In 1998, after more than a decade of oppression under the Serb ultra-nationalist, Slobodan Milosevic, Kosovo exploded into violence. In 1999, with thousands of ethnic Kosovars either killed or forcibly displaced, NATO undertook an intensive air campaign against the Milosevic regime, halting the violence and ushering in a NATO-led peacekeeping and stabilization mission. The NATO force, known as Kosovo Force (KFOR), was tasked with providing primary security under the auspices of the United Nations Mission in Kosovo (UNMIK). Mandated by UN Security Council Resolution 1244, UNMIK assumed all other state-related functions and Kosovo became a UN protectorate within the territorial integrity of Serbia. At that time, an estimated 200,000-280,000 Serbs, a substantial majority of the Serbian population, departed the protectorate along with Serbian forces.[25] Many displaced Serbs were reluctant to return to their homes, even with KFOR protection.

In 2001, UNMIK initiated a constitutional framework for Kosovo that established the Provisional Institutions of Self-Government (PISG), including an elected Kosovo Assembly, Presidency, and Office of Prime Minister. Kosovo held its first free, Kosovo-wide elections in late 2001.

---

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

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

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

[25] http://www.reliefweb.int/library/documents/2002/coe-kos-16oct.pdf

In March 2004, Kosovo experienced an outbreak of ethnic violence. The violence was sparked by a series of minor events that escalated into large-scale riots. Thankfully, the event was short-lived, and normal life resumed quickly.

In early 2007, after 14 months of negotiations, the UN Special Envoy, former Finnish Prime Minister Martti Ahtisaari, presented a comprehensive plan for resolving Kosovo's status. The plan outlined a framework for Kosovo's independence, under the supervision of the European Union. The plan had support within Kosovo and from many western governments, but Serbia repeatedly rejected any arrangement that would grant Kosovo sovereignty.[26] Frustrated by the lack to progress in negotiations with Serbia and the indefinite nature of status talks, Kosovo declared its independence in February 2008.

CURRENT CONFLICT INDICATORS

Developed by the Fund for Peace, the Conflict Assessment System Tool (CAST) uses 12 social, economic, political, and military indicators to measure pressures that may lead to violent conflict or even state collapse. Each indicator is scored on a scale of 1-10 on the basis of a comprehensive analysis of news articles and public documents and on the basis of other quantitative indicators. The highest possible score of 120 indicates the highest risk possible; a score of 90 or higher means that the country is in at high risk for conflict. In 2007, Kosovo received a cumulative indicator score of 84.8. By comparison, Bosnia scored 84.5, Serbia 81.1, Macedonia 74, and Albania 70.5. Table 3-1 provides a breakdown of all 12 indicators. Our discussion focuses on indicators scoring above 7, indicating severe risk.

RISK OF CONFLICT IN KOSOVO

Kosovo's risk of conflict is especially severe in six areas: uneven economic development (7.6), refugees and internal displacement (7.2), legacy of group grievance (8.0), criminalization or delegitimization of the state and rise of factionalized elites (both 7.4), and intervention of other states (9.0).

The economic divide between the Albanian majority and Serb and Roma minorities is sharp (see *Poverty and Inequality*). Fearing repression and discrimination by the majority Albanians, Serbs continue to flee Kosovo. Ethnic Serbs and Roma alike remain internally displaced almost a decade after the war. Recent estimates place the number of internally displaced Serbs at over 20,000.[27] The probability for vengeance seeking for real or perceived past or current wrongdoings is high, reflecting the deep and continuing hostility between the minority Serbs and majority Albanians. Although no widespread violence between the two groups has erupted apart from that in 2004, minor skirmishes and hate speech are still reported.

---

[26] http://www.srbija.sr.gov.yu/vesti/vest.php?id=31550

[27] http://www.unhcr.org/cgi-bin/texis/vtx/refworld/rwmain?docid=4704bff72&page=search

Table 3-1
Kosovo's 2007 CAST Scores

Category	CAST Score
SOCIAL	
Mounting demographic pressures	6.8
Massive movement of refugees or internally displaced persons	7.2
Legacy of vengeance- seeking group grievance or group paranoia	8.0
Chronic and sustained human flight	6.2
ECONOMIC	
Uneven economic development along group lines	7.6
Sharp and/or severe economic decline	7.0
POLITICAL AND MILITARY	
Criminalization and/or de-legitimization of the state	7.4
Progressive deterioration of public services	5.8
Suspension or arbitrary application of human rights	6.0
Security apparatus operates as a "state within a state"	6.4
Rise of factionalized elites	7.4
Intervention of other states or external political actors	9.0

Businesses see corruption as a serious problem (see *Business Environment*), though both the previous and new governments have made rule of law and improved governance top policy priorities in the *Kosovo Medium Term Expenditure Framework.* Meanwhile, political discourse is fairly orderly and representative but our analysis of news content indicates that illicit power structures have considerable sway in the implementation of policy.

Lastly, external intervention in Kosovo has been constant since the 1990s. Upon the departure of Serb forces, NATO and the UN assumed responsibility for administering Kosovo. These missions of stabilization and assistance still exist and are vital to maintaining law and order in many areas. Furthermore, they have been the driving force behind the development of civil institutions and infrastructure network. Kosovo still relies heavily on donor financial assistance to prop up its economy. Although Kosovo has declared independence, it is still learning many of the lessons of self-government and in this endeavor is supported by the international community.

INSTITUTIONAL CAPACITY TO COPE WITH RISK

A country's ability to cope with the pressures just described depends on the strength of its institutions. Here, Kosovo's weakness is a major concern. The Kosovo Protection Corps, consisting largely of demilitarized KLA fighters, is nominally responsible for providing search and rescue, humanitarian relief, and other public assistance. It is not authorized to bear arms or take any direct role in providing security or maintaining law and order. Kosovo does not have a formal military. KFOR is responsible for protecting the borders and preventing civil unrest from disrupting the post-independence transition.

The civil service is directly assisted and supervised by the EU, UN, and NATO. This cooperation has not prevented corruption from becoming a serious problem for those attempting to administer public services, and a lack of trained indigenous personnel continues to affect performance.[28] The judicial system in Kosovo has serious weaknesses that the government is trying to address with the help of donors.

Kosovo faces a sizeable but not insurmountable risk of conflict. Genuine progress will require direct investment in a self-sustaining economy and ensuring that all ethnic groups have an equal stake in supporting formal political, economic, and social structures.

[28] http://www.kosovo.undp.org/repository/docs/Fast_Facts_19_-_FinalEng.pdf

4. Private Sector Enabling Environment

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

MACROECONOMIC POLICY

In most countries, both fiscal and monetary policies are key instruments for achieving macroeconomic stability. One of the main concerns for emerging economies is to ensure low and stable inflation and establish a sustainable fiscal balance. Kosovo's adoption of the euro as legal tender has kept inflation under control and eliminated currency fluctuations, but also limited monetary policy to very blunt tools such as changing the reserve requirement to influence credit growth.

Inflation, the primary indicator of macroeconomic stability, has been low, averaging 0.8 percent in the period 2003-2007. This is attributable to the adoption of the euro, which constrains the pricing of tradable goods and prevents the government from printing money to finance public expenditure. The contraction of donor activities contributed to deflation in 2004 and 2005 as the reduced demand on goods and services put downward pressure on prices. In 2007, inflation registered 4.5 percent, lower than the LMI-EE&CA median of 8.5 percent, though higher than the rates in Macedonia (2.0 percent) and Albania (2.5 percent).

As noted, adoption of the euro also means that fiscal policy is virtually the only instrument for macroeconomic policy management. But fiscal policy, too, is very limited due to the imposition of a hard budget constraint under the UN mandate, which precludes public borrowing to finance deficits. Hence, the government has only been able to run a budget deficit to the extent that it has

access to balances from prior surpluses. In this context, the government has exercised strong fiscal restraint including a remarkable reversal from a deficit of 2.6 percent of GDP in 2005 to a surplus of almost 10 percent of projected GDP for 2007. This is an extraordinary result in absolute terms and relative to the comparators, including the LMI median deficit of 1.6 percent and Albania's deficit of 3.0 percent in 2004. Maintaining prudent use of these fiscal tools to increase productivity and reduce unit labor costs will be essential to enhancing Kosovo's competitiveness.

Three factors contributed to turning the deficit into a large surplus: domestic tax collections starting in 2006 were much higher than expected; a special dividend scheme was imposed on the telecommunications monopoly; and budgeted capital expenditures were not actualized. The government's difficulties in delivering on its capital budget commitments is symptomatic of relatively low capacity in Kosovo's line ministries, a problem that is being addressed within its public finance management system. The dividend scheme and increased tax collections, however, boosted revenues from 27 percent of GDP in 2004 to a very high 37 percent in 2007. Kosovo's latest revenue ratio exceeds that of all comparators (see Figure 4-1). International trade taxes, which not only include border taxes on trade but also value added tax (VAT) on imports, have been the largest source of government revenue. In 2004 (most recent available year), they accounted for 39 percent of total government revenue, followed by taxes on domestic goods and services (37 percent). Given Kosovo's heavy reliance on imports, it is not surprising that VAT comprised an estimated 46 percent of border revenues in 2006, and about 29 percent of total domestic tax revenue.[29]

Government expenditure as a percentage of GDP has averaged 31 percent[30] over the four-year period 2004-2007. This is slightly higher than the LMI-EE&CA median (29 percent), the global LMI median (24 percent) and the latest value for Albania (29 percent in 2004), but lower than the value for Macedonia in 2005, 36 percent.

In terms of composition of expenditures, Kosovo allocates a high proportion to cover wages and salaries of government workers, 31.5 percent in 2007. Restricting the growth of government salaries should help curb the rise in unit labor costs.

Capital expenditures in Kosovo are also relatively high at 23 percent of total expenditure, which is to be expected in a country that is trying to replace infrastructure damaged during the war and building new infrastructure to facilitate private sector growth (see *Economic Infrastructure*). Unfortunately, as we have seen, owing in great part to the lack of capacity, the government is experiencing difficulty dispersing its capital expenditure funds.

---

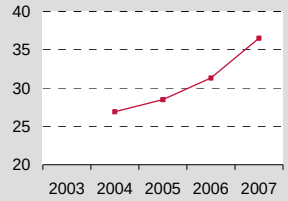
[29] Central Bank of Kosovo (CBAK) *Annual Report* (2006), p. 23.

[30] Central Banking Authority of Kosovo (CBAK) *Statistical Bulletin* (Dec 2007), p.15.

Figure 4-1
Government Revenue as a Percentage of GDP

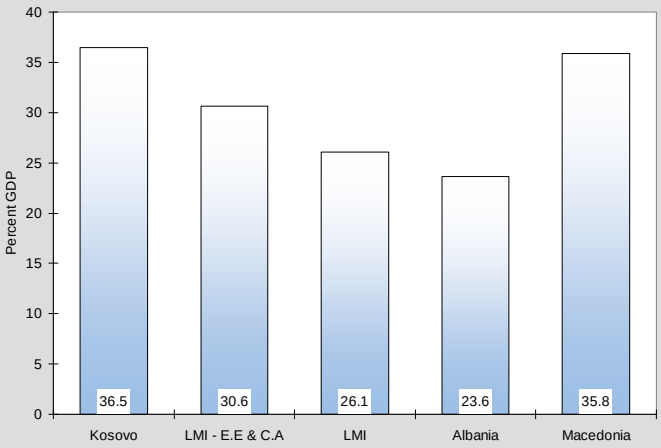
Increasing government revenues helped Kosovo attain a large budget surplus.

Time Series

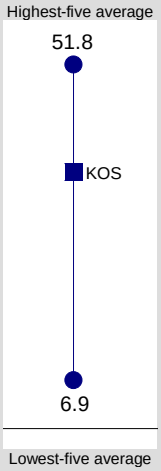


Year	Value
2003	.
2004	26.9
2005	28.5
2006	31.3
2007	36.5
Summary for 2003- 2007	
Five year average	.
Trend growth rate	.

Comparisons to other countries, most recent year



Kosovo Global Standing



Source: Statistical Bulletin, December 2007, Central Banking Authority of Kosovo & IMF

CAS code: 21P2

In light of the analysis, it appears that Kosovar government needs continued support from the donor community in developing its capabilities to budget, manage, and disburse funds efficiently, and to follow through with the implementation of planned expenditures. The very high revenue figures also suggest investigating the possibility of reducing the tax rates to encourage private sector growth.

BUSINESS ENVIRONMENT

Institutional barriers to doing business, including perceived corruption in government, are critical determinants of private sector development and prospects for sustainable growth. A business friendly environment is of particular relevance to Kosovo given its heavy reliance on remittances and foreign aid.

The government and donors have done a great deal to improve the legal and regulatory framework, a key to expanded private sector-led growth. A structure is in place for streamlined business registration, including one-stop shop facilities. Tax rates are low, with personal income tax rates at 0-20 percent, VAT at 15 percent, and corporate income tax at 20 percent.[31] Implementation and enforcement of laws and regulations, however, are problems due to low capacity, inadequate resources, and corruption in Kosovar institutions.[32]

[31] Eciks: Economic Initiative for Kosova. http://www.eciks.org/english/

[32] Commission of the European Communities. *Commission Staff Working Document: Kosovo (Under UNSCR 1244) 2007 Progress Report.* November 6, 2007.

Becoming competitive in the region is going to require substantial improvements in the business environment given the dramatic reforms in recent years by Kosovo's neighbors. Eastern Europe has had the most reforms of any region every year that the World Bank has been benchmarking business environments in its *Doing Business* reports. In 2007, 79 percent of countries in the region made at least one positive reform. Four countries, including Macedonia, were among the world's top 10 reformers.[33] Kosovo is not in the Doing Business dataset yet, but will be included in a Southeastern Europe regional report to be released late spring/summer 2008.

As Kosovo becomes recognized as an independent nation by more countries, it will be covered by more worldwide analyses of business environments and cross-country comparisons will be more meaningful. Kosovo's scores on the World Bank's Worldwide Governance Indicators, which aggregate a large number of enterprise, citizen and expert surveys, are based on only 1-3 sources, while Albania's and Macedonia's scores draw on 11-14 sources. Since the breadth of coverage for Albania and Macedonia is so much greater than for Kosovo, comparisons are problematic. In this case, it is more helpful to go directly to the publicly available sources that the Governance Indicators used to calculate Kosovo's scores. There is data for Kosovo for three indicators of this dataset: Government Effectiveness, Rule of Law and Corruption.

