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Democratic Republic of the Congo

Economic Performance Assessment



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Democratic Republic of the Congo

Economic Performance Assessment

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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 accessible 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.
- A convenient summary of the main findings, in the form of a Highlights Table and a Performance Scorecard (in lieu of an Executive Summary)

Under Contract No. GEG-I-00-04-00002-00, Task Order 004, 2006-2008, 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 this report are Matthew Lutkenhouse, Stephanie Abdulin, Molly James and Rose Mary Garcia from Nathan Associates and Krista Hendry from Fund for Peace. Peter Miller of Nathan Associates assisted with preparation of data.

The CTO for this project at USAID/EGAT/EG is Rave Aulakh. USAID missions and bureaus may seek assistance and funding for country analytical studies or in-depth follow-on studies by contacting Ms. Aulakh at RAulakh@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

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HIGHLIGHTS OF DEMOCRATIC REPUBLIC OF THE CONGO'S PERFORMANCE

Economic Growth	The Democratic Republic of the Congo (DRC) has experienced relatively high growth in the past three years, and GDP is estimated to have grown by nearly 7% in 2006. This growth is not enough to translate into improved standards of living, however, because the country has one of the lowest per capita income levels in the world (just \$500 per year PPP in 2006).
Poverty	Poverty is a huge problem in the DRC. It is estimated that more than 80% of the population lives on less than \$1 a day. Conflict has aggravated already high poverty levels, and the rural nature of the country makes getting services to the poor extremely difficult.
Economic Structure	Accounting for approximately half of total output, agriculture represents the largest share of the Congolese economy. Industry, led by the mining sector, has made considerable gains in the recent period of relative stability.
Demography and Environment	The DRC has one of the highest population growth rates in Africa, nearly 3% per year. Because of conflict, disease, and malnutrition, the youth dependency ratio is high, and there is a worrisome and growing youth bulge.
Gender	The life expectancy ratio between men and women is good compared to those of many other countries in Africa (female life expectancy is nearly three years greater than male life expectancy); the direct impact of conflict and the forced conscription of the male population, however, may account for this difference.
Fiscal and Monetary Policy	Government spending is increasing at an unsustainable rate, causing a growing fiscal deficit and inflationary pressure. This is forcing a contraction of the money supply, and interest rates are rising, which could dampen economic growth.
Conflict Status	Although major conflict ended in 2002, the DRC receives one of the highest scores in the world on the Failed States Index. It still suffers from instability, fighting continues in parts of the country, and the government remains unable to extend control to the entire country, especially the troubled eastern provinces.
Business Environment	The DRC is one of the most difficult countries in which to do business in the world. The costs of starting and operating a business are extraordinarily high given the DRC's low per capita income. Likewise, corruption and a lack of rule of law remain serious problems.
Financial Sector	The financial sector is weak, with over 93% of bank deposits held in U.S. dollars; access to affordable credit is a serious problem, and very little lending to the private sector occurs.
External Sector	Trade represents nearly 75% of total GDP—partially because of low domestic productivity and the dominance of extractive industries and tradable primary products in the economy. The government relies heavily on aid to cover budget shortfalls.
Economic Infrastructure	Infrastructure is a serious problem; roads, rails, airports, and waterways are in extreme disrepair. A large majority of the country is not accessible by road. Telecommunications are improving as mobile phone usage spreads.
Science and Technology	Anecdotal evidence suggests that the capacity to develop and apply science and technology is weak.
Health	Health problems are serious. Less than half of the population has access to a clean water source, and only about a quarter of the population has access to improved sanitation. HIV is a growing and worrisome concern.

Education	Only half of school-age children are enrolled in primary school, and only half of these students persist to grade 5. Conflict has devastated an already weak education system, and few children in conflict-prone areas have the opportunity to attend school regularly.
Employment and Workforce	Unemployment in the formal sector is estimated at about 95%, but the economy is dominated by the informal sector. Wages average about \$15 per month.
Agriculture	Agriculture is improving, but it has a long way to go to reach the levels of decades ago. Decay of infrastructure, restrictive business regulations, and conflict have devastated the productive agricultural sector.

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

DEMOCRATIC REPUBLIC OF THE CONGO: NOTABLE STRENGTHS AND WEAKNESSES—SELECTED INDICATORS

Indicators, by topic	Notable Strengths	Notable Weaknesses
Growth Performance		
Per capita GDP, current US dollars		X
Real GDP growth	X	
Investment productivity – capital-output ratio (ICOR)	X	
Gross investment, percentage of GDP		X
Poverty and Inequality		
Human poverty index		X
Demography and Environment		
Youth dependency rate		X
Gender		
Life expectancy at birth female vs. male	X	
Conflict Status		
Failed States Index		X
Fiscal and Monetary Policy		
Government expenditure, percentage of GDP		X
Overall government budget balance, percentage of GDP		X
Business Environment		
Ease of doing business ranking		X
Rule of law index		X
Corruption perception index		X
Cost of starting a business, percentage of GNI per capita		X
Financial Sector		
Credit information index		X
Legal rights of borrowers and lenders		X
External Sector		
Foreign direct investment, percentage of GDP		X
Gross international reserves, months of imports		X
Current account balance, percentage of GDP		X
Aid, percentage of GNI		X
Trade in goods and services, percentage of GDP	X	
Economic Infrastructure		
Internet users per 1,000 people		X
Telephone density, fixed line and mobile		X

Indicators, by topic	Notable Strengths	Notable Weaknesses
Health		
Life expectancy at birth		X
Maternal mortality rate		X
Education		
Net primary enrollment rate		X
Employment and Workforce		
Rigidity of employment index		X
Labor force participation rate		X
Agriculture		
Cereal yield		X
Growth in agriculture value added		X

Note: The chart identifies selective indicators for which the DRC's performance is particularly strong or weak relative to benchmark standards, as explained in the appendix. Details are discussed in the text. The separate Data 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. The supplement is available at <http://www.nathaninc.com/projects/projectdetails.asp?pid=138&pfid=0&rpil=4&rid=9>.

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 sources¹ 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 Mozambique and Nigeria as comparators. Mozambique, like the Democratic Republic of the Congo (DRC), is a low-income country that endured prolonged conflict, while Nigeria is a large country with substantial mineral resources that has also experienced bouts of conflict in the past several decades. In addition, the DRC's performance is compared to median values of African countries and low-income countries in Sub-Saharan Africa (LI-SSA).

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. In some cases a “blinking” indicator has clear implications, while in others, detailed studies may be needed 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 Rapid and 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

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 May 2007.

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

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

underpin rapid and sustainable growth. These interactions can create a virtuous cycle of economic transformation and human development.

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

In turn, the impact of growth on poverty depends on policies and programs that create opportunities and build capabilities for the poor. We call this the *pro-poor growth environment*.⁴ Here, too, many elements are involved, including effective education and health systems, policies facilitating job creation, agricultural development (in countries where the poor depend predominantly on farming), dismantling barriers to micro and small enterprise development, and progress toward gender equity.

In countries such as the DRC that have been plagued by conflict, there is also a critical 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 should deliver a peace dividend. In addition to conflict affecting the economy, economic conditions can also exacerbate or help to ameliorate security problems. Thus, it is essential to view economic performance in the DRC through a conflict lens. Accordingly, this report includes a section on conflict risk; we also assess signs of how conflict may be affecting economic performance throughout the paper.

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

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

Table 1-1
Topic Coverage

Overview of the Economy	Conflict Status	Private Sector Enabling Environment	Pro-Poor Growth Environment
<ul style="list-style-type: none"> •Growth performance •Poverty and inequality •Economic structure •Demographic and environmental conditions •Gender 	<ul style="list-style-type: none"> •Conflict assessment 	<ul style="list-style-type: none"> •Fiscal and monetary policy •Business environment •Financial sector •External sector •Economic infrastructure •Science and technology 	<ul style="list-style-type: none"> •Health •Education •Employment and workforce •Agriculture

DATA QUALITY AND FORMAT

The breadth and quality of economic data collected for the DRC have improved in the past five years, but data for many indicators remain incomplete. Throughout this report, we note topics for which data are particularly sparse or problematic, but deficiencies persist in almost every topical area. Because robust economic data are imperative for sound economic planning, improving data quality should remain high on donors' lists of priorities.

2. Overview of the Economy

This section reviews basic information on the DRC'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.⁵

GROWTH PERFORMANCE

Since the end of major internal conflict in 2002, the DRC has achieved relatively high growth rates: real GDP grew by an average of 5.8 percent per year between 2002 and 2006. Growth has been increasing since 2001, from 4.0 percent to nearly 7.0 percent in 2006. Higher outputs and world prices in mining and agriculture are driving this GDP growth.⁶ These growth rates, however, depend heavily on world commodity prices—a drop in the price of metals would weaken the DRC's future growth. The most current figures are higher than the expected value for a country with the DRC's characteristics (5.4 percent),⁷ and greater than the real GDP growth rates in oil-rich Nigeria (5.2 percent). Mozambique, however, has achieved similar growth rates in recent years (see Figure 2-1).

The respectable growth during this short period is too small to overcome decades of mismanagement of the country's resources and prolonged conflict. The DRC still remains one of the poorest countries in the world. GDP per capita (in PPP terms) in 2006 was only \$500, far below the median of \$1,387 for LI-SSA as well as the GDP per capita of Mozambique (\$1,478) and Nigeria (\$1,241). To increase GDP per capita, economic growth must outpace population growth.

Recovery is hindered by extremely low investment rates, even by African standards. Gross fixed investment, although increasing, was only 14.3 percent of GDP in 2005 (latest data). This rate is below all comparators: the average for LI-SSA (20.6 percent) and the rates for Mozambique (22.2 percent) and Nigeria (21.0 percent) (Figure 2-2). For the third-largest country in Africa, and a country with tremendous resources, this rate is extremely low. By contrast, gross fixed investment in Afghanistan, another country emerging from conflict, averaged 40.1 percent of

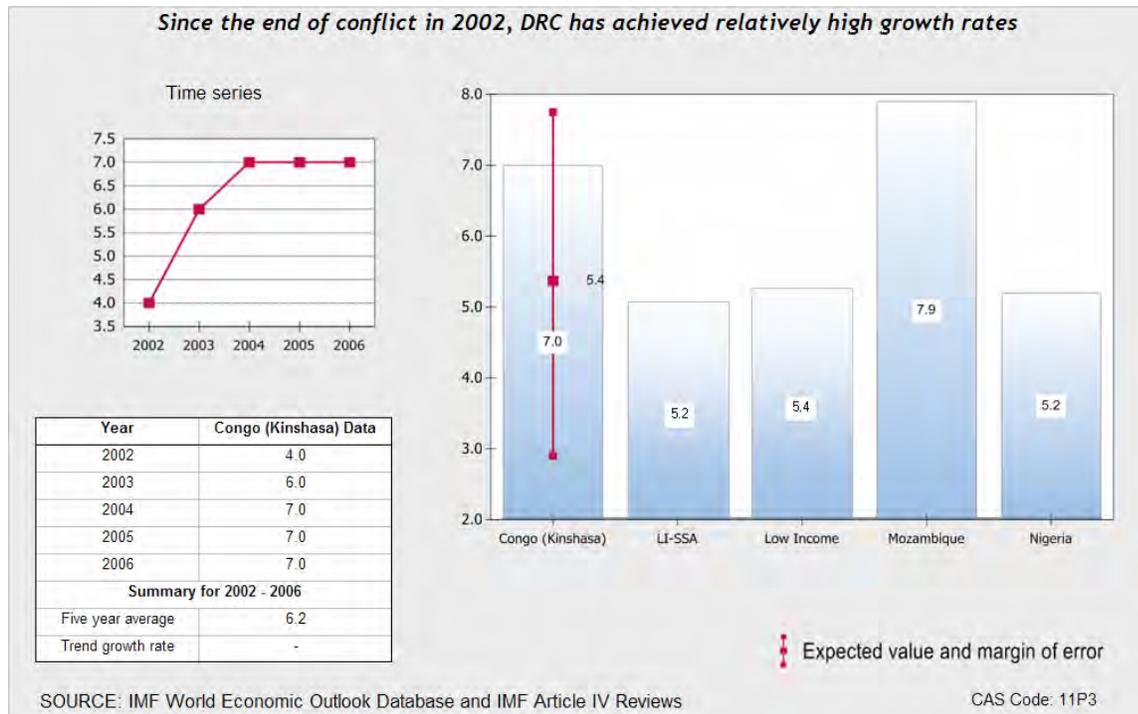
⁵ The Data Supplement provides a full tabulation of the data for the DRC and the international benchmarks, including indicators not discussed in the text, as well as technical notes for each indicator.

⁶ IMF, 2005 Article IV Consultation, Country Report No. 05/374, p. 12.

⁷ Estimated value obtained through OLS regression, as specified in the Technical Notes.

GDP for 2002–2006. Like in Afghanistan, a large share of investment in the DRC reflects international donors' assistance in rebuilding infrastructure (see External Sector, p. 27), so the actual rate of private investment in the country is significantly lower.⁸ This is hardly a surprise considering the very low ratings that the Congolese investment environment earns (see Business Environment, p. 24).

Figure 2-1
Real GDP Growth



The latest data indicate that investment productivity has been growing and is high compared to investment productivity in other African countries. The incremental capital–output ratio (ICOR) shows the amount of investment needed per unit of extra output—a high ICOR indicates low efficiency. The DRC's ICOR of 2.6 for 2005 is lower than Mozambique's (2.8) and Nigeria's (4.1) ratios and than the LI-SSA median (3.8), showing that investment in the DRC is more efficient than in these countries. A negative ICOR in 2003 (showing capital outflow from the country) turned positive in 2004 (6.1), and improved to the aforementioned 2.6 in 2005. This number may reflect a few large investments in the mining sector or other extractive industry investments that are more productive than investment in general. The effect on potential investors of a weak Congolese state and the ever-present threat of conflict cannot be overstated.

⁸ Data are not available for this indicator.

Figure 2-2
Share of Gross Fixed Investment in GDP



POVERTY AND INEQUALITY

The Congolese government has not carried out a nationwide census since 1997; there are therefore few reliable data on poverty and inequality in the country. What data do exist are based largely on assumptions and/or the extrapolation of small-scale surveys to the national level.⁹ The government completed an Interim Poverty Reduction Strategy Paper (I-PRSP) in 2002 and has been implementing its recommendations. In 2006, a full PRSP was completed, but no official documents have been released since then, and consultations continue.

Poverty in the Congo was among the worst in Sub-Saharan Africa in 1997, before the war, and nothing indicates that conditions have improved in the past 10 years. On the contrary, the severity and destructiveness of the war have most assuredly made poverty worse in many parts of the country. The limited data show the poverty rate in the DRC for 2002 at nearly 80 percent—that is, eight in 10 people were living on less than \$1 a day (see Figure 2-3).¹⁰ The most recent GDP per capita figures alone, in real terms, show that the average Congolese made approximately \$120 per year in 2006—less than 35 cents per day. This implies that a huge portion of the population lived on less than one-third of what is required to meet the absolute poverty line.

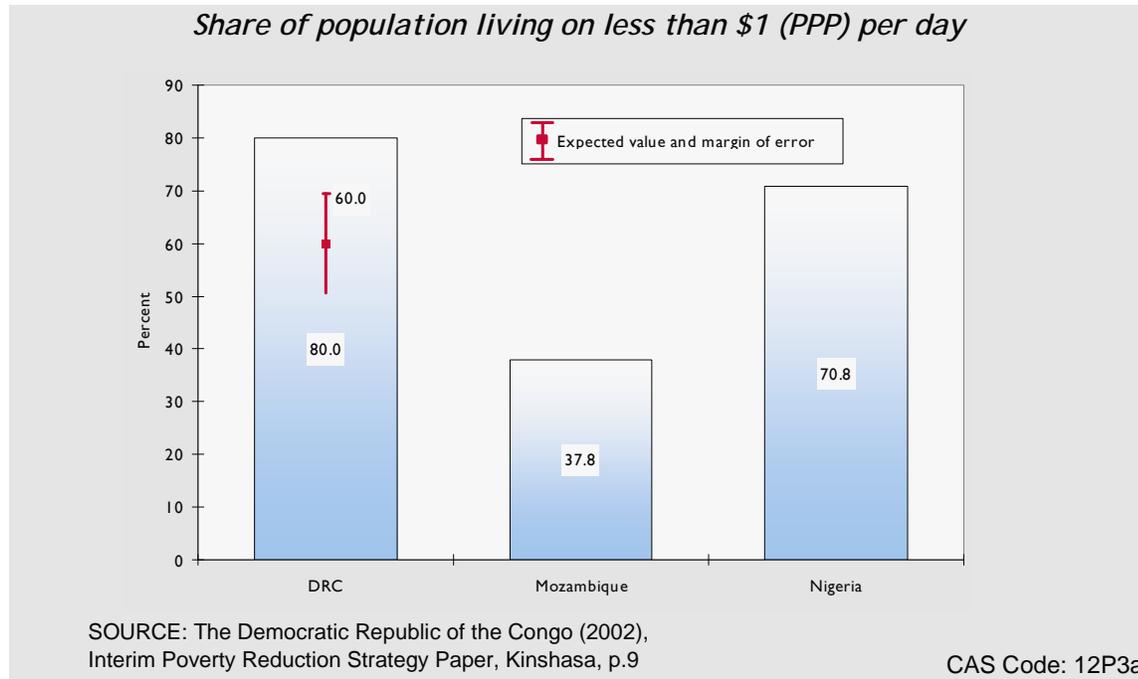
The DRC earned a score of 40.9 on the UNDP's Human Poverty Index for 2004—near the bottom—which is slightly better than Mozambique's score, at 48.9, and only slightly worse than

⁹ Democratic Republic of the Congo (2002), Interim Poverty Reduction Strategy Paper (I-PRSP), Kinshasa, 9.

¹⁰ I-PRSP, 10–11.

