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Indonesia

Economic Performance Assessment



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Indonesia

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 host-country documents and data sources;
- International benchmarking to assess country performance in comparison to similar countries, groups of countries, and predicted values based on international data;
- An easy-to-read analytic narrative that highlights areas in which a country's performance is particularly strong or weak, to assist in the identification of future programming priorities; and
- A convenient summary of the main findings in the form of a Highlights Table and a Performance Scorecard.

Under Contract No. GEG-I-00-04-00002-00, Task Order 004, 2006-2010, Nathan Associates continues to provide support to the EGAT Bureau by producing analytical reports evaluating economic growth performance in designated host countries. Through the same task order, Nathan is also developing a special template for countries emerging from crisis, assessing data issues in countries with large gaps in their data; conducting in-depth sector reviews based on the diagnostic analysis in the country reports; and providing other analytical support to the EGAT Bureau.

The authors of the present report are Bruce Bolnick, Ramya Sundaram, and Molly James of Nathan Associates. Peter Miller of Nathan Associates assisted with data management.

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

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

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

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HIGHLIGHTS OF INDONESIA PERFORMANCE

Economic Growth	Real GDP growth has averaged a healthy 5.5 percent for the past five years. Investment productivity is high and private investment robust, but public investment is very low.
Poverty	Poverty reduction remains a major challenge. Nearly one-third of Indonesian households are clustered around the national poverty line of US\$1.55 PPP per day and vulnerable to shocks. Indonesia's score on the Human Poverty Index has also deteriorated, which causes concern.
Economic Structure	About 40 percent of workers are employed in the agricultural sector, which has very low productivity. The average worker in industry is eight times more productive than the average worker in agriculture, and the average worker in services is 2.5 times more productive. Labor reallocation is therefore important for growth.
Demography and Environment	Moderate population growth and a low age-dependency ratio favor economic and human development. But population pressures, along with a high rate of resource depletion, pose threats to environmental sustainability.
Gender	Indonesia performs well on the basic gender quality indicators, with the notable exception of a very low labor force participation rate for females.
Fiscal and Monetary Policy	The government budget is well under control, but expenditures are skewed toward subsidies. Inflation is resurgent because of rising food and fuel prices, strong domestic demand, and until recently, accommodating monetary policy. It is essential for the central bank to follow through on its commitment to reduce inflation.
Business Environment	The institutional environment for doing business is weak. Major problems include cost and time to start a business, and the time to enforce a contract. Corruption, the rule of law, and regulatory quality have improved but remain below the benchmarks.
Financial Sector	Domestic credit to the private sector is very low but expanding fast. Some demonetization has occurred in response to inflationary expectations. The developing global financial crisis poses a risk to Indonesia's financial sector, primarily because of the outflow of short-term capital and secondary effects on the stock market.
External Sector	Although there are few policy impediments to trade, the ratio of trade to GDP in Indonesia is lower than in other large emerging economies. FDI flows have been strong since 2005, but improvements in infrastructure and the business climate could boost FDI further. The recent fall in commodity prices could lead to a slowdown in export growth.
Economic Infrastructure	Infrastructure quality is generally weak, constituting a serious constraint to investment and a hindrance to growth. Roads and ports, in particular, require concerted attention.
Science and Technology	Indonesia's intellectual capital is good for a lower-middle-income country, but weak protection of intellectual property rights may be impeding investment and innovation.
Health	Life expectancy has reached 69 years, but there are serious problems with maternal health care, child malnutrition, and access to improved water and sanitation.
Education	Primary school enrollment and youth literacy rates are very high, but public expenditure on education may be inadequate to meet the challenges of the global economy.
Employment and Workforce	Unemployment is high, at 9.1 percent in 2007, though it has fallen by 2.1 points since 2005. Labor market rigidity is very high, with firing costs amounting to two years of wages.
Agriculture	Growth of agriculture is lackluster, in part because of the government's longstanding support for paddy cultivation, which promotes food security but also creates incentives that retard structural transformation and diversification.

INDONESIA: STRENGTHS AND WEAKNESSES—SELECTED INDICATORS

Selected Indicators, by Topic	Strengths	Weaknesses
Growth Performance		
Real GDP growth	X	
Gross fixed private capital formation, percentage of GDP	X	
Investment productivity—incremental capital-output ratio (ICOR)	X	
Government investment, percentage of GDP		X
Poverty and Inequality		
Income share of the bottom 20% of households	X	
Poverty headcount, national poverty line		X
Demography and Environment		
Adult literacy rate	X	
Population growth rate	X	
Resource Depletion, percent GNI		X
Gender		
Girls' primary completion rate	X	
Labor force participation rates, female		X
Fiscal and Monetary Policy		
Government budget balance	X	
Composition of government expenditure (subsidies and current transfers)		X
Inflation		X
Business Environment		
Ease of doing business ranking		X
Cost of starting a business, percent GNI per capita		X
Control of corruption index		X
Tax payable by business, percent operating profit	X	
Financial Sector		
Domestic credit to the private sector		X
Money supply (M2), % GDP		X
Number of microfinance borrowers	X	
Legal rights of Borrowers and Lenders		X
External Sector		
Trade in goods and services, percentage of GDP		X
Debt service ratio, % exports	X	
Foreign direct investment, % GDP		X
Gross International Reserves, Months of Imports	X	
Economic Infrastructure		
Overall infrastructure quality		X

Selected Indicators, by Topic	Strengths	Weaknesses
Quality of infrastructure—ports		X
Internet users per 1,000 people		X
Science and Technology		
FDI technology transfer index	X	
Intellectual property rights protection		X
Health		
Life expectancy at birth	X	
Maternal mortality, deaths per 100,000 live births		X
Child malnutrition		X
Access to improved water and sanitation		X
Education		
Primary Completion Rate	X	
Net secondary school enrollment rate		X
Gross tertiary enrollment rate		X
Employment and Workforce		
Labor force participation rate		X
Rigidity of employment index		X
Agriculture		
Growth in agricultural value added		X
Agricultural policy costs index	X	

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

Executive Summary

This report has been prepared to provide USAID/Jakarta with a clear and concise analysis of Indonesia's economic growth performance. The analysis is based on a diagnostic analysis of key indicators using pertinent international benchmarks to assess of major constraints, trends, and programmatic opportunities for fostering rapid growth and reducing poverty in Indonesia. The report has been written during the onset of a global financial and economic crisis, which adds great uncertainty to any analysis of Indonesia's growth prospects for the near term. Even so, the structural and institutional issues discussed here will remain as key factors determining the prospects for growth in the medium and long term.

Over the past five years real GDP growth in Indonesia has averaged a healthy 5.5 percent per annum. The investment rate, averaging 22.9 percent of GDP, has been high enough to sustain a growth rate of 5 to 6 percent, but increased investment will be needed to spur more rapid growth and faster gains in productivity. Although private investment has been reasonably robust and very efficient, the very low rate of public sector investment emerges as a major constraint to faster growth, particularly in view of the country's weak infrastructure. Roads and ports, in particular, require concerted attention.

A second major constraint is the poor business environment. Relative to the international benchmarks, the cost and time needed to start a business are very high; contract enforcement is slow and difficult; the labor market is very rigid, with high firing costs; the quality of governance is weak; corruption is still a pervasive problem; and intellectual property rights are not well enforced. The government's laudable commitment to decentralization has contributed to difficulties in the business environment due to regulatory inconsistencies, and the weak capacity of sub-national governments. These conditions restrain private investment, inhibit formal-sector job creation, and slow the process of structural transformation that is needed to reallocate labor and other resources to more productive uses.

After two decades of rapid progress in poverty reduction prior to the 1997 Asian financial crisis, living standards for the poor have not been improving quickly over the past decade. As a result, nearly half of the population still live on less than \$2 per person per day, and are highly vulnerable to shocks such as rising food and fuel prices or an economic downturn. There are also large regional disparities in the poverty profile. These conditions underscore the need for policies that will stimulate greater investment and faster, broad-based growth.

Indonesia is passing through a demographic window of opportunity for achieving rapid economic growth, as the moderate rate of population growth is reducing youth dependency rates and increasing the population share that is of working age. Fostering faster job creation is especially

important to take advantage of this opportunity. Also, large gender disparities in labor force participation show that the country is not taking full advantage of the productive capacity of women, despite a high degree of gender equity in education and health.

After the serious turmoil during the 1997/98 crisis, the government has succeeded in establishing fiscal stability and greatly reducing the debt burden. The budget is under control, and revenue sources are well diversified. The composition of government expenditure is a problem, though, with spending on subsidies for fuel and food squeezing out much needed expenditure on infrastructure, health, and education. Also, the monetary authorities have not managed to contain the inflationary pressures from rising fuel, commodity and food prices in 2007 and early 2008. The primary danger is that inflationary expectations may spark a wage-price spiral that would be difficult and costly to reverse. Very recent global developments, with falling commodity prices, and slowing global demand, should help to dampen these pressures.

The financial sector in Indonesia remains very underdeveloped relative to the benchmarks, with a dominant banking sector, emerging capital markets, and nascent non-bank financial institutions. Domestic credit to the private sector has not recovered to pre-crisis levels in Indonesia, though there has been very rapid growth recently. Indeed, the rapid pace of credit growth requires very careful supervision by the authorities to avoid problems from declining credit quality and future bad debt problems. While Indonesia faces less direct exposure to the recent global financial crisis, the country still faces serious indirect risks due to the flight of capital from emerging markets to lower risk investment environments, declining export prices, and difficulties in financing international trade transactions.

Indonesia's overall degree of integration into the global trading system is relatively weak by benchmark standards. The fairly low ratio of trade to GDP provides some insulation against the recent downturn in world markets, but greater participation in regional and global markets is very much in Indonesia's long-term interests. Indonesia has also found it difficult since the 1997 financial crisis to attract foreign direct investment, though there have been positive developments since 2005. A combination of poor infrastructure, problems with governance and a weak business climate make Indonesia less attractive for foreign investors, particularly in the face of competition for FDI from strong regional competitors.

A robust labor market that converts economic growth into productive jobs is one of the most effective ways of lifting households out of poverty. Formal job creation outside of agriculture was very sluggish after the financial crisis. More recently, the picture has been more positive as the unemployment rate fell by 2.1 percentage points from 2005 to 2007, and the share of labor in agriculture dipped to 42.1 percent in 2007, after remaining stubbornly at around 44 percent since the 1997 crisis. Despite these gains, more educated workers are accounting for a rising share of total unemployment, suggesting that a disproportionate share of the job growth is at the lower end of the skills spectrum, including low-productivity jobs in the informal sector. These observations underscore the importance of overcoming barriers to labor-intensive investment, especially in higher-productivity manufacturing and services industries. Reducing labor market rigidities has to be part of the equation to enable faster job creation and facilitate structural transformation.

Investments in education and health are of central importance to prepare the workforce for productive jobs. Primary school enrollment rates and youth literacy are very high in Indonesia. In addition, the quality of education is improving, as measured by the OECD Programme for International Student Assessment (PISA). The overall quality of health care appears to be reasonably high in terms of life expectancy. But the country still faces major health problems relating to poor access to clean water and improved sanitation, a poor record on child immunization, high malnutrition rates, and high rates of maternal mortality. Greater investment in infrastructure to deliver clean water and improved sanitation is critical; as is increased spending on health care services.

Finally, the agriculture sector has been characterized by lackluster growth and extremely low labor productivity, relative to other sectors of the economy. This is due in part to the government's long-standing support for paddy cultivation to promote food security; the problem is that this support also creates incentives that retard the diversification of agriculture and broader structural transformation of the economy. These observations suggest that a program for more rapid growth should include greater emphasis on expanding the production of high value crops, accelerate off-farm rural development, and facilitate investment in manufacturing and services.

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. For Indonesia, the reference groups are lower-middle-income countries globally (LMI), and lower-middle-income countries in eastern and southern Asia (LMI-Asia).² For direct comparators, the study uses two large and dynamic lower-middle-income countries from the region, China and Thailand. China, of course, is the dominant economy in Asia and has achieved a remarkable record of rapid and sustained growth. Thailand also represents an aspiration case for Indonesia in areas such as the business environment.³

The present report was written in the midst of a period of extreme volatility and uncertainty in world financial markets and the strong likelihood of a global recession for the first time in decades. The Indonesian economy has already suffered, as evidenced by plunging prices for petroleum and other commodities and the closure for several days of trading on the Jakarta Stock Exchange. This report is based on data from the period preceding the current crisis, and the analysis focuses on basic features of the economy rather than on cyclical conditions. When relevant, however, the diagnostic analysis also notes possible repercussions of the current economic turmoil.

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

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 September 2008.

² This group consists of: Bhutan, China, India, Indonesia, Maldives, Mongolia, Philippines, Sri Lanka, Thailand, and Timor-Leste.

³ The Philippines, with geography and culture similar to Indonesia, was also a potential comparator country. China and Thailand were selected over the Philippines as better models for Indonesia to aspire in view of their strong and sustained economic growth performance.

deeply to assess the source of the trouble and determine the best course of action. Similarly, the Economic Performance Assessment is based on an examination of key economic and social indicators, to see which ones are signaling problems. Some “blinking” indicators have clear implications, while others may require further study to investigate the problems more fully and identify appropriate courses for programmatic action.

The analysis is organized around two mutually supportive goals: transformational growth and poverty reduction.⁴ Broad-based growth is the most powerful instrument for poverty reduction. At the same time, programs to reduce poverty and lessen inequality can help to underpin rapid and sustainable growth. These interactions can create a virtuous cycle of economic transformation and human development.

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

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

The present evaluation must be interpreted with care. A concise analysis of selected indicators cannot provide a definitive diagnosis of economic performance problems or simple answers to questions about programmatic priorities. Instead, the aim of the analysis is to spot signs of serious problems affecting economic growth performance, 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 three sections: Overview of the Economy; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topical coverage. Appendix A provides a brief explanation of the criteria used for selecting indicators and the benchmarking methodology and a table showing the full set of indicators examined for this report. Appendix B provides a full tabulation of the data and international benchmarks examined for this report, along with technical notes on the data sources and definitions.

⁴ 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.

Table 1-1
Topic Coverage

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

THE CURRENT ECONOMIC CRISIS

This report was written in the early stages of a global financial market crisis and economic downturn. This turmoil in the world economy places Indonesia's growth performance at risk in the short term and has caused a sharp drop in Indonesian commodity prices from recent historic peaks. The drop in fuel prices has mixed effects: it decreases the value of Indonesia's main export but also reduces the cost of fuel subsidies (see Fiscal and Monetary Policy, p. 15), freeing up money for investment in infrastructure and other priorities. The crisis has also heightened risk aversion in the global financial markets, which is likely to reduce the flow of international capital into emerging market economies and complicate trade financing.

Although crisis management is the order of the day, the cyclical shocks will reverse over the medium term, at which point the structural conditions discussed in this report will again be the major determinants of growth and poverty reduction.

DATA QUALITY AND FORMAT

The breadth and quality of economic data available for Indonesia are excellent. The World Bank gives Indonesia a score of 88 out of 100 on its 2007 Statistical Capacity Indicator index, compared to a score of 82 for Thailand and 59 for China. (As noted in the text, some key indicators for China are not available.) Several issues remain, however. First, the government undertakes an economic census of businesses only every 10 years, resulting in insufficient recent data on characteristics of the business sector. Also, the IMF has noted that the household budget surveys do not adequately capture higher-income households; this is a problem virtually everywhere. Finally, government budget data do not provide an up-to-date breakdown of expenditure patterns for subnational authorities, even though local authorities account for a sizeable share of total expenditures. These problems do not significantly affect the analysis in the present report.

2. Overview of the Economy

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

GROWTH PERFORMANCE

Per capita GDP in Indonesia has rebounded strongly from a trough of \$516 (in current U.S. dollars) in 1998 in the wake of the Asian financial crisis to an estimated \$1,947 in 2007 (or \$3,724 in terms of purchasing power parity [PPP] dollars). Average income is now above the global median for LMI countries of \$1,608 (or PPP \$3,693), using the World Bank's income classification. The direct comparators used in this report, China and Thailand, also fall in the LMI category, but higher in the range, with per capita GDP of \$2,461 and \$3,737 (or PPP\$5,292 and PPP \$7,900), respectively.