The World Bank measure of Government Effectiveness rates Kosovo at -0.36 (on a scale of -2.5 for poor to +2.5 for excellent), better than the LMI-EE&CA median (-0.60), and Albania (-0.42), but not as well as Macedonia (-0.20). Since there is only one source for this indicator for Kosovo, the indicator measures only the public transportation system, roads and highways and education system.[34] It does not include quality of the bureaucracy, budget management, red tape or other measures of government effectiveness. Time-series data for this indicator are not available for Kosovo. In a local survey, more than 50 percent of enterprises reported problems with obtaining business licenses and complying with customs regulations.[35]

Kosovo's score on the World Bank's Rule of Law indicator (-0.90) is worse than all the comparators, but is improving. The only publicly available source is Freedom House's *Nations in Transit*. [36] This report rates countries on a 1 to 7 scale, with 1 representing the highest level of democratic development and 7 the lowest. Kosovo scores 5.36, compared to 3.82 for both Albania and Macedonia. The report cites the challenge associated with building state institutions while being under international administration and states that the result is ineffective implementation of new legislation, weak monitoring systems, and lack of willingness on the part of civil society to criticize government performance for fear of jeopardizing status talks.[37]

---

[33] World Bank. *Doing Business 2008.*

[34] The only source for Kosovo's government effectiveness score is the Gallup World Poll, which is not publicly available.

[35] Commission of the European Communities. *Commission Staff Working Document: Kosovo (Under UNSCR 1244) 2007 Progress Report.* November 6, 2007.

[36] The World Bank Rule of Law indicator also includes the Gallup World Poll, which provides survey data on confidence in the police force, confidence in the judicial system, and whether the respondent has been a victim of crime.

[37] Freedom House. *Nations in Transit 2006.*

Rule of law in Kosovo was also measured by the World Bank/EBRD Business Environment and Enterprise Performance Survey (BEEPS) in 2006. This survey determined that more than 50 percent of firms considered the courts to be an impediment to doing business and less than 7 percent of businesses use the courts to resolve disputes. The latter is one of the lowest scores in Southeastern Europe, which averaged nearly 40 percent.

The World Bank Governance Indicator on Corruption for Kosovo is based on two publicly available sources, Transparency International and Freedom House.[38] Transparency International's Global Corruption Barometer places Kosovo, as well as Albania and Macedonia, in the top quintile of countries most affected by bribery. In Kosovo, 67 percent of respondents reported paying a bribe to obtain services. This is the second worst in the region after Albania (71 percent) and much worse than Macedonia (44 percent) (see Figure 4-2). Medical services and political parties were seen as the most corrupt; the military and religious bodies were seen as the least corrupt.[39] Freedom House reports that corruption in Kosovo is widespread and organized crime is a serious problem. Due to lack of political will to combat corruption, *Nations in Transit* rates Kosovo at 6.0 on its 7 point scale, with 7 being the most corrupt. Kosovo has had this score since 2004. Albania has improved slightly from 5.25 to 5.0 and Macedonia has improved from 5 to 4.75.

According to the World Bank/EBRD BEEPS, the highest levels of corruption are found in the customs and tax administration, in public procurement, and in the courts. [40] Other surveys have singled out the Kosovo Trust Agency, the government body in charge of the privatization process.[41]

These observations indicate that Kosovo has considerable work to do in order to establish a friendly business environment that will stimulate investment, productivity, and growth. Donors might also wish to consider working with the government to design programs that not only reform the legal and regulatory environment, but also improve the government's capacity to implement these reforms. Reducing corruption will be a high priority for some time.

---

[38] Gallup World Poll data is also included, answering the question "Is corruption in government widespread."

[39] Transparency International. *Report on the Transparency International Global Corruption Barometer 2007*. December 6, 2007.

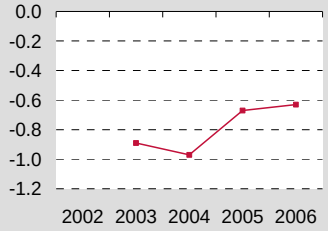
[40] World Bank. *International Development Association Interim Strategy Note for Kosovo for the Period FY08.* October 10, 2007

[41] World Bank. *International Development Association Interim Strategy Note for Kosovo for the Period FY08.* October 10, 2007

Figure 4-2
Control of Corruption

Though diminishing, corruption remains a major hindrance to private sector growth.

Time Series



Year	Value
2002	.
2003	-0.89
2004	-0.97
2005	-0.67
2006	-0.63
Summary for 2002- 2006	
Five year average	.
Trend growth rate	.

Comparisons to other countries, most recent year

Source: World Bank Governance Matters 2007

CAS code: 22P1

FINANCIAL SECTOR

A sound and efficient financial sector is key to mobilizing saving, fostering productive investment, and improving risk management. Kosovo's financial market is comprised of eight commercial banks, including six foreign-owned banks that dominate the market.[42] In addition, the following licensed financial institutions are operating in Kosovo: nine insurance companies (with an additional application pending); five insurance brokers; fifteen non-deposit taking micro-finance institutions; five money transfer agencies; twenty-one currency exchange bureaus; four non-banking institutions; and one private individual pension provider (foreign owned).[43] The Central Banking Authority of Kosovo (CBAK) is the licensing and regulatory body for the financial sector.

An important indicator of the development of the banking sector is the degree of financial deepening, measured by the ratio of broad money (currency plus bank deposits) to GDP. In 2007, the ratio of money supply to GDP stood at 35 percent, a more than threefold increase over 2005.[44] Although the ratio is still below the LMI median (38 percent) and significantly below the standards for the key comparators, Macedonia (40 percent) and Albania (64 percent), it signifies tremendous progress in recent years.

---

[42] As of February 2008, the banks control 92.5 percent of total banking assets in Kosovo.

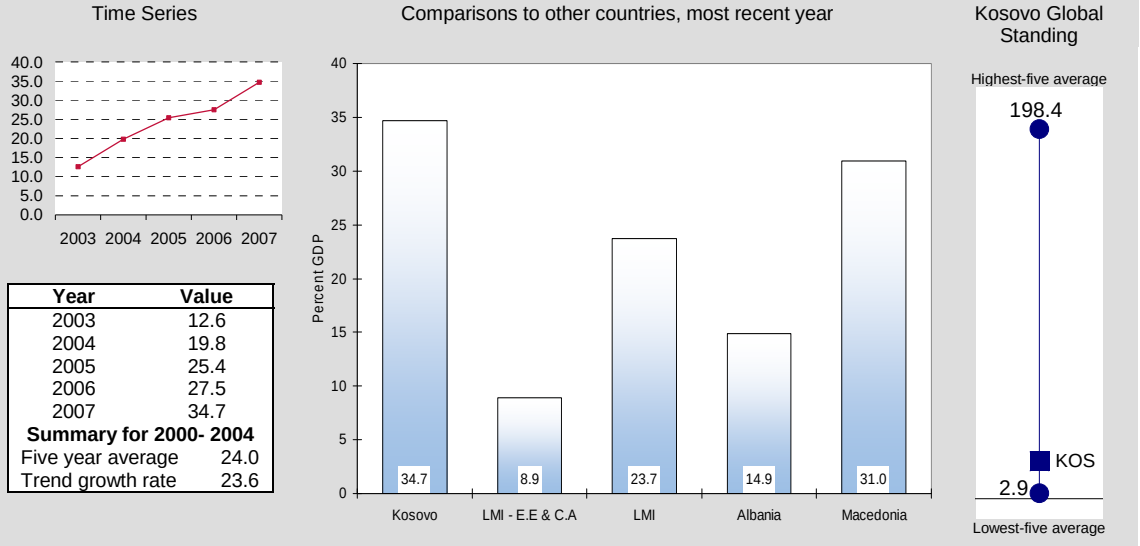
[43] Information from USAID/Kosovo communication to the study team, April 14, 2008.

[44] C-BAK.

The rapid expansion in bank deposits has been accompanied by tremendous growth in credit to the private sector, which increased from just 5 percent of GDP in 2002 to 35 percent of estimated GDP in 2007. This places Kosovo well above the LMI median of 24 percent and above Albania's 15 percent and the regional median, 9 percent (Figure 4-3). Moreover, banking sector loans grew by 40 percent between 2006 and 2007.[45]

Figure 4-3
Domestic Credit to Private Sector as a Percentage of GDP

Increased domestic credit to the private sector is evidence of an expansion in Kosovo's banking sector.



Year	Value
2003	12.6
2004	19.8
2005	25.4
2006	27.5
2007	34.7
Summary for 2000- 2004	
Five year average	24.0
Trend growth rate	23.6

Source: Statistical Bulletin, December 2007, Central Banking Authority of Kosovo & IMF International Financial Statistics

CAS code: 23P1

International experience suggests that such rapid credit growth is often a precursor of serious problems with portfolio quality in the future. This situation heightens the importance of ongoing reforms to strengthen banking supervision.

The spread between the average lending and deposit rates is often used as a proxy for efficiency and competition in the banking system. As of December 2007, the interest rate spread in Kosovo was10.2 percentage points.[46] While this is lower than in previous years, the spread is still very high compared with all comparators—the LMI-EE&CA median (7.6 percentage points), Macedonia (5.7 percentage points), and Albania (7.7 percentage points). The high spread may reflect high profit margins deriving from market power of the largest banks, or operational inefficiency in the banking system, or high credit risks.

Kosovo has achieved much success in growing its financial sector, encouraging competition, and improving banking supervision and other aspects of the legal and regulatory framework necessary

[45] CBAK. Monthly Statistics Bulletin, February 2008, p. 17.

[46] Ibid. p. 28. The spread is the difference between the weighted average lending and deposit interest rates on new business. The comparators' spreads are the

to ensuring its long-term health. In light of the rapid increases in monetization and credit to the private section, Kosovo will need to continue to strengthen its financial sector legal and regulatory framework.

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 Kosovo 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

Kosovo is showing signs of increasing global integration as represented by total trade (exports plus imports of goods and services) as a share of GDP. This figure grew from 48 percent in 2004 to 60 percent in 2007. While this is a positive trend and total trade as a percentage of GDP is similar to Albania (69 percent), it is well below Macedonia (117 percent) and the LMI-EE&CA median (109 percent). Almost all trade can be attributed to imports, with exports accounting for only 5 percent of GDP .[47] In fact, Kosovo exports less than any other country in Europe.[48] Of great concern is the large degree to which exports are concentrated in a few, low value-added products. Scrap metal constitutes nearly half of Kosovo's exports.[49] With mineral products and raw hides, the top three exports add up to 73 percent of merchandise exports,[50] giving Kosovo one of the most concentrated export structures in the world. The median export concentration for LMI countries is 38 percent.

The structure of Kosovo's exports is problematic because these goods do not provide much potential for income and employment growth. Manufactured exports constitute only 18 percent of total exports. This is far below the LMI-EE&CA median (62 percent), Albania (80 percent), and Macedonia (72 percent) (Figure 4-4). Also, the high degree of export concentration indicates that Kosovo is vulnerable to specific market shocks, such as cyclical downturns in the demand for base metals and mineral products. Diversification is necessary in order to provide a resilient foundation for growth.

---

[47] World Bank. *International Development Association Interim Strategy Note for Kosovo for the Period FY08.* October 10, 2007.

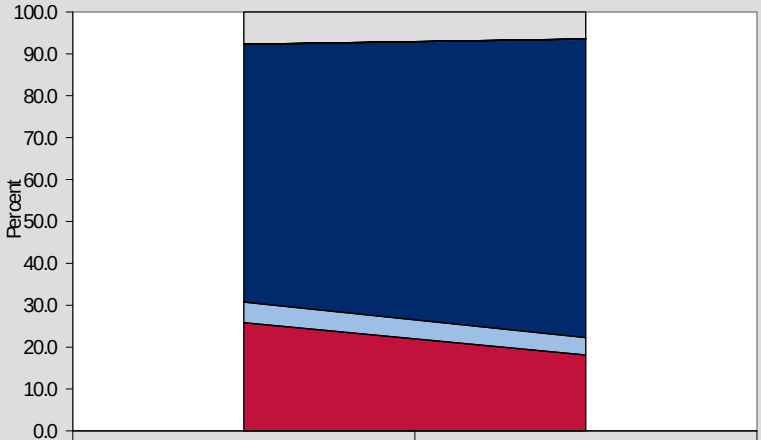
[48] UNMIK European Union Pillar, Kosovo Economic Outlook 2007. *From Consolidation to Sustainability: Maintaining and Improving Achievements.* September 2007.

[49] Ministry of Trade and Industry. *Annual Foreign Trade Report.* 2006.

[50] Ibid.

Figure 4-4
Structure of Merchandise Exports

The high degree of export concentration in steel makes Kosovo vulnerable to external shocks.



	2003	2004
Food	7.7	6.5
Fuel	0.0	0.0
Ores and Metals	61.5	71.2
Agricultural Raw Materials	4.9	4.2
Manufactures	25.8	18.1

Source: External Trade Statistics, Statistical Office of Kosovo CAS code: 24S5 a - e

As Kosovo takes advantage of its new membership in the Central European Free Trade Area (CEFTA), the trend toward greater integration will likely continue. CEFTA members are the destination of 56 percent of Kosovo's exports and 48 percent of imports.[51] CEFTA will reduce nontariff barriers, providing more opportunity for Kosovo to export.

Remittances can be an important factor in poverty reduction and have generally led to higher savings, investment, and growth in recipient economies. In Kosovo, remittances expressed as a share of exports are among the highest in the world—an average of 125 percent over the last four years—reflecting both relatively high remittance receipts per capita and Kosovo's very low export earnings. Albania, too, is highly dependent on remittances, with receipts as a percent of exports totaling 64 percent. Both Kosovo and Albania are much more dependent on remittances than Macedonia (7 percent) or LMI-EE&CA countries on average (6 percent). Twenty percent of Kosovars have at least one household member who has left the country and is sending remittances home.[52]

One adverse effect of the large inflow of remittances is that this source of income has increased the "reservation" wage for many workers, and acted as a disincentive to enter the labor market.

---

[51] UNMIK European Union Pillar, Kosovo Economic Outlook 2007. *From Consolidation to Sustainability: Maintaining and Improving Achievements.* September 2007.