Nigeria's score of 40.6. The UNDP itself, however, points to the statistical weakness of and inconsistencies in the poverty data in its calculations.¹¹

Figure 2-3
Population Living on Less than \$1 Per Day



The DRC also has the worst malnutrition in the world, with 72 percent of the population living below the minimum dietary requirements for energy consumption in 2002, compared to 33 percent in LI-SSA, 45 percent in Mozambique, and 9 percent in Nigeria. These numbers reflect the desperate situation of the vast majority of Congolese. Relative stability since 2002 and improved access to public services may be helping, but conditions are probably still among the worst in the world. Furthermore, this kind of poverty may destabilize the country and impede economic growth further by heightening social and political tensions.

According to the I-PRSP, Congo aims to meet all Millennium Development Goals in the next 15 years. The I-PRSP outlines the government's strategy for doing so. The government is to complete its national vulnerability assessment and get baseline data on poverty. Progress on releasing the PRSP has been hindered by the IMF's decision in 2006 to cancel lending to the country (see Fiscal and Monetary Policy, p. 21) and the DRC's inability to meet the goals outlined in the most recent IMF staff-monitored program in December 2006. The PSRP probably will have the following priorities: (1) consolidate good governance, (2) consolidate peace and security, (3) consolidate the macroeconomic framework and economic growth, (4) improve access to basic social services and social protection, (5) strengthen the fight against HIV/AIDS, and (6) develop basic infrastructure and community development programs.

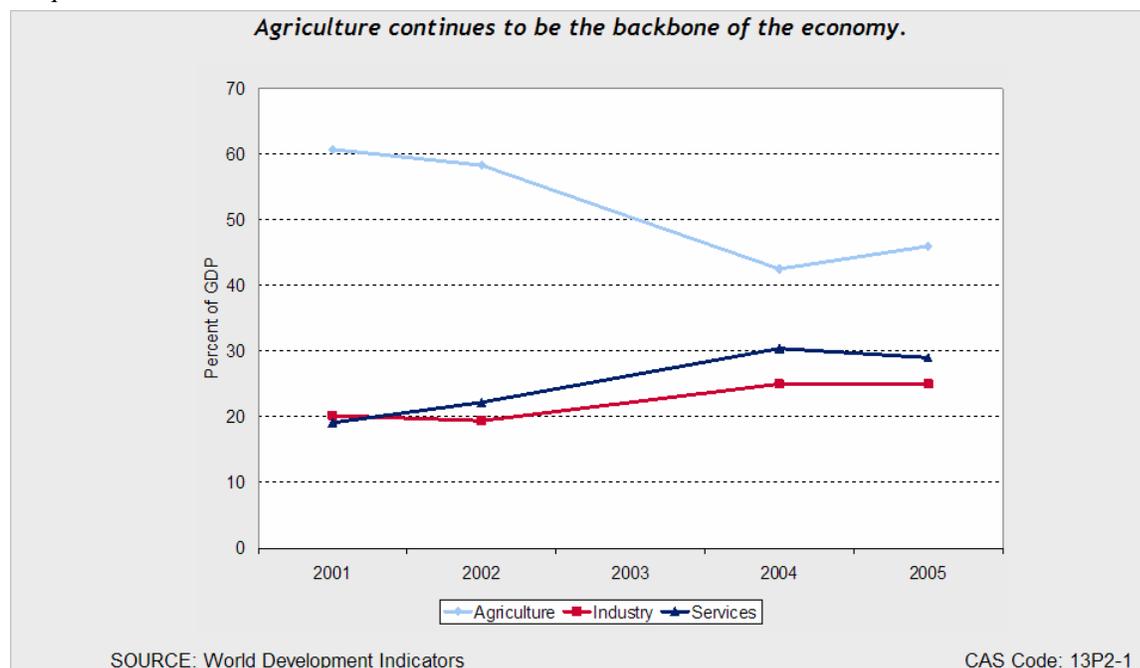
¹¹ Ibid.

Policymakers and donors must not only stimulate investment and increase productivity, but also ensure that growth generates income and wealth in the poorer segments of society. In the immediate term, there is also tremendous need for humanitarian assistance to ensure people living in remote portions of the country, as well as those in regions still mired in conflict, receive the sustenance needed to survive.

ECONOMIC STRUCTURE

In 2005, the broad structure of the DRC’s output showed industry contributing a rising share to GDP and agriculture contributing less. The share of GDP generated by services has also increased markedly. This is the logical result of the end of much conflict and the resumption of industrial activities—especially mining—in areas that the conflict had made inaccessible. The DRC’s services sector’s share of GDP was 29 percent in 2005, while agriculture’s share was 46 percent and industry’s 25 percent. The DRC was comparable to Mozambique in 2005 (46.8 percent in services, 23.2 percent in agriculture, and 30.0 percent in industry) but different from oil-rich Nigeria (19.9 percent in services, 23.7 in agriculture, and 56.3 in industry). As mentioned previously, the structure of economic output has shifted toward industry since 1999, when 52.9 percent of GDP was from agriculture, 18.9 percent from industry, and 28.2 percent from services (see Figure 2-4).

Figure 2-4
Output Structure



No data exist for the employment structure in the DRC. In any case, because the informal sector dominates the economy and unemployment rates are extraordinarily high, data would not present a clear picture of economic activity.

DEMOGRAPHY AND ENVIRONMENT

One of the DRC's most striking demographic features is its exceptionally high youth dependency ratio (0.942 dependents per person of working age). This is higher than the LI-SSA median (0.835), Mozambique's rate (0.838), and Nigeria's rate (0.848). With the DRC's population of 57.5 million in 2005 and an annual growth rate of 2.8 percent, 47.3 percent of the population is under the age of 15.¹² The high birth rate is aggravating an already significant youth bulge. Youth bulges that coexist with poor economic performance can be explosive and lead to national instability.¹³ This also highlights the need to expand access to education. With the right policies and institutions, a rising share of working-age people can boost economic growth in the long term.

The urbanization rate of 32.1 percent is in line with regional averages (LI-SSA is 34.8 percent). With so much of the population living in rural areas in a country as large as DRC, and with such poor infrastructure and public services (see Economic Infrastructure p. 30), many people have little access to health, education, or even security services, and are left to fend for themselves.

The data indicate that the DRC has a relatively high adult literacy rate (67 percent), but this seems questionable because access to education has been difficult, especially in the past decade. Furthermore, similar countries have much lower literacy rates—LI-SSA has a 53.2 percent adult literacy rate.

There are no reliable data on the DRC's environmental indicators, but the little evidence that exists shows that the DRC faces serious problems of deforestation. Between 2003 and 2005, the forest area in the DRC decreased from 135,207 sq. km to 133,600 sq. km, a loss of 1,607 sq. km, or slightly more than 1 percent of the total forest area.¹⁴ Unregulated mining and logging, high population growth, and illegal poaching are serious threats to the DRC's forests and biodiversity.¹⁵

As the DRC's population continues to grow, especially in the heavily populated eastern regions, the environment will come under increasing pressure. The Congolese government lacks the capacity to manage the country's environmental resources—conservation laws that are passed cannot be enforced, and national parks and protected areas are not much more than lines on a map. Conflict has aggravated the situation, forcing many people to flee deep into the forest, where they survive by whatever means they can. The areas of the country with the most biodiversity (along the western fringe of the Rift valley in the east) have also been the sites of the heaviest fighting. Until the conflict has permanently ended, assessing the environmental impact and implementing lasting conservation initiatives will be difficult.

¹² World Bank, *World Development Indicators 2007*

¹³ Henrik Urdal, *The Devil in the Demographics: The Effect of Youth Bulges on Domestic Armed Conflict, 1950-2000*, World Bank, Social Development Paper No. 14, July 2004.

¹⁴ FAO, Country Reports, Democratic Republic of the Congo, <http://www.fao.org/forestry/site/18308/en/cod/>, accessed April 29, 2007.

¹⁵ USAID and University of Maryland, *The Forests of the Congo Basin, a Preliminary Assessment*, produced for the Congo Basin Forest Partnership, 2005.

GENDER

The DRC's gender indicators highlight the profound challenges that the country must overcome. Women's lack of access to health care, education, and economic opportunities is reflected in the low female life expectancy at birth. In countries with an advanced level of human development, women typically live five years longer than men. In the DRC, women live an average of 44.8 years, while men reach 42.7 years of age. These rates are among the worst in the world and below the LI-SSA average of 47 for men and 47.6 for women.

Combined enrollment rates for primary, secondary, and tertiary education in 2004 show only 24 percent of females are enrolled, compared to 30.8 percent of males. These very low gross enrollment rates notwithstanding, this ratio of males to females enrolled in school compares unfavorably to that of LI-SSA (49.5 percent for men and 43 percent for women). Improving women's access to education and generating employment for women would lessen gender inequality while enhancing the productive capacities of the country.

3. Conflict Risk

According to a recent review of the 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 other essential government expenditures; and imposing a debt burden on future budgets.¹⁶ 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 have occurred in the absence of conflict.¹⁷ The impact on per capita income is especially pronounced in regions directly affected by conflict.¹⁸

The possibility of continued violence, which unquestionably limits development, is assessed with the Conflict Assessment System Tool (CAST) developed by the Fund for Peace. CAST assesses the extent to which states are vulnerable to violent internal conflict and societal dysfunction by rating 12 factors in three categories: social, economic, and political/military. Each factor is scored on a scale of 1 to 10 (with 10 being the worst). The aggregate score of all factors together reveals the Failed States Index score.

To rate countries, a computerized content analysis technique is used to process news articles and documents from approximately 12,000 sources around the world. The results of this analysis are combined with statistical data. Higher scores represent greater risk, with the highest, 120, being “state collapse.” A score of 90 or higher means that a country falls into the category of “critical.”¹⁹

THE DRC’S RATING IN THE FAILED STATES INDEX

For this report, Fund for Peace analyzed data for the first nine months of 2006 for the DRC and the two comparator countries. The DRC’s score was 110.1, while Nigeria’s and Mozambique’s scores were 94.4 and 74.8, respectively. The DRC’s score is one of the highest of any country measured by Fund for Peace and classifies the country as having the highest risk of becoming a failed state, if it is not already. The country’s score for 2006 was a slight improvement over its

¹⁶ 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.

¹⁷ Paul Collier, On the Economic Consequences of Civil War, Oxford Economic Paper 51 (1999), 168–83. <http://www.worldbank.org/research/conflict/papers/cw-consq.pdf>, accessed April 13, 2007.

¹⁸ 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.

¹⁹ The CAST methodology is described in detail on the Fund for Peace website: http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=107&Itemid=145.

scores for 2002 to 2005 (110.8 in 2002, 111.6 in 2004, 112 in 2003, and 113 in 2002). Table 3-1 shows the 2006 score broken down into its component indicators.

Table 3-1
Component Ratings of the DRC's 2006 CAST Scores

Category	Rating
S O C I A L	
Demographic pressures	9.5
Refugees and displaced persons	9.5
Group grievance	9.1
Human flight	8.0
E C O N O M I C	
Uneven development	9.0
Economic decline	8.1
P O L I T I C A L A N D M I L I T A R Y	
Delegitimization of the state	9.0
Human rights	9.0
Security apparatus	9.5
Factionalized elites	9.6
External influence	10.0

Every indicator received a score of 8 or higher on the 10-point scale—the critical category.

Demographic pressure scored 9.5 because of the large youth bulge, high population growth rate (approximately 3 percent), and an infant mortality rate of 65 per 1,000 births.²⁰ Refugees also scored 9.5, with more than one million internally displaced people and about 200,000 refugees from neighboring countries remaining from the war. Group grievance received a score of 9.1 because of the legacy of a civil war fought along ethnic lines and the country's poverty and instability. Those who could do so sought jobs abroad, resulting in a score of 8.0 for human flight.

Uneven development received a score of 9.0 because of extreme inequality, some of which is divided along group lines. The overall economy received a lower score, 8.1, however, because of the economic recovery that has taken place in the past several years, particularly in mining.

Legitimacy of the state received a score of 9.0 because, despite the first elections in 40 years, government corruption remains a serious problem. Public services also scored a 9.0 because, after years of war and economic decline, services are still extremely limited, especially outside the capital. Human rights received a score of 9.5 because of frequent abuses by government security

²⁰ CIA Factbook. <https://www.cia.gov/cia/publications/factbook/geos/cg.html>

forces and other armed groups. These two factors also contributed to the score of 9.8 for the security apparatus. Factionalized elites scored 9.6 because in addition to factionalized political parties, violent clashes have taken place between supporters of President Kabila and the opposition candidate Jean-Pierre Bemba. External intervention received the maximum score of 10.0 because of the continuing presence of 17,000 UN peacekeepers and the country's reliance on foreign aid.

CONFLICT ASSESSMENT

The recent conflict in the DRC is attributable to three main causes. First, the capacity of the state is weak. The central government does not have the ability or the resources to provide security within the country, ensure the integrity of its borders, or provide the most basic public services. Second, poverty and desperation are extraordinarily high, even by African standards (see *Poverty and Inequality*, p. 7), and an inflow of refugees has heightened tensions. The DRC shares borders with other countries in conflict—Rwanda, Burundi, and Uganda in the east; Sudan and the Central African Republic in the north; and the Republic of Congo and Angola in the west and south—and their refugees have migrated to the DRC. These refugees bring new social dynamics to the country and are a source of conflict, especially the Interhamwe (Hutu militia) fleeing Rwanda after the 1994 genocide. And third, the DRC's massive mineral wealth, a resource that could be an engine for economic growth, is instead the source of contention for a wide array of competing interests. The legacy of mismanagement of natural resources and corruption continues to divide ethnic groups as they fight to control this wealth.

Capacity of the State

A country's ability to cope with the pressures described above depends on the strength of its institutions. Table 3-2 shows the Fund for Peace ratings of the health of five core state institutions according to three criteria: legitimacy, representativeness, and professional competency. The ratings are on a scale of 0 to 5, with 5 the best.

Table 3-2
Core Ratings of Capacity of State Institutions, 2006

Institution	Score
Leadership	1
Police	1
Military	1
Civil service	1
Judicial system	1

All five state institutions (leadership, police, military, civil service, and the judiciary system) remain weak, with scores of 1. Although the presidential and parliamentary elections held in 2006 were a step forward, the government still does not control much of the country's territory, and there is uncertainty as to whether it can unite the country. Both the police and the military are

poorly trained and paid and are alleged to have committed many human rights abuses, which further threatens the government's control and undermines its legitimacy.²¹ The judiciary also remains poorly paid, subject to influence by government officials, and corrupt.²² Like other state institutions, the civil service is corrupt, ineffective, and underpaid.²³

Role of the Military

The military is still underpaid and poorly trained, and it operates largely as an independent militia, without oversight or accountability. During the civil war and since, many senior military officers have been involved in gold, diamond, and arms trafficking, which has increased their wealth and reduced the government's ability to maintain control over its forces.²⁴ A 2005 census found that the size of the national army was 40 to 50 percent smaller than believed and estimated that \$100 million in wages, donated by the international community, were stolen by the military hierarchy in the previous two years.²⁵ Although some of these issues are being addressed by a call from African heads of state for all armed groups in the DRC to demobilize or join the military, the Congolese government will continue to find it difficult to maintain and monitor its military force.²⁶

In addition, according to a recent report from Human Rights Watch, the recruitment of child soldiers for army brigades continues, particularly for brigades operating in North Kivu province. Recruitment is allegedly led by former rebel warlords commissioned as national army officers.²⁷

Regional Issues

Despite the official end to the civil war, fighting continues in parts of the country. The government lacks the ability to extend its reach to much of the country, particularly in the east. This part of the country, especially North and South Kivu, has been particularly violent. Rebels and government soldiers have committed rampant human rights abuses. According to Human Rights Watch, they executed civilians and raped women and girls during fighting in North Kivu in December 2004. The victims were allegedly chosen according to their ethnicity or political affiliation. Provincial governments exacerbated the already volatile situation by arming untrained Hutu civilians in the months leading up to the fighting.²⁸

²¹ Democratic Republic of the Congo, Freedom House Country Report, <http://www.freedomhouse.org/template.cfm?page=22&country=7094&year=2006>, accessed May 21, 2007.

²² Ibid.

²³ Ibid.

²⁴ Ibid.

²⁵ Democratic Republic of the Congo: Country Report, September 2005, Economist Intelligence Unit, September 2005, 19.

²⁶ Petronella Sibeene, "Zimbabwe: Mbeki to Mediate in Country," New Era, April 2, 2007. <http://allafrica.com/stories/200704020301.html>

²⁷ "DR Congo: Army Should Stop Use of Child Soldiers," Human Rights Watch, April 19, 2007, <http://hrw.org/english/docs/2007/04/19/congo15732.htm>

²⁸ Congo-Kinshasa; Arming Civilians Adds Fuel to the Fire, All Africa, Human Rights Watch, July 13, 2005

Eastern portions of the DRC suffer from the most severe conflict for several reasons, all stemming from the lack of legitimacy of the central government and its inability to exert control and ensure stability in this region. Conflicts in neighboring Rwanda, Burundi, and Uganda have spilled over into eastern Congo, and lawlessness has allowed these neighbors to control or sponsor rebel armies to protect their interests and seize territory and resources from the DRC. Adding fuel to the fire is the fact that the eastern part of the country is rich in metal deposits, particularly gold and tantalum, creating great incentive for rebel armies to try to assert control over the region and use the mines to enrich their sponsors and fund their organizations.

The fighting between rebels and government troops has continued in North Kivu. Fifty thousand people in the region were displaced by fighting in December 2006, and fighting in April 2007 caused 64,000 more people to flee.

In the years leading up to the 2006 elections, the government was unable to extend its influence outside the capital, and rebel groups controlled large parts of the country. The elections were delayed several times because of a lack of preparations. The UN arms embargo was constantly violated, with most weapons transported by air to rebel-controlled airports. Many groups also maintained their own border checkpoints.²⁹ Despite these issues, the elections took place with relatively little violence, despite the fact that both leading candidates controlled their own private armies.