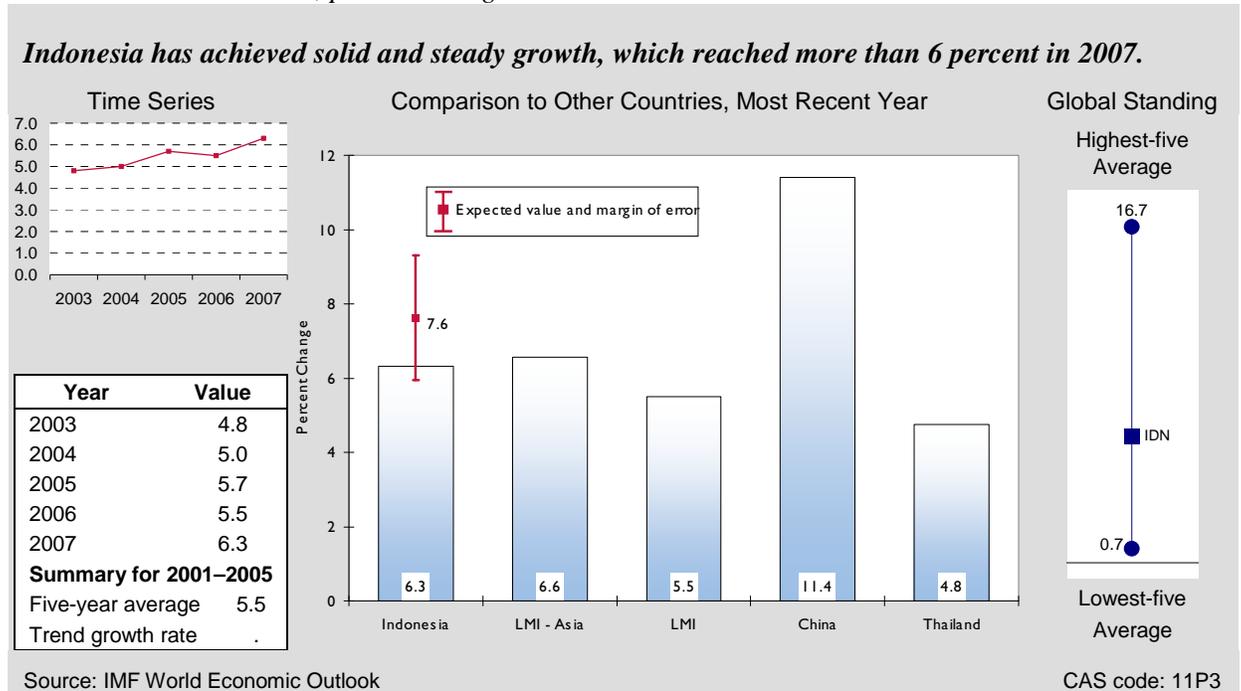
Over the past five years, Indonesia has achieved solid growth, averaging 5.5 percent per year, and reaching 6.3 percent in 2007. Even this latest performance, however, falls short of the expected value of 7.6 percent for a country with Indonesia's characteristics,⁵ as well as the LMI-Asia median of 6.6 percent and China's scorching growth rate of 11.4 percent in 2007. Indonesia's rate in 2007, however, does surpass the global LMI median of 5.5 percent and Thailand's rate of 4.8 percent in 2007 (Figure 2-1).

Indonesia has shown that it can improve on recent performance. Between 1990 and 1996, its growth rate averaged 7.3 percent per year. Before the Asian financial crisis, Indonesia's growth path was characterized by steady structural transformation, with strong growth in labor-intensive manufacturing, but since the crisis, growth has been driven more by the commodities sector, with slower structural change and less-rapid job creation (see Employment and Workforce). Some of these changes are reflected in the productivity of the Indonesian labor force (defined as GDP per person in the labor force), which has grown by only 3.2 percent each year, on average, since 2002. This rate trails the expected value of 5.0 percent for a country with Indonesia's

⁵ The expected values in this report are based on our regression benchmarking methodology. Please see the appendix for further explanation.

characteristics, as well as Thailand's 4.0 percent growth rate in 2006. China has seen explosive growth in labor force productivity—9.9 percent in 2006.⁶

Figure 2-1
Real Annual GDP Growth, percent change



The investment rate in Indonesia has been high enough to sustain a growth rate of 5 to 6 percent, but increased investment will be needed to spur more rapid growth and faster gains in productivity. Gross fixed investment averaged 22.9 percent of GDP in the 5 years to 2007.⁷ This is slightly higher than the expected value of 22.2 percent for a country with similar characteristics as Indonesia but is far below Thailand's 31.4 percent (in 2007) and especially China's extraordinary 42.6 percent (in 2006) (Figure 2-2). At the same time, gross fixed private investment in Indonesia averaged 21.1 percent of GDP in the 3 years to 2007.⁸ This is well above the expected value of 17.0 percent for a country with Indonesia's characteristics, greater than the median value for LMI countries worldwide (17.9 percent), and even above Thailand's 18.6 percent in 2006. Private investment in Indonesia is still well below China's extremely high

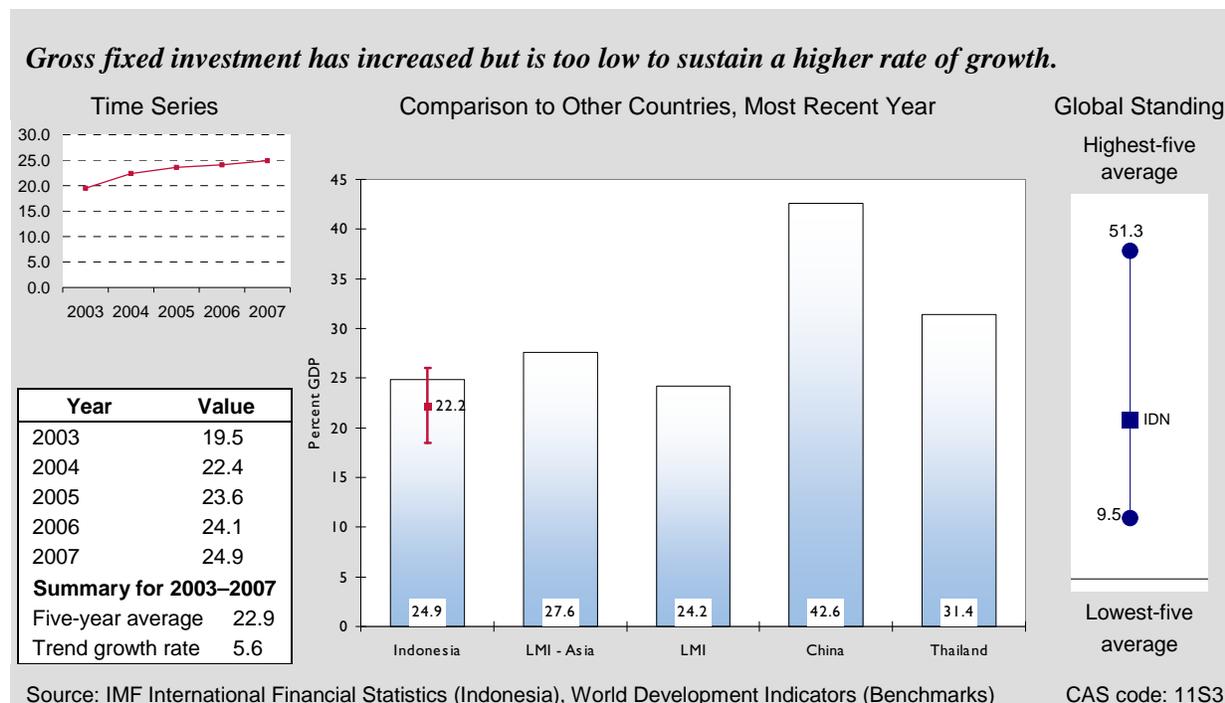
⁶ On a slightly different measure, growth in output per employed worker (labor productivity), Indonesia's performance was better than Thailand's. Output per worker grew, on average, by 4.1 percent in Indonesia each year over the five year period from 2002 to 2006. Thailand's output per worker growth was a slightly slower 3.9 percent each year over the same period; China had explosive growth of 9.0 percent in output per worker each year over the same period. The difference between these two measures relates to changes in the ratio of employed workers to the labor force, or labor utilization.

⁷ Calculated from IMF, International Financial Statistics.

⁸ Gross fixed private investment is obtained by subtracting government investment from gross fixed investment. The government investment numbers are obtained from Bank Indonesia's *2007 Economic Report*, page 31.

level of 38.9 percent of GDP in 2006 (including government-owned enterprises). In contrast, government fixed-capital formation is a very low at 3.4 percent of GDP in 2007 (see Fiscal and Monetary Policy). Government spending on infrastructure is particularly critical; the lack of basic infrastructure, such as roads, port facilities, and electricity present a major constraint to growth (see Economic Infrastructure). Poor infrastructure, in turn, retards private investment, creates bottlenecks in various value chains, and retards growth.

Figure 2-2
Gross Fixed Investment, percent GDP



One very favorable sign is that investments have been using capital efficiently. Over the five years to 2007, the incremental capital-output ratio (ICOR) averaged 3.8, which means that each extra dollar of annual output has required \$3.80 of investment. (A lower value for the ICOR indicates higher investment productivity.) This is much better than the LMI median value of 4.6 and Thailand’s ICOR of 5.0 and essentially the same as China’s ICOR of 3.9.

Increasing government investment in infrastructure, as well as investment in education and health, is important for strengthening growth. Of equal importance is continued improvement in the weak investment climate (see Business Environment), including a reduction in labor market rigidity (see Employment and Workforce) to facilitate the growth-enhancing transition of labor from agriculture to industry and services (see Economic Structure).

POVERTY AND INEQUALITY

For two decades before the Asian financial crisis, Indonesia made great strides in reducing poverty. According to the national poverty line, the poverty headcount fell by 28.7 percentage points, to 17.6 percent in 1996.⁹ After the crisis, the poverty rate spiked at 23.4 percent in 1999, declined quickly to 18.2 percent in 2002, and fell slowly to 16.0 percent in 2005 before rising to 17.8 percent in 2006, mainly because of an increase in the price of rice caused by a restriction on imports. The rapid increase in international prices for basic foods and fuel in 2007 and 2008 has contributed to a further increase in the cost of living for the poor.

Many Indonesians remain vulnerable to price shocks and rising commodity prices.¹⁰ Food and energy account for three-quarters of household expenditure among low-income groups,¹¹ and many nonpoor households are clustered just above the national poverty line of about PPP \$1.55 per day. Although just 7.5 percent of Indonesians lived on less than PPP\$1 per day in 2006, approximately 49 percent lived on less than PPP\$2 per day.¹²

Indonesia's performance on the UNDP's Human Poverty Index (HPI) indicates that recent growth has produced little improvement in conditions for the poor. This index provides a broad gauge of poverty that takes into account deprivation in health and education as well as income poverty. On a scale of 1 for excellent conditions to 100 for poor conditions, Indonesia's score worsened marginally, from 17.9 in 2003 to 18.2 in 2007. This score is better than the expect value of 19.5 for a country with Indonesia's characteristics but does not match the benchmarks for LMI-Asia, China, and Thailand (Figure 2-3). The decline is largely due to the spike in domestic rice prices in 2006, as mentioned above.

National statistics indicate a relatively equitable overall distribution of income. In 2005, the poorest 20 percent of the population earned 7.1 percent of total income, which compares favorably to the corresponding figures of 4.3 percent for China, 6.3 percent for Thailand, and 6.5 percent as the median for LMI countries globally. There are large regional disparities within the country, however, which are potential triggers for political instability. Rapid decentralization of administrative power since the 1997/98 financial crisis may be exacerbating regional disparities because local government capacity to plan, budget, and implement programs to reduce poverty is limited.¹³ For example, the poverty rate is 15.7 percent in Java/Bali and 38.7 percent in remote areas of Papua. Likewise, within Kalimantan, 24.7 percent of the population lives below the poverty line in poor areas such as Landak, while in Banjarmasin the figure is only 3.2 percent.¹⁴

⁹ The 1996 headcount is based on poverty count methodology introduced that year; the two-decade change is based on the earlier methodology. See World Bank (2006), *Making the New Indonesia Work for the Poor*, p. xxi.

¹⁰ Current data available reflects statistics prior to 2007; as a result we do not yet see the effects of the steep rise price increases in 2008 on the poverty rate or overall poverty reduction.

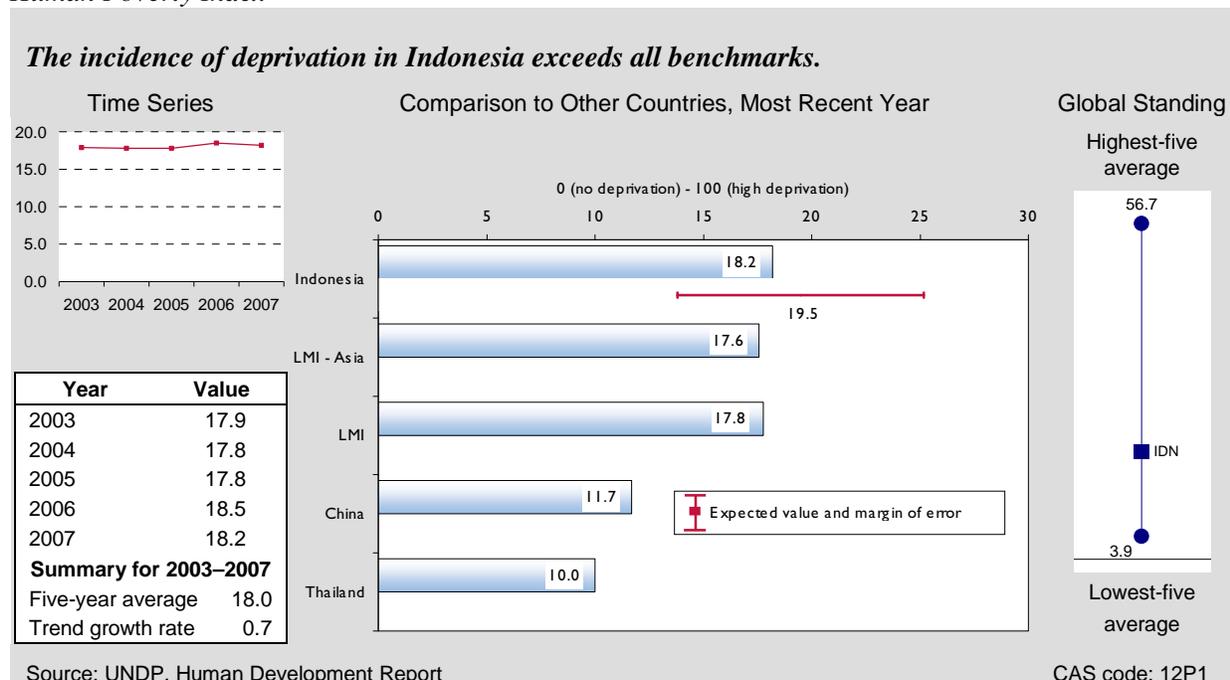
¹¹ World Bank, *Indonesia: Economic and Social Update*, April 2008, 21.

¹² World Bank (2006), *Making the New Indonesia Work for the Poor*, p. xxiii.

¹³ *Ibid.*

¹⁴ World Bank, *Making New Indonesia Work for the Poor*. 2006.

Figure 2-3
Human Poverty Index



Sustainable poverty reduction remains one of Indonesia’s most pressing issues, including the high proportion of near-poor, regional inequality, and rural poverty. The poverty statistics underscore the need for more rapid and pro-poor growth through concerted efforts to improve the investment climate, reduce barriers to entrepreneurship, and facilitate structural transformation, as discussed in chapters 3 and 4.