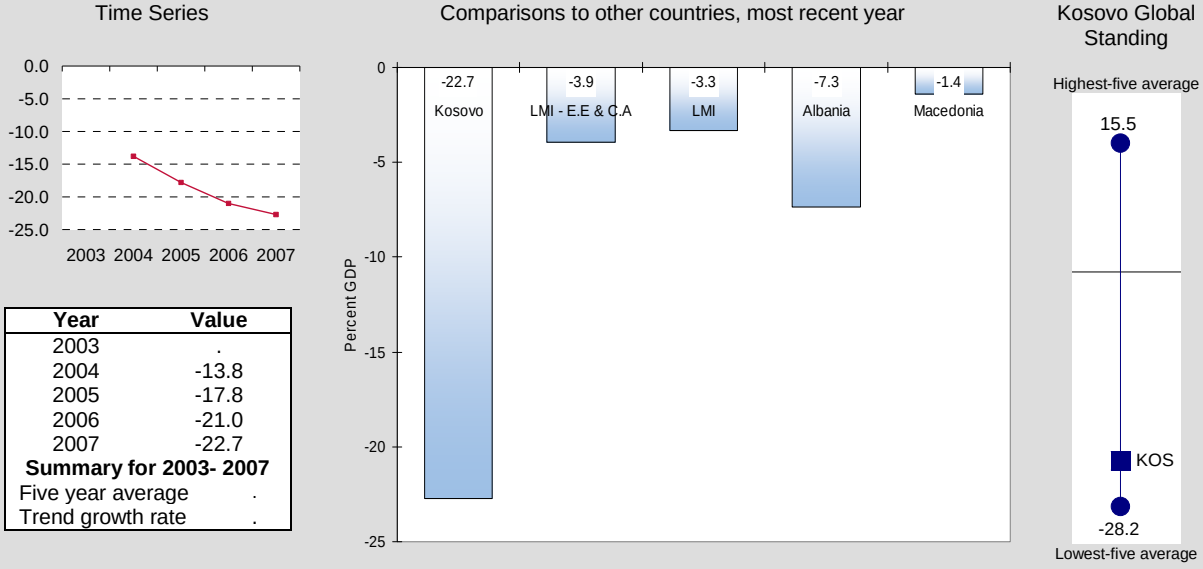
[52] World Bank. *International Development Association Interim Strategy Note for Kosovo for the Period FY08.* October 10, 2007.

Another issue is that much of the remittance income goes to subsistence requirements, with over 45 percent being spent on food, clothing and other basic needs. Elsewhere in the region, these basic goods absorb approximately 30 percent of remittance incomes.[53] The impact of remittances on growth could be enhanced by programs designed to attract a larger portion of the funds into savings and investment.

Despite the large remittance receipts, Kosovo is running a large and worsening current account deficit. A negative current account is typical of low and middle income countries (-3.3 percent), but at -23 percent, Kosovo's current account balance as a share of GDP an order of magnitude worse. Macedonia's current account balance is -1.4 percent and Albania is -7.3 percent.

Figure 4-5
Current Account Balance

Despite significant remittance receipts, Kosovo's external imbalance is worryingly high.



Source: World Bank Development Indicators 2007

CAS code: 24P2

In conclusion, the data suggest that Kosovo's main priority will be increasing exports in order to reduce the extreme imbalance between exports and imports. They also imply that there will be a significant role for donors in helping to foster nontraditional exports. Donors may also wish to work with the government to identify ways in which Kosovars can be encouraged to invest remittances more efficiently.

Foreign Investment

Foreign direct investment (FDI) can catalyze productivity gains and growth by transferring technology, developing human capital, and enhancing competition. FDI has been increasing in

[53] Forum 2015/Riinvest Institute. *Diaspora and Migration Policies.* December 2007.

Kosovo and in 2007 reached 12 percent of GDP,[54] far greater than in both Albania (3.1 percent) and Macedonia (1.7 percent).

For many years, uncertainty over Kosovo's status has hindered investment. Recognition of Kosovo as an independent nation by the United States and major countries of Europe will be beneficial for improving stability and predictability. Membership in CEFTA may also help increase FDI since it will improve access to regional markets for Kosovo's exports. Uncertainty over property rights remains a concern, however, and resolving this issue should be a priority for Kosovo.

It is estimated that 17 percent of Kosovars live outside Kosovo, which can be a strong asset for increasing investment (see *Demography and Environment).* Diaspora populations have been shown to be more willing to make investments in unfavorable environments since they are more able to navigate risks and are often willing to accept lower returns.[55]

FDI could be increased further by doing more to encourage foreign participation in privatization. The Kosovo Trust Agency, which administers the privatization process, reports that more than 90 percent of privatized assets have gone to Kosovars.[56] As a result, Kosovo is missing out on potential technology and skills transfer that comes with foreign investors.

The mining and energy sectors have the most potential for foreign investment. Kosovo has abundant resources of lignite, lead, zinc and other mineral deposits, but Kosovo must go beyond mining and energy in order to grow. Donors can help with strategies for increasing investment in other sectors as well as improving the tax and regulatory system to ensure good governance in natural resources.

External Financing and Debt

The World Bank estimates that since 1999, Kosovo has received over $2.5 billion in foreign aid.[57] This has been critical for reconstruction, financing the current account deficit, and for stimulating growth, but foreign aid is decreasing rapidly and Kosovo will have to compensate for this. In 2001, foreign aid totaled 53 percent of GDP. By 2006, it was down to about 20 percent of GDP.

According to recent reports, although Serbia has not had any authority over Kosovo since 1999, it has been servicing Kosovo's debt, which according to a recent newspaper report totals approximately $1.2 billion.[58] The annual debt service is $150 million[59] or 43 percent of exports,

---

[54] European Commission. *Candidate and Pre-Accession Countries' Economies Quarterly*. January 2008, p. 35.

[55] Forum 2015/Riinvest Institute. *Diaspora and Migration Policies.* December 2007.

[56] United Nations Development Programme. *Development and Transition.* 2007.

[57] http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/KOSOVOEXTN/0,,contentMDK:20629286~pagePK:141137~piPK:141127~theSitePK:297770,00.html

[58] International Herald Tribune. *Serbia's Government to Discuss Kosovo Debt.* February 28, 2008.

[59] Reuters. *Serbia Should Stop Servicing Kosovo Debt: EconMin.* February 26, 2008.

far exceeding the share in Albania (3.5 percent), Macedonia (4.7 percent), and the low- and middle-income country median (9.7 percent). The numbers for Kosovo should be used with caution, as they are not from official sources. It is still unclear whether Serbia will repudiate Kosovo's debt since it could be considered an acknowledgement of Kosovo's independence. International donors including the U.S. have pledged to assist Kosovo in meeting its debt servicing obligations should this occur.[60]

ECONOMIC INFRASTRUCTURE

A healthy economic infrastructure is an important component of an enabling economic environment, influencing competitiveness, availability of jobs, and capacity for trade and investment. Our usual data sources, which gauge infrastructure quality on the basis of executive opinion of air, electricity, port, rail, and general infrastructure, are not available for Kosovo. Data was thus taken primarily from the World Bank's *Public Expenditure and Institutional Review*.[61]

Overall, Kosovo's infrastructure has suffered from a combination of the effects of the war, low payment collections on utilities, and inadequate maintenance. The number of internet connections and telecommunication links, however, has grown quickly over the past few years. Still, much investment and restructuring is needed to raise the capacity of Kosovo's publicly funded infrastructure to the levels needed to support a growing and vibrant economy.

For example, power generation was not sufficient to meet total demand as of 2006. Financial, material, and technical difficulties in the Kosovo Energy Corporation (KEK), which manages generation, are hampering its ability to provide coverage. As of 2006, 95 percent of electricity production was by lignite-burning plants, but returning plants to full production in the face of a lignite shortage will require new mining and significant financial investment. Poor electrical distribution infrastructure resulted in output losses of 18 percent for the period 2003-2005, and the ratio of collections to electricity produced averaged only 43 percent for the period 2002-2005. The Electricity Supply Board of Ireland provided some assistance to build capacity and improve collections, but ensuring that energy production becomes a financially sustainable enterprise requires much more work.[62] The resource, technical, and managerial limitations have resulted in interruptions in supply to both residential and commercial consumers. The government, with the help of donors, is currently working to construct a new power plant, Kosovo C.

Roads and bridges were damaged during the conflict, and a large portion of the transport budget has been used to finance infrastructure improvements, particularly roadway reconstruction. Despite this expenditure, only 28 percent of Kosovo's 8,522 km of roads are estimated to be in good condition[63] and only 36 percent of roads are paved.[64] Though Kosovo's ratio of road to

---

[60] R. Nicholas Burns, Under Secretary of Political Affairs, U.S. Department of State. *Statement before the House Committee on Foreign Affairs: The Outlook for the Independence of Kosovo.* April 17, 2007.

[61] World Bank. *Public Expenditure and Institutional Review, Volume II.* September 19, 2006.

[62] Donors and the Kosovo Consolidated Budget subsidized KEK operations an average of 143.82 million Euro per year for the period 2000-04.

[63] Calculated using data from the Survey of Road Infrastructure reported in the World Bank's *Public Expenditure and Institutional Review.* 2006.

population (4.2 km/1,000) compares favorably with ratios in Albania (3.5) and Macedonia (4.3), Kosovo has no highways and is landlocked.

Rail resources are rarely used except to import materials. None of the 333 km of track is electrified compared with 34 percent electrification in Macedonia. Existing rolling stock is in poor condition and needs updating to provide a reliable trade link to European markets. Few of Kosovo's rail problems, however, can be addressed without improving electricity supply.

Unfortunately, our standard indicators for internet and telecommunications are not available for Kosovo. However, the Kosovo Mosaic 2006 report provides other useful indicators. Between 2003 and 2006, both fixed phone line and mobile phone numbers are reported as having increased. In 2006, 84 percent of households reported possession of a mobile telephone, compared to 55 percent in 2003, and 38 percent reported possession of a fixed line, compared to 36 percent in 2003.[65] The number of household possessing an internet connection also increased over the same period, from 2 percent in 2003 to 9 percent in 2006.

Though telecommunication and internet access appears to be growing, publicly financed infrastructure is struggling to recover and develop. Its development will be an important factor in better growth performance in Kosovo. Substantial investment is needed to bring the energy sector and transport infrastructure up to the standard necessary for sustainable growth. Donors might wish to finance programs that assist Kosovo in developing sound governance in this area.

SCIENCE AND TECHNOLOGY

Science and technology are vital to a dynamic business environment and a driving force behind increased productivity and competitiveness. Even for emerging economies such as Kosovo, transformational development depends on acquiring and adapting technology from the global economy. Lack of capacity to access and use technology prevents an economy from leveraging the benefits of globalization. Unfortunately, very few international indicators are available to judge performance in this area for low- and lower middle-income countries. Lack of any data on Kosovo makes this task particularly difficult and limits our analysis in this section, which focuses mainly on available qualitative information.

Ethnic tensions exist in education, science, and technology in Kosovo. The University of Pristina, one of two public universities, was divided along ethnic lines during the war to form two rival universities of the same name, factionalized into Serbian and Albanian faculties. Departments operate as autonomous bodies with independent legal and administrative status, often duplicating programs and facilities. This lack of coordination and ethnic division is inefficient and thus not optimal for promoting science and technology.

Additionally, the Ministry of Education, Science and Technology (MEST), which regulates public providers of higher education and allocates funds for teaching and research, was only recently established. At present, the link between the higher education system and research in

---

[64] Draft Transport Policy Plan for Kosovo.

[65] UNDP, *Kosovo Mosaic Survey*, October 2006.

Kosovo is not evident. The Higher Education Strategy developed by the MEST envisions a number of measures to address the weak links between higher education and research, including funding arrangements, and international cooperation.

From the limited information that is available, it appears that other socioeconomic and political matters have taken precedence over science and technology initiatives in Kosovo. No clear long-term national strategy to improve research and development (R&D) exists and data on R&D expenditure is not easily accessible. This lack of strategy puts Kosovo at a serious disadvantage by limiting the possibility of technological modernization and innovation, both key to competitiveness and long-term growth. Foreign direct investment can be an important source of new technology. FDI in Kosovo is increasing (see *External Sector)* and Kosovo should intensify efforts to encourage technology transfer in the FDI projects it attracts.

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

Life expectancy at birth is commonly regarded as the best overall indicator of the health status of a population. In 2003 (the latest year available), life expectancy at birth in Kosovo was 69.0 years, which is on par with the LMI median of 69.2 years but significantly lower than Albania's 75.5 years and Macedonia's 73.8 years in 2005.[66] HIV/AIDS is not a significant threat to public health, with a prevalence rate of 0.1 percent.

The maternal mortality rate has declined in recent years from 22 maternal deaths per 100,000 live births in 2003 to 7 in 2005.[67] This is significantly better than the LMI median of 120 maternal deaths as well as rates in Albania (55) and Macedonia (23).This abrupt decline suggests a possible change in methodology in estimating maternal mortality between 2003 and 2005. One reason for the low mortality rate is that approximately 96 percent of births are attended by a skilled health professional.

---

[66] Statistical Office of Kosovo.

[67] UNICEF. *Perinatal Situation in Kosovo for Years 2000-2004.* September 2005.

Despite strong performance on many public health indicators, 5 percent of all children in Kosovo are considered malnourished and one in ten under the age of five suffers from chronic malnutrition.[68] Although this is equivalent to the regional median and less than Albania's 14 percent, it is much worse than Macedonia's 1 percent. More importantly, it raises concerns about long-term development and economic growth given that more than half the population is under 25. In 2004, the measles, mumps, rubella (MMR) immunization rate in Kosovo was only 76 percent.[69] Nearly 500,000 children were immunized during a ten-day nationwide vaccination campaign in 2006. The country must now sustain and improve this coverage and the provision of other health services to children.

Access to clean water is also a problem. According to a 2003 Human Development Indicator Survey (HDIS), only 73 percent of the population had access to drinking water.[70] This figure is below the LMI median of 85 percent, regional median of 92 percent and Albania's 96 percent. Poor sanitation facilities and the lack of municipal waste management systems also contribute to water contamination and increase health risks.[71] A 2002 Household Budget Survey found that only 61 percent of households have flush toilets and 38 percent rely on outdoor latrines.[72] These vital health indicators reflect a lack of basic infrastructure resulting from prolonged conflict and neglect.

Another consequence of Kosovo's decade-long conflict is weak health services infrastructure. Health service provision was segregated between Albanian and Serbian communities. Kosovo now faces the challenge of using limited resources to produce better outcomes. The health care system is inefficient and overstaffed, particularly with support staff. In 2003, there were only an estimated 1.3 physicians and 4.1 nurses per 1,000 people working in the public sector, compared to 2.2 doctors and 5.19 nurses per 1,000 people in Macedonia.[73] In 2004, public health expenditure was 3.5 percent of GDP, which is on par with both the LMI median (3.2 percent) and Albania (3.0 percent) (Figure 5-1).[74] Nonetheless, uneven performance in the health sector suggests that the government and donors should work together to improve child nutrition, increase access to clean water and sanitation and improve the efficiency of public health expenditure.