The government's control outside the capital also remains weak in the opposition-dominated west of the country.³⁰

Role of the DRC's Neighbors and Border Security

Troops from several neighboring countries fought on both sides during the DRC's civil war, and some of them maintain their influence in the DRC. William Lacy Swing, a representative of the United Nations, identified the presence of foreign armed groups as the main hindrance to progress in the DRC.³¹ The Democratic Forces for the Liberation of Rwanda (FDLR), a Rwandan Hutu militia, maintained a significant postwar presence in the east, and in December 2004, the Rwandan government threatened to send troops into the DRC to disarm FDLR.³² There were also unconfirmed reports that Rwanda continues to supply the Union of Patriotic Congolese rebel group with weapons.³³ Although the influence of foreign armed groups has diminished since 2005, the groups' presence continues to contribute to instability in eastern Congo.³⁴

²⁹ "Democratic Republic of the Congo: Country Report, March 2005," *Economist Intelligence Unit*, March 2005, 20.

³⁰ "Congo: Staying Engaged After the Elections," International Crisis Group report, January 9, 2007

³¹ William M. Reilly, "Analysis: U.N. optimistic on Congo," UPI, July 14, 2005.

³² DRC Country Report March 2005, 12.

³³ "Democratic Republic of the Congo: Country Report, June 2005," *Economist Intelligence Unit*, June 2005, 17.

³⁴ "Congo: Staying Engaged after the Elections," International Crisis Group report, January 9, 2007

Impact of Refugees and Internally Displaced Persons

Refugees have had a destabilizing effect on the DRC for many years. The civil war and genocide in Rwanda in 1994 caused more than one million refugees to cross into the DRC. According to the World Bank, at the height of the refugee crisis, the DRC was hosting 1,724,370 refugees, most of them from Rwanda.³⁵ More than 700,000 Rwandan refugees were living in camps in the area around Goma alone. The refugees included former Rwandan soldiers, who are suspected of bringing weapons into the region.³⁶ The influx of Rwandan refugees exacerbated ethnic tensions in eastern Congo and contributed to the outbreak of the DRC's civil war. The country still has about 200,000 refugees from neighboring countries.³⁷

Although the civil war has been over for several years, the DRC still has an estimated 1.1 million internally displaced persons, some displaced by the war and others by more recent violence.

Natural Resource Exploitation

The extensive involvement of foreign troops in the DRC is largely because the country has such rich natural resources. During Mobutu's rule, only the political and military elite and a small group of foreign merchants benefited from the diamonds, gold, and other valuable minerals that are found throughout the country, particularly in the east. These natural resources were the incentive for the many foreign armed groups involved in the civil war, and many of these groups continue to exploit the DRC's minerals.

Since 2002, the government has adopted codes promoting improvements in governance and the business climate to increase foreign direct investment and economic growth. With financial and technical assistance from international institutions and bilateral donors, new codes were established for investment regulations, mining and forestry legislation, and labor. The new legislation aimed to ensure that financial benefits are distributed directly to local authorities to use to support local populations. With the central government still lacking control over much of the territory, however, the new system may instead reinforce corruption and enable the financing of local militias.³⁸ In fact, as of 2005, much mining revenue was still controlled by rebel groups (both foreign and domestic). RCD-G troops (Rwandan-backed rebels) controlled cassiterite mining in North Kivu until December 2004, when government troops took control. In South Kivu, FARDC (national army), FDLR (Rwandan Hutu rebels), and Mai-Mai groups controlled the mines and illegally taxed miners, in addition to perpetrating human rights abuses.³⁹

The involvement of armed groups in the mining sector often places legitimate mining operations in jeopardy. In 2005, Banro, a Canadian-based gold exploration company, finally began exploration on its property in South Kivu, which it had acquired in 1996. Laurent Kabila had

³⁵ World Development Indicators.

³⁶ Chris Tomlinson, "At Least 50 Die in Violence in Zaire," *AP*, December 26, 1995.

³⁷ CIA Factbook.

³⁸ "Mining law reform and recovery policy in a transition economy: Democratic Republic of the Congo," Marie Mazalto, GRAMA

³⁹ "Under-Mining Peace: Tin—the Explosive Trade in Cassiterite in Eastern Congo," *Global Witness*, June 2005, 8.

seized the land in 1999, but the property was returned to Banro in 2002 following a court battle. Two other mining companies, AngloGold Ashanti and Mwana Africa, were forced to halt exploration because of the presence of the FNI rebel group on their property.⁴⁰ Human Rights Watch accused AngloGold Ashanti of giving financial support to FNI. AngloGold Ashanti admitted that it had paid US\$8,000 to the FNI when the militia group threatened to kill its employees, and also admitted to paying a tax to the FNI on goods arriving at the Mongbwalu airport.⁴¹ Foreign companies find it difficult to operate in the DRC because they must seek a balance between ensuring security for their operations and employees and addressing the international community's concerns about human rights, their corporate social responsibility, and the impact of their operations on conflict.

Although the DRC's rich natural resources have the potential to contribute to the country's development, if they are mismanaged they contribute to conflict instead. To prevent these resources from fueling another war, the government must not only gain control over their exploitation, but also ensure that the revenues are used to fund economic development in a transparent and accountable manner rather than fattening the bank accounts of the political elite.

⁴⁰ DRC Country Report, June 2005, 30.

⁴¹ Democratic Republic of the Congo: Country Report, September 2005, Economist Intelligence Unit, September 2005, 22.

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 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 savings, facilitating transactions, and creating instruments for risk management. Access to the global economy is another pillar of a good enabling environment, because the external sector is a central source of potential markets, modern inputs, technology, and finance, as well as competitive pressure for improving efficiency and productivity. Equally important is development of the physical infrastructure to support production and trade. Finally, developing countries need to adapt and apply science and technology to attract efficient investment, improve competitiveness, and stimulate productivity.

FISCAL AND MONETARY POLICY

The Congolese government is following policies that could destabilize the economy. Government expenditure has doubled since 2002, growing from 10.3 percent of GDP in 2002 to 20.6 percent in 2006. This rate is higher than the median for low-income countries (14.5 percent), but below the normal range for a country of the DRC's characteristics as predicted by the regression benchmark (28.4 percent).

This increase in government spending shows that the government's ability to deliver services is improving, which is a good sign for a country emerging from conflict; the Congolese government, however, must ensure that revenue increases match spending increases, which is not the case. In 2003, revenues were a mere 7.7 percent of GDP; by 2006, they had grown to approximately 11.5 percent of GDP, but still reached only about half of what is needed for a balanced budget. Consequently, the fiscal deficit (not including grants) increased from 5.9 percent to 9.1 percent during that period. Continued increases in spending will exacerbate the debt, increase inflationary pressure, and

IMF Program Status for the DRC

The IMF's Poverty Reduction and Growth Facility in the DRC was allowed to expire in March 2006 because the government could not meet its goals, especially in managing fiscal and monetary policy. In response, the Congolese government drafted a six-month staff-monitored program promising certain reforms—few of which were achieved by the deadline. In December 2006, the World Bank and United Nations considered halting their programs because of concerns about corruption, but decided against such measures because they decided that the DRC was too important to be abandoned. The IMF is expected to resume programs in the country at some point in 2007, but the situation remains unclear. Furthermore, after elections in late 2006, much remains to be seen as to how committed the government will be to the reform agenda.

destabilize the national currency. Growing concern has contributed to the IMF's recent suspension of the Poverty Growth Reduction Facility until the government shows commitment to restoring fiscal discipline. According to the IMF,

The objectives of the government's economic program (Programme relais de consolidation—PRC) covering April-December 2006 have not been met. Budget overruns were recorded in the second half of 2006 and there were significant delays in the implementation of structural reforms. Economic performance under the PRC in 2006 can be described briefly as follows:

- Real economic growth [in the second half of 2006] slowed to about 5 percent.
- Inflation rose to 18.2 percent on a year-on-year basis, compared with a forecast of 9.5 percent.
- The Congolese franc depreciated by 15 percent.
- International reserves remained at a very low level.
- The basic fiscal balance was 2.5 percentage points of GDP below the projected level, leading to CGF 47.5 billion in bank financing.

Deterioration in the economic and financial situation remained a concern in the first two months of 2007. Bank financing of fiscal operations, estimated at more than CGF 20 billion, led to a 4 percent increase in consumer prices (25 percent on an annual basis) and a 10 percent depreciation in the Congolese franc over the course of two months.⁴²

The IMF also highlights the composition of government expenditure, with spending on social and poverty-reducing projects falling in relation to spending for security and political institutions.⁴³ Donor assistance in budget management and tax revenue collection is urgently needed. The government also needs to improve to improve efficiency in tax legislation and collection.

Inflation

The rate of inflation is more than double the LI-SSA median of 7.4 percent (Figure 4-1). Consumer prices rose by more than 18 percent in 2006 and by 23 percent in 2005—a significant jump from the two previous years (5 percent in 2004 and 13 percent in 2003). These inflation rates bring uncertainty and a lack of confidence to the domestic financial system. This is evidenced by the high ratio of deposits in U.S. dollars to all bank deposits, reaching 93 percent in April 2005.

The growth of the money supply has dropped significantly,⁴⁴ from 72.9 percent in 2004 to approximately 20.8 percent in 2006 (Figure 4-2). The current rate is still high compared to the rate in LI-SSA (16.5 percent) and will probably be forced to drop further to quell inflationary pressures and curtail losses in the value of the Congolese franc. Donors and other international advisers will have to work with the Congolese monetary authorities to ensure sound management

⁴² IMF, Press Release: Statement at the Conclusion of an IMF mission to the Democratic Republic of the Congo, <http://www.imf.org/external/np/sec/pr/2007/pr0755.htm>, accessed April 28, 2007.

⁴³ IMF, Article IV, p 9.

⁴⁴ DRC Country Report, March 2007

of monetary policy and discourage the tendency of the government to use monetary policy to increase government spending.

Figure 4-1
Inflation Rate, 2002 through 2006

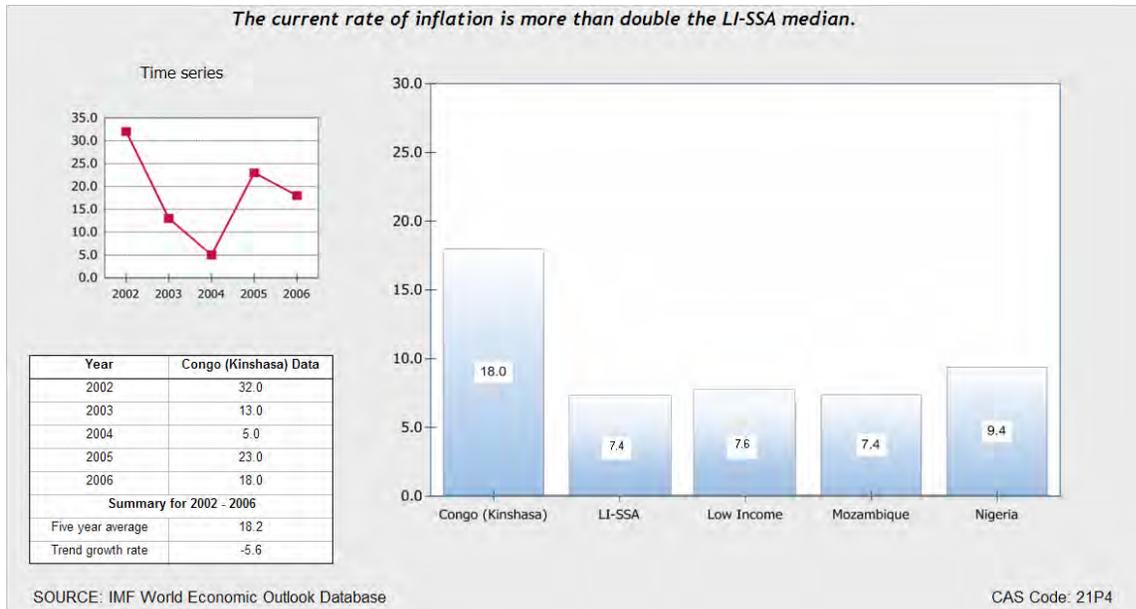
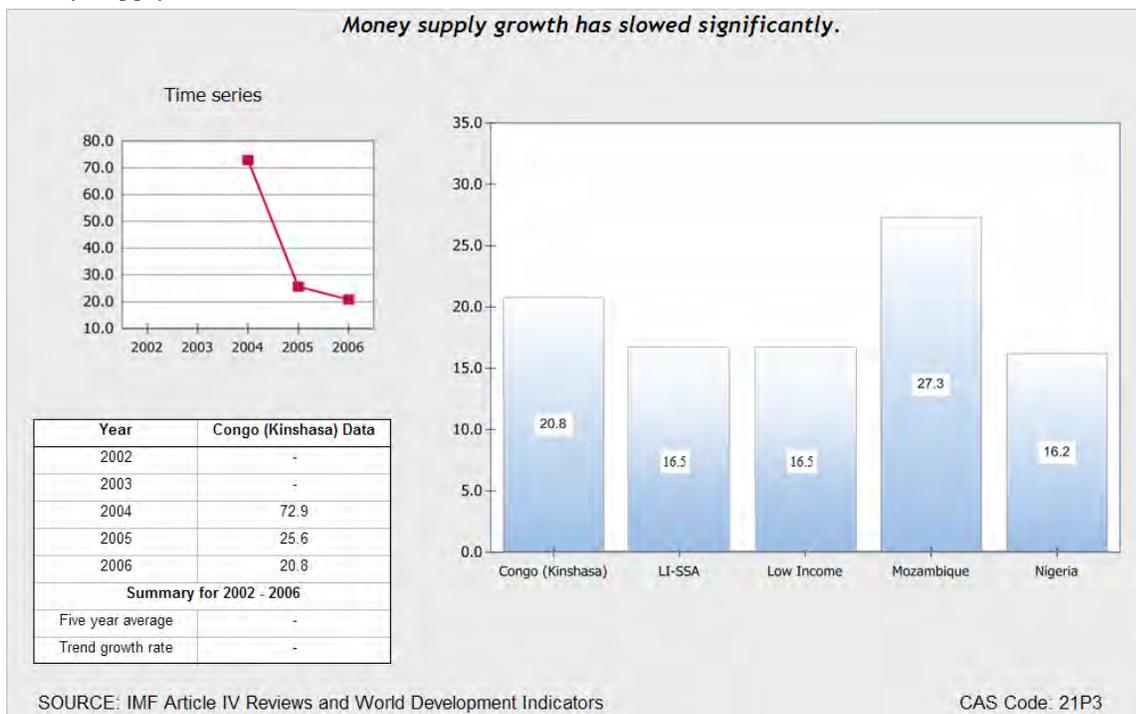


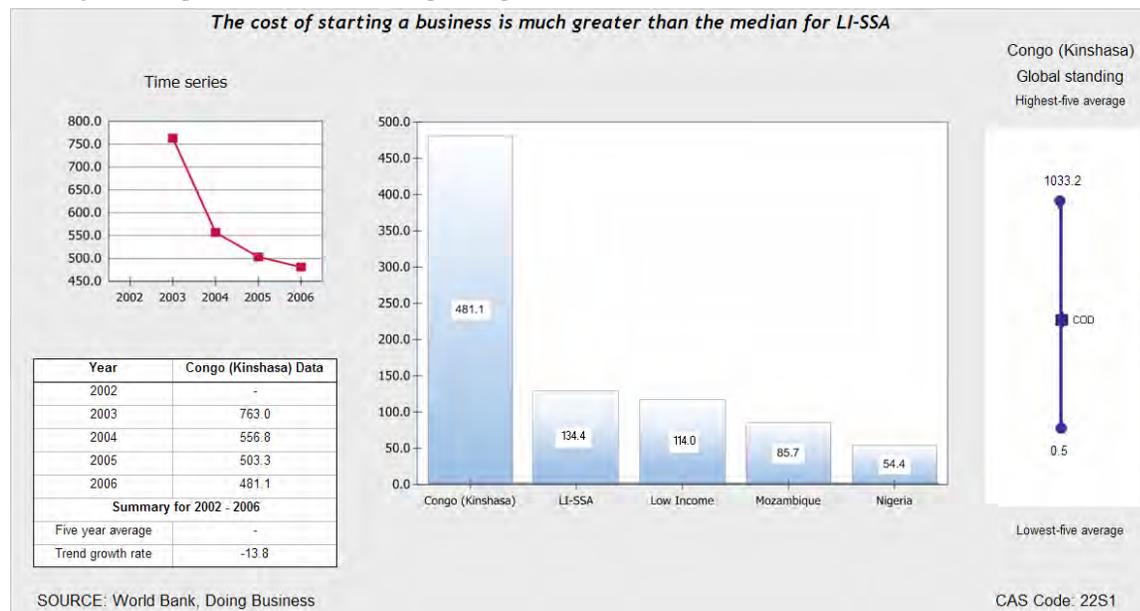
Figure 4-2
Money Supply Growth



BUSINESS ENVIRONMENT

Institutional barriers to doing business, including corruption in government, inhibit private sector development and jeopardize prospects for sustainable growth. The World Bank's composite index of Doing Business indicators ranked the DRC last of 175 countries evaluated in 2006; Mozambique ranked 140th and Nigeria ranked 108th. The costs of starting and running a business are problematic: it took 481.1 percent of GNI per capita to start a business in the DRC in 2006, far more than in Mozambique, where it takes 85 percent of GNI per capita, and far more than the LI-SSA median of 134.4 percent (see Figure 4-3).