ECONOMIC STRUCTURE

The structure of the economy is slowly but steadily being transformed in a way that is broadly in line with international experience. Agriculture’s share of GDP (in current prices each year) declined from 15.2 percent to 13.8 percent over the five years to 2007. Surprisingly, however, the share in services also declined, from 41.1 percent to 39.4 percent. Industry’s share, meanwhile, rose, from 43.7 percent to 46.7 percent, mainly because of an increase in the price of minerals, which boosted the share of mining in GDP from 8.3 percent in 2003 to 11.1 percent in 2007. Construction’s share also increased, from 6.2 percent of GDP in 2003 to 7.7 percent in 2007, while the share of GDP attributable to manufacturing declined from 28.3 percent to 27.0 percent.¹⁵

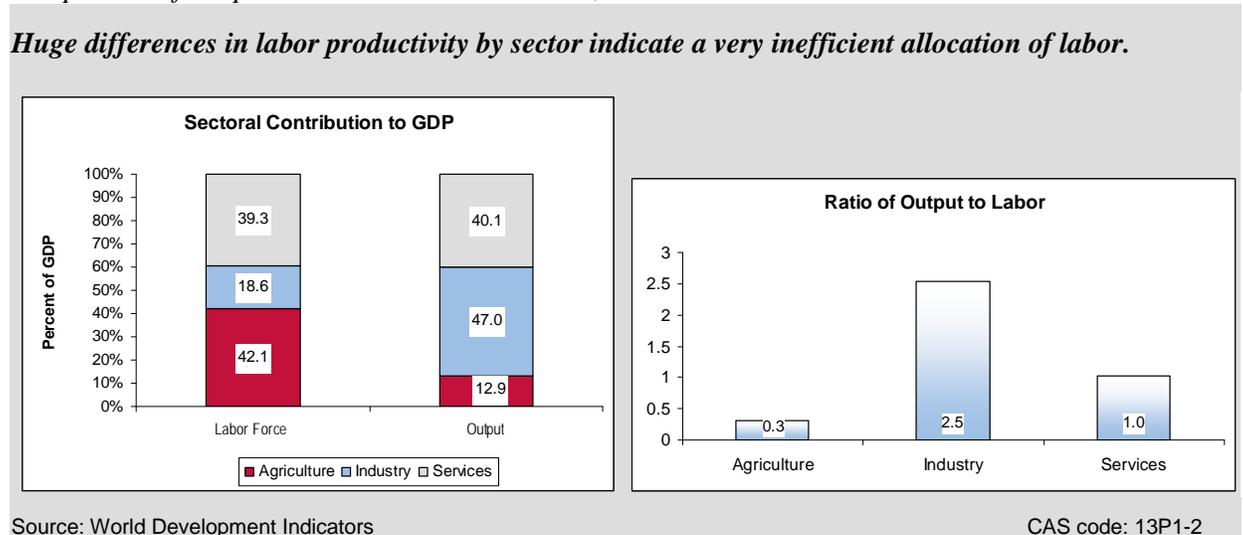
The share of employment in industry was essentially unchanged between 2002 and 2006 (18.8 percent compared to 18.6 percent). In agriculture, the share of employment remained virtually unchanged between 2002 and 2005 at about 44.0 percent before falling in 2006 to 42.1 percent.

¹⁵ Computed from Bank Indonesia, 2007 Economic Report on Indonesia Appendix. Tables.

Comparing sector shares of output and labor force (Figure 2-4) shows that labor productivity is extremely low in agriculture relative to productivity in industry and services. In 2006, a job in industry produced, on average, slightly more than eight times as much value as a job in agriculture. In the service sector, average labor productivity is about three times that in agriculture. This huge productivity differential indicates that there is great potential for augmenting growth by reallocating labor to more efficient activities. Yet Indonesia has gained little ground in recent years from this process. In the past five years, agriculture contributed a mere 0.5 percentage points per annum to growth, while industry and services accounted for 2.0 and 2.9 percentage points, respectively.

Given the actual growth rate of 5.5 percent per annum, the contribution from productivity gains due to structural change has been extremely small—just 0.1 percentage points per year. Using a similar calculation, Bosworth and Collins estimate that the reallocation effect in China added 1.7 percentage points to that country’s annual growth rate between 1978 and 1993 and 1.2 points per year over the following decade.¹⁶ Labor reallocation, of course, is mainly the sum of individual response to market incentives, but government can accelerate this process by stimulating labor-intensive investments, reducing institutional rigidity in the labor market, and expanding market-oriented workforce development. At the same time, programs to boost productivity growth in agriculture can enhance that sector’s tiny contribution to growth and poverty reduction (see Agriculture).

Figure 2-4
Comparison of Output and Labor Force Structure, Most Recent Year



¹⁶ Barry Bosworth and Susan Collins, Accounting for Growth: Comparing China and India, NBER Working Paper 12943, February 2007.

DEMOGRAPHY AND ENVIRONMENT

Indonesia's population of 225.6 million (2007) is growing by an estimated 1.2 percent per year. This moderate pace translates into a relatively low and declining youth dependency ratio. In the five years to 2007, this ratio fell from 44.3 dependents per 100 working-age adults to 41.6 dependents. China and Thailand are even further along the path of demographic transition, with dependency ratios of 28.9 and 30.0, respectively. Indonesia is therefore midway through the transition. The rising share of working-age to total population creates a demographic window of opportunity for faster growth. Indonesia's impressive adult literacy rate of 92.5 percent (2007) also provides a strong base of human capital to spur economic growth. To take advantage of this opportunity, policymakers and donors must foster faster job creation in the more productive sectors (see Employment and Workforce).

Half of Indonesia's population (50.3 percent) lives in urban areas, with Jakarta the principal metropolitan hub. This urbanization rate is on par with the median LMI urbanization rate of 53.5 percent, and higher than China's 42.2 percent, Thailand's 33.0 percent, and the expected value of 40.0 percent for a country with Indonesia's characteristics. More important, the urbanization rate rose by 4.6 percentage points between 2003 and 2007.¹⁷ Although urbanization is a healthy feature of structural transformation; a rapid pace intensifies pressure on urban infrastructure and services, underlining the need for the government to allocate a greater share of the budget to capital expenditures and basic services (see Fiscal and Monetary Policy). These public sector investments can pay extra dividends by attracting more private investment into industry and services, which are predominantly urban, to boost urban job creation.

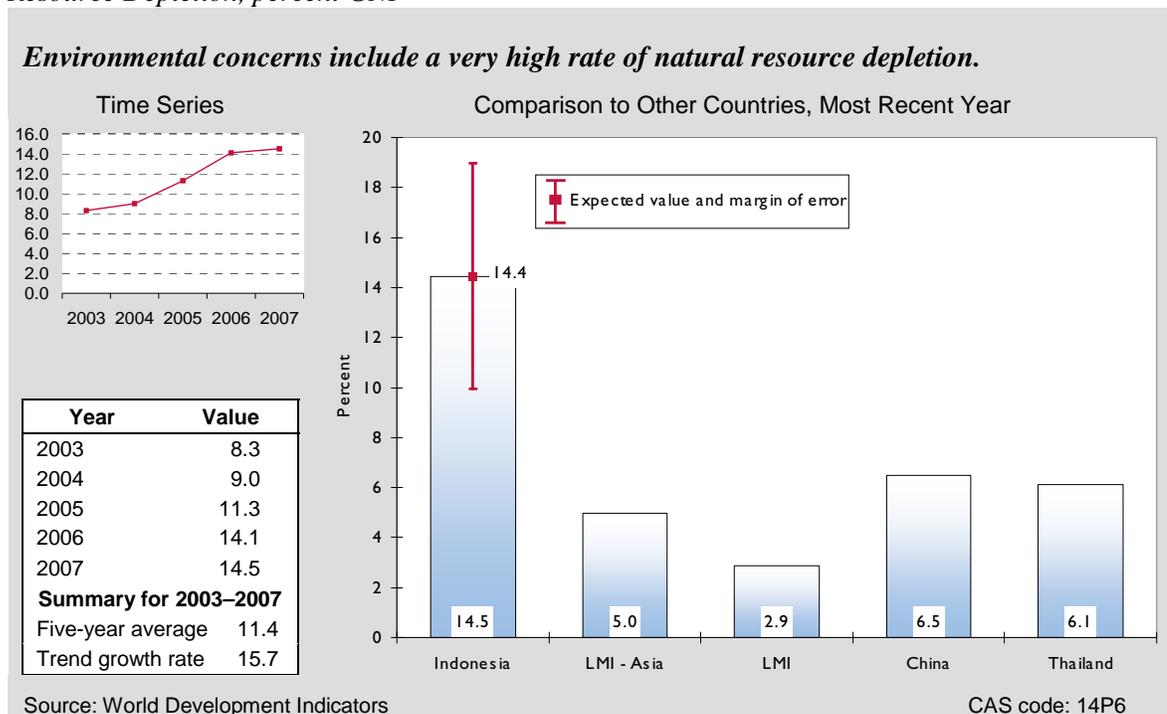
The high population density on Indonesia's main islands puts a strain on the environment. A broad gauge of environmental sustainability is the Environmental Performance Index (EPI) compiled by Yale and Columbia universities. Indonesia scores 66.2 on this index, an ascending scale of 1 to 100. Indonesia's score is on par with the predicted value of 67.1 and China's score of 65.1 and slightly better than the LMI-Asia median (63.4) but well below Thailand's score of 79.2. Indonesia's most serious environmental problems are in biodiversity and habitat loss, which threaten soil renewal and the conservation of valuable ecosystems for future generations.

In addition, although Indonesia is blessed with an abundance of natural resources that can drive economic growth and poverty reduction, growth may not be sustainable in the long term if it is based on extracting nonrenewable natural capital rather than on generating new wealth. According to World Bank estimates, the economic value of resource depletion in Indonesia amounted to 14.5 percent of gross national income (GNI) in 2006, compared to 6.5 percent in China and 6.1 percent in Thailand (Figure 2-5).¹⁸ Given Indonesia's heavy dependence on resource depletion, income from nonrenewable resources must be well managed and allocated largely to productive investment rather than to support current consumption.

¹⁷ The World Bank points out that a substantial number of rural households are becoming urban households without changing location. The definition of "urban" is based on population density, number of amenities, and the share of income from agriculture. Over time, villages on the periphery of urban areas become urban areas. World Bank, *Making New Indonesia Work for the Poor*, 2006, p. 91.

¹⁸ The Bank's resource depletion indicator is the sum of the estimated economic value of the reduction in energy, mineral, and net forest reserves, expressed as a percentage of gross national income.

Figure 2-5
Resource Depletion, percent GNI



GENDER

Gender equity enables faster economic growth by ensuring that the productive capacities of all citizens can be developed and used to their full extent. Indonesia performs very well on key indicators of gender equity with the notable exception of female labor force participation.

Gender differences in life expectancy at birth are a fundamental gauge of health conditions for men and women. In Indonesia, the average life expectancy in 2006 was 70.0 years for women, compared to 66.4 years for men.¹⁹ The 3.6 year age differential in favor of women conforms to the international norm; indeed, in countries with a high level of human development, women live longer than men by five or more years, on average. The LMI-Asia median life expectancy for women is 69.1 years and the gender differential 2.9 years. In China, female life expectancy is 73.9 years and the gender differential 3.8 years, while Thailand's female life expectancy is 74.8 years and the gender differential an unusually large 8.9 years. In all these cases, the data indicate a highly equitable provision of basic health services by gender.

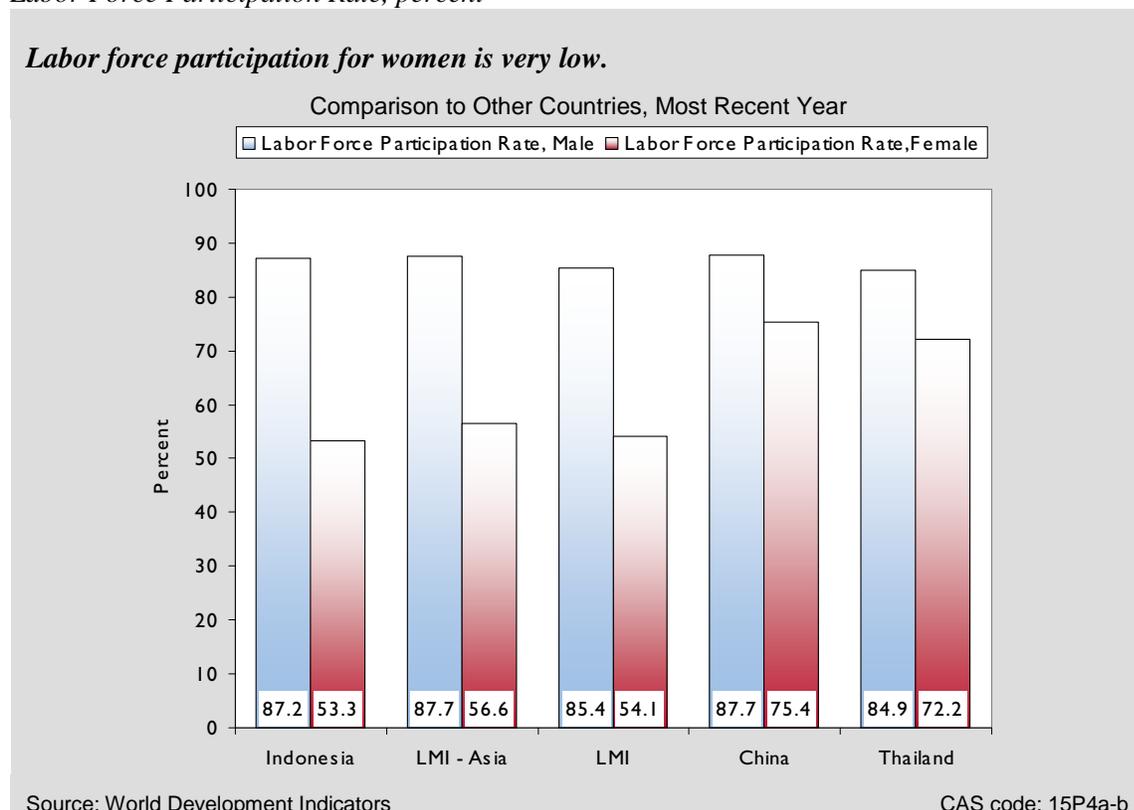
Indonesia also performs very well on gender equity in education. Girls' primary completion rate of 98.9 percent (2006) is well above the expected value of 94.9 percent for a country with Indonesia's characteristics and of the LMI median of 91.8 percent. The gross enrollment ratio for all levels of schooling (primary through tertiary) shows near parity, at 70.0 percent for males and 67.0 percent for females in 2004 (latest year available). This is in line with the expected value for

¹⁹ World Development Indicators online database, downloaded 25 September 2008.

a country with Indonesia’s characteristics— 67.5 percent males and 66.0 percent females. China does even better, with gross enrollment ratios of 71.0 percent for males and 70.0 percent for females, and in Thailand the ratio for females (74.0 percent) is even higher than that for males (73.0 percent), suggesting that men are likely to leave school earlier to join the labor force.

Although there is little sign of gender disparity in health and education in Indonesia, imbalances are large in the labor force, where the participation rate is 87.2 percent for males and just 53.3 percent for females in 2006 (latest data).²⁰ This high degree of gender inequality in the labor market seriously undermines the country’s productive potential. Women’s participation rate in the labor force in Indonesia is far below the rates in China (75.4 percent) and Thailand (72.2 percent) (Figure 2-6). As women in Indonesia continue to enjoy educational achievement, policymakers must focus commensurate attention on creating culturally acceptable and equitable opportunities for women in the workplace so that all Indonesians can fulfill their productive potential and contribute to national development. Policies promoting female labor force participation would also reinforce the growth benefits created by the demographic window of opportunity discussed above (see Demography and Environment).

Figure 2-6
Labor Force Participation Rate, percent



²⁰ World Development Indicators online database, downloaded September 25, 2008.

3. Private Sector Enabling Environment

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

FISCAL AND MONETARY POLICY

The Asian financial crisis of 1997/98 plunged the Indonesian economy into a period of severe instability and kindled political turmoil for several years. Beginning in 2001, the government of Indonesia adopted a concerted program to restore fiscal sustainability, reduce the debt burden, and maintain low inflation as a foundation for sustainable growth. The program has reduced the budget deficit and public debt to very manageable levels, though inflation remains a serious concern.