---

[68] UNICEF Kosovo, http://www.unicef.org/kosovo/children.html. Accessed March 15, 2008.

[69] Kosovo Institute of Public Health, 2004; data reported in the *2005 Kosovo Poverty Assessment* show a DPT immunization rate of 97 percent in 2003. No explanation for this data disparity could be found (source: WHO, UNICEF, and UNICEF TransMONEE database).

[70] World Bank. *Kosovo Poverty Assessment*, 2005.

[71] Ibid.

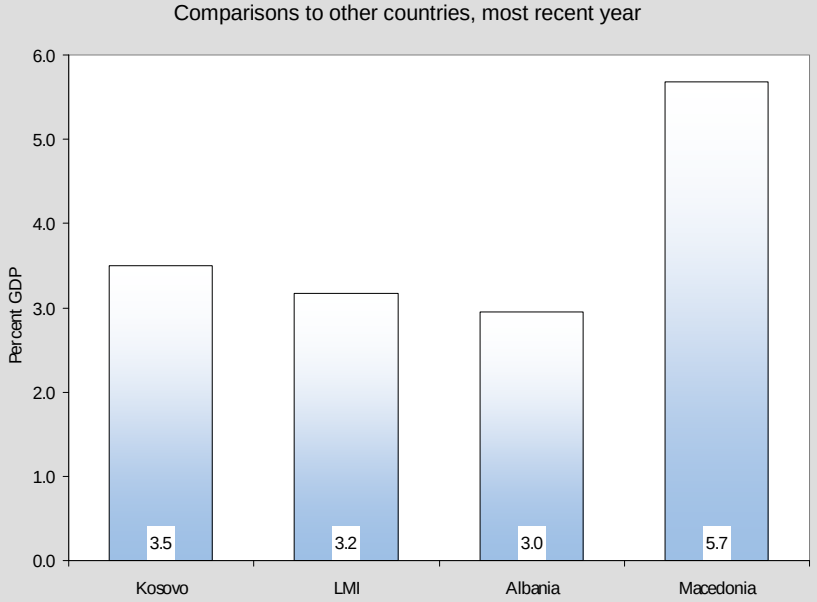
[72] Ibid.

[73] World Bank. *Kosovo Public Expenditure and Institutional Review*. June 2006; Macedonia data from World Development Indicators, 2007.

[74] World Bank. *Kosovo Public Expenditure and Institutional Review*. September 2006.

Figure 5-1
Public Health Expenditure, Percent of GDP

Though health expenditure has increased and is now on par with regional comparators, it remains extremely inefficient.



Source: World Bank Poverty Expenditure and Institutional Review, 2006; World Development Indicators, 2007

CAS code: 31S6

EDUCATION

Investment in human capital is a cornerstone of economic growth and development. As in the health sector, political turmoil and prolonged conflict have directly affected the education system in Kosovo. Beginning in 1989, changes in school curriculum in Belgrade led to the establishment of an unofficial parallel system of education for Kosovo Albanians. The parallel system was housed in private homes, self-financed by the Kosovo Albanian population through an informal income tax.[75] After the conflict, the parallel system was formalized and initial investment focused on rebuilding schools and improving the quality of education at all levels.

Kosovo's net primary enrollment (ages 7 to 15) was 95.4 percent in 2003/2004, slightly higher than enrollment in Albania (93.6 percent) and Macedonia (91.8 percent).[76] Enrollment rates, however, exhibit significant ethnic disparities. In 2003/2004 the primary enrollment rate was 96.6 percent for K-Albanians and 95.2 percent for K-Serbs, but only 86.6 for other ethnic groups including the Roma, Ashkali, and Egyptians.[77] Net enrollment at the secondary level in 2003 was

[75] Riinvest Institute. *Second Millennium Development Goals Report for Kosovo*. October 17, 2007.

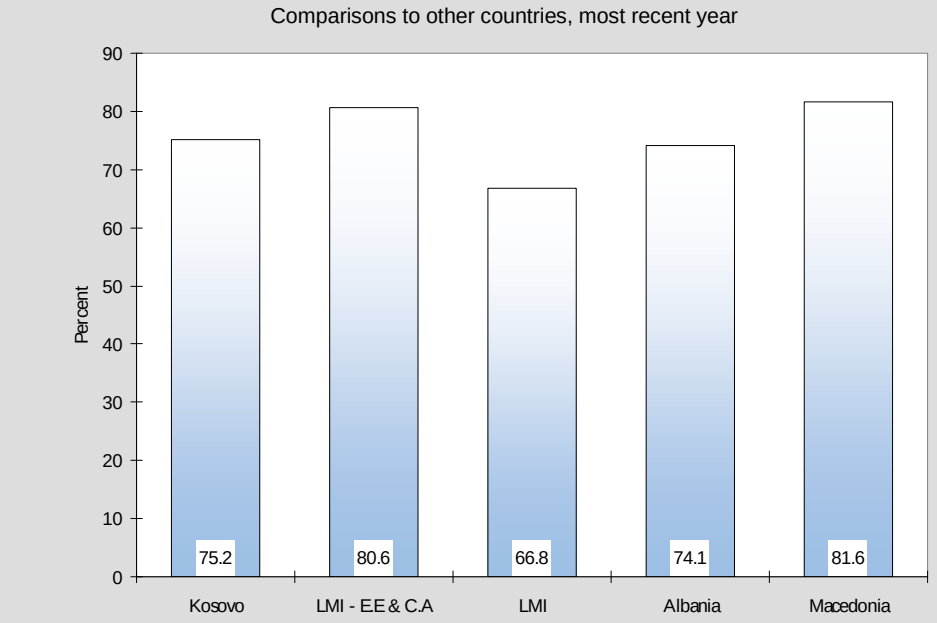
[76] There are large discrepancies between the data obtained from Statistical Office of Kosovo (SOK) and from the World Bank's *2007 Kosovo Poverty Assessment*. The latter shows a net primary enrollment rate (ages 6-15) of 88.9 percent in 2003/2004, 85.6 percent 2004/2005, and 88.4 percent 2005/2006. We use the SOK numbers here because they are more likely to be consistent with data from other countries.

[77] UNDP. *Human Development Report (Kosovo).* 2006.

75.2 percent, up from 59.5 percent in 2001, but still below the regional LMI median of 80.6 percent (Figure 5-2).[78] Gross tertiary enrollment is also low at 16.2 percent (2003) compared to Albania's 19.3 percent (2004), Macedonia's 29.7 percent (2005), and the regional LMI median of 31.7 percent. Low tertiary enrollment affects both the productivity and competitiveness of the workforce (see *Science and Technology*).[79]

Figure 5-2
Net Secondary School Enrollment Rates

Net secondary school enrollment rates are improving, though remain below those of comparators.



Source: Statistics Office of Kosovo, 2004; World Development Indicators, 2007 CAS code: 32P4

Persistence in school to grade nine is a high 95.3 percent.[80] The youth literacy rate is also excellent at 98.6 percent (2003), on par with Macedonia (2006) and just slightly below the regional median of 99.8 percent and Albania's 99.4 percent (2006). Although male youth literacy, 99.3 percent, is only slightly higher than female youth literacy, 97.9 percent (2003), gender inequalities exist in drop out rates for post-primary education. Female enrollment drops significantly to 28 percent after primary school (see *Gender*).[81]

---

[78] World Bank. *Kosovo Public Expenditure and Institutional Review.* September 2006.

[79] IMF, *Gearing Policies Toward Growth and Development*, November 2004.

[80] Riinvest Institute. *Second Millennium Development Goals Report for Kosovo*. October 17, 2007.

[81] World Bank. *Kosovo Public Expenditure and Institutional Review.* September 2006.

Education quality is difficult to measure. At the primary level, a crude but common proxy is the pupil–teacher ratio. In Kosovo, this ratio is 20 students per teacher, which is on par with Albania (22 in 2004) and Macedonia (19 in 2005).[82]

The government's commitment to rebuilding the education system is illustrated by its high public expenditure, 4.4 percent of the GDP in 2006.[83] This is on par with Macedonia (3.7 percent in 2002).[84] The government needs to maintain a high level of commitment in order to reduce both gender and ethnic inequalities in the education system and provide Kosovo's very young population with the skills necessary for productive participation in the global economy.

EMPLOYMENT AND WORKFORCE

The benefits of economic growth are most effectively distributed through increased and enhanced earning opportunities. Unemployment and underemployment depress incomes, depressed incomes limit demand, and, in a vicious cycle, reduce economic activity. In Kosovo, which has a predominantly young population, the lack of employment opportunities wastes the country's productive capacity, undermines its economic potential, and encourages migration. It may also fuel civil unrest among frustrated, unemployed youth. Therefore, job creation is vital to Kosovo's long-term development and short-term stability.

With the size of the labor force estimated at 647,000 in 2007 and growing at an average annual rate of 2.1 percent, creation of employment opportunities is critical for absorbing the large number of working age population entering the labor force each year. More than half the population is under the age of 25 and about 21 percent are between 15 and 25,[85] so the rate of labor force expansion will continue to rise. Meanwhile, the estimated rate of unemployment is high. The IMF estimates unemployment to be about 30 percent, other sources estimate it to be as high as 55 percent,[86] and the Statistical Office of Kosovo reports a rate of 45 percent for 2006. Regardless of the source, Kosovo's rate is high, as is Macedonia's (37 percent in 2004). This is in sharp contrast to Albania's unemployment rate of 14 percent (2004) and the LMI-EE&CA median of 12.1 percent (see Figure 5-3). Though the actual unemployment rate may be lower because of employment in Kosovo's large informal sector, Kosovo's development prospects depend critically on reducing unemployment.

Kosovo's labor force participation rate of 52.3 percent is very low. Labor force participation in all comparators is at least above 60 percent, with the lowest rate of 61 percent in Macedonia (2005). A number of factors explain this low rate. First, more than half the population is under the age of 25. Second, women's participation is extremely low—approximately 34 percent in 2006 (see *Gender*). Third, the rate may not capture the population's actual economic activity, given the size of Kosovo's informal sector. Finally, it is likely that large remittances are creating a disincentive

---

[82] Organisation for Economic Co-operation and Development. *Education at a Glance.* 2005.

[83] Riinvest Institute. *Second Millennium Development Goals Report for Kosovo*. October 17, 2007.

[84] World Bank. *Kosovo Public Expenditure and Institutional Review.* September 2006.

[85] UNDP. *Human Development Report (Kosovo).* 2006.

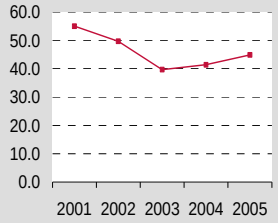
[86] IMF. *Kosovo–Gearing Policies Toward Growth and Development.* November 2004.

to work, particularly among the less educated. In 2005, 25 percent of Kosovars who only had primary education reported that remittances were their main source of income.[87]

Figure 5-3
Unemployment Rate

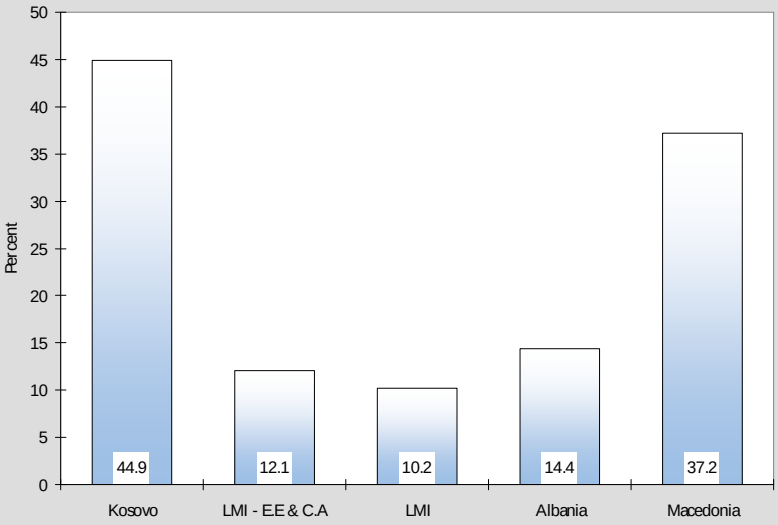
Kosovo is having to tackle extremely high unemployment.

Time Series



Year	Value
2001	55.0
2002	49.7
2003	39.7
2004	41.4
2005	44.9
Summary for 2001- 2005	
Five year average	46.1
Trend growth rate	.

Comparisons to other countries, most recent year



Source: Statistical Office of Kosovo & World Development Indicators 2007 CAS code: 33P4

The private sector is expanding, but its current growth rate is unlikely to be sufficient to absorb the growing labor force. The *2006 Human Development Report* for Kosovo notes that 88 percent of small- and medium-sized private businesses have at most five employees, of which 99 percent are family businesses with just one or two employees. Additionally, labor costs in Kosovo are relatively high and wages constitute a sizable portion of government expenditure.

The Labor and Employment Department of the Ministry of Labor and Social Welfare serves as the public employment service, but is severely limited in capacity. Lack of funding restricts its ability to provide more than registration services for the unemployed. No unemployment benefits are available and the Ministry's few vocational centers that offer training are insufficient to meet demand. The legal framework includes basic provisions for the protection of workers rights and prohibits compulsory labor and child labor, but capacity constraints limit enforcement.[88]

The need for productive jobs in Kosovo is critical and urgent. Programs that support creation of productive jobs and build the government's capacity to address problems related to unemployment are high priorities. A core task will be creating productive, income-generating opportunities for youth in rural areas by energizing and modernizing the agricultural economy.

---

[87] Statistical Office of Kosovo.

[88] Commission of the European Communities, Commission Staff Working Document, *Kosovo 2006 Progress Report* (2006), 28.

This will require formal job training, private sector investment in agriculture and agribusiness, and creating rural-urban value chains linked to domestic and foreign markets. Investment in nontraditional urban and rural industries will also be important, as will improving educational opportunities for women to boost participation in the labor force. The effect of large remittances on work incentives should also be addressed.

AGRICULTURE

In the Economic Structure section, we noted that approximately 20 percent of Kosovo's labor force is engaged in agriculture but generates less than 10 percent of GDP, which implies low average productivity in agriculture compared to productivity in industry and services. In fact, agriculture value-added declined in 2003 by 5.5 percent and in 2004 by 3.2 percent. More recent data are not available, but rising input costs and falling cereal yields imply that value added has probably not increased much since then.[89] This is of great concern given that the rural population depends on agriculture for income.