Figure 4-3
Cost of Starting a Business, % GNI per capita



These costs make the vast majority of Congolese society unable to afford to start a business in the formal sector. Likewise, the total tax payable by a business in the DRC is 235.4 percent of operating profit—which, if accurate, means running a profitable business in the formal private sector is impossible. In Mozambique, total tax is 39.2 percent of operating profit, while in Nigeria total tax is even lower, at 31.4 percent of operating profit (see Figure 4-4). Unsurprisingly, more than six years of conflict coupled with a cumbersome regulatory environment have created a huge informal sector that dominates economic activity.⁴⁵

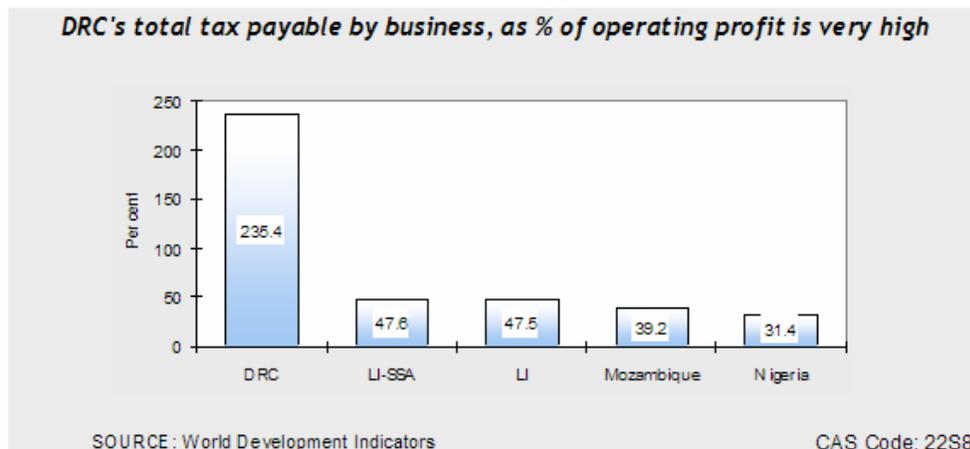
The DRC also ranks low in other indicators that measure the business environment. Enforcing a contract requires 51 procedures in the DRC, more than twice the number required in Nigeria (23 procedures), and many more than in Mozambique (38 procedures) or the LI-SSA average (36 procedures). Slightly better performance is seen in the time required to enforce a contract: 685 days in 2006, better than in Mozambique (1,010 days), but not as good as the LI-SSA average

⁴⁵ I-PRSP, 14.

(500 days) or in Nigeria (457 days). Similar performance is observed on the number of procedures to register property and the time required to register property, with 8 procedures and 57 days, respectively. Mozambique (42 days/8 procedures) performs slightly better, but the LI-SSA average (77 days/6 procedures) and Nigeria (80 days/16 procedures) perform poorly.

Figure 4-4

Total Tax Payable by Business, % of operating profit



Corruption and weakness in the rule of law are serious problems in the DRC. Transparency International's Corruption Perception Index, a scale of 1 (most corruption) to 10 (least corruption), assigned the DRC a score of 2.0 in 2006, slightly worse than in 2005 (2.1). Mozambique and Nigeria outscored the DRC in 2006 (with 2.8 and 2.2, respectively). On the World Bank's Rule of Law index, the DRC's score in 2005 was -1.8, again lower than the scores for Mozambique (-0.7) and Nigeria (-1.4). These two indicators represent huge obstacles for the recovery process in the DRC—if the government is viewed as one of the most corrupt in the world and there is little respect for the rule of law, the legitimacy of the state is in question. This makes ensuring stability, reforming the legal framework, managing reconstruction and recovery, and convincing outside investors to do business in the country extremely difficult.

The DRC's low scores on nearly all of the CAS template's business environment indicators demonstrate that the country must improve business regulation and governance to develop the private sector. Under current conditions, it is almost impossible for the formal private sector to exist, let alone flourish. Until the environment is suitable to doing business and supportive of private sector growth, not only will the DRC be unable to sustain its current economic growth, but it will also be unable to fight unemployment, reduce poverty, or improve social indicators vital to ensuring stability and preventing the reemergence of widespread conflict. The following sections highlight other areas in which private sector development needs to be improved.

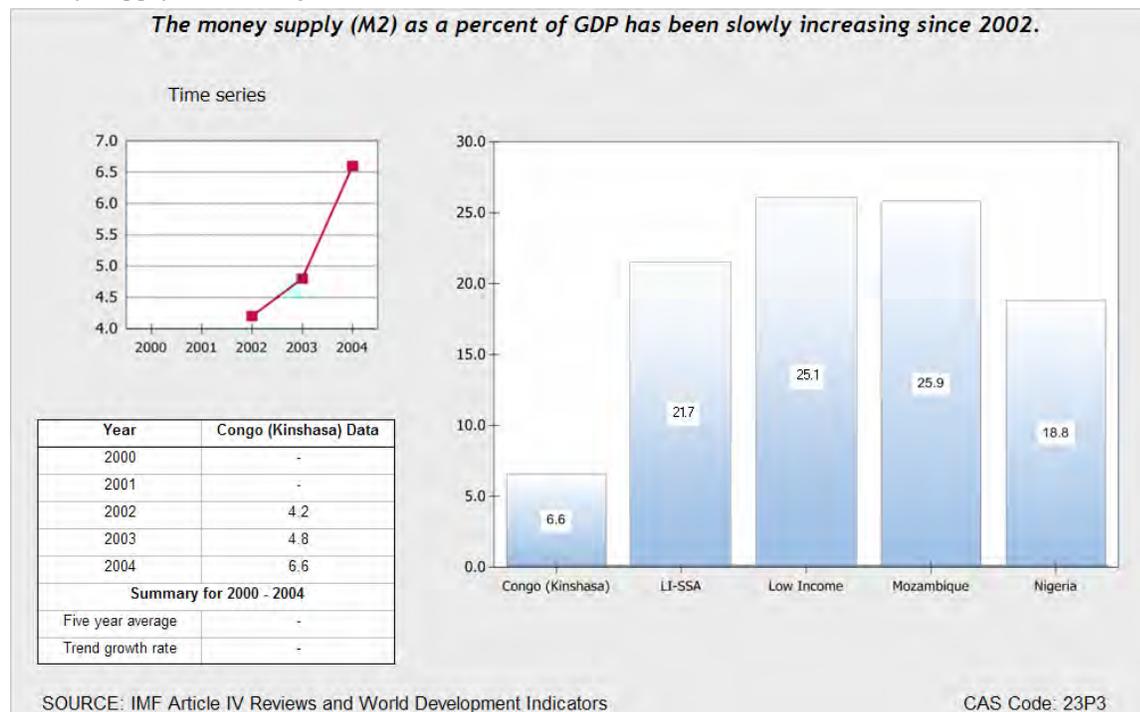
FINANCIAL SECTOR

A sound and efficient financial sector is key to mobilizing saving, fostering productive investment, and improving risk management. The data for the DRC's financial sector show that the sector is underdeveloped but growing slowly. Indicators of financial sector development include the growth of the broad money supply and legal rights of borrowers and lenders.

A growing money supply signals increasing monetization of the economy—or increased use of money in exchange for goods and services. Broad money (M2), which is made up of currency in circulation plus bank deposits, increased slowly from 2002 to 2004, from 4.2 percent of GDP to 6.6 percent (see Figure 4-5). This is less than half Nigeria's rate (18.8 percent) and close to one-third Mozambique's rate (25.9 percent) and the median for LI-SSA (21.7 percent).

Figure 4-5

Money Supply (M2,) % of GDP



Lack of access to finance is a serious problem in the DRC. Domestic credit to the private sector as a percentage of GDP is extremely low, at almost one-fifth the LI-SSA average, but showed an average annual increase of 31.7 percent for the five-year period ending in 2005. The borrower's rights index measures the extent to which collateral and bankruptcy laws enable lending, with bounds of 0 to 10 (10 being excellent). For 2006, the DRC score was 3, which is below the median for LI-SSA (4), and also lower than Mozambique's score (4) and Nigeria's score (7). Recent data on real interest rates are not available. Our own estimates show it to be nearly

27 percent.⁴⁶ This makes it difficult for would-be investors to borrow. But given the low borrower's rights index ratings for the DRC (below), there does not appear much opportunity to borrow money.

In 2005, the IMF deemed the commercial banking sector "fragile," with nine banks being liquidated and five of the nine banks remaining in operation implementing restructuring plans.⁴⁷ These conditions need pressing donor attention.

In the short term, developing and deepening the financial sector by strengthening the sector's legal and regulatory framework, building confidence in the banking system, and increasing deposits in commercial banks would enable borrowing for investment and help expand private investment in the DRC. In the short to medium term, credit information mechanisms, expanding access to finance for SMEs, and deepening financial sector services in and outside Kinshasa are important for financial sector reform.

EXTERNAL SECTOR

The international flow of goods, services, capital, technology, ideas, and people offers opportunities for the DRC to boost growth and reduce poverty by stimulating productivity and efficiency and providing access to new markets and ideas. At the same time, globalization creates new challenges: cost-effective approaches are needed to cope with adjustment costs and regional imbalances. On the positive side is the DRC's export growth since the end of major conflict. Nevertheless, there is an upward current account deficit, which would be even larger without foreign aid. Dependence on aid has increased, despite significant increases in domestic government revenue. Revenue must rise much more, however, to cover budget shortfalls and overcome dependence on aid. Foreign investment, an important potential driver of long-term growth, remains low because of problems in the business environment.

International Trade and Current Account Balance

The DRC is quite open to international trade. Trade as a percentage of GDP has been rapidly increasing, making up more than three-quarters of GDP in 2005 (see Figure 4-6). Figures were slightly lower (71.7 percent) for Mozambique and higher for petroleum-exporting Nigeria (88.4 percent), and all three countries lay above the median for LI-SSA (66.4 percent). Imports and exports are rising as a share of GDP. In 2005, the DRC participated in 12 bilateral investment treaties, which should enhance trade further.⁴⁸

The composition of trade, however, is not balanced. The DRC's current account deficit is growing. In 2003, total exports amounted to \$815 million, while total imports amounted to \$1.75 billion.⁴⁹ The majority of recorded exports are primary products (e.g., diamonds, oil,

⁴⁶ The real interest rate is a weighted average of the prevailing interest rates minus the inflation rate. The key Central Bank interest rate, used as proxy for the prevailing interest rate, was reported at 45 percent for 2006; subtracting the inflation rate of 18 percent for 2006 yields a real interest rate of 27 percent.

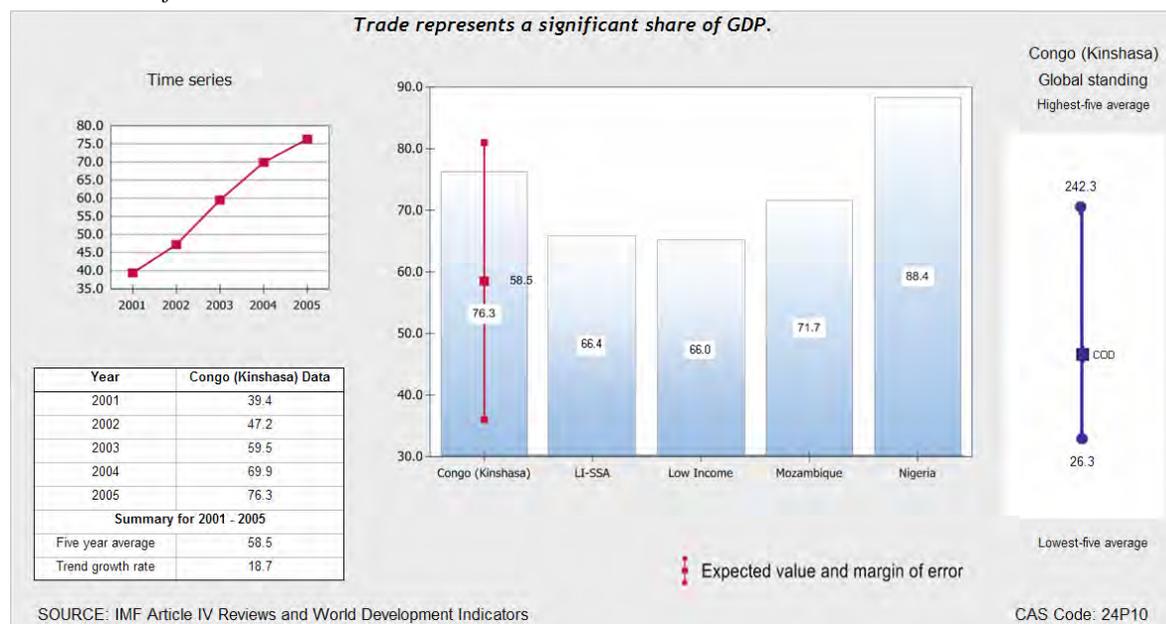
⁴⁷ IMF, Article IV, p.11.

⁴⁸ UNCTAD, *World Investment Report 2006*

⁴⁹ COMTRADE –number from WTO.

cobalt, wood),⁵⁰ while imports are mostly, in order, food, telephones and computer-related equipment, vehicles, and auto parts.⁵¹ Increases in imports are driven by the large reconstruction needs, so imports continue to outpace exports, expanding the current account deficit from 1.5 percent in 2003 to 7.9 percent by 2006. This is risky: export earnings are unpredictable because they depend on volatile world commodity prices. Comparing the DRC to the benchmarks, it performs better than Mozambique, with a current account deficit of 10 percent for 2006, but worse than Nigeria, which had a surplus (17 percent for 2006) because of petroleum exports.

Figure 4-6
Trade as % of GDP



In 2006 the DRC's score on the ease-of-trading index—in which a score of 175 represents the most unfavorable conditions for trading—was 159, below the median for LI-SSA (144). The DRC was also outperformed by Mozambique (141) and Nigeria (137). Improving barriers to trade must remain a top priority, because it will enable the DRC to expand exports, increase export earnings, and finance a larger share of imports and reconstruction costs.

Another cause for concern is the continued depreciation of the Congolese franc relative to the U.S. dollar.⁵² In 2003, the exchange rate was 373 Congolese francs to 1 dollar; by 2006, it was

⁵⁰ Statistics taken from the COMTRADE database.

⁵¹ Idem.

⁵² The DRC has had a freely floating exchange rate since May 2001. Source: IMF, SMP, July 2006, <https://www.internationalmonetaryfund.org/external/pubs/ft/scr/2006/cr06259.pdf>, accessed April 17, 2007

503 Congolese francs to 1 dollar.⁵³ Increased fiscal and monetary responsibility are needed to stem the currency slide and improve macroeconomic stability.

Foreign Investment, External Assistance, and International Reserves

Foreign direct investment can catalyze productivity gains by transferring technology, developing human capital, and enhancing access to global supply chains. In the DRC, FDI made up less than 6 percent of GDP in 2005, significantly above the LI-SSA median of 2.3 percent and Nigeria's 2.6 percent in 2004, as well as Mozambique's 4 percent in 2004. The inward FDI potential index is equal to 0, however, indicating that investment in the country has resulted in no improvement in its productive capacity. FDI has grown almost exclusively in the extractive industries, as the relative calm has allowed renewed operations at many of the country's mines, which tend to be cut off from the economy at large and offer little local wealth creation, skill development, or improved standards of living. Reforms in business procedures could attract FDI to a wider range of sectors. FDI could also create more jobs for the Congolese, which would lead to an increase in formal employment and contribute to poverty reduction.

The DRC depends heavily—and increasingly—on foreign aid. Official development assistance in 2004 made up 28.6 percent of GNI, which is nearly twice the median for LI-SSA (16 percent). Mozambique had a similarly high share of aid (21.4 percent), and Nigeria had almost none (1 percent) (see Figure 4-7). This is not surprising given the DRC's reconstruction needs and the reengagement of the IMF and the World Bank in 2002. The DRC's use of foreign aid to finance the current account is not sustainable, however. The debt service ratio is increasing, with the most recent estimates, for 2005, at 9.7 percent of GDP, up from 5.8 percent in 2004. These numbers are higher than both Mozambique's (4.5 percent) and Nigeria's (8.2 percent).

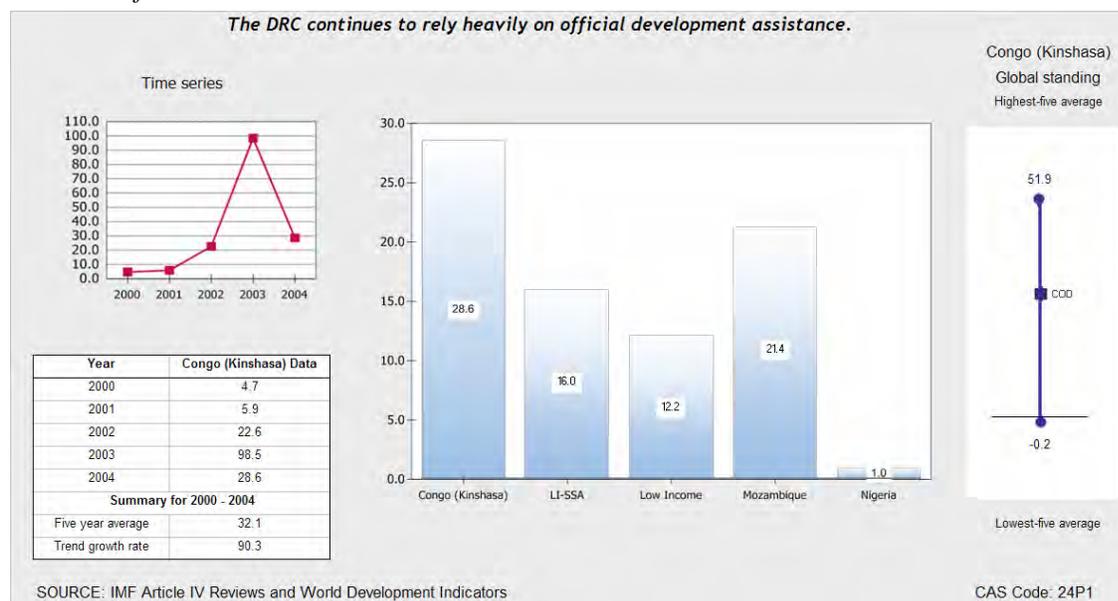
Debt cancellation under the Highly Indebted Poor Country (HIPC) initiative will alleviate the debt service burden. In July 2003, the DRC reached the HIPC decision point and qualified for US\$10 billion in debt relief (nominal terms), which means a 90 percent reduction in World Bank (IDA) debt service from 2003 to 2026.⁵⁴ Because of the cancellation of the IMF program in 2006, however, the debt-relief timeframe is in question. Full cancellation of debt could drive growth, enabling the DRC to increase spending in the social sectors and improve public services. In addition, debt cancellation might attract more FDI if investors perceived that the risk of government default had decreased and that the DRC was therefore a less-risky place to invest.