The fiscal balance has been well managed: Government borrowing has not crowded out credit to the private sector, nor has fiscal pressure inflated the money supply. In the past five years the government budget deficit averaged 1.1 percent of GDP, and in 2007, the deficit was 1.2 percent.²¹ This compares favorably to all of the benchmarks. Recent data for China and Thailand show deficits of 1.6 percent and 1.2 percent of GDP, respectively, while the LMI-Asia median is 4.3 percent of GDP. Moreover, the government has been consistently running a surplus on the “primary balance,” which is defined as revenue less non-interest expenditure; this positive

²¹ Budget data reported here are from Bank Indonesia (2008), *2007 Economic Report: Maintaining Stability, Sustaining National Economic Development*, Appendix Table 30, p. 244; ratios to GDP are calculated using nominal GDP data from the IMF’s World Economic Outlook database, April 2008.

balance is a key factor in reducing the debt burden and achieving fiscal sustainability. As a result of this prudent fiscal management, the government debt declined from 100 percent of GDP in 1999 to 35 percent in 2007; of this, foreign debt amounted to just 16 percent of GDP.²²

Looking at components of the government budget, expenditures averaged 19.0 percent of GDP over the past five years, and revenues (excluding grants) averaged 17.8 percent of GDP. The revenue sources are well balanced between income taxes, indirect taxes, and other revenues (mainly energy revenues), with very little dependence on more distortionary trade taxes. Also, the government has been implementing an effective program to strengthen tax administration, which helped boost the ratio of revenue to GDP more than one full percentage point over the period.²³

Nearly two-thirds of current expenditures by the central government are allocated for transfer to subnational governments. This figure demonstrates the country's laudable commitment to fiscal decentralization. The main problem with the composition of expenditures is the heavy cost of subsidies, which absorbed 29.8 percent of total spending by the central government in 2007 (and 26.5 percent of spending by all levels of government). The subsidies are used mainly to hold down rising prices for fuel, food, and fertilizer. The energy subsidy alone cost 3.8 percent of GDP in 2007,²⁴ and the IMF projects this to reach 5 percent of GDP in 2008 despite a 29 percent increase in the administered price for fuel last May. The government justifies this huge allocation for subsidies as a means to avert price hikes for basic commodities and safeguard stability.²⁵ This is an entirely legitimate concern. But as a side effect, development expenditure by the central government amounted to merely 1.6 percent of GDP in 2007. Including subnational governments, public sector capital formation totaled just 3.4 percent of GDP. Both figures are extraordinarily low compared to the needs (see Infrastructure). Better targeting of subsidies would provide more fiscal space for additional spending on development programs and public services while also encouraging more efficient use of fuel. This approach would also improve equity, because with straight subsidies a disproportionate share of benefits accrues to the nonpoor.

Despite price controls and subsidies for basic commodities, Bank Indonesia has not managed to contain inflation consistently. In 2006, the annual inflation rate rose to 13.1 percent because of a 30 percent increase in the administered price for fuel in 2005 and a ban on rice imports that restricted supply in the domestic market to benefit farmers.²⁶ The inflation rate fell to 6.4 percent in 2007 but has been resurgent in 2008; for August, the consumer price index was 11.9 percent above the level of a year earlier.²⁷ For 2007, the inflation rate was consistent with Bank Indonesia's target of six percent, plus or minus one percent, and only slightly over the median for LMI-Asia. Both China and Thailand, however, were more successful in holding down inflation,

²² Bank Indonesia (2008), p. 121.

²³ See John Brondolo, Carlos Silvani, Eric Le Borgne and Frank Bosch (2008), *Tax Administration Reform and Fiscal Adjustment: The Case of Indonesia (2001-2007)*, IMF Working Paper WP/08/129.

²⁴ Bank Indonesia (2008), p. 31.

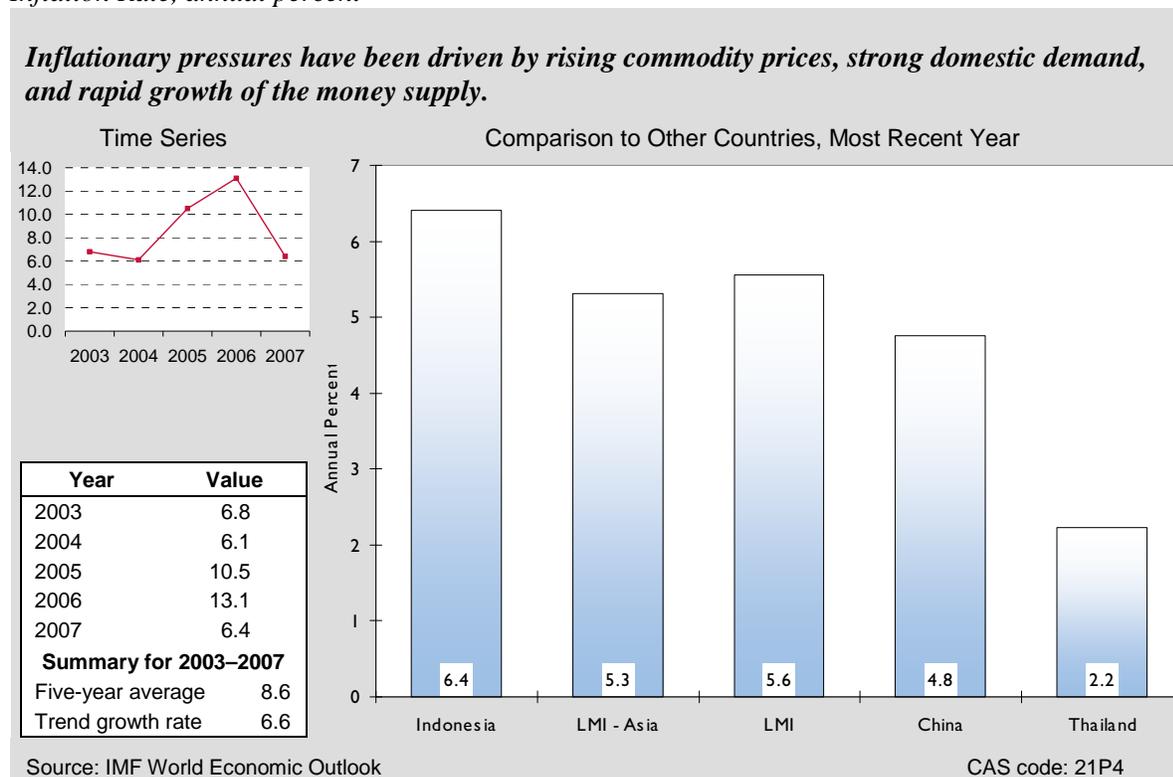
²⁵ Bank Indonesia (2008), p. 120.

²⁶ World Bank, *Indonesia: Economic and Social Update*, April 2008, p. 16.

²⁷ Bank Indonesia, *Monetary Policy Review September 2008*, p. 3.

with inflation rates of 4.8 and 2.2 percent, respectively, although they had to contend with the same trends in international commodity markets (Figure 3-1).

Figure 3-1
Inflation Rate, annual percent



The jump in inflation in 2008 has been driven by rising global prices for fuel and food, bolstered by strong growth of domestic demand. These pressures have been reinforced, however, by an accommodating monetary policy, as the broad money supply (M2) expanded by 19.3 percent in 2007 and 17.5 percent in the 12 months to June 2008 (latest data). The sources of money supply growth have been (1) a rapid expansion of credit to businesses and households in the private sector, and (2) the accumulation of foreign exchange reserves. Both are healthy developments as long as the rates of change are consistent with overall macroeconomic stability and sound banking practices (see Financial Sector).

The recent growth of M2 in Indonesia is not much different from the figure of 17.6 percent for China in 2007. The difference is that China can easily absorb rapid growth in the money supply without much inflationary impact because real GDP—and hence the demand for money balances—is growing at double-digit rates. In Indonesia, where GDP growth is closer to 6 percent, sustained expansion of the money supply at more than 17 percent per year is a recipe for double-digit inflation. Meanwhile, in Thailand, the authorities in 2006 held M2 growth to a very conservative rate of 1.2 percent.

Fortunately, Bank Indonesia regards the fight against inflation as the primary focus of monetary policy. Consequently, it increased the central bank lending rate—its main policy instrument—five

times between April and September 2008, from 8.0 percent to 9.25 percent. Interest rates in the financial markets and commercial banks have broadly followed suit.²⁸ The policy aims to cool the growth of credit and the money supply. Moreover, inflationary pressures should be ebbing anyway, as world market prices for fuel and food fall off from recent peaks because of the weakening of the global economy.

The primary danger of the recent surge in inflation is that it may feed into wage demands and spark a wage-price spiral that would be difficult and costly to reverse. Continuing double-digit inflation may also foster instability in foreign exchange markets and boost interest rates even further, which would squeeze the government budget through higher borrowing costs. Donor agencies should respond to this situation by wholly supporting the government's commitment to prudent fiscal policy and the central bank's focus on fighting inflation, recognizing that macroeconomic stability is a cornerstone for rapid and sustained growth.

BUSINESS ENVIRONMENT

Institutional barriers to doing business, including corruption in government, are critical determinants of private sector development and sustainable growth. The World Bank's composite ranking on Doing Business indicators for 2008 places Indonesia at an unsatisfactory 129th place of 181 countries (Figure 3-2), a drop from 127th in 2007. This is far worse than the expected value of 86th place for a country with Indonesia's characteristics. China ranks 83rd on this index, while Thailand, ranking 13th, is among world leaders. There is no inherent reason for Indonesia to be lagging so far behind these comparators in creating a more supportive business environment.

The business environment has improved in the past five years, but it remains far below benchmark standards. For example, the required cost to start a business has declined from 130.7 percent of GNI per capita in 2004 to 77.9 percent in 2008. Yet even the latest ratio compares poorly to the LMI-Asia median of 36.3 percent, China's 8.4 percent, and Thailand's 4.9 percent (Figure 3-3). Similarly, the government halved the estimated time required to start a business from 151 days in 2005 to 76 days in 2008, but the bureaucratic procedures still take much more time than the expected value of 40 days, as well as the estimates of 40 days in China and 33 days in Thailand. Although Indonesia has made considerable progress in reducing the cost and time to start a business, the country still ranks low on the composite index of institutional impediments to starting a business—171st of 181 countries. These deficiencies continue to impose barriers to entrepreneurship and the formalization of small enterprises.

²⁸ Bank Indonesia, Monetary Policy Review September 2008, p. 10-11.

Figure 3-2
Ease of Doing Business Ranking (1-181)

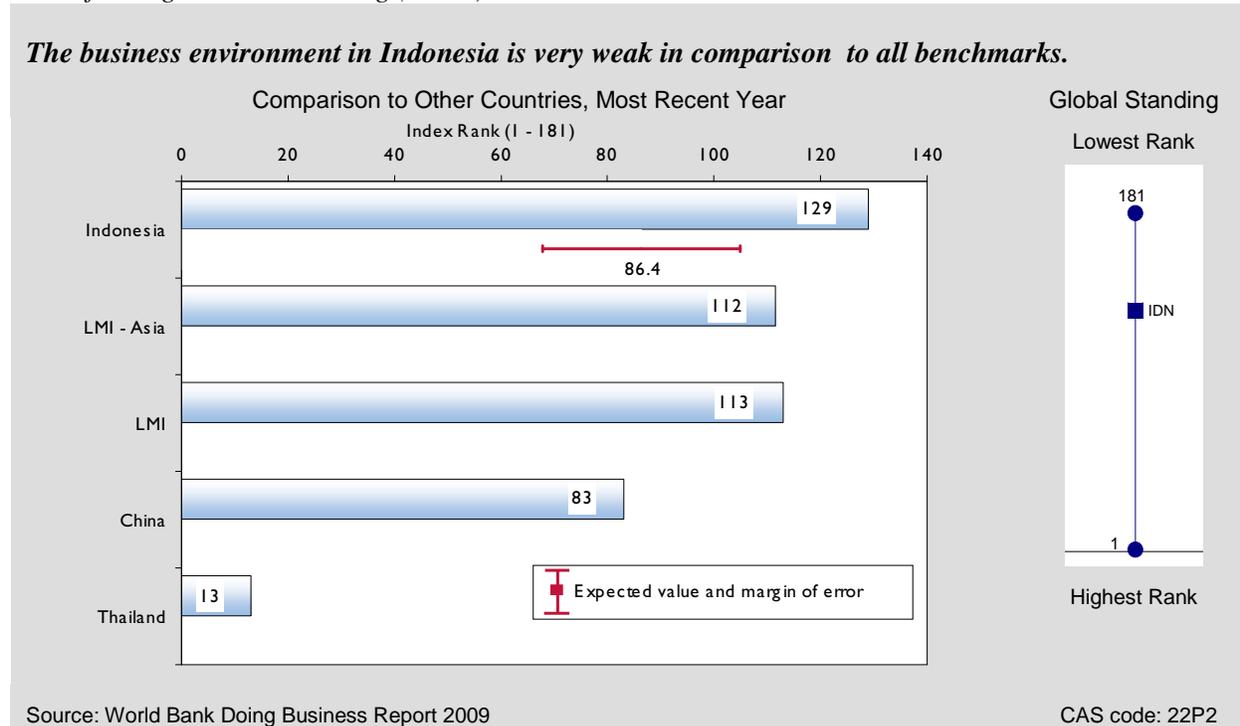
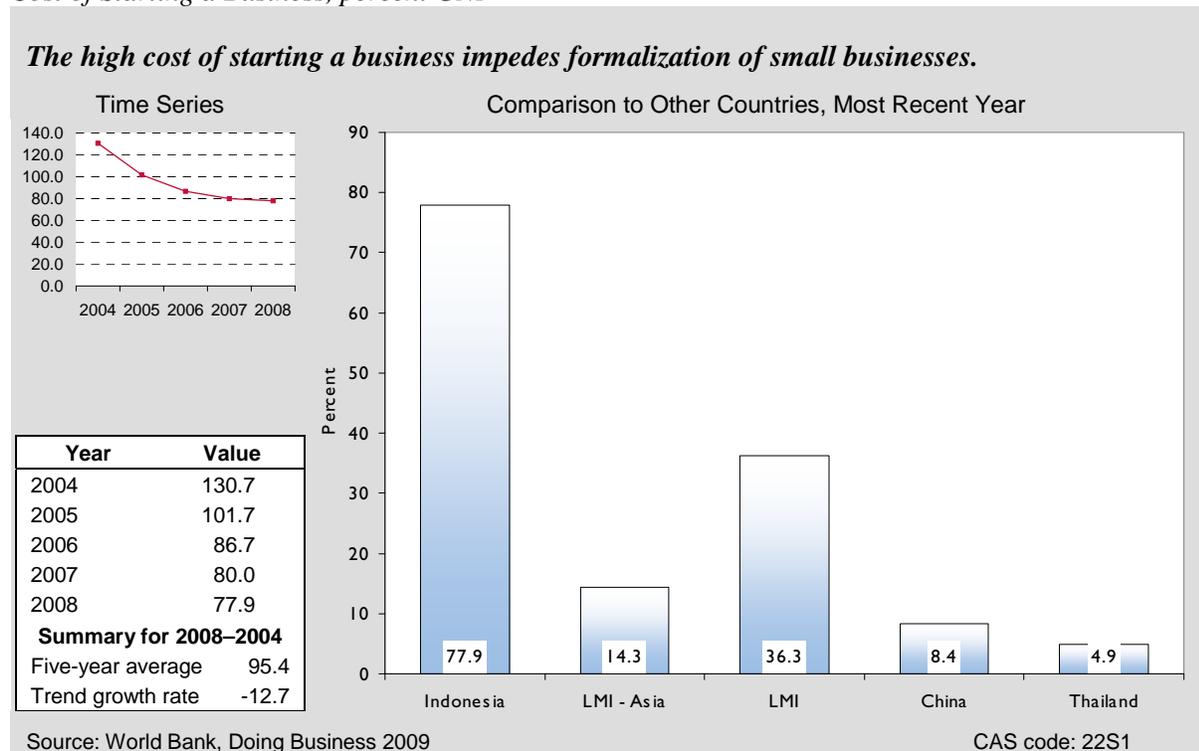


Figure 3-3
Cost of Starting a Business, percent GNI



In other areas, there is little sign of progress. Since 2004, Doing Business has consistently estimated that enforcing an illustrative contract takes 570 days in Indonesia. This is three months longer than in Thailand (479 days) and five months longer than in China (406 days), though about the same as the time required in the LMI median of 584.5 days and better than the LMI-Asia median of 617.5 days. Time to register property in Indonesia, 39 days, is also longer than the 29 days in China or the mere 2 days that registering property takes in Thailand. (It is also unchanged since 2003.) Indonesia ranks very low in other Doing Business assessments as well: 157th for employing workers (see Employment and Workforce); 140th for enforcing contracts; and 139th for closing a business.

Indonesia does score well on some Doing Business indicators; the strongest rankings are trading across borders (rank 37) and protecting investors (rank 53). In paying taxes, Doing Business ranks Indonesia 116th because of poor scores for the number of tax payments and time required for tax compliance. Yet the country rates well on the most important tax factor: the tax burden on businesses. The World Bank estimates that taxes in Indonesia absorb 37.3 percent of operating profits for a standardized business case, compared to 37.8 percent in Thailand and 79.9 percent in China. The tax burden in Indonesia is also slightly lower than the LMI-Asia and LMI global medians, at 38.8 percent and 42.3 percent of operating profit, respectively.