The sector's low productivity is the result of small farm size, poor technology and low mechanization, poor infrastructure, and high input costs.[90] Accordingly, most farms are subsistence-oriented, with even large farms devoting more than 50 percent of production to meeting household needs.[91] Family farms averaging 2.2 hectares hold more than 85 percent of agricultural land, and land is often in several noncontiguous plots. Cooperatives are mainly engaged in services and occupy only 1 percent of agricultural land. The remaining 13 percent is held by agro-kombinates, socially owned enterprises administered by the Kosovo Trust Agency. Most agro-kombinates no longer operate and the land is uncultivated, although about 20 percent of the land is leased out on a short-term basis to small, private farmers. About 90 percent of all agricultural holdings are smaller than 2.5 hectares. [92]

Production is dominated by grains (mostly wheat) and fodder crops, which occupy 49 percent and 41 percent of cultivated land, respectively.[93] Wheat yields average 3.26 tons per hectare, which is low by EU standards,[94] and domestic wheat production meets only 47 percent of estimated domestic demand. Other key crops include barley, potatoes, and grapes (vineyards).[95]

---

[89] UNMIK European Union Pillar, Kosovo Economic Outlook 2007. *From Consolidation to Sustainability: Maintaining and Improving Achievements.* September 2007.

[90] Only half of family farms have tractors. Some borrow or rent tractors, but 19 percent do not use tractors at all. Source: Ministry of Agriculture, Forestry and Rural Development of Kosovo. *Agriculture and Rural Development Plan 2007-2013.* November 2006.

[91] Poverty assessment vol 1.

[92] Unless otherwise noted, data in this paragraph are from the Ministry of Agriculture, Forestry and Rural Development of Kosovo. *Agriculture and Rural Development Plan 2007-2013.* November 2006.

[93] Statistical Office of Kosovo. *Agricultural Household Survey.* 2005.

[94] The median for the EU in 2006 were 4.5 tons per hectare (FAOSTAT database).

[95] Ministry of Agriculture, Forestry and Rural Development of Kosovo. *Agriculture and Rural Development Plan 2007-2013.* November 2006.

Donors have been attempting to increase the livestock population, which was halved during the conflict. Dairy farms contribute approximately half of the value of agricultural production, but there is overcapacity in milk processing plants due to low production and lack of milk collection points.

The sector is further hampered by poorly defined property rights. Many cadastral records were destroyed during the war or were removed to Serbia. The records that exist are outdated due to decades of informal transactions to avoid restrictions and taxes on property transfers.

An analysis of the data implies that substantial gains in agricultural productivity are needed to improve the lives of the rural poor, who depend on agriculture for employment. To this end, the government must address a number of constraints, chief among them are land reform, production methods, and rural infrastructure. Donors can play a valuable role by providing technical assistance in these areas.

Appendix A. CAS Methodology

CRITERIA FOR SELECTING INDICATORS

The economic performance evaluation in this report balances the need for broad coverage and diagnostic value with the requirement of brevity and clarity. The analysis covers 15 economic growth–related topics, and just over 100 variables. For the sake of brevity, the write-up in the text highlights issues for which the "dashboard lights" appear to be signaling problems, which suggest possible priorities for USAID intervention. The accompanying table provides a full list of indicators examined for this report. The data supplement in Appendix B contains the complete data set for Kosovo, 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 Kosovo relative to the average for countries in the same income group and region —in this case, lower-middle income countries, and lower-middle income countries in Eastern Europe and Central 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 Kosovo 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]

Where relevant, Kosovo'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.

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 U.S. dollars	I	
Real GDP growth	I	
Growth of labor productivity	II	
Investment productivity, incremental capital-output ratio (ICOR)	II	
Gross fixed investment, % GDP	II	
Gross fixed private investment, % GDP	II	
Poverty and Inequality		
Human poverty index (0 for excellent to 100 for poor)	I	
Income-share, poorest 20%	I	
Population living on less than $1 PPP per day (lower income countries)/ $2 PPP per day (lower middle income countries)	I	MDG
Poverty headcount, by national poverty line	I	MDG
PRSP status	I	EcGov

[2] Income groups as defined by the World Bank for 2004. For this study, the average is defined in terms of median so that the 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.

Indicator	Level	MDG, MCA, or EcGov[a]
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 (elderly rate for Eastern European and Former Soviet Union countries)	I	
Environmental performance index (0 for poor to 100 for excellent)	I	
Population size and growth	I	
Urbanization rate	I	
Gender		
Girls' primary completion rate	I	MCA
Gross enrollment rate, all levels, male, female	I	MDG
Life expectancy at birth, male, female	I	
Labor force participation rate, male, female	I	
Fiscal and Monetary Policy		
Government expenditure, % GDP	I	EcGov
Government revenue, excluding grants, % GDP	I	EcGov
Growth in the broad money supply	I	EcGov
Inflation rate	I	MCA
Overall government budget balance, including grants, % GDP	I	MCA, EcGov
Composition of government expenditure	II	
Composition of government revenue	II	
Composition of money supply growth	II	
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

Indicator	Level	MDG, MCA, or EcGov[a]
Financial Sector		
Domestic credit to private sector, % GDP	I	
Interest rate spread	I	
Money supply, % GDP	I	
Stock market capitalization rate, % of GDP	I	
Credit information index (0 for poor to 6 for excellent)	I	
Legal rights of borrowers and lenders index (0 for poor to 10 for excellent)	II	
Real interest rate	II	
Number of active microfinance borrowers	II	
External Sector		
Aid , % GNI	I	
Current account balance, % GDP	I	
Debt service ratio, % exports	I	MDG
Export growth of goods and services	I	
Foreign direct investment, % GDP	I	
Gross international reserves, months of imports	I	EcGov
Gross Private capital inflows, % GDP	I	
Present value of debt, % GNI	I	
Remittance receipts, % exports	I	
Trade, % GDP	I	
Trade in services, % GDP	I	
Concentration of exports	II	
Inward FDI potential index	II	
Net barter terms of trade	II	
Real effective exchange rate (REER)	II	EcGov
Structure of merchandise exports	II	
Trade 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 1,000 people	I	MDG
Overall infrastructure quality index (1 for poor to 7 for excellent)	I	EcGov
Telephone density, fixed line and mobile	I	MDG
Quality of infrastructure—railroads, ports, air transport, and electricity	II	
Roads paved, % total roads	II	
Science and Technology		
Expenditure for R&D, % GDP	I	
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	

Indicator	Level	MDG, MCA, or EcGov[a]
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, % GDP	II	MCA, EcGov
Education		
Net primary enrollment rate – female, male, total	I	MDG
Persistence in school to grade 5	I	MDG
Youth literacy rate, all, male, female	I	
Net secondary enrollment rate	I	
Gross tertiary enrollment rate	I	
Education expenditure, primary, % GDP	II	MCA, EcGov
Expenditure per student, % GDP per capita—primary, secondary, and tertiary	II	EcGov
Pupil-teacher ratio, primary school	II	
Employment and Workforce		
Labor force participation rate, total	I	
Rigidity of employment index (0 for minimum to 100 for maximum)	I	EcGov
Size and growth of the labor force	I	
Unemployment rate	I	
Economically active children, % children ages 7-14	I	
Firing costs, weeks of wages	II	EcGov
Agriculture		
Agriculture value added per worker	I	
Cereal yield	I	
Growth in agricultural value-added	I	
Agricultural policy costs index (1 for poor to 7 for excellent)	II	EcGov
Crop production index	II	
Livestock production index	II	
Agricultural export growth	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	Per capita GDP, in Purchasing Power Parity Dollars	Per capita GDP, in current U.S. Dollars	Real GDP Growth	Growth of Labor Productivity	Investment Productivity, Incremental Capital-Output Ratio (ICOR)	Gross Fixed Investment, % of GDP	Gross Fixed Private Investment, % of GDP
Indicator Number	11P0	11P1	11P2	11P3	11S1	11S2	11S3	11S4
Kosovo Data								
Latest Year (T)	.	.	*2007*	*2007*	.	*2006*	*2006*	*2006*
Value Year T	.	.	*1,430*	*3.5*	.	*14.8*	*30.8*	*23.1*
Value Year T-1	.	.	*1,390*	*3.1*	.	*19.3*	*29.0*	*18.0*
Value Year T-2	.	.	*1,374*	*-1.0*	.	*14.1*	*28.5*	*14.1*
Value Year T-3	.	.	*1,437*	*2.0*	.	.	*29.3*	.
Value Year T-4	.	.	.	*3.1*	.	.	*34.5*	.
Average Value, 5 year	.	.	.	*2.1*	.	.	*30.4*	.
Growth Trend	.	.	.	.	.	.	*-2.4*	.
Benchmark Data								
Regression Benchmark	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.
Latest Year Albania	*2007*	*2007*	*2007*	*2007*	*2005*	*2006*	*2006*	*2004*
Albania Value Latest Year	*86*	*6,196.7*	*3,256*	*6.0*	*4.2*	*5.3*	*25.6*	*24.1*
Latest Year Macedonia	*2007*	*2007*	*2007*	*2007*	*2005*	*2006*	*2006*	*2005*
Macedonia Value Latest Year	*70*	*8,251.2*	*3,574*	*5.0*	*3.1*	*6.0*	*18.4*	*17.1*
LMI - E.E & C.A	*81.5*	*7,167.8*	*2,729*	*7.3*	*5.0*	*3.6*	*24.0*	*17.9*
Lower Middle Income	*67.5*	*5,485.6*	*2,310*	*5.5*	*1.1*	*5.1*	*20.6*	*17.4*
High Five Avg.	*90.7*	*50,789.0*	*67,174*	*17.3*	*14.8*	*30.0*	*47.2*	*30.5*
Low Five Avg.	*25.1*	*592.3*	*162*	*-0.6*	*-4.4*	*-19.9*	*10.3*	*4.4*

	Poverty and Inequality						
	Human Poverty Index (0 for no depravation to 100 for high depravation)	Income Share, Poorest 20%	Percentage of Population Living on Less Than $1 PPP per Day	Percentage of Population Living on Less Than $2 PPP per Day	Poverty Headcount, National Poverty Line	PRSP Status	Population % Below Minimum Dietary Energy Consumption
Indicator Number	12P1	12P2	12P3a	12P3b	12P4	12P5	12S1
Kosovo Data							
Latest Year (T)	*2006*	.	.	.	*2005/2006*	.	*2005*
Value Year T	*9.1*	.	.	.	*45.1*	.	*16.0*
Value Year T-1	.	.	.	.	*34.8*	.	.
Value Year T-2	*9.7*	.	.	.	*43.5*	.	*13.0*
Value Year T-3	.	.	.	.	*38.7*	.	.
Value Year T-4	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.
Benchmark Data							
Regression Benchmark	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.
Latest Year Albania	.	*2004*	*2004*	*2004*	*2002*	.	*2002*
Albania Value Latest Year	.	*8.2*	*2.0*	*10.0*	*25.4*	.	*6.0*
Latest Year Macedonia	.	*2003*	*2003*	*2003*	*2003*	.	*2002*
Macedonia Value Latest Year	.	*6.1*	*2.0*	*2.0*	*21.7*	.	*7.0*
LMI - E.E & C.A	.	*8.5*	*2.2*	*16.2*	*41.9*	.	*8.5*
Lower Middle Income	*16.8*	*5.9*	*7.2*	*32.0*	*35.1*	.	*11.0*
High Five Avg.	*62.4*	*9.5*	*61.8*	*88.7*	*67.5*	.	*67.0*
Low Five Avg.	*3.7*	*2.2*	*2.0*	*2.0*	*13.6*	.	*2.5*

	Economic Structure					
	Labor Force Structure (Employment in agriculture, % total)	Labor Force Structure (Employment in industry, % total)	Labor Force Structure (Employment in services, % total)	Output structure (Agriculture, value added, % GDP)	Output structure (Industry, value added, % GDP)	Output structure (Services, etc., value added, % GDP)
Indicator Number	13P1a	13P1b	13P1c	13P2a	13P2b	13P2c
Kosovo Data						
Latest Year (T)	*2006*	*2006*	*2006*	*2004*	*2004*	*2004*
Value Year T	*21.4*	*20.5*	*58.3*	*8.6*	*27.1*	*64.3*
Value Year T-1	*18.8*	*22.3*	*58.9*	*9.0*	*26.3*	*64.7*
Value Year T-2	*24.7*	*22.0*	*53.5*	*8.6*	*25.9*	*65.6*
Value Year T-3	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.
Benchmark Data						
Regression Benchmark	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.
Latest Year Albania	*2005*	*2005*	*2005*	*2005*	*2005*	*2005*
Albania Value Latest Year	*58.4*	*13.5*	*27.8*	*22.8*	*21.5*	*55.7*
Latest Year Macedonia	*2005*	*2005*	*2005*	*2006*	*2006*	*2006*
Macedonia Value Latest Year	*19.5*	*32.3*	*48.0*	*13.0*	*29.3*	*57.7*
LMI - E.E & C.A	*41.4*	*16.1*	*42.5*	*15.2*	*32.2*	*54.4*
Lower Middle Income	*30.7*	*20.0*	*48.8*	*15.1*	*31.4*	*52.9*
High Five Avg.	*75.3*	*38.4*	*78.7*	*55.4*	*61.1*	*82.4*
Low Five Avg.	*0.8*	*5.8*	*16.6*	*0.5*	*11.8*	*21.8*

	Demography and Environment						
	Adult Literacy Rate	Youth Dependency Rate	Elderly Dependency Rate	Environmental Performance Index (1 to 100)	Population Size (Millions)	Population Growth, Annual %	Percent of Population Living in Urban Areas
Indicator Number	14P1	14P2a	14P2b	14P3	14P4a	14P4b	14P5
Kosovo Data							
Latest Year (T)	*2003*	*2006*	*2006*	.	*2007*	*2006*	*2006*
Value Year T	*94.2*	*54.0*	*9.8*	.	*2.1*	*1.4*	*35.0*
Value Year T-1	*94.1*	.	.	.	*2.0*	*1.2*	.
Value Year T-2	.	.	.	.	*2.0*	*1.6*	.
Value Year T-3	*93.5*	.	.	.	*2.0*	.	.
Value Year T-4	.	.	.	.	*1.9*	.	.
Average Value, 5 year	.	.	.	.	*2.0*	.	.
Growth Trend	.	.	.	.	*1.8*	.	.
Benchmark Data							
Regression Benchmark	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.
Latest Year Albania	*2006*	*2006*	*2006*	*2007*	*2005*	*2006*	*2006*
Albania Value Latest Year	*98.7*	*40.4*	*13.0*	*84.0*	*3.1*	*0.2*	*46.1*
Latest Year Macedonia	*2006*	*2006*	*2006*	*2007*	*2005*	*2006*	*2006*
Macedonia Value Latest Year	*96.1*	*27.5*	*16.1*	*75.1*	*2.0*	*0.2*	*69.6*
LMI - E.E & C.A	*98.8*	*28.3*	*17.0*	*62.9*	*4.3*	.	*51.9*
Lower Middle Income	*89.6*	*57.8*	*7.7*	*64.6*	*5.1*	*1.5*	*54.0*
High Five Avg.	*99.7*	*99.4*	*28.3*	*86.9*	*620.5*	*4.4*	*98.6*
Low Five Avg.	*24.7*	*20.1*	*2.7*	*31.8*	*0.1*	*-0.7*	*11.9*