Debt relief, however, is not the solution to the DRC's woes. The country has much work to do in reducing dependence on aid—through the continued expansion of domestic revenue, the careful management of government spending, increased exports, and the attraction of foreign private investment.

⁵³ IMF, <https://www.internationalmonetaryfund.org/external/country/cod/index.htm>, accessed April 17, 2007

⁵⁴ IMF, Press Release, July 2003, <http://www.imf.org/external/np/sec/pr/2003/pr03127.htm>, accessed April 17, 2007

Figure 4-7
Aid as % of GNI



International reserves continue to increase but are still grossly insufficient. The DRC's reserves increased from 0.5 weeks of imports in 2003 to 2.2 weeks in 2006. Increasing reserves of foreign exchange through increased exports will enable the DRC to finance a larger share of its imports. Additionally, building up international reserves enables the central bank to dampen the effects of currency fluctuations in the current account balance.

Despite this positive development, the gains from rising gross international reserves, rising exports, and debt cancellation are offset by a growing current account deficit, low foreign direct investment, an increasing negative trade balance as a percent of GDP, and a heavy reliance on external aid. The DRC must stimulate exports, increase its foreign exchange reserves, and gradually decrease its dependence on foreign aid.

ECONOMIC INFRASTRUCTURE

Improving the DRC's physical infrastructure—transportation, communications, and information technology networks—is essential to enhancing the country's long-term growth potential. Attracting investors necessitates an improvement in infrastructure, such as expansion of airports, roads, rail lines, power lines, and other support services for the private sector. The economic impact of the country's very limited road and rail network is described in the DRC's I-PRSP: "Provinces are cut off from one another. Produce rots at the farm and that which does reach consumers does so at almost unaffordable prices mainly because of transportation costs."⁵⁵

Congolese infrastructure, already in disrepair at the end of the Mobutu years in the early 1990s, has deteriorated as a result of prolonged conflict and lack of government capacity to maintain it. In fact, shortly after independence, the transport networks set up by the Belgians had already

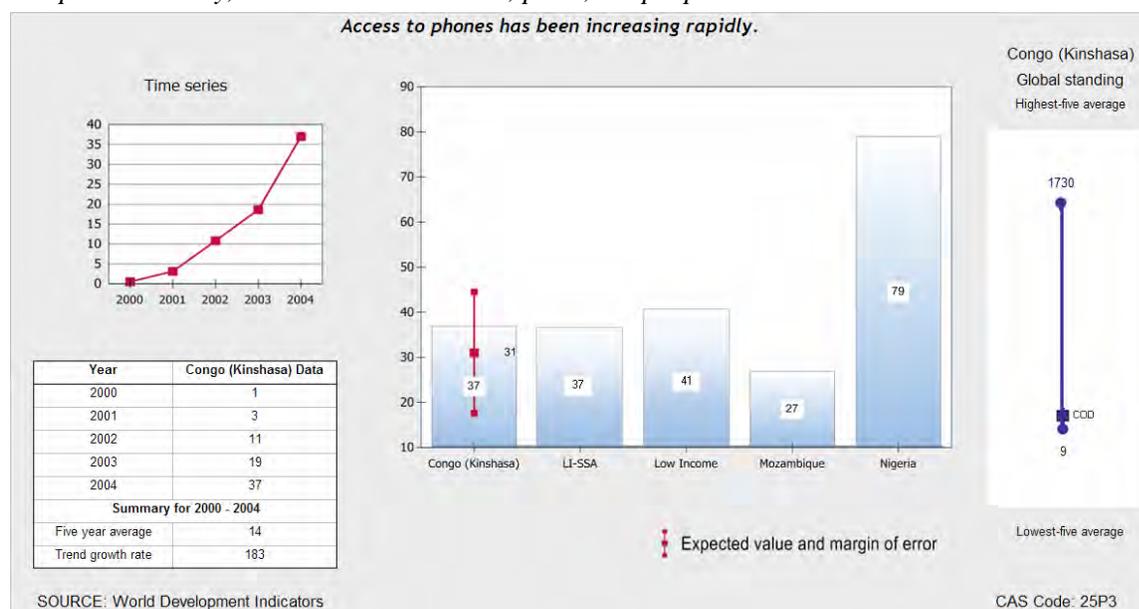
⁵⁵ I-PRSP, 39.

essentially collapsed, and few resources have gone into repairing or building roads and rail lines. As a result, much of the country is virtually inaccessible except by light aircraft or helicopter. “Of the ten provincial capitals, only one is accessible by road, and six only by air.”⁵⁶

The Congolese road network theoretically contains 145,000 km of roads, but only 2,800 km are paved. The DRC has approximately 5,000 km of railroad track, but the majority is unusable.⁵⁷ Therefore the Congo River provides the best—and often only—means of transportation into the northeast interior. But ports along the river are in disrepair, and when cargo arrives, there is no easy way to move the goods farther inland. In a country as large as the DRC, improving the road and rail network is crucial to enabling domestic trade, which will link farmers, petty traders, and small entrepreneurs to markets, leading to reduced poverty and economic growth.

Partly because of the deplorable infrastructure networks and unavailability of landline telephones, mobile phone usage in the DRC has increased rapidly. Telephone density per 1,000 people in 2004 was 37, up from 0.5 in 1999. Congolese teledensity is nearly identical to the median for LI-SSA, higher than that in Mozambique (27 in 2003), and lower than that in Nigeria (79 in 2003) (see Figure 4-8). Since mobile phone signals pass through satellites and/or fixed communications towers, they enable more people to have access to phones and bypass the need for expensive infrastructure improvements.

Figure 4-8
Telephone Density, Fixed Line and Mobile, per 1,000 people



As for Internet access, the latest data for the DRC indicate that the number of Internet users increased from 0.1 per 1,000 people in 2001 to 0.9 in 2002. On this indicator, the DRC falls far

⁵⁶ OECD, *African Economic Outlook*, “Democratic Republic of Congo,” 223.

⁵⁷ *Ibid.*, 223–4.

below the LI-SSA average of 5.5. More recent figures for Mozambique and Nigeria (2005) put Internet usage much higher in these countries, at 7.3 per 1,000, and 38 per 1,000 respectively. As technology improves and accessing the Internet becomes easier and cheaper in remote areas, this number will certainly continue to rise.

SCIENCE AND TECHNOLOGY

Science and technology are central to a dynamic business environment and are a driving force for productivity and competitiveness. Even for low-income countries, 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, few international indicators are available for judging performance in low-income countries.

Harnessing science and technology to support transformational growth remains a challenge for the DRC. No data are reported for research and scholarly output after the late 1990s in the DRC. Even data from the mid-1990s indicate very little scholarly activity, with only 15 articles published in 1995, and only six in the years before fighting began in 1997. In the most recent year (2006), Mozambique had twice as many journal articles published (14), while Nigeria's output, 332 articles, dwarfed the DRC's output. The low level of scholarly activity in the DRC suggests an ongoing brain drain.

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. For growth to be pro-poor, it must benefit the entire country, for example through investment in primary health and education and technical training, the creation of jobs and income opportunities, the development of microfinance institutions, agricultural development, and gender equality—areas critical to the DRC’s recovery and long-term development. This section focuses on four of these issues: health, education, employment and the workforce, and agricultural development.

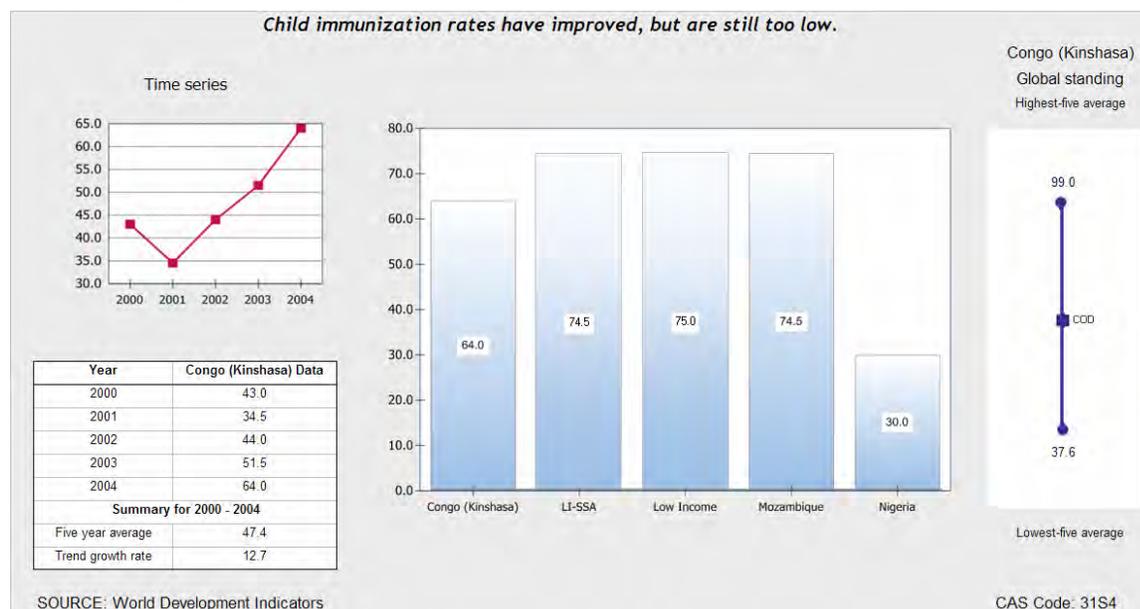
HEALTH

The provision of basic health service is a major form of human capital investment. Immunization against communicable diseases such as measles is standard practice in developed countries. Increasing immunization against measles for children and increasing access to improved water and sanitation are Millennium Development Goals. Rates of immunization (against DPT and measles) in the DRC increased from 44 percent in 2002 to 64 percent in 2004—below the LI-SSA median of nearly 75 percent and Mozambique’s 74.5 percent, but higher than Nigeria’s 30 percent (Figure 5-1). The I-PRSP states that one reason vaccination rates are so low in the DRC is that mothers cannot bring children for vaccination because they do not own clothing that covers their bodies properly.⁵⁸ Increasing immunization rates will prevent children from dying from easily preventable illnesses, improve overall health, and contribute to increased life expectancy.

Access to improved water sources translates into fewer chances of dying from otherwise preventable waterborne illnesses, such as diarrhea and dysentery. The share of the population with access to improved water sources in the DRC was 46 percent, below the LI-SSA median of 60.5 percent, but similar to the scores of Mozambique (43.0 percent) and Nigeria (48.0 percent). The share of the population with access to improved sanitation was only 29 percent in 2002, lower than the LI-SSA median of 34 percent, and lower than Mozambique’s and Nigeria’s rates, with 32 percent and 44 percent respectively.

⁵⁸ I-PRSP, 17.

Figure 5-1
Child Immunization Rate



Many Congolese cannot afford access to safe water sources. According to the I-PRSP, the water supply is erratic, mainly because of decaying pipes. The cost of maintaining the water system is passed on to consumers, who are unable to afford monthly water tariffs.⁵⁹ Increasing access to safe water sources means not only building wells and drilling boreholes, but also educating people about how to treat water before drinking it, and giving subsidies to poor households for water and access to medical facilities. Increasing access to sanitation facilities will require not only investment in the construction of latrines, but better education on hygiene (e.g., hand washing) and knowledge of social patterns and traditions that affect the use of such facilities.

Life expectancy in the DRC remains low. Life expectancy in the DRC and Nigeria in 2004 was identical, at 43.7 years, while in Mozambique it was slightly lower, at 41.8 years; all three countries have lower life expectancy than the median for LI-SSA, 46.7 years. The most recent maternal mortality rate for the DRC, from 2001, was 990 per 100,000. In 2000, Mozambique's maternal mortality rate was even higher, at 1,000 per 100,000 live births, and Nigeria's somewhat lower, at 800 deaths per 100,000.⁶⁰

AIDS and HIV are a major concern, because they affect not only health, but also finances and family structure. In the DRC in 2005, there were an estimated 680,000 orphans due to AIDS.⁶¹ The HIV prevalence rate for females in DRC was estimated by UNESCO at 58.4 percent in

⁵⁹ I-PRSP, 14.

⁶⁰ World Bank, Millennium Development Goals indicators, http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?REPORT_ID=1336&REQUEST_TYPE=VIEWADVANCED, accessed on May 4, 2007

⁶¹ UNESCO, Global Monitoring Report, <http://gmr.uis.unesco.org/selectIndicators.aspx>, accessed April 17, 2007.

2005—this is a huge discrepancy from the 3.2 percent reported in official government statistics.⁶² UNESCO's estimates present a severe HIV/AIDS crisis in the country that is not being recognized by the government. Limited health care access and affordability prevent those diagnosed with HIV from obtaining treatment. Poverty worsens in families as those with the virus become too ill to work and can no longer support their families, forcing children to abandon studies and take up work to feed themselves, siblings, and parents.

The DRC's public expenditure on health as a share of GDP was 4 percent in 2003, which is higher than the median for LI-SSA (2.1 percent) or the rates for Mozambique, at 2.9 percent, or Nigeria, at 1.3 percent. More striking is the composition of health sector spending: Private spending on health accounts for the bulk of health sector spending—in 2003, 81.7 percent, with government spending making up the remainder. Nonetheless, few have reliable access to health care. Perhaps one reason, in addition to households' financial constraints, is the lack of medical doctors. According to a recent World Bank report, between 1998 and 2003, the number of doctors declined in every single province reporting, with losses ranging from 11 percent in Bandundu to 69 percent in Katanga.⁶³

For life expectancy and child immunization rates to improve, and HIV and AIDS and maternal mortality rates to decline, the DRC needs health education and increased access to health care. Health issues in the short term and medium term can be addressed by creating incentives to prevent the doctor brain drain, generating additional multilateral and bilateral donor support and private and public investment, and continued private and public provision of health services. Investing in the health of the workforce translates into a more productive economy, reduces poverty, and contributes to economic growth.

EDUCATION

The scant evidence available on the DRC's educational system shows that the decades of war devastated it. The following from a recent World Bank education project document describes the challenges facing the DRC's educational system:

The backlog in capital development and maintenance is immense. An estimated one-third of the country's schools are in such poor condition that they offer no shelter from inclement weather; most have no functioning latrines. Government estimates that US\$150 million is needed in the next 3-4 years to rehabilitate 3,000 primary schools and 1,100 secondary schools (900 primary and 400 secondary schools a year) in order to strike a pace capable of reaching the MDGs in the next 20-25 years. Few schools have learning materials. The majority of Congolese students never see the written word until they sit for the national examination at the end of primary school.⁶⁴

Improving youth literacy rates and primary school completion rates are Millennium Development Goals, but data for measuring progress in improving education are sparse. The DRC has a large

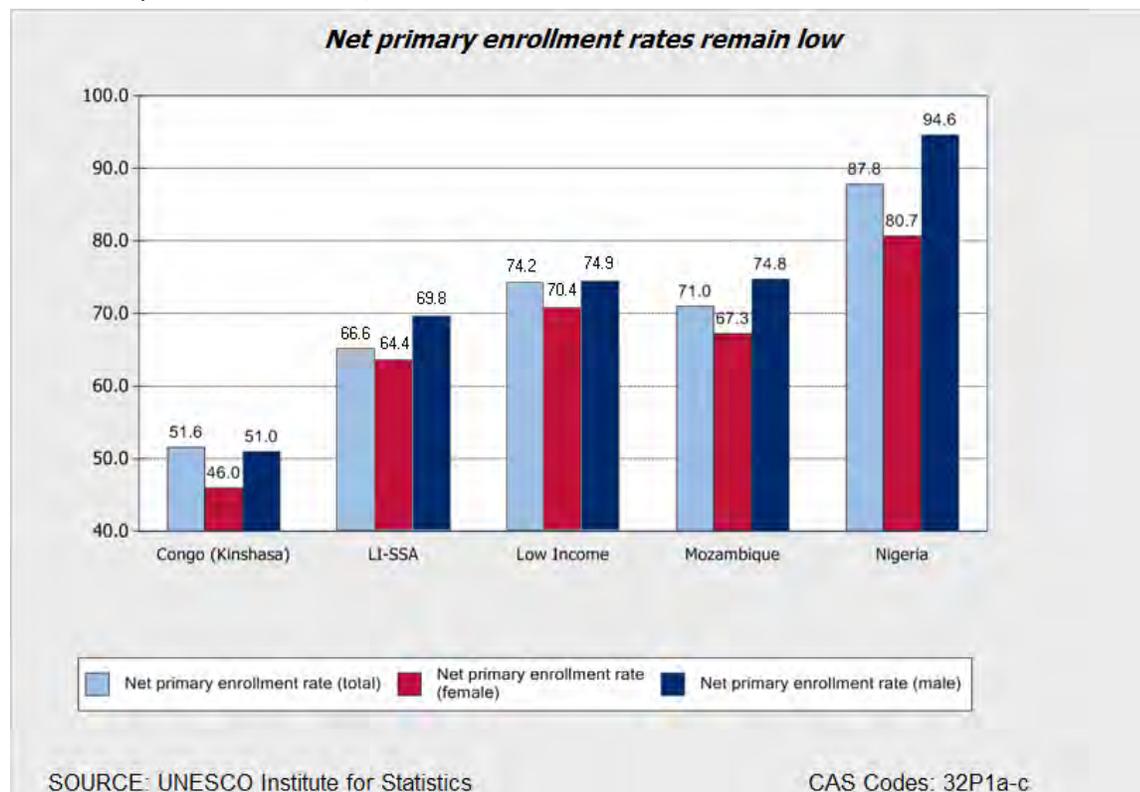
⁶² Idem.