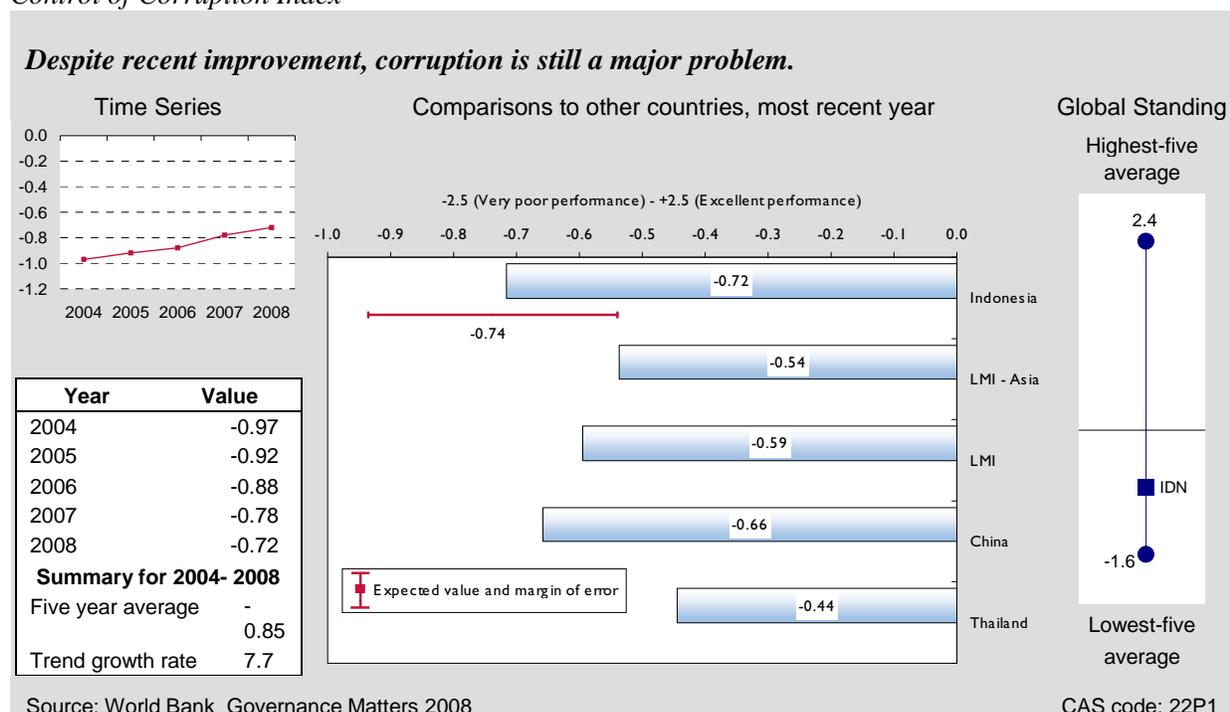
Indonesia also lags behind most benchmarks on the World Bank's annual ratings for the quality of governance (which range from -2.5 for poor to +2.5 for excellent, with 0.0 as the global mean). For the Regulatory Quality index, Indonesia's 2007 score of -0.30 falls short of the LMI-Asia median (-0.24), the score for China (-0.24), and most notably Thailand's score of +0.11. One contributing factor to this weak performance is that decentralization initiated in 1999 have exacerbated weaknesses in the regulatory framework. A recent local economic governance survey by USAID's PROMIS project²⁹ found that approximately 80 percent of the sampled local Indonesian regulations have errors related to legal references, omissions of required points of substance, or violations on point of principle.³⁰

In addition to formal regulations and procedures, corruption is a serious and persistent component of governance problems and a significant obstacle to doing business in Indonesia. Although Indonesia has shown consistent improvement the World Bank's Control of Corruption index, moving from -0.97 in 2003 to -0.72 in 2007, the country rating still falls short of all benchmarks: LMI-Asia median (-0.54), China (-0.66), and Thailand (-0.44) (Figure 3-4).

²⁹ The project Reducing Barriers to Market Entry and Business Operation (PROMIS) activity, sponsored by USAID, works primarily with local governments to improve local and regional business environments.

³⁰ USAID/Indonesia Economic Growth Sector Assessment, September 2008, p. 38.

Figure 3-4
Control of Corruption Index



Other global indices of the business-enabling environment corroborate the picture of deficiencies in the institutional framework in Indonesia relative to international benchmarks. In particular, a recent USAID report on global rankings has highlighted three additional indices: the Global Competitiveness Index (GCI) from the World Economic Forum (WEF), the Index of Economic Freedom from the Heritage Foundation, and the Business Environment Index from the Economist Intelligence Unit (EIU).³¹

The GCI is based on a combination of executive opinion surveys and data. Indonesia’s GCI score of 4.24 (out of 7) is lower than China’s score of 4.57 and Thailand’s 4.70.³² According to the WEF report, survey respondents cite access to financing, inefficient government bureaucracy, and corruption as the three main problems facing businesses in Indonesia. Other notable disadvantages include time required to start a business, firing costs, and the relatively low penetration of telecommunications and Internet use (see Economic Infrastructure). The balance

³¹ Donald Snodgrass, Alternative Business Enabling Environment Rankings, Weidemann Associates, USAID Business Growth Initiative, 2008. At USAID/ Jakarta’s request, this report goes beyond the standard template to examine the additional indices discussed in the Business Growth Initiative report, which also discusses the Global Entrepreneurship Monitor produced by Babson College and the London Business School. The latest ratings do not include Indonesia.

³² The Global Competitiveness Index is based on 12 pillars of competitiveness: institutions, infrastructure, macroeconomic stability, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market sophistication, technological readiness, market size, business sophistication and innovation. The GCI aims to provide a comprehensive picture of the competitiveness landscape in countries at all stages of development. See <http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>

sheet also highlights competitive advantages, which include the large domestic and regional markets and low distortions from agriculture policy.

The Index of Economic Freedom, compiled annually by the Heritage Foundation, uses both quantitative and qualitative data to determine scores for each country in 10 categories³³ on a scale of 1 to 100, where 100 represents maximum freedom. The 10 scores are equally weighted in the index. For 2008, Indonesia received a composite score of 53.9. This is on par with China's score (52.8) but below Thailand's score (63.5). Indonesia scores well on restraining government size (89.7), fiscal freedom (77.6), and trade freedom (73.0), while showing weakness in freedom from corruption (24), investment freedom (30), property rights (30), and financial freedom (40).

Finally, the EIU's Business Environment Index is based on expert assessments of 91 indicators covering 10 categories.³⁴ For the period 2003–2007, Indonesia received a score of 5.44 on an ascending scale of 1 to 10. This is lower than both China's and Thailand's scores (5.66 and 6.67, respectively). For 2008–2012, the EIU forecasts that Indonesia will score 6.23, China 6.46, and Thailand 6.93. Beyond these rankings, however, it is not possible to extract diagnostic insights about particular strengths and weaknesses from this index because the detailed component scores are not publicly accessible on the EIU website, and the rankings provided on line (for a nominal fee) do not include a written analysis.

On balance, the evidence suggests that weaknesses in the business environment are a primary barrier to investment. The government adopted a new investment law in 2007 that addresses some of these problems, including provisions on land use and reduction of red tape for investors.³⁵ But the government needs to follow through on these measures and pursue deeper reforms to overcome institutional impediments, reduce corruption, enhance government effectiveness, and improve the rule of law, to establish a competitive business environment for success in the global economy. Further efforts are also needed to improve the capacity of local governments, particularly in poorer provinces, to achieve greater clarity in the web of regulations and decrease opportunities for exploiting regulatory weaknesses through corruption. The government, the private sector, and donors should view institutional reform and the fight against corruption as top priorities.

³³ The 10 categories are business freedom, trade freedom, fiscal freedom, government size, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption and labor freedom. See: <http://www.heritage.org/research/features/index/index.cfm>

³⁴ The 10 categories are the political environment, macroeconomic environment, market opportunities, policy toward free enterprise and competition, policy toward foreign investment, foreign trade and exchange controls, taxes, financing, the labor market, and infrastructure.

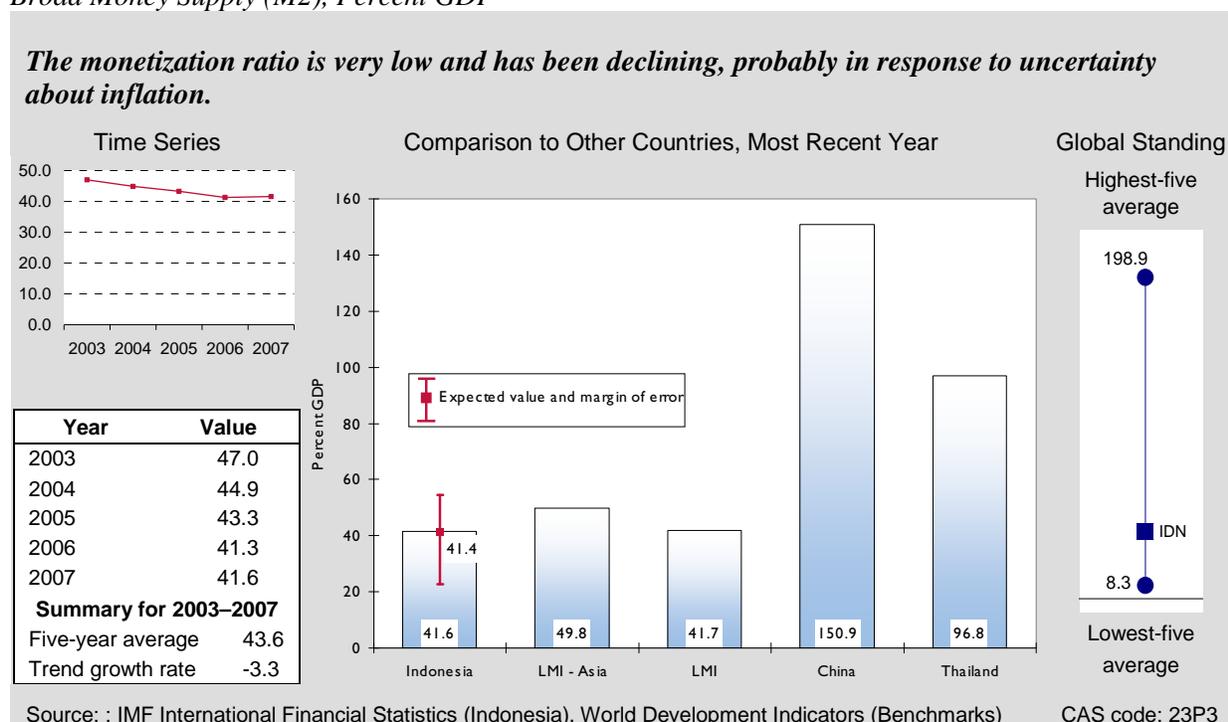
³⁵ Diego Moccero (2008), *Improving the Business and Investment Climate in Indonesia*, OECD Economics Department Working Paper No. 638, pp. 9-10.

FINANCIAL SECTOR

A sound and efficient financial sector is a key to mobilizing saving, fostering productive investment, and improving risk management. The financial sector in Indonesia suffered an enormous shock in the 1997/98 crisis and remains relatively underdeveloped in comparison to most benchmarks.

A basic gauge of the development of banking is the ratio of broad money (M2) to GDP, where M2 consists of currency in circulation plus bank deposits. For 2007, the broad money supply equaled 41.6 percent of GDP. This is very close to the expected value of 41.7 percent for a country with similar characteristics to Indonesia and the LMI average of 41.7 percent but well below the depth of banking attained in Thailand (96.8 percent) and China (150.9 percent) (Figure 3-5). Of greater concern is a surprising negative trend for this monetization ratio, which fell from 47.0 percent to 41.6 percent of GDP between 2003 and 2007. The decline could be a rational response to expectations of accelerating or unstable inflation, signaling that the central bank has not yet established credibility in maintaining price stability (see Fiscal and Monetary Policy).

Figure 3-5
Broad Money Supply (M2), Percent GDP



The banking system is also relatively weak on the credit side of the ledger. Domestic credit to the private sector amounted to 25.4 percent of GDP in 2007, below the LMI and LMI-Asia medians of 30.1 percent and 33.1 percent, respectively, as well as the expected value of 33.6 percent for a country with Indonesia's characteristics. Strikingly, credit to the private sector in Thailand is more than three times as high, at 88.0 percent of GDP, while China's ratio is more than four times

as high, at 113.6 percent of GDP. Bank lending was more robust in precrisis Indonesia, with credit to the private sector consistently above 40 percent of GDP from 1990 to 1996.³⁶ All of the countries affected by the Asian financial crisis suffered a drop in bank lending at the time, but the others have seen a much more extensive recovery.

The Indonesian authorities, concerned with the low levels of domestic lending, modified technical bank regulations in 2007 to spur credit growth;³⁷ and in fact, credit to the private sector grew by 22.4 percent in 2007 and by 32.3 percent in the year to July 2008.³⁸ This expansion of credit has been fueled in part by the fact that real interest rates were very low for the past three years (-0.3 percent in 2005, 1.9 percent in 2006, and 2.4 percent in 2007) and fell to zero in mid-2008.³⁹ International experience indicates that episodes of rapid credit growth require very careful supervision by the authorities to avoid problems from declining credit quality, especially when real interest rates are too low to screen out inefficient uses of capital.

The spread between lending and deposit rates can be viewed as a gauge of efficiency in financial intermediation—the lower the spread, the greater the efficiency. In Indonesia, the spread was 5.9 percent in 2007. Although this is better than the median for LMI countries globally (7.3 percent), financial intermediation in Indonesia is less efficient than in other countries of the region—the LMI-Asia median is 5.4 percent, while Thailand records a spread of 2.9 percent and China 3.6 percent. The efficiency of the credit system is also affected by legal rights of the borrowers and lenders. Doing Business gives Indonesia a very low rating of 3.0 on this attribute in 2008 (on a rising scale of 1 to 10), well below China's 6.0 and Thailand's surprisingly low score of 4.0, which is also the global LMI median.

One strength of Indonesia's domestic credit system is its well-developed network for microenterprise financing. Indonesia was one of the earliest and most effective innovators in microfinance. In the five years to 2007, the number of microcredit borrowers in Indonesia reported to the Mix Market data center reached 3.4 million, having grown by 4.2 percent per year, on average. By providing credit to finance small businesses run by the poor, the microfinance system provides one of the most effective routes out of poverty for many households.

Banks typically concentrate on short-term financing. The development of nonbank financial institutions (NBFIs), including capital markets, is therefore crucial for meeting long-term financing needs for business investment, expansion of the housing sector, and government infrastructure projects. A primary indicator of financial sector development outside the banking system is stock market capitalization. In Indonesia, the ratio of stock market capitalization to GDP rose very fast, from 23.3 percent in 2003 to 48.9 percent in 2007, which compares extremely well to the global LMI median of 18.5 percent. Also, the total capitalization of listed stocks at the end of 2007 matched the total assets of the banking system.⁴⁰ Nonetheless,

³⁶ IMF Indonesia Selected Issues, June 27, 2007.

³⁷ IMF Article IV Staff Report 2008.

³⁸ Bank Indonesia Monetary Policy Review, September 2008, p. 11

³⁹ Bank Indonesia has responded by increasing its base lending rates five times since May 2008.

⁴⁰ Data from Bank Indonesia (2008), Economic Report 2007, chapter 9.

Indonesia lagged well behind China and Thailand; which achieved capitalization-to-GDP ratios of 189.8 percent and 79.8 percent, respectively.⁴¹

Besides developing an efficient equities market, Indonesia needs to deepen the corporate bond market, expand the insurance and pension sectors to mobilize long-term contractual savings, and broaden the menu of services offered by other NBFIs such as mutual funds and finance companies. To put this into perspective, the total issue of corporate bonds in 2007 amounted to a mere 0.8 percent of GDP and the combined assets of pension, insurance, and finance companies amounted to only 21 percent of assets held by the banking system.⁴²

For the institutional foundations for financial sector development, Indonesia receives a score of 3.0 on the World Bank's index of Legal Rights of Borrowers and Lenders for 2006 (on a scale of 0 for poor to 10 for excellent). This is well below the scores of 6.0 for China and 4.0 for Thailand. It also falls short of the expected value of 3.8 for a country with Indonesia's characteristics and the global LMI median of 4.0. This shows the need for further legal and regulatory reform to facilitate the expansion of both bank credit and capital markets.