	Gender						
	Girls' Primary Completion Rate	Gross Enrollment Rate, All Levels of Education, Male	Gross Enrollment Rate, All Levels of Education, Female	Life Expectancy, Male	Life Expectancy, Female	Labor Force Participation Rate, Male	Labor Force Participation Rate, Female
Indicator Number	15P1	15P2a	15P2b	15P3a	15P3b	15P4a	15P4b
Kosovo Data							
Latest Year (T)	.	.	.	*2003*	*2003*	*2006*	*2006*
Value Year T	.	.	.	*67.0*	*71.0*	*70.8*	*33.7*
Value Year T-1	.	.	.	.	.	*69.0*	*29.9*
Value Year T-2	.	.	.	.	.	*68.0*	*25.0*
Value Year T-3	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.
Benchmark Data							
Regression Benchmark	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.
Latest Year Albania	*2004*	*2004*	*2004*	*2005*	*2005*	*2005*	*2005*
Albania Value Latest Year	*97.3*	*69.0*	*67.0*	*73.1*	*79.5*	*78.4*	*56.1*
Latest Year Macedonia	*2005*	*2004*	*2004*	*2005*	*2005*	*2005*	*2005*
Macedonia Value Latest Year	*98.5*	*69.0*	*71.0*	*71.4*	*76.3*	*74.7*	*47.8*
LMI - E.E & C.A	*97.3*	.	*74.5*	.	.	*77.9*	*63.3*
Lower Middle Income	*93.4*	*70.0*	*72.0*	*67.8*	*73.3*	*84.8*	*53.0*
High Five Avg.	*122.3*	*101.2*	*106.8*	*78.9*	*84.4*	*98.4*	*91.9*
Low Five Avg.	*20.3*	*28.2*	*21.8*	*39.5*	*40.4*	*66.6*	*19.6*

	Fiscal and Monetary Policy										
	Government Expenditure, % of GDP	Government Revenue, % of GDP	Growth in the Money Supply	Inflation Rate	Overall Budget Balance, Including Grants, % of GDP	Composition of Government Expenditure (Wages and salaries)	Composition of Government Expenditure (Goods and services)	Composition of Government Expenditure (Interest payments)	Composition of Government Expenditure (Subsidies and other current transfers)	Composition of Government Expenditure (Capital expenditure)	Composition of Government Expenditure (Other expenditure)
Indicator Number	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S1e	21S1f
Kosovo Data											
Latest Year (T)	*2007*	*2007*	*2007*	*2007*	*2007*	*2007*	*2007*	*2007*	*2007*	*2007*	*2007*
Value Year T	*30.0*	*36.5*	*80.4*	*4.5*	*9.8*	*31.5*	*21.9*	*0.0*	*23.1*	*23.4*	*0.0*
Value Year T-1	*27.7*	*31.3*	*78.0*	*0.6*	*3.4*	*32.1*	*22.5*	.	*24.5*	*21.0*	.
Value Year T-2	*31.6*	*28.5*	.	*-1.4*	*-2.6*	*28.0*	*20.5*	.	*30.7*	*20.8*	.
Value Year T-3	*33.0*	*26.9*	.	*-1.1*	.	*20.2*	*22.4*	.	*20.4*	*21.1*	*15.9*
Value Year T-4	.	.	.	*1.2*	.	*18.1*	*23.0*	.	*15.7*	*12.1*	*30.6*
Average Value, 5 year	.	.	.	*0.8*	.	*26.0*	*22.1*	.	*22.9*	*19.7*	.
Growth Trend	.	.	.	.	.	*15.7*	*-0.9*	.	*9.5*	*13.1*	.
Benchmark Data											
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.	.
Latest Year Albania	*2004*	*2004*	*2005*	*2007*	*2004*	.	.	.	.	*2004*	.
Albania Value Latest Year	*29.2*	*23.6*	*14.1*	*2.5*	*-3.0*	.	.	.	.	*5.0*	.
Latest Year Macedonia	*2005*	*2005*	*2006*	*2007*	.	.	.	.	.	*2005*	.
Macedonia Value Latest Year	*35.6*	*35.8*	*24.6*	*2.0*	.	.	.	.	.	*3.6*	.
LMI - E.E & C.A	*28.6*	*30.6*	*22.5*	*8.5*	*0.0*	*9.3*	*25.6*	*14.0*	*51.5*	*11.7*	.
Lower Middle Income	*24.0*	*26.1*	*12.3*	*5.4*	*-1.6*	*23.8*	*42.9*	*9.7*	*18.5*	*19.7*	.
High Five Avg.	*48.1*	*51.8*	*196.2*	*1,179.8*	*5.2*	*48.7*	*77.2*	*35.6*	*69.2*	*43.7*	.
Low Five Avg.	*9.8*	*6.9*	*-1.3*	*0.6*	*-11.1*	*4.6*	*16.2*	*0.9*	*2.1*	*2.3*	.

	Fiscal and Monetary Policy (cont'd)										
	Composition of Government Revenue (Taxes of income, profits and capital gains)	Composition of Government Revenue (Taxes on goods and services)	Composition of Government Revenue (Taxes on international trade)	Composition of Government Revenue (Social contributions)	Composition of Government Revenue (Other taxes)	Composition of Government Revenue (Grants and other revenue)	Composition of Money Supply Growth (Domestic credit to the public sector)	Composition of Money Supply Growth (Domestic credit to the private sector)	Composition of Money Supply Growth (Domestic credit to non-financial public enterprises)	Composition of Money Supply Growth (Net foreign assets, reserves)	Composition of Money Supply Growth (Other items net)
Indicator Number	21S2a	21S2b	21S2c	21S2d	21S2e	21S2f	21S3a	21S3b	21S3c	21S3d	21S3e
Kosovo Data											
Latest Year (T)	*2004*	*2004*	*2004*	.	*2004*	*2004*	*2007*	*2007*	*2007*	*2007*	*2007*
Value Year T	*10.1*	*36.8*	*39.4*	.	*0.9*	*12.7*	*-138.8*	*73.2*	*0.0*	*145.5*	*20.0*
Value Year T-1	*11.0*	*36.0*	*40.7*	.	*0.7*	*11.7*	*-163.6*	*67.3*	*0.0*	*183.0*	*13.2*
Value Year T-2	.	.	.	.	.	.	*-5.4*	*47.4*	*0.0*	*37.6*	*20.4*
Value Year T-3	.	.	.	.	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.	.	.	.
Benchmark Data											
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.	.
Latest Year Albania	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*	.	.	.	.	.
Albania Value Latest Year	*14.8*	*48.7*	*7.6*	*17.6*	*1.1*	*10.2*	.	.	.	.	.
Latest Year Macedonia	.	.	.	.	.	.	.	.	.	.	.
Macedonia Value Latest Year	.	.	.	.	.	.	.	.	.	.	.
LMI - E.E & C.A	*7.9*	*35.3*	*6.6*	*22.8*	*4.8*	*13.0*	.	.	.	.	.
Lower Middle Income	*19.7*	*35.1*	*7.9*	*9.4*	*1.6*	*15.7*	.	.	.	.	.
High Five Avg.	*56.9*	*58.4*	*45.5*	*47.3*	*20.8*	*79.5*	.	.	.	.	.
Low Five Avg.	*1.7*	*3.2*	*-0.2*	*0.3*	*0.0*	*3.7*	.	.	.	.	.

	Business Environment								
	Control of Corruption Index (-2.5 for poor to 2.5 for excellent)	Ease of Doing Business Ranking (1 to 178)	Rule of Law Index (-2.5 for very poor to 2.5 for excellent)	Regulatory Quality Index (-2.5 for very poor to 2.5 for excellent)	Government Effectiveness Index (-2.5 for very poor to 2.5 for excellent)	Cost of Starting a Business % GNI per Capita	Procedures to Enforce a Contract	Procedures to Register Property	Procedures to Start a Business
Indicator Number	22P1	22P2	22P3	22P4	22P5	22S1	22S2	22S3	22S4
Kosovo Data									
Latest Year (T)	*2006*	.	*2006*	.	*2006*	.	.	.	.
Value Year T	*-0.63*	.	*-0.90*	.	*-0.36*	.	.	.	.
Value Year T-1	*-0.67*	.	*-0.97*	.	.	.	.	.	.
Value Year T-2	*-0.97*	.	*-0.99*	.	.	.	.	.	.
Value Year T-3	*-0.89*	.	*-1.14*	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.	.
Benchmark Data									
Regression Benchmark	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.
Latest Year Albania	*2006*	*2007*	*2006*	*2006*	*2006*	*2007*	*2007*	*2007*	*2007*
Albania Value Latest Year	*-0.67*	*136*	*-0.70*	*-0.14*	*-0.42*	*20.9*	*39*	*7*	*10*
Latest Year Macedonia	*2006*	*2007*	*2006*	*2006*	*2006*	*2007*	*2007*	*2007*	*2007*
Macedonia Value Latest Year	*-0.37*	*75.0*	*-0.46*	*-0.06*	*-0.20*	*6.6*	*39*	*6*	*9*
LMI - E.E & C.A	*-0.67*	*96.5*	*-0.66*	*-0.39*	*-0.60*	*11.4*	*38.0*	*7.0*	*10.7*
Lower Middle Income	*-0.51*	*103.8*	*-0.58*	*-0.41*	*-0.46*	*33.3*	*39.0*	*6.2*	*10.5*
High Five Avg.	*2.37*	*175.6*	.	*1.80*	*2.15*	*574.0*	*53.7*	*13.9*	*18.5*
Low Five Avg.	*-1.57*	*3.0*	.	*-2.31*	*-1.78*	*0.5*	*23.1*	*1.6*	*2.4*

	Business Environment (cont'd)					
	Time to Enforce a Contract	Time to Register Property	Time to Start a Business	Total Tax Payable by Business, % operating profit	Business Costs of Crime, Violence and Terrorism (1 for poor to 7 for excellent)	Senior Manager Time Spent Dealing with Government Regulations (%)
Indicator Number	22S5	22S6	22S7	22S8	22S9	22S10
Kosovo Data						
Latest Year (T)	.	.	.	.	.	.
Value Year T	.	.	.	.	.	.
Value Year T-1	.	.	.	.	.	.
Value Year T-2	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.
Benchmark Data						
Regression Benchmark	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.
Latest Year Albania	*2007*	*2007*	*2007*	*2007*	*2007*	*2005*
Albania Value Latest Year	*390*	*47*	*36*	*46.8*	*3.9*	*10.4*
Latest Year Macedonia	*2007*	*2007*	*2007*	*2007*	*2007*	*2005*
Macedonia Value Latest Year	*385*	*98*	*15*	*49.8*	*3.8*	*8.2*
LMI - E.E & C.A	*354.0*	*61.0*	*31.3*	*46.5*	*4.2*	*4.3*
Lower Middle Income	*562.5*	*49.5*	*42.0*	*41.6*	*3.9*	*7.1*
High Five Avg.	*1,611.6*	*485.8*	*287.7*	*251.2*	*6.6*	*21.3*
Low Five Avg.	*182.6*	*2.1*	*4.3*	*12.2*	*2.0*	*1.5*

	Financial Sector							
	Domestic Credit to Private Sector, % GDP	Interest Rate Spread	Money Supply (M2), % GDP	Stock Market Capitalization Rate, % GDP	Credit Information Index (0 for poor to 6 for excellent)	Legal Rights of Borrowers and Lenders (0 for poor to 10 for excellent)	Real Interest Rate	Number of Microfinance Borrowers
Indicator Number	23P1	23P2	23P3	23P4	23P5	23S1	23S2	23S3
Kosovo Data								
Latest Year (T)	*2007*	*2004*	*2007*	*.*	*.*	*.*	*.*	*2007*
Value Year T	*34.7*	*12.0*	*34.6*	*.*	*.*	*.*	*.*	*102,655*
Value Year T-1	*27.5*	*.*	*19.2*	*.*	*.*	*.*	*.*	*.*
Value Year T-2	*25.4*	*.*	*10.8*	*.*	*.*	*.*	*.*	*.*
Value Year T-3	*19.8*	*.*	*59.5*	*.*	*.*	*.*	*.*	*.*
Value Year T-4	*12.6*	*.*	*61.9*	*.*	*.*	*.*	*.*	*.*
Average Value, 5 year	*24.0*	*.*	*37.2*	*.*	*.*	*.*	*.*	*.*
Growth Trend	*23.6*	*.*	*-22.9*	*.*	*.*	*.*	*.*	*.*
Benchmark Data								
Regression Benchmark	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Lower Bound	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Upper Bound	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Latest Year Albania	*2005*	*2006*	*2005*	*.*	*2007*	*2007*	*2006*	*2007*
Albania Value Latest Year	*14.9*	*7.7*	*64.4*	*.*	*0.0*	*9.0*	*10.3*	*50,873*
Latest Year Macedonia	*2006*	*2005*	*2006*	*2005*	*2007*	*2007*	*2005*	*2007*
Macedonia Value Latest Year	*31.0*	*5.7*	*40.1*	*11.2*	*3.0*	*6.0*	*8.7*	*25,531*
LMI - E.E & C.A	*8.9*	*7.6*	*19.6*	*1.2*	*3.0*	*6.0*	*8.8*	*.*
Lower Middle Income	*23.7*	*7.0*	*38.1*	*12.6*	*2.8*	*3.7*	*5.8*	*.*
High Five Avg.	*198.4*	*36.4*	*194.8*	*241.5*	*6.0*	*9.4*	*35.7*	*.*
Low Five Avg.	*2.9*	*1.4*	*9.4*	*0.3*	*0.0*	*0.6*	*-35.6*	*.*