⁶³ Banque mondiale et Ministère de la Santé, République Démocratique du Congo, République Démocratique du Congo : Santé, Nutrition et Population, Rapport Analytique Santé Pauvreté, 2005

⁶⁴ World Bank, Education Sector Project: Project Information Document, 2007

youthful population with little education. The population has been increasing steadily, creating a youth bulge.⁶⁵ It is hard to believe that youth literacy rates are as high as reported—70.4 percent in 2004—given net primary enrollment rates of about 50 percent only a few years back (in 2001), and with nearly 40 percent of children reported as economically active in 2000. Even taking reported rates at face value, net primary enrollment for 2004 was higher in Mozambique (71 percent) and much higher in Nigeria (87.8 percent). Low enrollment rates signal low access to education (Figure 5-2).

Figure 5-2
Net Primary Enrollment Rate (Total)



Raising literacy and school enrollment rates means that the youth of today will be more able to acquire the skills necessary to be the leaders and small business owners of tomorrow. Improving access to education will be a challenge, however, given the problem of child soldiers, the growing number of child orphans, and internal displacement due to ongoing conflict. But debt relief under the HIPC Initiative will enable the DRC to increase spending in social sectors such as education and health. Donors and policymakers are called to increase their efforts to expand access to education not only for children, but for adults who did not have the opportunity to earn school diplomas during childhood. Improving education will contribute to the diversification of economic activities, poverty reduction, and economic growth.

⁶⁵ Urdal, *The Devil in the Demographics*, 2004.

EMPLOYMENT AND WORKFORCE

Very few data are available on employment in the DRC. The I-PRSP notes, “Unemployment has increased steeply as a result of the State’s inability to manage public enterprises, and absence of a policy of joint-ventures and incentives to invest.”⁶⁶ Among the data available are the labor participation rate, which remained constant from 2001 to 2005: 50 percent of the working-age population is estimated to be in the workforce. The I-PRSP also estimates that only 4 percent of the workforce was formally employed in 2000—most people work in the informal sector.⁶⁷ Formal sector employment in the DRC is characterized by a lack of a guaranteed minimum wage for private sector employees, while for public sector employees, the average monthly salary is US\$15—or US\$0.50 per day.⁶⁸

The DRC’s workforce grew from 21 million in 2002 to nearly 23 million in 2005. With a total population of nearly 56 million, the workforce makes up nearly half the population. Jobs must be created rapidly, for both civilians and excombatants, to meet the employment needs of a young, growing workforce. Rapid job creation is going to be a challenge, however, given the financial, legal, and administrative barriers to job creation. The rigidity-of-employment index remains steady, at 78 of 100 (2006), indicating that hiring and firing employees continues to be very difficult. The DRC’s score is much higher than the median for LI-SSA (52.5), and than Mozambique’s and Nigeria’s scores (54 and 21, respectively). In countries where employment rigidity is low, such as Nigeria, it is easier for the private sector to create jobs.

Constant growth of the workforce, continued steady population growth, a youth bulge, a largely uneducated workforce, and a formal sector that offers below-subsistence wages keep people trapped in poverty. Stability and continued peace-building throughout the DRC, accompanied by an improved business environment and financial sector, will attract more investment and enable job creation and poverty reduction.

AGRICULTURE

Agriculture makes up nearly half of all output and is the mainstay of the Congolese economy. In 2005, it accounted for 46 percent of GDP, by far the largest share. At independence, the Congolese agricultural sector was the envy of all of Africa, producing huge amounts of rubber, coffee, cocoa, palm oil, and sugar. Years of mismanagement and conflict, however, have decimated agricultural productivity. Nevertheless, the sector still dominates the economy and employs much of the population. In recent years, the sector’s share of output has experienced a steady decline, but that is mainly because mining has returned since conflict has declined.

In the 2003–2005 period, only 10 percent of the DRC’s land area was used for agriculture.⁶⁹ Agricultural value added grew steadily—0.5 percent in 2002, reaching 3.1 percent in 2005. But

⁶⁶ I-PRSP, 13

⁶⁷ *Idem.*

⁶⁸ *Idem.*

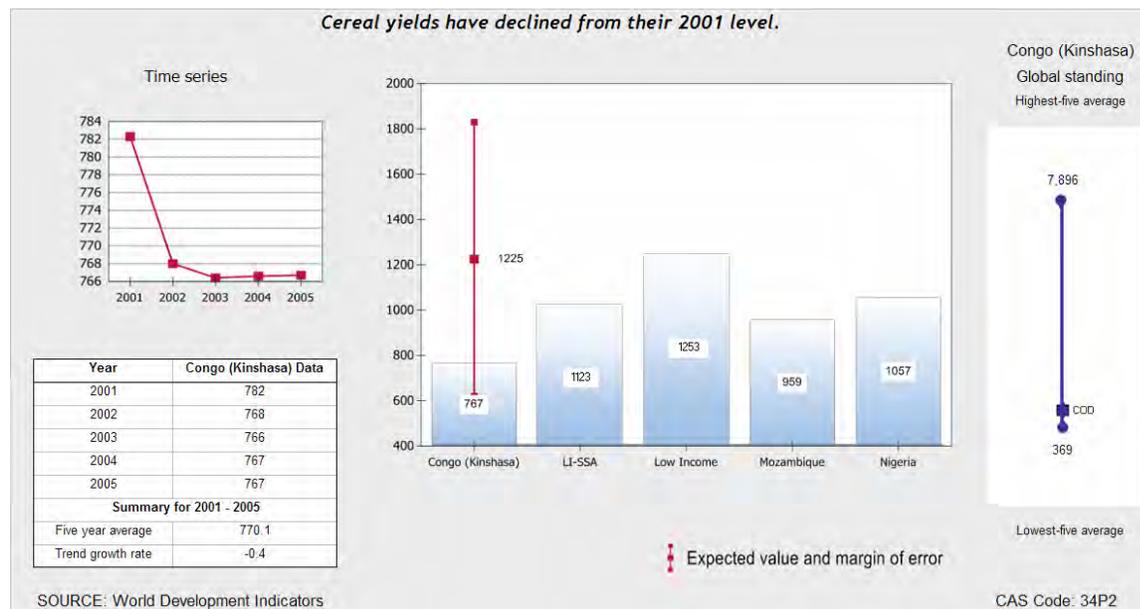
⁶⁹ World Development Indicators 2007

these rates are slower than the median rate for LI-SSA (4 percent) and Nigeria's and Mozambique's rates, at 4.7 percent and 6.7 percent, respectively.

Despite modest increases in agricultural value added, agricultural value added per worker declined through 2003. Agricultural value added per worker in the DRC for 2003 was \$152.70, below the median for LI-SSA (\$230.00), but above the figure for Mozambique, at \$146.70. Nigeria's agricultural value added per worker was several times higher than those of the other comparator countries, at \$890.30.

Rising growth in output in the 2002–2003 period, coupled with falling value added per worker during the same period, indicates that the agricultural sector has grown by adding to the workforce rather than by improving productivity—in other words, the volume of production has increased but productivity has fallen (see Figure 5-3).⁷⁰

Figure 5-3
Cereal Yield



Because the agricultural sector remains a driving force of the DRC's growth in the medium to long term, improvements must be made in efficiency or worker productivity. Such improvements can be brought about in part through agricultural extension programs. Extension programs teach new techniques, introduce new technology, and make credit available to small-scale farmers to invest in agricultural infrastructure. Such programs enable better land productivity, increased output per worker, gains in efficiency, and intensive growth.

Cassava production has dominated agricultural output in recent years, at 15 million tons in 2005. Production of cassava was followed by production of sugarcane (1.6 million tons), plantains and

⁷⁰ The latest data on agricultural value added per worker are from 2003, while data on agricultural output are from 2005.

maize (1.2 million tons each), and palm nuts (1.1 million tons).⁷¹ Although data are not available on agricultural export growth, the DRC's leading agricultural export in 2005 was sugarcane (104,420 tons).⁷²

As for cereal yields, the latest data indicate a recovery. Yields declined during the 2001–2003 period, falling from 782.3 kg per hectare in 2001 to 766.4 kg per hectare in 2003, but then increased slightly to 766.7 kg per hectare in 2005. The DRC's cereal yields in 2005 are smaller than those of Mozambique (959.2 kg per hectare) and Nigeria (1,056.6 kg per hectare), and even smaller than the median for LI-SSA (1,123 kg per hectare).

Improving agricultural productivity in the DRC will require not only fostering intensive growth through extension services and credit mechanisms for farmers, but also removing constraints on production. Transport bottlenecks must be removed (see Economic Infrastructure) so that farmers can get their produce to local markets and to ports for export. The DRC's waterways (the Congo River and its numerous tributaries) are used for domestic and international trade, but reaching the open waterways poses many logistical obstacles, including crossing forests and swamps. Decreasing transport times and costs will ensure that produce is fit for consumption when it arrives at market, which will result in more sales and reduced poverty. The security situation, especially in the eastern parts of the country, also creates enormous obstacles to getting products to market.

Forestry is also a huge industry in the DRC and has a significant share in agricultural output. The DRC's forests make up nearly half of Africa's forestland. They are home to many endemic fauna (such as several species of great apes) and flora. With 58.9 percent of its total land area covered by tropical rainforest,⁷³ the DRC must rehabilitate rail and road networks leading to cities (i.e., markets). Rehabilitating rather than building new infrastructure will prevent damage to the tropical forests, connect farmers to markets, and enable rural incomes to rise and poverty to decline.

Improvements to the regulatory environment and legal framework—to promote and provide incentives for sustainable logging while reducing illegal cutting of the forests—are also necessary. The improvements needed include increasing security in protected forests, strengthening the capacity of local management of forested land, and promoting profitable industries and crops that use forest resources sustainably, such as ecotourism and coffee and cocoa production with improved techniques.

⁷¹ FAOSTAT <http://faostat.fao.org/site/336/DesktopDefault.aspx?PageID=336>, accessed April 30, 2007

⁷² *Idem*.

⁷³ World Development Indicators 2007

Appendix. CAS Methodology

CRITERIA FOR SELECTING INDICATORS

The economic performance evaluation is designed to balance the need for broad coverage and diagnostic value, on the one hand, and the requirement of brevity and clarity, on the other. 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 separate Data Supplement contains the complete data set for the DRC, including data for the benchmark comparisons, and technical notes for every indicator.⁷⁴

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.⁷⁵

The 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

⁷⁴ The Data Supplement is available on line at <http://www.nathaninc.com/projects/projectdetails.asp?pid=138&pfid=0&rpil=4&rid=9> .

⁷⁵ Deeper analysis of the topic using more detailed data (Level III) is beyond the scope of this series.

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 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 indicators. The analysis draws on several criteria rather than a single mechanical rule. The starting point is a comparison of performance in the DRC relative to the average for countries in the same income group and region—in this case, lower-middle-income countries in Africa.⁷⁶ For added perspective, three other comparisons are made: (1) the global average for this income group; (2) values for two comparator countries selected by the DRC mission (in this case Mozambique and Nigeria); and (3) the average for the five best- and five worst-performing countries globally. Most comparisons are framed in terms of value for the latest year of data available. Five-year trends are also taken into account when they shed light on the performance assessment.⁷⁷

For selected variables, a second source of benchmark values uses statistical regression analysis to establish an expected value for the indicator, controlling for income and regional effects.⁷⁸ This approach has three advantages. First, the benchmark is customized to the DRC's income level. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology allows quantification of the margin of error and establishment of a “normal” band for a country with the DRC's characteristics. An observed value falling outside this band on the side of poor performance signals a serious problem.⁷⁹

Finally, where relevant, the DRC'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.

⁷⁶ Income groups as defined by the World Bank for 2004. For this study, the average is defined in terms of the mean; future studies will use the median instead, because the values are not distorted by outliers.

⁷⁷ 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.

⁷⁸ This is a cross-sectional OLS regression using data for all developing countries. For any indicator, Y , the regression equation takes the form: Y (or $\ln Y$, as relevant) = $a + b * \ln \text{PCI} + c * \text{Region} + \text{error}$ – where PCI is per capita income in PPP\$, and Region is a set of 0-1 dummy variables indicating the region in which each country is located. When estimates are obtained for the parameters a , b , and c , the predicted value for the DRC is computed by plugging in DRC-specific values for PCI and Region. Where applicable, the regression also controls for population size and petroleum exports (as a percentage of GDP).

⁷⁹ This report uses a margin of error of 0.66 times the standard error of estimate (adjusted for heteroskedasticity, where appropriate). With this value, 25 percent of the observations should fall outside the normal range on the side of poor performance (and 25 percent on the side of good performance). Some regressions produce a very large standard error, giving a “normal band” that is too wide to provide a discerning test of good or bad performance.

STANDARD CAS INDICATORS

Indicator	Level	MDG, MCA, or EcGov ^a
Growth Performance		
Per capita GDP, in Purchasing Power Parity Dollars	I	
Per capita GDP, in current US Dollars	I	
Real GDP Growth	I	
Growth of labor productivity	II	
Investment Productivity, Incremental Capital-Output Ratio (ICOR)	II	
Gross fixed investment, % GDP	II	
Gross fixed private investment, % GDP	II	
Poverty and Inequality		
Human Poverty Index	I	
Income-share, poorest 20%	I	
Population living on less than \$1 PPP per day/ \$2 PPP per day ⁸⁰	I	MDG
Poverty Headcount, by National Poverty Line	I	MDG
PRSP Status	I	EcGov
Population below minimum dietary energy consumption	II	MDG
Economic Structure		
Labor force or employment structure	I	
Output structure	I	
Demography and Environment		
Adult literacy rate	I	
Youth dependency rate/ elderly dependency rate ⁸¹	I	
Environmental performance index	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		
Govt. expenditure, % GDP	I	EcGov
Govt. revenue, % GDP	I	EcGov
Growth in the money supply	I	EcGov

⁸⁰ \$1 PPP for lower income countries and \$2 PPP for lower middle income countries

⁸¹ Elderly dependency rate for Eastern Europe and Former Soviet Union countries and youth dependency rate for all others

Indicator	Level	MDG, MCA, or EcGov ^a
Inflation rate	I	MCA
Overall govt. budget balance, including grants, % GDP	I	MCA, EcGov
Composition of govt. expenditure	II	
Composition of govt. revenue	II	
Composition of money supply growth	II	
Business Environment		
Corruption perception index	I	EcGov
Ease of doing business ranking	I	EcGov
Rule of law index	I	MCA, EcGov
Regulatory quality index	I	MCA, EcGov
Government effectiveness index	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	II	
Senior manager time spent dealing with government regulations	II	EcGov
Financial Sector		
Domestic credit to private sector, % GDP	I	
Interest rate spread	I	
Money supply, % GDP	I	
Stock market capitalization rate, % GDP	I	
Credit information index	I	
Legal rights of borrowers and lenders index	II	
Real Interest rate	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	

Indicator	Level	MDG, MCA, or EcGov ^a
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	II	MCA, EcGov
Ease of trading across borders ranking	II	EcGov
Economic Infrastructure		
Internet users per 1,000 people	I	MDG
Overall infrastructure quality	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	I	
Availability of scientists and engineers index	I	
Science & technology journal articles per million people	I	
IPR protection index	I	
Health		
HIV prevalence	I	
Life expectancy at birth	I	
Maternal mortality rate	I	MDG
Access to improved sanitation	II	MDG
Access to improved water source	II	MDG
Births attended by skilled health personnel	II	MDG
Child immunization rate	II	MCA
Prevalence of child malnutrition (weight for age)	II	
Public health expenditure, % 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	

Indicator	Level	MDG, MCA, or EcGov ^a
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	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	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.