The current global financial crisis was sparked by a housing price bubble and losses on poorly regulated, high-risk mortgage loans in the United States, which supported an enormous volume of derivative securities held by institutions around the world. The crisis has caused a sharp and abrupt drop in share values on the Indonesia Stock Exchange and other regional stock markets. According to a recent IMF assessment, Indonesia's financial sector had a limited degree of direct exposure to these "toxic" securities, but the system is still vulnerable to the flight of capital to lower-risk investment environments. Indonesia's comfortable foreign exchange reserves (see next section) will mitigate the effects of capital flight. In the longer term, closer integration with regional financial networks and progress in creating an ASEAN+3 network (including China, Japan, and Korea) of bilateral swap arrangements to manage regional short-term liquidity problems under the Chiang Mai initiative will help to reduce Indonesia's financial sector vulnerability. Most important, the current crisis underscores the need for effective supervision and regulation of banks and financial markets.

In summary, Indonesia's financial sector suffers from serious deficiencies that offer opportunities for donor support to strengthen and deepen the system. Technical assistance to support stronger prudential rules and regulations for development of the NBFIs sector is a particular priority, as is improvement in the legal environment for the credit system. Additionally, assistance could focus on strengthening bank supervision, because expanding private sector credit and the risk of more nonperforming loans put new pressure on the banking system and its regulators.

EXTERNAL SECTOR

Fundamental changes in international commerce and finance, advances in telecommunications technology, and lower policy barriers have fueled a rapid increase in global integration in the past

⁴¹ Capitalization data refer to the period preceding the 2008 crisis, which has precipitated a major sell-off on all regional stock markets. When normal times resume, the underlying differentials will remain.

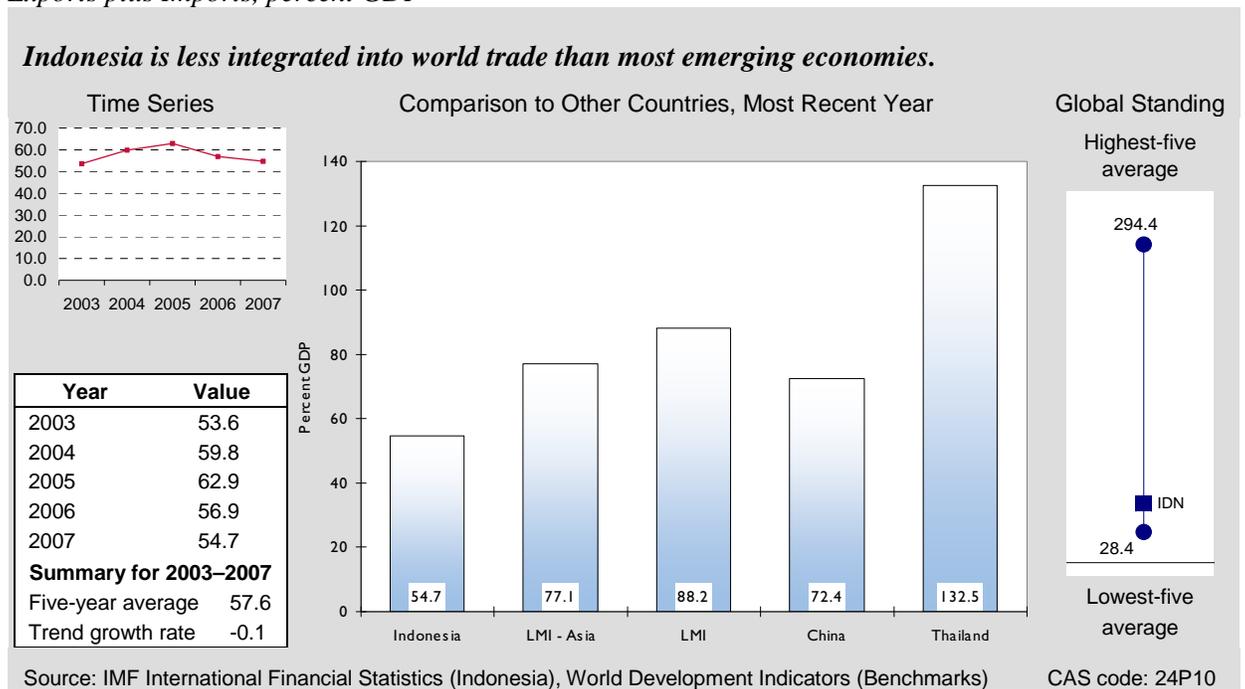
⁴² Bank Indonesia (2008), Economic Report 2007, chapter 9.

25 years. The international flow of goods and services, capital, technology, ideas, and people offers great opportunities for Indonesia to boost growth and reduce poverty by stimulating productivity and efficiency, providing access to new markets and ideas, and expanding the range of consumer choice. At the same time, globalization creates new challenges, including the need for reforms to take full advantage of international markets and cost-effective approaches to cope with the resulting adjustment costs and regional imbalances.

International Trade

Large countries typically have lower trade-to-GDP ratios, but Indonesia remains less integrated in world markets than other emerging economies in Asia. Total trade—exports plus imports of goods and services—amounted to 54.7 percent of GDP in Indonesia in 2007. This figure is much lower than the expected value for a country with characteristics like Indonesia (69.3 percent), as the median for LMI-Asia (77.1 percent), and LMI countries globally (88.2 percent). The trade ratio in Thailand is more than two times as high, at 132.5 percent of GDP, while in China, trade totals 72.4 percent of GDP (Figure 3-6). One key reason for Indonesia's relatively weak performance is that the country lags behind in participation in vertically integrated international production processes, where the parts and components of a final good are produced and assembled in different countries before being sold.⁴³

Figure 3-6
Exports plus Imports, percent GDP



⁴³ The IMF reports (in Indonesia Selected Issues, June 27, 2007) that while East Asia's market share of world trade in intermediate goods was 39.5 percent in 2000, Indonesia's share was a mere 0.5 percent.

Although a relatively low trade ratio may cushion vulnerability to a downturn in world markets, it is in Indonesia's long-term interest to integrate more fully into the rapidly growing markets of East and South Asia. These regional markets will assume even greater strategic importance in light of recent increases in the cost of sea and air transportation. Following through on meeting ASEAN obligations to "the free flow of goods" will assist in promoting deeper integration in the regional economy. These obligations include the reduction and elimination of import tariffs for goods from ASEAN, the elimination of nontariff barriers, reforms to trade facilitation, and customs integration.⁴⁴

After growing by 13.5 percent (in constant-price terms) in 2004 and 16.6 percent in 2005, exports growth slowed to 9.4 percent and 8.0 percent, respectively in 2006 and 2007.⁴⁵

The volume of crude oil exports fell between 2003 to 2007—from 199,997 barrels to 132,908 barrels—⁴⁶ although an increase in world prices still boosted fuel's share of merchandise exports from 24.4 percent in 2002 to 27.2 percent in 2006. A similar boom in commodity prices increased the share of ores and metals from 5.3 percent of merchandise exports in 2002 to 10.0 percent in 2006. Prices for manufactured goods have not undergone such spectacular increases. As a result, the export share of manufactured goods fell almost 10 percentage points, from 54.4 percent in 2002 to 44.7 percent in 2006. If price changes are discounted, though, manufactured exports have actually shown solid growth in the past couple of years, rising by 26.0 percent in 2006 and 24.4 percent in 2007.⁴⁷

The drop in commodity prices since mid-2008 will weaken export earnings for the rest of this year. At the same time, declining petroleum prices will cut the high fiscal cost of fuel subsidies (see Fiscal and Monetary Policy). Also, Indonesia's diversified export base provides a buffer against slower growth of demand in developed nations. The export concentration ratio—the percentage of total exports attributable to the top three product groups—was just 29.5 percent in 2005, which compares favorably with the LMI-Asia median of 33.8 percent and the global LMI median of 41.8 percent. Thailand's export base is even more diversified, with a concentration ratio of just 12.2 percent. (Comparable data are not available for China.)

Indonesia's low trade ratio is not a result of especially repressive trade policies. This can be seen in the Heritage Foundation's Trade Policy Index, which gauges the degree of freedom from barriers to trade on a rising scale of 0 to 100. For 2008, Indonesia's score was 73.0. This is on par with the LMI-Asia median (72.6) and is slightly better than the global LMI median (71.2) and China's score of 70.2. Thailand scores only slightly better, at 75.2. The main constraints to deeper

⁴⁴ From "The Declaration on the ASEAN Economic Community Blueprint," signed by ASEAN leaders on 20 November 2007. See also Section F of the action matrix in Presidential Instruction No. 5 of 2008, dated 05/22/2008.

⁴⁵ Bank Indonesia 2007 Economic Report on Indonesia; 2006 figures are provisional, while 2007 figures are incomplete.

⁴⁶ Bank Indonesia web table: <http://www.bi.go.id/biweb/Html/SekiTxt/T3x607.txt>

⁴⁷ Calculated from Bank Indonesia, Economic Report on Indonesia 2007, Appendix Tables.

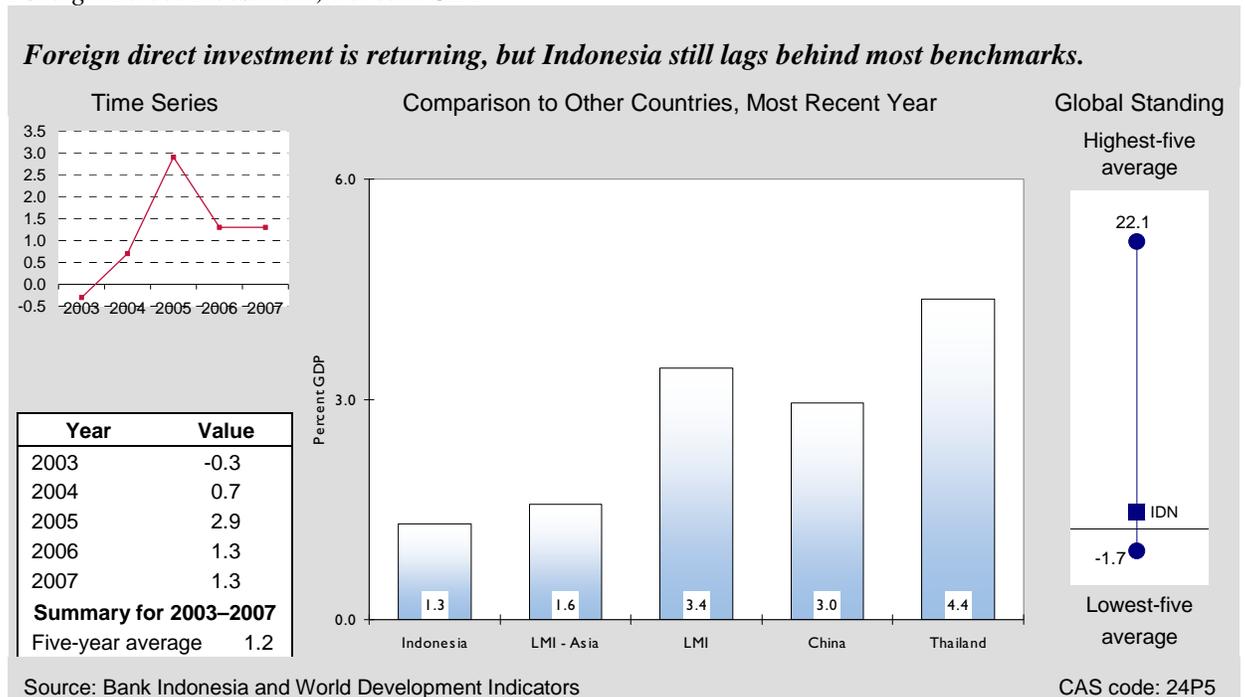
global integration therefore lie elsewhere, notably in problems with the business climate and supporting infrastructure.

Foreign Investment

Foreign direct investment (FDI) can catalyze productivity gains and economic growth by transferring technology, developing human capital, and enhancing competition. The importance of FDI to both trade and growth cannot be underestimated. An OECD case study of Thailand credits FDI with playing “a key role in boosting exports in the mid to late 1980s” and “facilitating the restructuring of industry in the wake of the Asian financial crisis.”⁴⁸ Another study finds that enterprises with foreign investment accounted for more than 50 percent of China’s exports, with FDI contributing an estimated 3.4 percentage points to China’s growth rate in 2003 and 2004.⁴⁹

The recent flow of FDI into Indonesia has been moderate, amounting to 2.9 percent of GDP in 2005 and 1.3 percent in 2006 and in 2007. It appears that Indonesia has turned the corner, though, after bleak years of zero or very low FDI inflows after the 1997/98 financial crisis. The latest figure is nearly as high as China’s ratio of 3.0 percent, but the country has a way to go to match Thailand’s FDI-to-GDP ratio of 4.4 percent or the global LMI median of 3.4 percent (Figure 3-7).

Figure 3-7
Foreign Direct Investment, Percent GDP



⁴⁸ OECD Trade Policy Working Paper No. 46 “Facilitating Trade and Structural Adjustment: Experiences in Non-Member Economies—Country Case Study on Thailand”

⁴⁹ Whalley, John, and Xian Xin “China’s FDI and Non-FDI economies and the sustainability of future high Chinese growth,” NBER Working paper 12249.

Indonesia's modest performance in attracting FDI can be traced at least in part to problems with the investment climate. On UNCTAD's index for Inward FDI Potential, which ranges from 0.0 (poorest) to 1.0 (best), Indonesia's score of 0.1 for 2005 (latest year) is extremely low in absolute terms and also falls short of every benchmark: the LMI global and LMI-Asia medians are 0.2, as is Thailand's score, while China's score is 0.3. As documented in other sections of this report, a combination of poor infrastructure, problems with governance, and a weak business climate makes Indonesia less attractive for foreign investors, particularly in the face of competition for FDI from strong regional competitors like China and Thailand, as well as Malaysia, Singapore, and Vietnam. Moving more quickly to implement ASEAN agreements relating to the investment regime and investment protection could assist Indonesia in attracting much-needed FDI, as well as improving prospects for export growth. Weak enforcement of intellectual property rights can be an important deterrent to many forms of FDI (see Science and Technology).⁵⁰

Debt

Put simply, external debt is no longer a serious concern for Indonesia. Since the 1997/98 financial crisis, the government has done a commendable job of reducing the debt burden, lowering the present value of debt obligations to 44.6 percent of GNI in 2006 (latest year available). This is still high compared to the expected value of 18.9 percent for a country with characteristics like Indonesia, as well as the global LMI median of 33 percent, the LMI-Asia median of 42.8 percent, China's 13.9 percent, and Thailand's 30.3 percent. Yet the cost of debt service is low and manageable. Indeed, the ratio of debt service to export earnings fell from 10.2 percent in 2002 to 5.2 percent in 2006 (latest year of data) and is now below the LMI-Asia median of 7.9 percent and the global LMI median of 7.2 percent. The fact that Indonesia's debt service ratio is still higher than that of China (0.8 percent) and Thailand (2.1 percent) is not a problem.

Balance of Payments

Indonesia has enjoyed a current account surplus averaging nearly 2 percent of GDP over the past five years, including an \$11 billion surplus (2.5 percent of GDP) in 2007. The main source is a positive balance of trade, with merchandise exports exceeding imports by \$33 billion in 2007. There is also a healthy positive inflow of remittances, amounting to about \$5 billion. This is partly offset by a deficit of \$11 billion on trade in services, but mainly by a large net outflow of cross-border income payments, mainly profits of international corporations.

In most countries a current account surplus is mirrored by a corresponding deficit on the capital account. In Indonesia, however, the capital account balance has also been positive, at \$2.2 billion in 2007. The combined surplus on the current and capital accounts has been balanced by an accumulation of foreign exchange reserves by the Bank Indonesia, amounting to \$12.5 billion in

⁵⁰ The USTR states that "Intellectual Property Rights (IPR) protection and enforcement remains a serious concern in Indonesia, where widespread optical disc piracy and counterfeiting of consumer goods, including automotive parts and pharmaceuticals, cost U.S. firms and the GOI hundreds of millions of dollars in lost revenues..."

http://www.ustr.gov/assets/Document_Library/Reports_Publications/2006/2006_NTE_Report/asset_upload_file128_9249.pdf, p. 316.

2007.⁵¹ Central bank intervention in the foreign exchange market has boosted gross reserves from 4.4 months of import requirements at the end of 2005 to 5.1 months at the end of 2007.

According to the IMF, gross reserves also covered 150 percent of short-term external debt. This is normally an adequate cushion against trade shocks and volatile capital flows. Whether it is sufficient to cope with outflows that might result from the recent upheaval in international financial markets remains to be seen.