	External Sector										
	Aid, % of GNI	Current Account Balance, % GDP	Debt Service ratio, % Exports	Exports Growth, Goods and Services	Foreign Direct Investment, % GDP	Gross International Reserves, Months of Imports	Gross Private Capital Inflows, % GDP	Present Value of Debt, % GNI	Remittance Receipts, % Exports	Trade, % GDP	Trade in Services, % GDP
Indicator Number	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24P10	24P11
Kosovo Data											
Latest Year (T)	*2006*	*2007*	*2007*	*.*	*2007*	*2006*	*2003*	*.*	*2007*	*2007*	*2006*
Value Year T	*19.5*	*-22.7*	*43.2*	*9.0*	*12.2*	*0.0*	*29.2*	*.*	*134.6*	*60.3*	*16.3*
Value Year T-1	*20.9*	*-21.0*	*.*	*18.9*	*10.7*	*-0.3*	*25.5*	*.*	*128.8*	*61.0*	*15.9*
Value Year T-2	*23.9*	*-17.8*	*.*	*-7.1*	*3.6*	*.*	*22.0*	*.*	*133.7*	*54.1*	*14.3*
Value Year T-3	*31.1*	*-13.8*	*.*	*.*	*0.8*	*.*	*.*	*.*	*101.9*	*48.3*	*.*
Value Year T-4	*40.0*	*.*	*.*	*.*	*0.8*	*.*	*.*	*.*	*.*	*.*	*.*
Average Value, 5 year	*27.1*	*.*	*.*	*.*	*5.6*	*.*	*.*	*.*	*.*	*.*	*.*
Growth Trend	*-18.3*	*.*	*.*	*.*	*80.4*	*.*	*.*	*.*	*.*	*.*	*.*
Benchmark Data											
Regression Benchmark	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Lower Bound	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Upper Bound	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Latest Year Albania	*2005*	*2006*	*2005*	*2006*	*2005*	*2006*	*2003*	*2005*	*2005*	*2006*	*2006*
Albania Value Latest Year	*3.7*	*-7.3*	*3.5*	*7.3*	*3.1*	*4.8*	*3.2*	*19.0*	*63.7*	*68.6*	*33.8*
Latest Year Macedonia	*2005*	*2005*	*2005*	*2006*	*2005*	*2005*	*2005*	*2005*	*2005*	*2006*	*2005*
Macedonia Value Latest Year	*4.0*	*-1.4*	*4.7*	*12.6*	*1.7*	*4.3*	*5.8*	*39.7*	*6.7*	*116.7*	*16.9*
LMI - E.E & C.A	*3.8*	*-3.9*	*3.6*	*12.2*	*4.2*	*3.5*	*4.9*	*31.9*	*5.9*	*109.4*	*20.4*
Lower Middle Income	*2.4*	*-3.3*	*9.7*	*5.4*	*2.5*	*3.3*	*3.1*	*39.7*	*8.3*	*84.0*	*17.8*
High Five Avg.	*49.6*	*15.5*	*38.2*	*43.5*	*87.5*	*16.2*	*197.8*	*364.0*	*102.3*	*307.5*	*90.4*
Low Five Avg.	*0.0*	*-28.2*	*0.7*	*-5.8*	*-5.6*	*0.4*	*-3.5*	*11.1*	*0.0*	*28.9*	*4.1*

	External Sector (Cont'd)										
	Concentration of Exports	Inward FDI Potential Index (0 for poor to 1 for excellent)	Net Barter Terms of Trade (2000 = 100)	Real Effective Exchange Rate (REER) (2000 = 100)	Structure of Merchandise Exports (Agricultural raw materials exports)	Structure of Merchandise Exports (Fuel exports)	Structure of Merchandise Exports (Manufactures exports)	Structure of Merchandise Exports (Ores and metals exports)	Structure of Merchandise Exports (Food exports)	Trade Policy Index (0 for very poor to 100 for excellent)	Ease of Trading Across Borders Ranking
Indicator Number	24S1	24S2	24S3	24S4	24S5a	24S5b	24S5c	24S5d	24S5e	24S6	24S7
Kosovo Data											
Latest Year (T)	*2006*	.	.	.	*2007*	*2007*	*2007*	*2007*	*2007*	.	.
Value Year T	*72.6*	.	.	.	*4.2*	*0.0*	*18.1*	*71.2*	*6.5*	.	.
Value Year T-1	.	.	.	.	*4.9*	*0.0*	*25.8*	*61.5*	*7.7*	.	.
Value Year T-2	.	.	.	.	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.	.	.	.
Benchmark Data											
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.	.
Latest Year Albania	.	*2005*	*2005*	.	*2005*	*2005*	*2005*	*2005*	*2005*	*2007*	*2007*
Albania Value Latest Year	.	*0.2*	*93.6*	.	*4.3*	*2.6*	*79.8*	*7.4*	*5.7*	*63.2*	*70*
Latest Year Macedonia	*2005*	*2005*	*2005*	.	*2005*	*2005*	*2005*	*2005*	*2005*	*2007*	*2007*
Macedonia Value Latest Year	*34.3*	*0.1*	*95.9*	.	*0.8*	*8.0*	*71.6*	*3.0*	*16.3*	*73.4*	*72*
LMI - E.E & C.A	.	*0.2*	.	.	*2.8*	*7.1*	*61.7*	*3.2*	*11.1*	*67.8*	*118.0*
Lower Middle Income	*37.8*	*0.1*	*100.0*	.	*2.4*	*5.2*	*38.0*	*1.6*	*21.1*	*60.6*	*97.8*
High Five Avg.	*59.4*	*0.5*	*119.1*	.	*50.2*	*93.7*	*94.2*	*55.4*	*88.8*	*96.7*	*175.3*
Low Five Avg.	*0.2*	*0.1*	*77.8*	.	*0.0*	*0.0*	*1.2*	*0.0*	*0.2*	*25.8*	*3.0*

	Economic Infrastructure							
	Internet Users per 1,000 people	Overall Infrastructure Quality (1 for poor to 7 for excellent)	Telephone Density, Fixed Line and Mobile per 1,000 people	Quality of Infrastructure - Air Transport Infrastructure Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Port Infrastructure Quality Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Rail Development Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Quality of Electricity Supply Index (1 for poor to 7 for excellent)	Roads, Paved (% total)
Indicator Number	25P1	25P2	25P3	25S1a	25S1b	25S1c	25S1d	25S2
Kosovo Data								
Latest Year (T)	.	.	*2006*	.	.	.	.	.
Value Year T	.	.	*1,220.0*	.	.	.	.	.
Value Year T-1	.	.	.	.	.	.	.	.
Value Year T-2	.	.	.	.	.	.	.	.
Value Year T-3	.	.	*910.0*	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.
Benchmark Data								
Regression Benchmark	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.
Latest Year Albania	*2005*	*2007*	*2006*	*2007*	*2007*	*2007*	*2007*	*2002*
Albania Value Latest Year	*60.1*	*2.2*	*493.0*	*3.6*	*2.1*	*1.3*	*1.7*	*39.0*
Latest Year Macedonia	*2005*	*2007*	*2005*	*2007*	*2007*	*2007*	*2007*	.
Macedonia Value Latest Year	*78.6*	*2.9*	*882.2*	*3.0*	*2.3*	*2.2*	*4.3*	.
LMI - E.E & C.A	*71.7*	*2.8*	*427.9*	*3.4*	*2.0*	*2.4*	*3.8*	*89.5*
Lower Middle Income	*51.9*	*3.0*	*245.5*	*4.1*	*3.1*	*1.8*	*4.0*	*49.0*
High Five Avg.	*720.0*	*6.6*	*1,777.9*	*6.6*	*6.6*	*6.5*	*6.8*	*100.0*
Low Five Avg.	*1.3*	*1.8*	*13.7*	*2.4*	*1.4*	*1.1*	*1.5*	*2.6*

	Science and Technology				
	Expenditure in Research and Developement, % GDP	FDI Technology Transfer Index (1 for poor to 7 for excellent)	Availability of Scientists and Engineers (1 for poor to 7 for excellent)	Scientific and Technology Journal Articles, per Million People	IPR Protection (1 for poor to 7 for excellent)
Indicator Number	26P1	26P2	26P3	26P4	26P5
Kosovo Data					
Latest Year (T)	.	.	.	.	.
Value Year T	.	.	.	.	.
Value Year T-1	.	.	.	.	.
Value Year T-2	.	.	.	.	.
Value Year T-3	.	.	.	.	.
Value Year T-4	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.
Growth Trend	.	.	.	.	.
Benchmark Data					
Regression Benchmark	.	.	.	.	.
Lower Bound	.	.	.	.	.
Upper Bound	.	.	.	.	.
Latest Year Albania	.	*2007*	*2007*	.	*2007*
Albania Value Latest Year	.	*4.5*	*3.4*	.	*2.2*
Latest Year Macedonia	*2002*	*2007*	*2007*	*2001*	*2007*
Macedonia Value Latest Year	*0.3*	*3.9*	*4.4*	*74.0*	*2.6*
LMI - E.E & C.A	*0.3*	*4.3*	*4.3*	*82.5*	*2.6*
Lower Middle Income	*0.2*	*4.7*	*4.0*	*20.0*	*3.0*
High Five Avg.	*3.7*	*6.1*	*6.1*	*75,711.9*	*6.3*
Low Five Avg.	*0.0*	*3.6*	*2.7*	*0.0*	*2.0*

	Health								
	HIV Prevalence	Life Expectancy at Birth	Maternal Mortality Rate, per 100,000 Live Births	Access to Improved Sanitation	Access to Improved Water Source	Births Attended by Skilled Health Personnel	Child Immunization Rate	Prevalence of Child Malnutrition, Weight for Age	Public Health Expenditure, % GDP
Indicator Number	31P1	31P2	31P3	31S1	31S2	31S3	31S4	31S5	31S6
Kosovo Data									
Latest Year (T)	*2003*	*2003*	*2005*	*.*	*.*	*2005*	*2004*	*non dated*	*2004*
Value Year T	*0.1*	*69.0*	*7*	*.*	*.*	*96.0*	*76.0*	*5.0*	*3.5*
Value Year T-1	*.*	*.*	*10*	*.*	*.*	*.*	*.*	*.*	*.*
Value Year T-2	*.*	*.*	*22*	*.*	*.*	*95.0*	*74.0*	*.*	*.*
Value Year T-3	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Value Year T-4	*.*	*.*	*13*	*.*	*.*	*.*	*.*	*.*	*.*
Average Value, 5 year	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Growth Trend	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Benchmark Data									
Regression Benchmark	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Lower Bound	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Upper Bound	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Latest Year Albania	*2005*	*2005*	*2000*	*2004*	*2004*	*2002*	*2005*	*2002*	*2004*
Albania Value Latest Year	*0.2*	*75.5*	*55*	*91.0*	*96.0*	*98.0*	*97.5*	*14.0*	*3.0*
Latest Year Macedonia	*2005*	*2005*	*2000*	*.*	*.*	*2004*	*2005*	*2004*	*2004*
Macedonia Value Latest Year	*0.1*	*73.8*	*23*	*.*	*.*	*99.0*	*96.5*	*1.2*	*5.7*
LMI - E.E & C.A	*.*	*.*	*.*	*84.0*	*92.0*	*97.2*	*96.3*	*5.0*	*.*
Lower Middle Income	*0.2*	*69.2*	*120.0*	*73.0*	*85.0*	*89.1*	*89.5*	*10.6*	*3.2*
High Five Avg.	*.*	*81.3*	*1,800.0*	*100.0*	*100.0*	*100.0*	*99.0*	*48.2*	*11.2*
Low Five Avg.	*.*	*37.0*	*2.6*	*11.4*	*34.0*	*11.4*	*33.2*	*2.1*	*0.6*

	Education					
	Net Primary Enrollment Rate, Total	Net Primary Enrollment Rate, Female	Net Primary Enrollment Rate, Male	Persistence to Grade 5, Total	Persistence to Grade 5, Female	Persistence to Grade 5, Male
Indicator Number	32P1a	32P1b	32P1c	32P2a	32P2b	32P2c
Kosovo Data						
Latest Year (T)	*2003/2004*	.	.	.	.	.
Value Year T	*95.4*	.	.	.	.	.
Value Year T-1	.	.	.	.	.	.
Value Year T-2	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.
Benchmark Data						
Regression Benchmark	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.
Latest Year Albania	*2004*	*2004*	*2004*	.	.	.
Albania Value Latest Year	*93.6*	*93.4*	*93.9*	.	.	.
Latest Year Macedonia	*2005*	*2005*	*2005*	.	.	.
Macedonia Value Latest Year	*91.8*	*91.7*	*91.9*	.	.	.
LMI - E.E & C.A	.	.	.	.	.	.
Lower Middle Income	*92.1*	*91.4*	*91.8*	*81.7*	*84.0*	*82.1*
High Five Avg.	*99.4*	*99.3*	*99.8*	*99.7*	*99.9*	*99.9*
Low Five Avg.	*40.6*	*36.5*	*43.5*	*43.2*	*39.6*	*43.6*

	Education (Cont'd)									
	Youth Literacy Rate, Total	Youth Literacy Rate, Male	Youth Literacy Rate, Female	Net Secondary Enrollment Rate, Total	Gross Tertiary Enrollment Rate, Total	Expenditure on Primary Education, % GDP	Educational Expenditure per Student, % GDP per capita, Primary	Educational Expenditure per Student, % GDP per capita, Secondary	Educational Expenditure per Student, % GDP per capita, Tertiary	Pupil-teacher Ratio, Primary School
Indicator Number	32P3a	32P3b	32P3c	32P4	32P5	32S1	32S2a	32S2b	32S2c	32S3
Kosovo Data										
Latest Year (T)	*2003*	*2003*	*2003*	*2002/2003*	*2003*	.	.	.	.	*2005*
Value Year T	*98.6*	*99.3*	*97.9*	*75.2*	*16.2*	.	.	.	.	*20.0*
Value Year T-1	.	.	.	.	.	.	.	.	.	*20.0*
Value Year T-2	.	.	.	.	.	.	.	.	.	*19.0*
Value Year T-3	.	.	.	*59.5*	.	.	.	.	.	*19.0*
Value Year T-4	.	.	.	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.	.	.
Benchmark Data										
Regression Benchmark	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.
Latest Year Albania	*2006*	*2006*	*2006*	*2004*	*2004*	*2007*	*2002*	*2002*	*2002*	*2004*
Albania Value Latest Year	*99.4*	*99.4*	*99.5*	*74.1*	*19.3*	*1.7*	*7.8*	*12.0*	*36.6*	*21.5*
Latest Year Macedonia	*2006*	*2006*	*2006*	*2005*	*2005*	*2007*	*2003*	*2003*	*2003*	*2005*
Macedonia Value Latest Year	*98.7*	*99.0*	*98.5*	*81.6*	*29.7*	*1.4*	*23.8*	*7.5*	*22.6*	*19.4*
LMI - E.E & C.A	*99.8*	*99.8*	*99.8*	*80.6*	*31.7*	*1.7*	.	*15.4*	*25.2*	.
Lower Middle Income	*97.3*	*97.8*	*96.5*	*66.8*	*16.9*	*2.1*	*14.2*	*17.2*	*36.9*	*23.6*
High Five Avg.	*99.9*	*99.9*	*99.9*	*97.0*	*79.4*	*7.1*	*31.0*	*55.0*	*689.4*	*71.2*
Low Five Avg.	*32.8*	*45.9*	*21.3*	*6.8*	*0.5*	*0.4*	*3.4*	*5.0*	*5.1*	*10.4*