Data Supplement

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Growth Performance							
Indicator number	Per capita GDP, purchasing power parity Dollars	Per capita GDP, current U.S. Dollars	Real GDP growth	Growth of labor productivity	Investment productivity - incremental capital-output ratio (ICOR)	Share of gross fixed investment in GDP, current prices	Share of gross fixed private investment in GDP, current prices
	11P1	11P2	11P3	11S1	11S2	11S3	11S4
Congo (Kinshasa) Data							
Latest Year (T)	2006	2005	2006	2004	2005	2005	-
Value Year T	500	120	7.0	3.3	2.6	14.3	-
Value Year T-1	440	110	7.0	2.7	6.1	12.8	-
Value Year T-2	600	100	7.0	0.8	-7.9	12.2	-
Value Year T-3	550	90	6.0	-4.4	-2.0	8.9	-
Value Year T-4	540	80	4.0	-9.0	-0.8	5.4	-
Average Value, 5 year	526	100	6.2	-1.3	-0.4	10.7	-
Growth Trend	-3.7	10.6	-			26.0	
Benchmark Data							
Regression Benchmark	-	-	5.4	-	-	-	-
Lower Bound	-	-	3.0	-	-	-	-
Upper Bound	-	-	7.8	-	-	-	-
Latest Year Mozambique	2006	2006	2006	2004	2005	2005	-
Mozambique Value Latest Year	1,478	338	7.9	5.1	2.8	22.2	-
Latest Year Nigeria	2006	2006	2006	2004	2005	2005	-
Nigeria Value Latest Year	1,241	808	5.2	3.3	4.1	21.0	-
LI-SSA avg.	1,387	375	5.2	1.9	3.8	20.6	-
Low Income avg.	1,577	459	5.4	2.8	3.9	20.4	-
Low Five Avg.	709	153	-5.4	-8.7	-86.2	8.2	4.4
High Five Avg.	43,504	53,335	15.9	11.5	54.5	44.7	30.5

Poverty and Inequality							
	Human poverty index (0 for excellent to 100 for poor)	Income share accruing to poorest 20%	Population (%) living on less than \$1 PPP per day; or	Population (%) living on less than \$2 PPP per day; or	Poverty headcount (%), by national poverty line	PRSP Status	Population (%) below minimum dietary energy consumption
Indicator number	12P1	12P2	12P3a	12P3b	12P4	12P5	12S1
Congo (Kinshasa) Data							
<i>Latest Year (T)</i>	2004	-	-	-	-	-	2002
Value Year T	40.9	-	-	-	-	-	72.0
Value Year T-1	41.4	-	-	-	-	-	75.0
Value Year T-2	42.9	-	-	-	-	-	-
Value Year T-3	42.9	-	-	-	-	-	-
Value Year T-4	-	-	-	-	-	-	-
Average Value, 5 year	-	-	-	-	-	-	-
Growth Trend	-1.8	-	-	-	-	-	-
Benchmark Data							
Regression Benchmark	47.8	6.5	60.0	96.4	61.2	-	-
Lower Bound	42.3	5.6	50.7	88.1	53.0	-	-
Upper Bound	53.4	7.4	69.4	104.8	69.4	-	-
<i>Latest Year Mozambique</i>	2004	-	-	-	-	-	2002
Mozambique Value Latest Year	48.9	-	-	-	-	-	45.0
<i>Latest Year Nigeria</i>	2004	2003	2003	2003	-	-	2002
Nigeria Value Latest Year	40.6	5.0	70.8	92.4	-	-	9.0
<i>LI-SSA avg.</i>	43.0	6.1	46	79	42.1	-	33.0
<i>Low Income avg.</i>	40.7	7.4	26	73	37.7	-	30.5
Low Five Avg.	4.0	3.1	2	5	22.3	-	2.5
High Five Avg.	57.6	8.7	34	70	51.2	-	67.0

	Economic Structure					
	Employment or labor force in agriculture, % total	Employment or labor force in industry, % total	Employment or labor force 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
Congo (Kinshasa) Data						
<i>Latest Year (T)</i>	-	-	-	2005	2005	2005
Value Year T	-	-	-	46.0	25.0	29.0
Value Year T-1	-	-	-	42.5	25.0	30.4
Value Year T-2	-	-	-	-	-	-
Value Year T-3	-	-	-	58.3	19.4	22.2
Value Year T-4	-	-	-	60.7	20.2	19.1
Average Value, 5 year	-	-	-	-	-	-
Growth Trend	-	-	-	-	-	-
Benchmark Data						
Regression Benchmark	79.5	7.0	13.7	40.8	-	-
Lower Bound	72.9	3.7	8.5	34.5	-	-
Upper Bound	86.1	10.2	18.8	47.0	-	-
<i>Latest Year Mozambique</i>	-	-	-	2005	2005	2005
Mozambique Value Latest Year	-	-	-	23.2	30.0	46.8
<i>Latest Year Nigeria</i>	-	-	-	2005	2005	2005
Nigeria Value Latest Year	-	-	-	23.7	56.3	19.9
<i>LI-SSA avg.</i>	78.0	6.7	15.3	33.3	21.2	45.1
<i>Low Income avg.</i>	65.5	11.5	23.1	31.4	23.0	45.1
Low Five Avg.	0.4	11.1	30.5	2.2	11.6	19.7
High Five Avg.	54.7	38.6	79.7	63.6	67.6	80.6

Demography and Environment							
	Adult literacy rate	Youth dependency rate	Elderly dependency rate	Environmental Performance index (on a scale of 0-100)	Population size and growth (size millions)	Population size and growth (Annual %)	Urbanization rate
Indicator number	14P1	14P2a	14P2b	14P3	14P4a	14P4b	14P5
Congo (Kinshasa) Data							
<i>Latest Year (T)</i>	2004	2004	2004	2006	2005	2005	2005
Value Year T	67.2	0.94	0.05	46.3	57.5	2.8	32.1
Value Year T-1	-	0.94	0.05	-	55.9	2.9	31.5
Value Year T-2	-	0.94	0.05	-	54.2	2.9	31.2
Value Year T-3	65.3	0.94	0.05	-	52.7	2.7	30.7
Value Year T-4	-	0.94	0.05	-	51.3	2.5	30.3
Average Value, 5 year	-	0.94	0.05	-	54.3	2.8	31.2
Growth Trend		0.12	-0.10		2.9	3.4	1.4
Benchmark Data							
Regression Benchmark	48.1	0.92	-	46.8	-	-	25.0
Lower Bound	38.2	0.85	-	41.7	-	-	15.0
Upper Bound	58.0	0.99	-	52.0	-	-	34.9
<i>Latest Year Mozambique</i>	-	2004	2004	2006	2005	2005	2005
Mozambique Value Latest Year	-	0.84	0.06	45.7	19.8	1.9	34.5
<i>Latest Year Nigeria</i>	-	2004	2004	2006	2005	2005	2005
Nigeria Value Latest Year	-	0.85	0.06	44.5	131.5	2.2	48.2
<i>LI-SSA avg.</i>	53.2	8.35	0.06	51.3	11.7	2.4	34.8
<i>Low Income avg.</i>	59.3	0.80	0.06	49.7	12.9	2.2	32.6
Low Five Avg.	24.7	0.17	0.02	31.8	0.032	-0.7	10.4
High Five Avg.	99.7	0.99	0.28	86.9	611.07	5.5	100.0

	Gender						
	Girls' Primary Completion Rate	Male gross enrollment rate	Female gross enrollment rate	Male life expectancy at birth	Female Life expectancy at birth	Male Labor force participation rate	Female Labor force participation rate
Indicator number	15P1	15P2a	15P2b	15P3a	15P3b	15P4a	15P4b
Congo (Kinshasa) Data							
<i>Latest Year (T)</i>	1994	2004	2004	2004	2004	2004	2004
Value Year T	32.7	30.8	24.0	42.7	44.8	58.8	41.2
Value Year T-1	39.7	31.0	-	42.4	44.4	58.9	65.1
Value Year T-2	31.7	30.0	-	42.1	44.1	58.8	41.2
Value Year T-3	34.2	-	-	-	-	58.7	41.3
Value Year T-4	-	-	-	41.4	43.5	58.8	41.2
Average Value, 5 year	-	-	-	-	-	58.8	46.0
Growth Trend	0.9	-	-	-	-	0.0	4.7
Benchmark Data							
Regression Benchmark	33.5	48.6	36.1	42.7	44.1	93.9	76.4
Lower Bound	23.8	42.1	28.7	39.0	40.0	90.3	68.1
Upper Bound	43.2	55.1	43.5	46.4	48.2	97.5	84.7
<i>Latest Year Mozambique</i>	2004	2004	2004	2004	2004	2004	2004
Mozambique Value Latest Year	23.4	53.0	44.0	41.0	42.3	86.0	92.6
<i>Latest Year Nigeria</i>	2004	2004	2004	2004	2004	2004	2004
Nigeria Value Latest Year	68.2	60.0	50.0	43.2	43.5	89.1	48.7
<i>LI-SSA avg.</i>	51.0	49.5	43.0	47.0	47.6	91.6	69.5
<i>Low Income avg.</i>	53.1	54.0	47.0	52.6	55.0	89.1	62.0
Low Five Avg.	22.2	28.2	21.8	35.1	35.1	67.6	19.2
High Five Avg.	117.0	101.2	106.8	78.5	84.1	98.6	92.2

Fiscal and Monetary Policy											
Indicator number	Government expenditure, % GDP	Government revenue, excluding grants (% GDP)	Growth in the broad money supply	Inflation rate	Overall government budget balance (% 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 revenue (Taxes of income, profits and capital gains)	Composition of government revenue (Taxes on goods and services)
	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S2a	21S2b
Congo (Kinshasa) Data											
<i>Latest Year (T)</i>	2006	2006	2006	2006	2006	2004	-	2004	2004	2004	2004
Value Year T	20.6	11.5	20.8	18.0	-1.9	23.0	-	23.1	3.6	25.0	24.0
Value Year T-1	22.3	10.3	25.6	23.0	-2.2	-	-	-	-	-	-
Value Year T-2	15.4	9.2	72.9	5.0	-1.9	-	-	-	-	24.5	23.7
Value Year T-3	13.6	7.7	-	13.0	-2.1	21.1	-	-	-	7.4	10.4
Value Year T-4	10.3	-	-	32.0	-0.1	27.4	-	-	-	8.4	15.8
Average Value, 5 year	16.4	-	-	18.2	-1.6	-	-	-	-	-	-
Growth Trend	20.7	14.1	-	-5.6	-	-	-	-	-	-	-
Benchmark Data											
Regression Benchmark	28.4	13.2	-	-	-2.3	-	-	-	-	-	-
Lower Bound	21.1	8.2	-	-	-4.6	-	-	-	-	-	-
Upper Bound	35.7	18.2	-	-	0.1	-	-	-	-	-	-
<i>Latest Year Mozambique</i>	-	-	2005	2006	-	-	-	-	-	-	-
Mozambique Value Latest Year	-	-	27.3	7.4	-	-	-	-	-	-	-
<i>Latest Year Nigeria</i>	-	-	2005	2006	-	-	-	-	-	-	-
Nigeria Value Latest Year	-	-	16.2	9.4	-	-	-	-	-	-	-
<i>LI-SSA avg.</i>	42.0	42.1	16.5	7.4	-12.7	11.6	26.1	9.0	50.6	14.2	18.8
<i>Low Income avg.</i>	14.5	15.4	16.5	7.6	-3.2	17.8	18.9	5.4	40.9	15.7	33.3
Low Five Avg.	10.6	8.9	5.2	-1.2	-11.4	3.2	4.6	0.6	16.2	1.7	3.1
High Five Avg.	48.8	50.6	107.2	89.7	6.8	69.2	48.8	35.6	71.2	53.8	64.6

Fiscal and Monetary Policy (cont'd)								
Indicator number	21S2c	21S2d	21S2e	21S2f	21S3a	21S3b	21S3c	21S3d
Congo (Kinshasa) Data								
<i>Latest Year (T)</i>	2004	-	2002	2004	-	-	-	-
Value Year T	27.0	-	1.1	23.0	-	-	-	-
Value Year T-1	-	-	11.2	-	-	-	-	-
Value Year T-2	27.4	-	25.7	23.3	-	-	-	-
Value Year T-3	15.4	-	14.8	55.6	-	-	-	-
Value Year T-4	16.4	-	6.6	33.7	-	-	-	-
Average Value, 5 year	-	-	11.9	-	-	-	-	-
Growth Trend	-	-	-32.0	-	-	-	-	-
Benchmark Data								
Regression Benchmark	-	-	-	-	-	-	-	-
Lower Bound	-	-	-	-	-	-	-	-
Upper Bound	-	-	-	-	-	-	-	-
<i>Latest Year Mozambique</i>	-	-	-	-	-	-	-	-
Mozambique Value Latest Year	-	-	-	-	-	-	-	-
<i>Latest Year Nigeria</i>	-	-	-	-	-	-	-	-
Nigeria Value Latest Year	-	-	-	-	-	-	-	-
<i>LI-SSA avg.</i>	27.7	7.8	3.2	36.1	-	-	-	-
<i>Low Income avg.</i>	16.7	0.8	1.9	30.0	-	-	-	-
Low Five Avg.	-1.7	0.4	-	3	-	-	-	-
High Five Avg.	44.9	45.3	20	79	-	-	-	-

Business Environment											
Indicator number	Corruption Perception Index (1 for poor to 10 for excellent)	Ease of doing business ranking (from 1 to 175)	Rule of law index (-2.5 for poor to 2.5 for excellent)	Regulatory quality index (-2.5 for poor to 2.5 for excellent)	Government Effectiveness Index (-2.5 for 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	Time to enforce a contract	Time to register property
	22P1	22P2	22P3	22P4	22P5	22S1	22S2	22S3	22S4	22S5	22S6
Congo (Kinshasa) Data											
<i>Latest Year (T)</i>	2006	2006	2005	2005	2005	2006	2006	2006	2006	2006	2006
Value Year T	2.0	175.0	-1.76	-1.66	-1.64	481.1	51	8	13	685	57
Value Year T-1	2.1	175.0	-1.76	-1.69	-1.46	503.3	51	8	13	685	57
Value Year T-2	2.0	175.0	-1.69	-1.62	-1.38	556.8	51	8	13	685	57
Value Year T-3	-	-	-1.84	-1.67	-1.72	763.0	51	-	13	685	-
Value Year T-4	-	-	-	-	-	-	-	-	-	-	-
Average Value, 5 year	-	-	-	-	-	-	-	-	-	-	-
Growth Trend	-	-	0.6	0.6	-	-13.8	0.0	-	0.0	0.0	-
Benchmark Data											
Regression Benchmark	-	148.0	-	-	-	-	-	-	-	-	-
Lower Bound	-	126.7	-	-	-	-	-	-	-	-	-
Upper Bound	-	169.3	-	-	-	-	-	-	-	-	-
<i>Latest Year Mozambique</i>	2006	2006	2005	2005	2005	2006	2006	2006	2006	2006	2006
Mozambique Value Latest Year	2.8	140.0	-0.72	-0.60	-0.34	85.7	38	8	13	1010	42
<i>Latest Year Nigeria</i>	2006	2006	2005	2005	2005	2006	2006	2006	2006	2006	2006
Nigeria Value Latest Year	2.2	108.0	-1.38	-1.01	-0.92	54.4	23	16	9	457	80
<i>LI-SSA avg.</i>	2.5	150.0	-0.88	-0.82	-0.95	134.4	36	6	11	500	77
<i>Low Income avg.</i>	2.5	144.0	-0.95	-0.83	-0.96	114.0	37	6	10	457	70
Low Five Avg.	1.9	-	-1.82	-2.16	-1.68	0.5	15	2	2	143	2
High Five Avg.	9.5	-	1.99	1.83	2.18	1,033.2	66	15	18	1476	595

Business Environment (cont'd)				
	Time to start a business	Total tax payable by business (% operating profit)	Business costs of crime, violence and terrorism index (1 for poor to 7 for excellent)	Senior manager time spent dealing with govt regulations (%)
Indicator number	22S7	22S8	22S9	22S10
Congo (Kinshasa) Data				
<i>Latest Year (T)</i>	2006	2006	-	2006
Value Year T	155	235.4	-	6.3
Value Year T-1	155	235.4	-	-
Value Year T-2	155	-	-	-
Value Year T-3	188	-	-	-
Value Year T-4	-	-	-	-
Average Value, 5 year	-	-	-	-
Growth Trend	-5.6	-	-	-
Benchmark Data				
Regression Benchmark	-	-	-	-
Lower Bound	-	-	-	-
Upper Bound	-	-	-	-
<i>Latest Year Mozambique</i>	2006	2006	2006	-
Mozambique Value Latest Year	113	39.2	2.7	-
<i>Latest Year Nigeria</i>	2006	2006	2006	-
Nigeria Value Latest Year	43	31.4	2.9	-
LI-SSA avg.	43	47.6	3.4	5.8
Low Income avg.	42	47.5	3.4	6.1
Low Five Avg.	4	14.6	1.9	2
High Five Avg.	299	255.3	6.6	17

Financial Sector							
	Domestic credit to private sector, % GDP	Interest rate spread, lending rate minus deposit rate	Money supply (M2), % GDP	Stock market capitalization rate, % GDP	Credit information index (1 for poor and 6 for excellent)	Legal rights of borrowers and lenders index (0 for poor to 10 for excellent)	Real interest rate
Indicator number	23P1	23P2	23P3	23P4	23P5	23S1	23S2
Congo (Kinshasa) Data							
<i>Latest Year (T)</i>	2005	-	2004	-	2006	2006	2002
Value Year T	1.9	-	6.6	-	-	3.0	31.5
Value Year T-1	1.5	-	4.8	-	-	3.0	-46.7
Value Year T-2	0.9	-	4.2	-	-	3.0	-57.0
Value Year T-3	0.7	-	-	-	-	-	-58.6
Value Year T-4	0.7	-	-	-	-	-	1.6
Average Value, 5 year	1.1	-	-	-	-	-	-25.8
Growth Trend	31.7	-	-	-	-	-	-
Benchmark Data							
Regression Benchmark	-	-	-	14.8	0.5	-	-
Lower Bound	-	-	-	-13.5	-0.8	-	-
Upper Bound	-	-	-	43.0	1.7	-	-
<i>Latest Year Mozambique</i>	2005	2005	2005	-	2006	2006	2005
Mozambique Value Latest Year	2.9	11.1	25.9	-	3.0	4.0	12.4
<i>Latest Year Nigeria</i>	2005	2005	2005	2005	2006	2006	2005
Nigeria Value Latest Year	14.9	7.4	18.8	19.6	0.0	7.0	-7.0
<i>LI-SSA avg.</i>	10.4	11.9	21.7	14.3	1.0	4.0	8.8
<i>Low Income avg.</i>	11.8	11.1	25.1	11.5	1.0	4.0	8.8
Low Five Avg.	2.3	1.5	8.7	1.1	0.0	0.7	-11.9
High Five Avg.	175.6	56.8	185.7	246.3	6.0	9.4	29.4