By sterilizing some inflows of foreign exchange to accumulate reserves, the central bank also relieves the pressure created by higher export commodity prices for steeper appreciation of the rupiah.⁵² Between 2000 and 2007, the real effective exchange rate (adjusted for inflation and trade patterns) appreciated by 28.7 percent. But appreciation tends to erode the competitiveness of other exports as well as of domestic products that compete against imports—creating the famous Dutch disease.⁵³ Even so, the central bank faces a difficult balancing act because the accumulation of reserves also contributes to more rapid expansion of the money supply. The need to get inflation back under control (see Fiscal and Monetary Policy) could restrict the bank's room to maneuver against the appreciation trend in the future.

ECONOMIC INFRASTRUCTURE

Reliable physical infrastructure—for transportation, communications, power, and information technology—is essential for improving competitiveness and expanding productive capacity. For Indonesia, the poor quality of infrastructure remains a serious deterrent to investment. The WEF compiles an annual index of infrastructure based on a survey of executive opinion in each country. For 2007, Indonesia received a rating of 2.6, on a scale of 1 (poor) to 7 (excellent), which is a decline from the 2006 rating of 2.8. Indonesia's infrastructure quality rating is below the expected value of 3.0 and the country lags well behind China and Thailand, with scores of 3.6 and 5.1, respectively.

Given Indonesia's dependence on maritime transport, the WEF rating of 2.7 for port facilities is troublesome. This compares to the LMI-Asia median of 3.1, China's 4.0, and Thailand's 4.7 (Figure 3-8). Indonesia's WEF rating for railroad development is equally weak, at 2.7. In this case, though, Indonesia matches the median for LMI-Asia and beats the global LMI median of 1.9, but again falls short of China and Thailand, which have scores of 3.9 and 3.5, respectively.

For the WEF index of electricity infrastructure quality, Indonesia's rating of 4.0 is virtually the same as the LMI median of 3.9 and only slightly lower than China's ranking of 4.2. Thailand shows how much better conditions can be, with a ranking of 5.6. Similarly, Indonesia's WEF

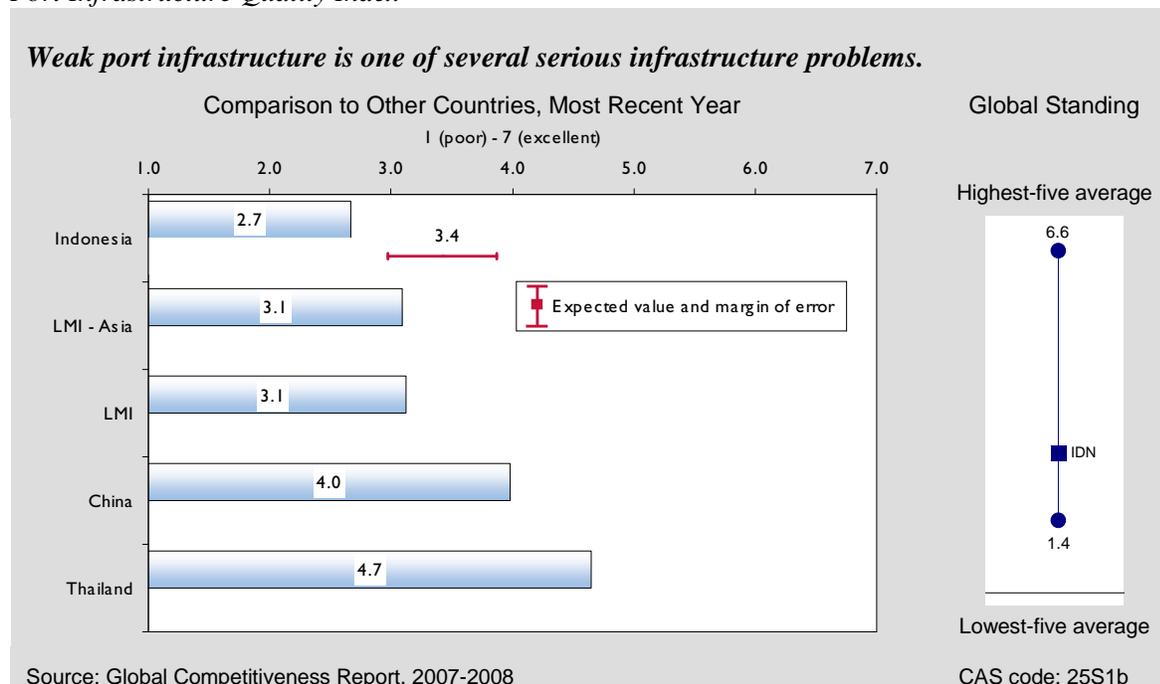
⁵¹ The gap between the overall balance and the change in reserves (and related items) reflects statistical errors and omissions in the balance-of-payments accounts.

⁵² The central bank accumulates foreign reserves by buying U.S. dollars while selling Indonesian rupiah. In effect this increases the money supply, which adds to inflationary pressures.

⁵³ If the increased inflow of foreign exchange, and its consequent effect on the exchange rate, is expected to be temporary, mitigation efforts such as sterilization to reduce rupiah appreciation can limit the economic dislocations that would otherwise occur. If, however, the increased inflow of foreign exchange is expected to be permanent, real appreciation is inevitable through a combination of nominal rupiah appreciation and price inflation, and all authorities can do is to smooth out the adjustment process.

rating for the quality of air transport infrastructure, at 4.1, equals the rating for China and the LMI median; here again, Indonesia lags far behind Thailand, which has a rating of 5.7.

Figure 3-8
Port Infrastructure Quality Index



In addition to serious deficiencies in the quality of the ports and railroads, Indonesia's rural roads are in urgent need of funding for both construction and maintenance. As a result of the government's aggressive decentralization program that began in 1999, the maintenance of approximately 290,000 km of road (about four-fifths of the national total) is now the responsibility of district governments.⁵⁴ Yet most of them lack the capacity and expertise to deal with these maintenance tasks. Hence, there is an acute need for technical support and capacity building at this level for infrastructure planning, procurement, and implementation.

To compete in the 21st-century economy, information and communication infrastructure is just as important as traditional transportation infrastructure and electricity grids. Several indicators show that Indonesia lags behind its comparators in information and communication infrastructure: only 5.8 people per 100 were Internet users in 2007, compared to 15.9 people in China and 21.0 people in Thailand; on this important measure Indonesia also lags behind the global LMI median of 8.8 people per 100. Furthermore, Internet use increased by just two users per 100 from 2003 to 2007.

Telephone density, in contrast, almost quadrupled from 12.4 fixed and mobile lines per 100 people in 2003 to 44.2 lines in 2007, because of the rapid spread of cellular phone systems. But this is a worldwide phenomenon, and Indonesia remains behind the curve compared to the density

⁵⁴ World Bank, 2006. *Making New Indonesia Work for the Poor*, p. 112.

rates of 69.1 lines for China and 91.5 lines for Thailand, as well as global LMI median of 58.1 lines per 100 people (all in 2007).

Relatively poor infrastructure quality is a serious impediment to attracting scarce investment funds. It also undermines the competitiveness of existing businesses, retards job creation, and acts generally as a bottleneck to growth. Donor assistance in this area can be a catalyst for more rapid growth, including assistance to authorities in developing public-private partnerships and private sector participation to upgrade physical infrastructure, especially in electricity and transport.

SCIENCE AND TECHNOLOGY

Science and technology are vital ingredients of a dynamic business environment and a driving force for productivity and competitiveness. Even for lower-middle-income countries such as Indonesia, transformational development depends on acquiring and adapting technology from the global economy. A lack of capacity to access and use technology prevents an economy from leveraging the benefits of globalization. Unfortunately, because few international indicators are available for low- and lower-middle-income countries, this report draws inferences from a limited set of proxies.

Indonesia has relatively strong marks on several indicators of science and technology capacity. The WEF's FDI Technology Transfer index gauges executives' perceptions of FDI entering the country as a source of new technology. Indonesia's score of 5.9 (on an ascending scale of 1 to 7) indicates that FDI entering the country is of high quality. Indeed, Indonesia's score is only slightly below the average for the top five performers globally (6.1) and well above the scores for China (4.5), Thailand (5.3), and the LMI-Asia median (5.1).

Another science and technology measure compiled by the WEF is an index of executive opinions about the availability of scientists and engineers. On a scale of 1 to 7, Indonesia's score of 5.1 is (surprisingly) above all benchmarks: China (4.2), Thailand (4.7), and the LMI-Asia median (4.5). This strong score, however, is out of line with objective indicators of postprimary education (see Education, p. 35). Programs to expand science and technology education could be one of the best investments for driving future growth, especially if the programs are linked directly to the needs of the private sector.

Progress in science and technology is also influenced by the quality of intellectual property rights (IPR). The WEF executive survey in 2007 gives Indonesia a score of just 3.1 in this area (again on a scale of 1 to 7). This is below China's score of 3.4, Thailand's 4.1, and the LMI-Asia median of 3.3. Hence, the protection of IPR is perceived to be not very effective. This is another area where improvement is needed.

4. Pro-Poor Growth Environment

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

HEALTH

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

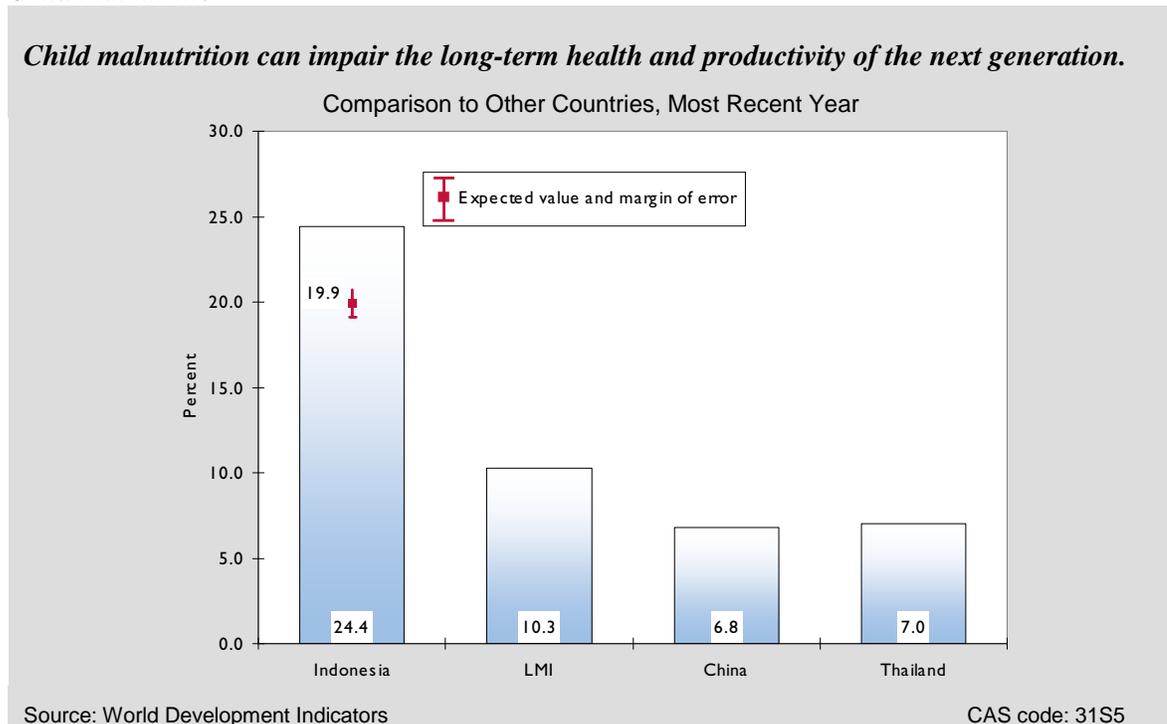
Life expectancy at birth is commonly regarded as the best indicator of overall health status of a population. By this measure Indonesia's health system is performing well. In 2007 the estimated life expectancy reached 69.1 years, exceeding the expected value of 66.2 years for a country with Indonesia's characteristics. Life expectancy is also above the LMI-Asia median value of 67.8 years but slightly below the global LMI median value of 70.6 years, as well as the life expectancy found in China (72.0 years) and Thailand (70.2 years).

In some critical areas, however, significant deficiencies demand attention. For example, access to improved water and sanitation is poor. In 2006, only 52.0 percent of the population had access to improved sanitation and 80.0 percent to clean water. These statistics are below the LMI median values of 70.0 percent and 84.5 percent for sanitation and water respectively. China is doing much better on these measures, with 65.0 percent of the population having access to improved sanitation and 88.0 percent to clean water. And Thailand has nearly matched first-world standards, with 96.0 percent and 98.0 percent of the population having access to improved sanitation and water, respectively.

Maternal health is another serious concern. Indonesia's maternal mortality rate is estimated at 420 maternal deaths per 100,000 live births.⁵⁵ This is far worse than the benchmarks: the LMI-Asia median (175 deaths), China (45 deaths) and Thailand (110 deaths). One reason for the high maternal mortality rate is that only 71.5 percent of births are attended by a skilled health professional, compared to over 97 percent in China and Thailand. These troubling figures may be due to an insufficient supply of health practitioners, poor geographic coverage by the health system, or inadequate use of health facilities by many women.

Child immunization and malnutrition rates are similarly alarming. In 2006, the immunization rate of just 71.0 percent was much lower than all benchmarks: the LMI-Asia median of 90.1 percent, the global LMI median of 88.6 percent, China's 93.0 percent, and Thailand's 97.0 percent. Likewise, the average malnutrition rate among children under five years of age is 24.4 percent (2005, latest available data), compared to 6.8 percent in China (2002) and 7.0 percent in Thailand (2006) (Figure 4-1). Moreover, progress in reducing child malnutrition has stagnated since 2000, and malnutrition rates appear to be rising in some provinces.⁵⁶ The recent increase in staple food prices, particularly for rice, has undoubtedly increased the incidence of malnutrition among the poorest quintile.

Figure 4-1
Child Malnutrition



⁵⁵ Statistics based on a maternal mortality working group that was established to produce internationally comparable estimates of MMR for 2005, as well as trends since 1990, using an improved estimation methodology. Lancet, *Estimates of maternal mortality worldwide between 1990 and 2005: an assessment of available data*. 2007.

⁵⁶ World Bank estimates based on Susenas 2006. World Bank, *Investing in Indonesia's Health: Challenges and Opportunities for Future Public Spending*, June 2008, p. 15.

In short, serious problems in Indonesia's health sector will impair growth prospects if they are not addressed. The government rightly identified health as a high priority in the Medium-Term Development Plan (2004–2009); it aims to increase health education, access to services, and the quality of care. One sign of this commitment is an increase of more than 48 percent in real terms in government expenditure on public health.⁵⁷ To put this into perspective, however, health expenditure only rose from 0.88 percent of GDP in 2001 to 0.93 percent in 2005 (latest year of data), which is far below benchmark standards, including the LMI-Asia median of 2.1 percent and Thailand's 2.2 percent. Reducing the allocation of expenditures to consumption subsidies, through better targeting, would give the government more room for funding health programs (see Fiscal and Monetary Policy).

EDUCATION

Investment in human capital is a cornerstone for economic growth and development. Indonesia's unequivocal commitment to basic education is exhibited by the high net primary enrollment rate of 95.5 percent in 2006, compared to the global LMI median of 89.7 percent and LMI-Asia's 86.8 percent. Moreover, the youth literacy rates are extremely high for both males (98.9 percent) and females (98.5 percent). Indonesia's primary completion rate is also excellent, at 98.8 percent in 2006 (latest year available).