	Employment and Workforce						
	Labor Force Participation Rate, Total	Rigidity of Employment Index (0 for minimum rigidity to 100 for maximum rigidity)	Size of the Labor Force	Growth of the Labor Force, Labor Force, Annual % Change	Unemployment Rate	Economically Active Children, % Children Ages 7-14	Firing Costs, Weeks of Wages
Indicator Number	33P1	33P2	33P3a	33P3b	33P4	33P5	33S1
Kosovo Data							
Latest Year (T)	*2006*	*.*	*2007*	*2008*	*2006*	*.*	*.*
Value Year T	*52.3*	*.*	*647,000*	*2.1*	*44.9*	*.*	*.*
Value Year T-1	*49.2*	*.*	*634,000*	*2.3*	*41.4*	*.*	*.*
Value Year T-2	*45.9*	*.*	*620,000*	*2.1*	*39.7*	*.*	*.*
Value Year T-3	*.*	*.*	*607,000*	*2.2*	*49.7*	*.*	*.*
Value Year T-4	*.*	*.*	*594,000*	*.*	*55.0*	*.*	*.*
Average Value, 5 year	*.*	*.*	*620,400*	*.*	*46.1*	*.*	*.*
Growth Trend	*.*	*.*	*2.1*	*.*	*.*	*.*	*.*
Benchmark Data							
Regression Benchmark	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Lower Bound	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Upper Bound	*.*	*.*	*.*	*.*	*.*	*.*	*.*
Latest Year Albania	*2005*	*2007*	*2006*	*2006*	*2004*	*2000*	*2007*
Albania Value Latest Year	*67.1*	*35.0*	*1,363,276*	*0.2*	*14.4*	*36.6*	*56.0*
Latest Year Macedonia	*2005*	*2007*	*2006*	*2006*	*2004*	*.*	*2007*
Macedonia Value Latest Year	*61.2*	*50.0*	*868,547*	*0.6*	*37.2*	*.*	*26.0*
LMI - E.E & C.A	*70.6*	*38.0*	*2,176,971*	*0.6*	*12.1*	*.*	*22.0*
Lower Middle Income	*67.2*	*30.5*	*2,455,780*	*2.5*	*10.2*	*15.4*	*52.5*
High Five Avg.	*92.4*	*72.6*	*313,014,657*	*6.0*	*29.7*	*70.2*	*226.3*
Low Five Avg.	*49.8*	*0.0*	*7,986*	*-1.0*	*1.7*	*2.8*	*0.0*

	Agriculture						
	Agriculture Value Added per Worker	Cereal Yield	Growth in Agricultural Value-Added	Agricultural Policy Costs Index (1 for poor to 7 for excellent)	Crop Production Index (1999-2001 = 100)	Livestock Production Index (1999-2001 = 100)	Agricultural Export Growth
Indicator Number	34P1	34P2	34P3	34S1	34S2	34S3	34S4
Kosovo Data							
Latest Year (T)	.	.	*2004*	.	.	.	.
Value Year T	.	.	*-3.2*	.	.	.	.
Value Year T-1	.	.	*-5.5*	.	.	.	.
Value Year T-2	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.
Benchmark Data							
Regression Benchmark	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.
Latest Year Albania	*2004*	*2005*	*2005*	*2007*	*2004*	*2004*	*2005*
Albania Value Latest Year	*1,355.7*	*3,821.5*	*2.6*	*3.2*	*100.8*	*108.4*	*5.8*
Latest Year Macedonia	*2004*	*2005*	*2006*	*2007*	*2004*	*2004*	*2005*
Macedonia Value Latest Year	*3,544.9*	*3,132.6*	*0.6*	*3.8*	*104.4*	*109.3*	*-4.9*
LMI - E.E & C.A	*1,342.0*	*3,042.5*	*3.9*	*3.3*	*120.9*	*109.6*	*14.6*
Lower Middle Income	*1,395.2*	*2,396.7*	*3.0*	*3.6*	*109.5*	*108.0*	*10.2*
High Five Avg.	*44,368.0*	*8,429.8*	*14.8*	*5.1*	*146.2*	*148.4*	*1,079.1*
Low Five Avg.	*94.8*	*319.0*	*-13.9*	*2.6*	*67.5*	*86.1*	*-23.4*

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

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

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

CAS Code # 01P1

GROWTH PERFORMANCE

Per capita GDP, in Purchasing Power Parity Dollars

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P1

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 Productivity

Source: Best labor market data available for target country, or World Development Indicators. If using WDI, estimated by calculating the annual percentage change of the ratio of GDP (constant 1995 US$) (NY.GDP.MKTP.KD) to the population age 15–64, which in turn is the product of the total population (SP.POP.TOTL) times the percentage of total population in this age group (SP.POP.1564.IN.ZS).

Definition: Labor productivity is defined here as the ratio of GDP (in constant prices) to the size of the working age population (age 15–64). The more familiar calculation, based on employment, labor force, or work hours, is used where available.

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; 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; 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://hdr.undp.org/statistics/data/indicators.cfm?x=18&y=1&z=1 for most recent edition; updates may be found at http://hdr.undp.org/reports/view_reports.cfm?type=1

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

Coverage: Data are available for about 60 USAID countries.

CAS Code #12P1

Income Share, Poorest 20%

Source: World Development Indicators, most recent publication series SI.DST.FRST.20. These are World Bank staff estimates based on primary household survey data obtained from government statistical agencies and World Bank country departments. 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 PPP per Day

Source: World Development Indicators, most recent publication series SI.POV.DDAY, original data from national surveys. 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 $1.08 a day at 1993 international prices.

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

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

CAS Code #12P3a

Percentage of Population Living on Less than $2 PPP per Day

Source: World Development Indicators, most recent publication series SI.POV.2DAY, original data from national surveys. 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 $2.15 a day at 1993 international prices.

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

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

CAS Code #12P3b

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://www.yale.edu/epi/ .

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). The 2006 edition is considered a work in progress.

Coverage: Data are available for about 80 USAID countries.

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

Percent of Population Living In Urban Areas

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

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

Coverage: Data are available for about 86 USAID countries.

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

CAS Code #14P5

GENDER

Girls' Primary Completion Rate

Source: World Development Indicators, most recent publication series: SE.PRM.CMPT.FE.ZS

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 80 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 Rate, All Levels of Education, Male and Female

Source: UNDP Human Development Report http://hdr.undp.org/hdr2006/statistics/indicators/225.html and

http://hdr.undp.org/hdr2006/statistics/indicators/224.html

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

Coverage: Data are available for about 80 USAID countries.

Data Quality: Enrollment rates 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://hdr.undp.org/hdr2006/statistics/indicators/221.html.

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #15P3

Labor Force Participation Rate, Male and Female

Source: Derived from World Development Indicators, but the precise computation differs depending on the edition of WDI used for the data.

To calculate the female labor force participation rate using WDI 2007: the numerator is the labor force, female (% of total labor force) (SL.TLF.TOTL.FE.ZS) times labor force, total (SL.TLF.TOTL.IN); the denominator is simply population ages 15–64, female (SP.POP.1564.FE.IN). Using WDI 2006, the denominator (female population, ages 15–64), can only be estimated by multiplying the total population (SP.POP.TOTL) times the percentage of the population ages 15–64 (SP.POP.1564.IN.ZS) times the percentage of females in the total population (SP.POP.TOTL.FE.ZS).

To calculate the male labor force participation rate using WDI 2004: the numerator is calculated by subtracting the female labor force, derived above, from the total labor force (SL.TLF.TOTL.IN). The denominator is population ages 15–64, male (SP.POP.1564.MA.IN). Using WDI 2006 and subsequent years, the denominator is an estimate of the male population, ages 15–64, calculated as the total population (SP.POP.TOTL) times the percentage ages 15–64 (SP.POP.1564.IN.ZS) times the percentage of males in the total population, where the final factor is computed as 100 minus the percentage of females in the total population (SP.POP.TOTL.FE.ZS).

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #15P4

FISCAL AND MONETARY POLICY

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

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

Government Expenditure, Percentage of GDP

Source: IMF Article IV consultation report for latest country data www.imf.org/external/np/sec/aiv/index.htm; International Financial Statistics database for benchmarking (line item 82 divided by GDP).

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

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

CAS Code # 21P1

Government Revenue, excluding grants, 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 benchmarking data (GB.RVC.TOTL.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 five categories:. (1) wages and salaries; (2) goods and services; (3) interest payments; (3) subsidies and other current transfers; (4) capital expenditures; (5) other expenditure.

Coverage: Data are available for the majority of USAID countries. As explained at the beginning of this section, WDI stopped reporting government *expenditures* in 2005. The template will include this variable when the required data can be obtained from IMF Article IV consultation report or national data sources for the target country and the comparison 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 from WDI 2005 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://rru.worldbank.org/DoingBusiness/

Definition: The Ease of Doing Business index ranks economies from 1 to 178. The index is calculated as the ranking on the simple average of country percentile rankings on each of the 10 topics covered in Doing Business in 2007: 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://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/CompareAll.aspx

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

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://rru.worldbank.org/DoingBusiness/ExploreTopics/EnforcingContracts/CompareAll.aspx

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://rru.worldbank.org/DoingBusiness/ExploreTopics/RegisteringProperty/CompareAll.aspx

Definition: Number of procedures required to register the transfer of title for business property. A procedure is defined as any step involving interaction between a company 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://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/CompareAll.aspx

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://rru.worldbank.org/DoingBusiness/ExploreTopics/EnforcingContracts/CompareAll.aspx

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

Coverage: Data are available for nearly all USAID countries.

CAS Code # 22S5

Time to Register Property

Source: World Bank, Doing Business; Registering Property category: http://rru.worldbank.org/DoingBusiness/ExploreTopics/RegisteringProperty/CompareAll.aspx

Definition: The time required to accomplish the full sequence of procedures to transfer 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://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/CompareAll.aspx

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 2006-2007, World Economic Forum. The indicators can be found in the Data Tables, Section VI.

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/Default.aspx?direction=asc&sort=2

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

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

Coverage: Data are available for about 77 USAID countries.

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

CAS Code # 24P3

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. The figure is constructed by dividing workers' remittances (receipts), series BX.TRF.PWKR.CD, by exports of goods and services, series BX.GSR.GNFS.CD.

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 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/research/features/index/downloads.cfm. 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 178 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 1,000 people

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

Definition: Indicator quantifies the number of Internet users, defined as those with access to the worldwide network, per 1,000 people.

Coverage: Data are available for about 88 USAID countries.

CAS Code # 25P1

Overall Infrastructure Quality Index

Source: Global Competitiveness Report 2006–2007, World Economic Forum. The indicator can be found in the Data Tables, Section V. General Infrastructure; 5.01.

Definition: The index measures executives' perceptions of general infrastructure in their respective country. Executives grade, on a scale from 1 to 7, whether general infrastructure in their country is 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 # 25P2

Telephone Density, Fixed Line and Mobile

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #25P3

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

Source: Global Competitiveness Report 2006-2007, World Economic Forum. The indicators can be found in the Data Tables, Section V. General Infrastructure; 5.02, 5.03, 5.04, and 5.05 for Railroad, Port; Air Transport, and Electricity, respectively.

Definitions: The index measures executives' perceptions of general infrastructure in their respective country. Executives grade, on a scale from 1 to 7, whether railroads, ports, air transport, and electricity are 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

Expenditure in Research and Development, Percentage of GDP

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

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

Coverage: Data are available for about 26 USAID countries.

CAS Code #26P1

FDI Technology Transfer Index

Source: Global Competitiveness Report 2006-2007, World Economic Forum. The indicator can be found in the Data Tables, Section III. Technology: Innovation and Diffusion; 3.04.

Definition: The index measures executives' perceptions of FDI as a source of new technology for the country. Executives grade, on a scale from 1 to 7, whether foreign direct investment in their country 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 # 26P2

Availability of Scientists and Engineers Index

Source: Global Competitiveness Report 2006-2007, World Economic Forum. The indicators can be found in the Data Tables, Section IX. Innovation; 9.05.

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 #26P3

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 #26P4

IPR Protection Index

Source: Global Competitiveness Report 2006-2007, World Economic Forum. The indicators can be found in the Data Tables, Section IV. Innovation; 9.07.

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 #26P5

HEALTH

HIV Prevalence

Source: UNAIDS for most recent country data: http://data.unaids.org/pub/GlobalReport/2006/2006_GR_AN N2_en.pdf. 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

Persistence to Grade 5—Female, Male, and Total

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

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

Coverage: Data are available for about 48 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: Derived from World Development Indicators, but the precise computation differs depending on whether a particular country study uses the 2004 or 2005 and years subsequent WDI.
To calculate the *total* labor force participation rate using WDI 2004: the numerator is Labor force, total (SL.TLF.TOTL.IN), and the denominator is Population ages 15-64, total (SP.POP.1564.TO). Using WDI 2005 and subsequent years, the denominator is calculated as the total population (SP.POP.TOTL) times the percentage of the population in the age group 15-64 (SP.POP.1564.IN.ZS).
Definition: The percentage of the working age population that is in the labor force. The labor force comprises people who meet the International Labor Organization definition of the economically active population: all people who supply labor for the production of goods and services during a specified period. It includes both the employed and the unemployed.

Coverage: Data are available for about 88 USAID countries.

CAS Code #33P1

Rigidity of Employment Index

Source: World Bank, Doing Business in 2007, 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/ MethodologySurveys/EmployingWorkers.aspx.

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: 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

Agricultural Policy Costs Index

Source: Global Competitiveness Report 2006-2007, World Economic Forum. The indicator can be found in the Data Tables, Section II. Macroeconomic Environment; 2.20.

Definition: The index measures executives' perceptions of agricultural policy costs in their respective country. Executives grade, on a scale from 1 to 7, whether the cost of agricultural policy in a given country is 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