External Sector											
	Aid, % GNI	Current account balance, % GDP	Debt service ratio, % exports	Exports growth, goods and services	Foreign direct investment, % GDP	Gross international reserves, months of imports	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
Congo (Kinshasa) Data											
<i>Latest Year (T)</i>	2004	2006	2006	2005	2005	2006	-	2004	-	2005	-
Value Year T	28.6	-7.9	9.7	8.8	5.7	2.2	-	35.6	-	76.3	-
Value Year T-1	98.5	-6.5	8.0	20.1	10.2	2.3	-	36.0	-	69.9	-
Value Year T-2	22.6	-3.3	5.8	0.3	5.7	1.5	-	-	-	59.5	-
Value Year T-3	5.9	-1.5	8.5	8.0	2.5	0.5	-	-	-	47.2	-
Value Year T-4	4.7	-	-	2.0	1.7	-	-	-	-	39.4	-
Average Value, 5 year	32.1	-	-	7.8	5.1	-	-	-	-	58.5	-
Growth Trend	90.3	43.2	7.4	47.5	-98.8	62.8	-	-	-	18.7	-
Benchmark Data											
Regression Benchmark	-	-	8.7	4.5	1.9	-	-	38.5	6.1	58.5	11.4
Lower Bound	-	-	3.8	-1.9	-0.4	-	-	17.2	-2.6	36.0	1.1
Upper Bound	-	-	13.7	10.9	4.3	-	-	59.9	14.8	81.1	21.7
<i>Latest Year Mozambique</i>	2004	2004	2004	2005	2004	2004	2004	2004	2004	2005	2004
Mozambique Value Latest Year	21.4	-10.0	4.5	5.4	4.0	5.0	4.0	17.0	0.1	71.7	12.9
<i>Latest Year Nigeria</i>	2004	2004	2004	2005	2004	2004	2004	2004	2004	2005	2004
Nigeria Value Latest Year	1.0	17.0	8.2	-3.7	2.6	12.1	2.6	70.7	8.4	88.4	11.5
<i>LI-SSA avg.</i>	16.0	-5.2	7.8	4.4	2.3	4.1	1.5	35.9	5.3	66.4	14.9
<i>Low Income avg.</i>	12.2	-3.6	7.5	5.0	1.7	3.6	1.5	36.8	9.3	66.0	14.5
Low Five Avg.	-0.2	-20.5	1.4	-15.5	-0.7	0.4	-2.1	10.9	0.0	26.3	5.0
High Five Avg.	51.9	21.0	49.1	49.0	90.7	16.4	178.6	352.4	83.1	242.3	92.1

External Sector (cont'd)											
Indicator number	24S1	24S2	24S3	24S4	24S5a	24S5b	24S5c	24S5d	24S5e	24S6	24S7
Congo (Kinshasa) Data											
<i>Latest Year (T)</i>	-	2004	2004	2006	-	-	-	-	-	2000	2006
Value Year T	-	0.0	94.0	32.9	-	-	-	-	-	44.0	159
Value Year T-1	-	-	92.1	29.4	-	-	-	-	-	44.0	155
Value Year T-2	-	0.0	93.7	30.1	-	-	-	-	-	44.0	-
Value Year T-3	-	0.1	99.2	31.7	-	-	-	-	-	44.0	-
Value Year T-4	-	0.1	100.0	36.6	-	-	-	-	-	44.0	-
Average Value, 5 year	-	-	95.8	32.1	-	-	-	-	-	44.0	-
Growth Trend	-	-	-2.0	-2.8	-	-	-	-	-	0.0	-
Benchmark Data											
Regression Benchmark	-	-	-	-	-	-	-	-	-	-	-
Lower Bound	-	-	-	-	-	-	-	-	-	-	-
Upper Bound	-	-	-	-	-	-	-	-	-	-	-
<i>Latest Year Mozambique</i>	-	2004	2004	-	2002	2002	2002	2002	2002	2006	2006
Mozambique Value Latest Year	-	0.1	94.3	-	5.6	16.4	3.1	54.8	19.1	60.2	141
<i>Latest Year Nigeria</i>	-	2004	2004	-	2003	2003	2003	2003	2003	2006	2006
Nigeria Value Latest Year	-	0.1	122.3	-	0.0	97.9	2.1	0.0	0.0	46.2	137
<i>LI-SSA avg.</i>	-	0.1	94.5	-	12.0	2.2	20.2	4.2	39.7	54.6	144
<i>Low Income avg.</i>	-	0.1	94.3	-	6.2	2.5	22.5	3.9	24.0	55.6	141
Low Five Avg.	-	0.1	65.7	-	0.0	0.0	3.0	0.0	0.2	40.0	-
High Five Avg.	-	0.5	130.7	-	34.5	92.2	95.2	52.0	87.6	52.0	-

Economic Infrastructure								
	Internet users per 1000 people	Overall infrastructure quality index (1 for poor to 7 for excellent)	Telephone density, fixed line and mobile, per 1000 people	Quality of infrastructure index - air transport (1 for poor to 7 for excellent)	Quality of infrastructure index - ports (1 for poor to 7 for excellent)	Quality of infrastructure index - railroads (1 for poor to 7 for excellent)	Quality of infrastructure index - electricity (1 for poor to 7 for excellent)	Roads, paved (% total)
Indicator number	25P1	25P2	25P3	25S1a	25S1b	25S1c	25S1d	25S2
Congo (Kinshasa) Data								
<i>Latest Year (T)</i>	2002	-	2004	-	-	-	-	-
Value Year T	0.9	-	37	-	-	-	-	-
Value Year T-1	0.1	-	19	-	-	-	-	-
Value Year T-2	0.1	-	11	-	-	-	-	-
Value Year T-3	0.0	-	3	-	-	-	-	-
Value Year T-4	0.0	-	1	-	-	-	-	-
Average Value, 5 year	0.2	-	14	-	-	-	-	-
Growth Trend	277	-	183	-	-	-	-	-
Benchmark Data								
Regression Benchmark	3.2	2.3	31	-	-	-	-	-
Lower Bound	1.1	1.8	18	-	-	-	-	-
Upper Bound	5.2	2.7	44	-	-	-	-	-
<i>Latest Year Mozambique</i>	2005	2006	2003	2006	2006	2006	2006	1999
Mozambique Value Latest Year	7.3	2.3	27	3.5	2.6	1.8	3.4	18.7
<i>Latest Year Nigeria</i>	2005	2006	2004	2006	2006	2006	2006	1999
Nigeria Value Latest Year	38.0	2.6	79	3.5	2.8	1.8	1.8	30.9
<i>LI-SSA avg.</i>	5.5	2.2	37	3.1	2.4	1.6	2.6	18.6
<i>Low Income avg.</i>	5.9	2.3	41	3.2	2.4	1.8	2.6	19.2
Low Five Avg.	1	1.7	9	2.2	1.3	1.1	1.5	6.0
High Five Avg.	667	6.6	1730	6.7	6.6	6.5	6.9	100.0

Science and Technology					
Indicator number	26P1	26P2	26P3	26P4	26P5
Congo (Kinshasa) Data					
<i>Latest Year (T)</i>	-	-	-	1999	-
Value Year T	-	-	-	6	-
Value Year T-1	-	-	-	6	-
Value Year T-2	-	-	-	15	-
Value Year T-3	-	-	-	15	-
Value Year T-4	-	-	-	18	-
Average Value, 5 year	-	-	-	12	-
Growth Trend	-	-	-	-26.8	-
Benchmark Data					
Regression Benchmark	0.5	4.8	3.8	3.8	-
Lower Bound	0.4	4.4	3.4	3.4	-
Upper Bound	0.7	5.2	4.2	4.2	-
<i>Latest Year Mozambique</i>	-	2006	2006	1999	2006
Mozambique Value Latest Year	-	4.8	3.0	14	2.5
<i>Latest Year Nigeria</i>	-	2006	2006	2001	2006
Nigeria Value Latest Year	-	5.2	4.1	332	2.9
<i>LI-SSA avg.</i>	0.6	4.9	3.9	14	2.8
<i>Low Income avg.</i>	0.3	4.8	3.9	11	2.7
Low Five Avg.	0.1	3.7	2.6	6	1.9
High Five Avg.	3.7	6.1	6.2	17,149	6.4

	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
Congo (Kinshasa) Data									
Latest Year (T)	2005	2004	2001	2002	2002	2001	2004	2001	2003
Value Year T	3.2	43.7	990	29.0	46.0	60.7	64.0	31.0	4.0
Value Year T-1	3.0	43.4	-	-	-	-	51.5	-	3.3
Value Year T-2	4.2	43.1	1289	-	-	-	44.0	-	3.1
Value Year T-3	-	-	-	-	-	-	34.5	-	3.7
Value Year T-4	4.2	42.4	-	-	-	-	43.0	-	3.2
Average Value, 5 year	-	-	-	-	-	-	47.4	-	3.5
Growth Trend	-	-	-	-	-	-	12.7	-	3.4
Benchmark Data									
Regression Benchmark	5.2	43.4	13	-	-	-	-	-	-
Lower Bound	1.4	39.5	11	-	-	-	-	-	-
Upper Bound	9.0	47.2	14	-	-	-	-	-	-
Latest Year Mozambique	2005	2004	2000	2004	2004	2003	2004	2003	2003
Mozambique Value Latest Year	16.1	41.8	1000	32.0	43.0	48.0	74.5	23.7	2.9
Latest Year Nigeria	2005	2004	2000	2004	2004	2003	2004	2003	2003
Nigeria Value Latest Year	3.9	43.7	800	44.0	48.0	35.0	30.0	28.7	1.3
LI-SSA avg.	3.2	46.7	990	34.0	60.5	48.5	74.5	36.7	2.1
Low Income avg.	2.0	53.6	740	35.0	61.0	51.0	75.0	36.7	2.2
Low Five Avg.	0.1	37.2	3	8.0	26.4	15.0	37.6	5.6	0.7
High Five Avg.	33.4	80.9	1800	100.0	100.0	99.6	99.0	44.0	10.2

Education											
Indicator number	Net primary enrollment rate (total)	Net primary enrollment rate (female)	Net primary enrollment rate (male)	Persistence in school to grade 5 (total)	Persistence in school to grade 5 (female)	Persistence in school to grade 5 (male)	Youth literacy rate (total)	Youth literacy rate (male)	Youth literacy rate (female)	Net secondary enrollment rate (total)	Gross tertiary enrollment rate (total)
	32P1a	32P1b	32P1c	32P2a	32P2b	32P2c	32P3a	32P3b	32P3c	32P4	32P5
Congo (Kinshasa) Data											
<i>Latest Year (T)</i>	2001	1999	1999	1991	1991	1991	2004	2004	2004	-	1999
Value Year T	51.6	46.0	51.0	54.7	50.1	58.5	70.4	78.0	63.1	-	1.3
Value Year T-1	-	-	-	55.0	-	-	-	-	-	-	-
Value Year T-2	-	-	-	-	-	-	-	-	-	-	-
Value Year T-3	-	-	-	-	-	-	-	-	-	-	-
Value Year T-4	-	-	-	-	-	-	-	-	-	-	-
Average Value, 5 year	-	-	-	-	-	-	-	-	-	-	-
Growth Trend	-	-	-	-	-	-	-	-	-	-	-
Benchmark Data											
Regression Benchmark	62.6	-	-	63.4	-	-	56.8	-	-	12.0	-
Lower Bound	54.0	-	-	55.9	-	-	47.6	-	-	3.9	-
Upper Bound	71.3	-	-	70.9	-	-	66.1	-	-	20.1	-
<i>Latest Year Mozambique</i>	2004	2004	2004	2001	2001	2001	-	-	-	2004	2004
Mozambique Value Latest Year	71.0	67.3	74.8	49.2	44.9	52.7	-	-	-	4.0	1.2
<i>Latest Year Nigeria</i>	2004	2004	2004	2003	2003	2003	-	-	-	2004	2004
Nigeria Value Latest Year	87.8	80.7	94.6	35.4	38.3	33.2	-	-	-	27.3	10.2
<i>LI-SSA avg.</i>	66.6	64.4	69.8	75.8	76.0	75.6	69.5	72.6	63.1	20.2	2.3
<i>Low Income avg.</i>	74.2	70.4	74.9	76.0	71.0	66.1	70.4	76.8	65.5	22.9	2.9
Low Five Avg.	40.0	35.3	44.5	48.1	48.9	46.3	32.8	45.9	21.3	7.8	0.7
High Five Avg.	100.0	100.0	100.0	99.9	100.0	98.9	99.9	99.9	99.9	97.8	83.9

Education (cont'd)					
	Education expenditure, primary, %GDP	Expenditure per student, % GDP per capita, primary	Expenditure per student, % GDP per capita, secondary	Expenditure per student, % GDP per capita, tertiary	Pupil-teacher ratio, primary school
Indicator number	32S1	32S2a	32S2b	32S2c	32S3
Congo (Kinshasa) Data					
<i>Latest Year (T)</i>	2005	-	-	-	1999
Value Year T	0.1	-	-	-	26.0
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	-	-	-	-	-
<i>Latest Year Mozambique</i>	2005	-	-	-	2004
Mozambique Value Latest Year	1.1	-	-	-	65.2
<i>Latest Year Nigeria</i>	-	-	-	-	2004
Nigeria Value Latest Year	-	-	-	-	36.4
<i>LI-SSA avg.</i>	-	12.2	28.8	345.1	49.9
<i>Low Income avg.</i>	-	11.4	20.1	184.2	48.7
Low Five Avg.	0.0	5.9	6.1	11.2	10.0
High Five Avg.	6.2	24.3	47.8	470.0	68.3

Employment and Workforce							
Indicator number	Labor force participation rate (total)	Rigidity of employment index (0 for minimum to 100 for maximum rigidity)	Size and Growth of the Labor Force (labor force, total)	Size and Growth of the Labor Force (labor force, annual percent change)	Unemployment rate	Economically active children (% children ages 7-14)	Firing costs (weeks of wages)
	33P1	33P2	33P3a	33P3b	33P4	33P5	33S1
Congo (Kinshasa) Data							
<i>Latest Year (T)</i>	2005	2006	2005	2004	-	2000	2006
Value Year T	50.1	78.0	22,940,010	2.6	-	39.8	30.8
Value Year T-1	50.1	78.0	22,293,360	3.2	-	-	30.8
Value Year T-2	50.2	77.0	21,725,190	2.9	-	-	30.8
Value Year T-3	50.2	77.0	21,045,720	2.5	-	-	30.8
Value Year T-4	50.2	-	20,442,730	2.0	-	-	-
Average Value, 5 year	50.2	-	21,689,402	2.6	-	-	-
Growth Trend	-0.1	0.5	2.9	8.7	-	-	-
Benchmark Data							
Regression Benchmark	0.9	53.2	-	2.5	3.4	44.0	-
Lower Bound	0.8	41.9	-	1.0	0.9	33.6	-
Upper Bound	0.9	64.4	-	3.9	5.9	54.9	-
<i>Latest Year Mozambique</i>	2005	2006	2005	2005	-	-	2006
Mozambique Value Latest Year	52.7	54.0	9,292,185	-55.9	-	-	142.9
<i>Latest Year Nigeria</i>	2005	2006	2005	2005	-	-	2006
Nigeria Value Latest Year	52.7	21.0	47,868,360	7.4	-	-	49.8
<i>LI-SSA avg.</i>	53.0	52.5	4,770,332	0.7	4.8	13.0	36.9
<i>Low Income avg.</i>	54.1	46.0	5,458,978	2.8	7.8	15.0	35.8
Low Five Avg.	49.7	0.0	51,616	-1.8	2.5	4.6	0.0
High Five Avg.	92.3	76.2	306,821,409	8.1	28.7	70.2	229.0

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)	Agric export growth
Indicator number	34P1	34P2	34P3	34S1	34S2	34S3	34S4
Congo (Kinshasa) Data							
Latest Year (T)	2003	2005	2005	-	2004	2004	-
Value Year T	152.7	766.7	3.1	-	96.7	100.4	-
Value Year T-1	153.9	767.0	0.6	-	97.5	100.3	-
Value Year T-2	155.9	766.4	1.2	-	97.3	97.0	-
Value Year T-3	164.5	768.0	0.5	-	98.2	98.3	-
Value Year T-4	216.8	782.3	-3.9	-	100.1	100.1	-
Average Value, 5 year	168.8	770.1	0.3	-	98.0	99.2	-
Growth Trend	-7.4	-0.4	-	-	-0.8	0.3	-
Benchmark Data							
Regression Benchmark	136.2	1225.3	5.1	-	-	-	-
Lower Bound	81.8	620.4	0.9	-	-	-	-
Upper Bound	190.7	1830.1	9.4	-	-	-	-
Latest Year Mozambique	2003	2005	2005	2006	2004	2004	2002
Mozambique Value Latest Year	146.7	959.2	6.7	3.3	107.4	101.1	0.2
Latest Year Nigeria	2003	2005	2005	2006	2004	2004	2003
Nigeria Value Latest Year	890.3	1056.6	4.7	4.0	105.9	108.8	-1.0
LI-SSA avg.	230.0	1123.0	4.0	3.7	108.2	108.7	0.4
Low Income avg.	281.0	1252.9	4.0	3.7	108.5	109.0	0.3
Low Five Avg.	109.7	369	-17.1	2.5	68.1	86.5	-0.6
High Five Avg.	39,551.3	7,896	17.9	5.2	135.9	148.4	8.1

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 2004, 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

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., $EPI = 0.5 \times \text{environmental health} + 0.1 \times (\text{air quality} + \text{water resources} + \text{productive natural resources} + \text{biodiversity and habitat} + \text{sustainable energy})$). 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

Urbanization Rate

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 agents believe that their government is corrupt. 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 Indicators <http://rru.worldbank.org/DoingBusiness/>

Definition: The Ease of Doing Business index ranks economies from 1 to 175. 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 incidence of market-unfriendly policies such as price controls and inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development. It is computed from survey data from multiple sources. The index values range from -2.5 (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.

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

Coverage: Information on coverage is not easily accessible.

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

CAS Code # 24S4

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 175 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 (whooping cough), and tetanus (DDPT).

Coverage: Data are available for about 88 USAID countries.

CAS Code #31S4

Prevalence of Child Malnutrition—Weight for Age

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

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

Coverage: Data are available for about 80 USAID countries.

CAS Code # 34P1

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.PR.D.CROP.XD, based on FAO statistics.

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

Coverage: Data are available for about 85 USAID countries.

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

Coverage: Data are available for about 85 USAID countries.

CAS Code # 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 # 3453

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 # 3454