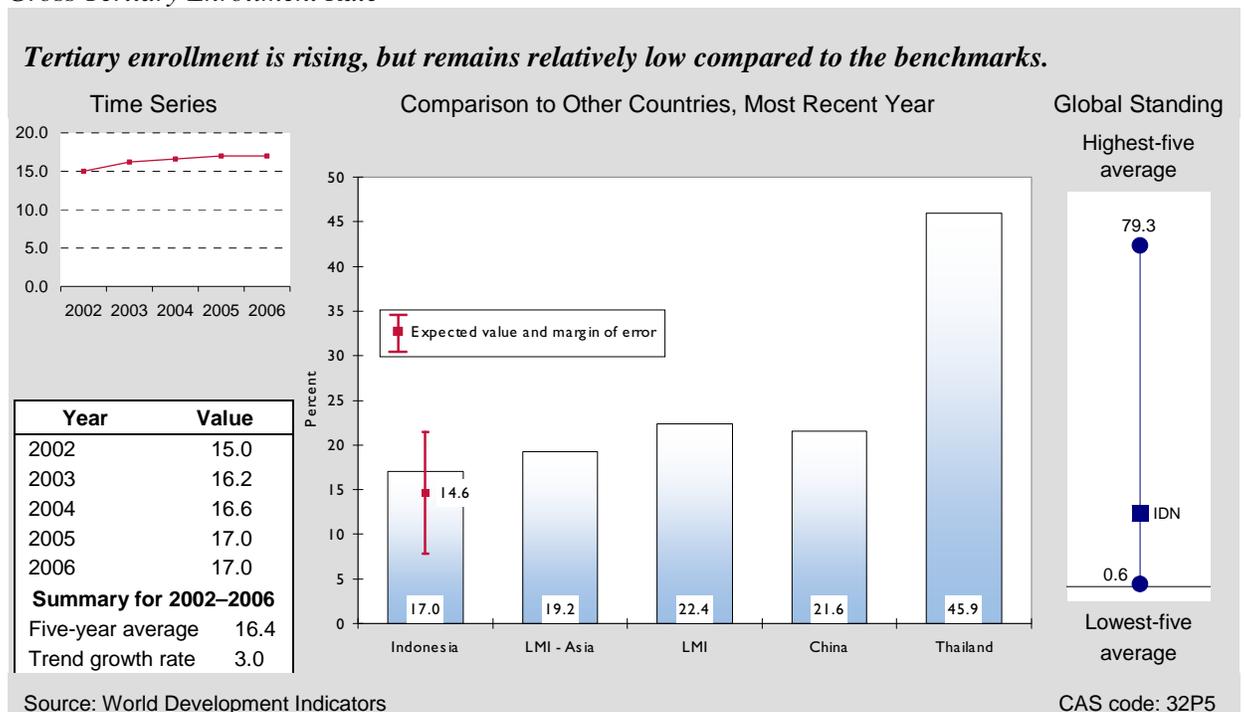
For secondary school, the net enrollment rate drops to 59.0 percent, which is better than the LMI median of 55.1 percent and the expected value of 53.9 percent but below the LMI-Asia median of 63.0 percent. Thailand has a much higher net secondary enrollment rate of 71.0 percent. (Data for China were unavailable.) Indonesia lags behind most comparators, however, in the gross tertiary enrollment rate, which was 17.0 percent in 2006, versus 21.6 percent in China, an impressive 45.9 percent in Thailand, and an LMI median of 22.4 percent (Figure 4-2). Both the secondary and tertiary enrollment rates are within the normal range for a country with Indonesia's characteristics, and indeed above the expected values. Clearly, there is ample room for improvement in this fundamental area.

Measuring the *quality* of education is much more difficult. At the primary level, a crude but common proxy is the pupil–teacher ratio. In Indonesia the ratio is 20.3, which is much better than the LMI-Asia median of 27.8, but not on par with the ratios in China or Thailand, which have reached 18.3 pupils per teacher. A second rough gauge of education quality is the commitment of resources. Public expenditure on primary education in Indonesia is 2.0 percent of GDP, compared to 1.3 percent in Thailand (2006). (Data for China are unavailable.) Overall public expenditure on education in Indonesia (3.8 percent of GDP), however, remains below spending in Thailand (4.6 percent).⁵⁸

⁵⁷ World Bank, *Investing in Indonesia's Health*. June 2008, p. 42

⁵⁸ Granado, F. et al., *Investing in Indonesia's Education: Allocation, Equity, and Efficiency of Public Expenditure*, World Bank, August 2007, p. 7.

Figure 4-2
Gross Tertiary Enrollment Rate



A much more refined indicator of education quality is national performance on the OECD Programme for International Student Assessment (PISA).⁵⁹ These assessments are based on standardized tests that measure the knowledge of 15-year-old students in reading and mathematical and scientific literacy, not merely in terms of mastery of the school curriculum, but also knowledge needed in adult life.⁶⁰ PISA scores are available mainly for OECD countries, but a handful of developing nations, including Indonesia, also participated in three rounds of PISA (in 2000, 2003, and 2006).

Indonesia's mean reading score in 2006 of 393 reflects a positive trend: the 2006 score is 11 points higher than in 2003 and 22 points higher than in 2000. Furthermore, the 2006 score is not far below Thailand's 2006 score of 417 and was better than the scores of other lower-middle income countries such as Colombia (385) and Tunisia (380). In mathematics, Indonesia's mean score of 391 in 2006 is 31 points higher than in 2003, though again behind Thailand's score (417).⁶¹ The PISA scores show that education quality in Indonesia is surprisingly good for a lower-middle-income country, and improving. This is a very favorable sign—investment in

⁵⁹ PISA scores are not included among standard indicators in the Education section of the CAS reports due to limited availability across countries as well as over time. PISA assessments are performed at a frequency of once every three years.

⁶⁰ OECD, Programme for International Student Assessment, accessed 28 September 2008. http://www.pisa.oecd.org/pages/0,3417,en_32252351_32235918_1_1_1_1_1_1,00.html

⁶¹ Mainland China not a participant in 2006 assessment, PISA data for China will be available in 2009 assessment.

primary and postprimary education is key in the long term to rising productivity and pro-poor growth

EMPLOYMENT AND WORKFORCE

The labor force in Indonesia numbered 109 million people in 2006 (most recent data available). With the labor force growth rate averaging 1.9 percent per year since 2002—exceeding the population growth rate—the economy must absorb more than 2 million new workers each year. Meeting this demand is difficult, as the growth in unemployment from 2003 to 2005 shows (9.5 percent to 11.2 percent). Developments since 2005 have been more positive, however: the unemployment rate fell to 9.1 percent in 2007. Although still high in absolute terms, this was the best rate in many years, even as the labor force participation rate has gradually increased.

In 2007 the labor force participation rate in Indonesia stood at 67.0 percent, slightly below the global LMI median of 68.9 percent and the LMI-Asia median of 71.9, and far lower than the rates in China, at 83.7 percent and Thailand, at 81.4 percent. An increase in the labor force participation rate contributes to faster growth in per capita GDP and better living standards—if the economy can create enough productive jobs for new workers. Overall, the record of job growth over the past five years has been encouraging.

There are serious questions, however, about the quality of the new jobs. Between August 2006 and August 2007, the share of unemployed workers having a university degree increased from 3.6 percent to 5.7 percent, and the share with a high school education rose from 38.0 percent to 40.7 percent.⁶² For workers with no formal education at all, the unemployment rate has been very low, at 0.9 percent in 2007. This is not unusual among the poorest workers in developing countries, because poverty compels them to engage in some form of economic activity, however meager the earnings.

This inference is corroborated by annual survey data showing that many jobs created between 2005 and 2007—2.6 million of them—were in the trade sector, most likely concentrated in the informal sector.⁶³ The service sector added 1.7 million jobs, while manufacturing and construction jointly added 1.1 million workers in this two-year period. At the same time, employment in agriculture was stagnant.⁶⁴

Hence, Indonesia still has a compelling need to promote job creation in more productive economic activities through policies to overcome impediments to investment, especially in labor-intensive sectors. The glaring gap between male and female labor force participation rates (see Gender) indicates that policies to expand labor market opportunities for women are particularly important.

Institutional rigidity in the labor market also impedes the reallocation of labor to productive formal sector jobs. The World Bank's Rigidity of Employment index (ranging from 0 for

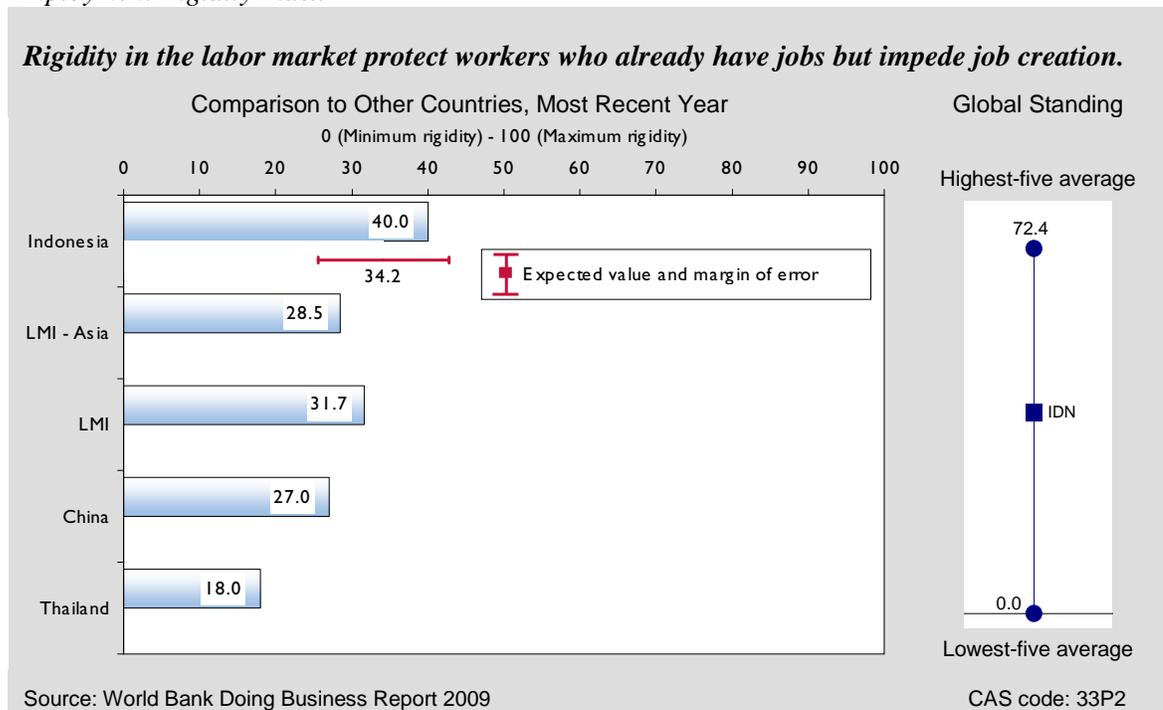
⁶² Bank Indonesia, 2007 Economic Report, p. 40.

⁶³ No recent data could be found for this study on the size of the informal sector.

⁶⁴ Calculated from data presented in Bank Indonesia, 2007 Economic Report, p. 38.

minimum rigidity to 100 for maximum rigidity) measures the difficulty that firms face in hiring and firing workers. For 2008, Indonesia received a score of 40 on the employment rigidity index. This indicates that barriers to job flexibility are high compared to the benchmarks: the LMI global median of 31.7, the LMI-Asia median of 28.5, China's 27.0, and Thailand's 18.0 (Figure 4-3). Furthermore, for the standardized business case used for Doing Business scores, a company that fires a worker must pay severance costing an estimated 108 weeks of wages. This is higher than the already high costs in China of 91.0 weeks of pay. Costs in Thailand are half those in Indonesia, at 54 weeks of pay, with median costs in LMI-Asia and the LMI globally about the same as in Thailand, at 55 weeks and 53 weeks respectively. The extremely high firing costs in Indonesia protect those who already have jobs but create a strong disincentive for companies to create new jobs and constrain the ability of producers to adjust to changing market conditions.

Figure 4-3
Employment Rigidity Index



Trade unions oppose labor market reforms, so it is unlikely that any progress will be made before the presidential elections scheduled for July 2009.⁶⁵ Nonetheless, as this report has emphasized, policies and programs that facilitate the reallocation of labor into sectors and occupations with higher productivity are important for rapid and sustained growth.

AGRICULTURE

Agriculture has long lagged behind other sectors in its contribution to economic growth in Indonesia. The agricultural sector is also characterized by extremely low productivity relative to

⁶⁵ Economist Intelligence Unit, Indonesia Country Report, September 2008.

industry and services (see Economic Structure). Yet agriculture is still critical for poverty reduction. According to household survey data, nearly two-thirds of all poor households depend on agriculture as a primary source of livelihood, and food accounts for a similarly high fraction of total consumption by the poor.⁶⁶

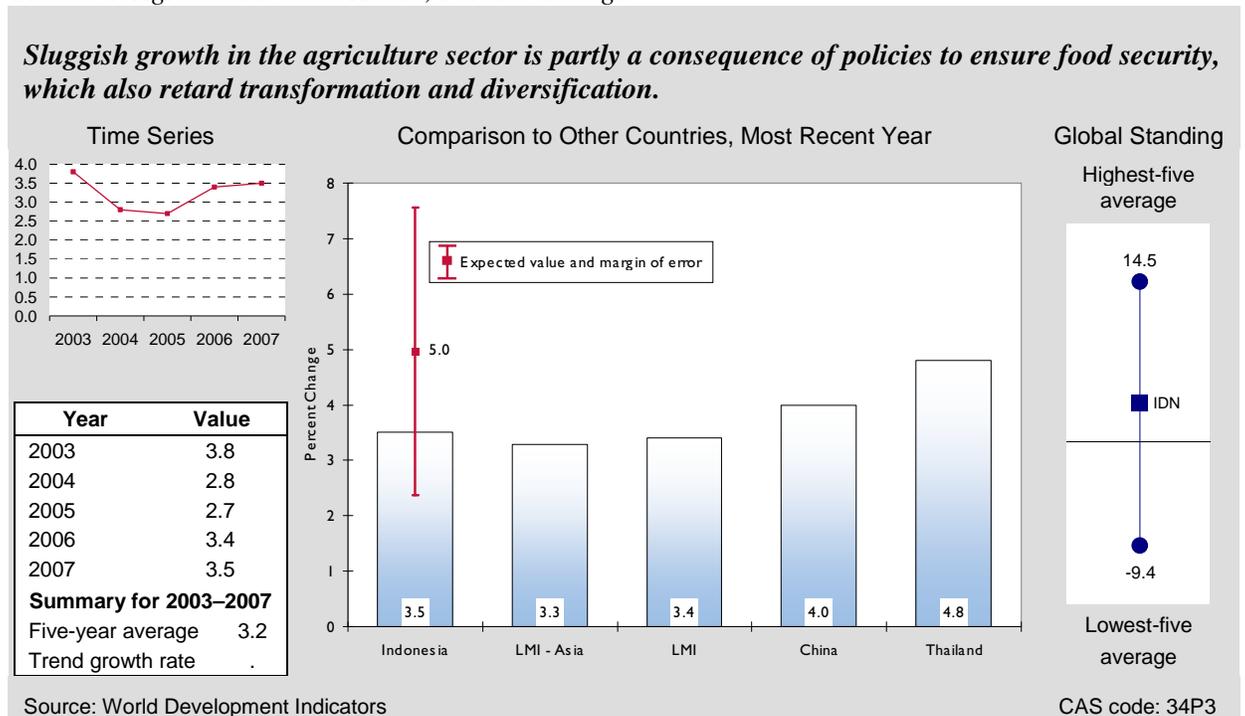
Value added per worker in agriculture, at \$596 (in constant 2000 prices), although very low in absolute terms, compares well to value added in China, at \$423, and is just slightly below Thailand, at \$607, and the predicted value for a country with Indonesia's characteristics, at \$633. The global LMI median, however, is almost two and a half times higher at \$1,449. Yet at the same time, the cereal yield per hectare of land in Indonesia, at 4,476 kilograms, is more than double the global LMI median of 2,036 kilograms. Together, these data suggest that the gap in value added per worker is attributable mainly to the predominance in Indonesia of agricultural techniques using a higher ratio of labor to land than in most LMI countries. China is similar to Indonesia in that the value added per worker in agriculture is very low but the cereal yield is very high, at 5,305 kilograms per hectare of land. China also boosts cereal yield by using fertilizer very intensively, at an average of 3,410 hundred grams per hectare. This compares to 1,496.7 hundred grams per hectare in Indonesia and a median of 1,430 hundred grams for LMI-Asia. Thailand, in contrast, has a much lower cereal yield, 2,982 kilograms per hectare, and fertilizer use of only 1,214 hundred grams per hectare, suggesting cultivation technologies that use land less intensively.

Labor productivity in the agricultural sector in the past five years has increased at an average rate of 2.5 percent per year, while the cereal yield has increased slowly at 1.5 percent per year. Agricultural export earnings have increased rapidly in U.S. dollar terms, displaying an average growth rate of 26.9 percent in the five years to 2006, but this is due largely to soaring commodity prices in the world markets, a trend that is reversible. The key observation is that value added in agriculture has grown by an average of just 3.2 percent per year of the past five years. This is on par with the LMI-Asia median and the global LMI median, but much lower than in China and Thailand and the predicted value for a country with Indonesia's characteristics (Figure 4-4). Comparisons to China and Thailand are even less favorable in per capita terms, because population growth in both of these countries is half that of Indonesia (0.6 versus 1.2 percent per year).

In short, although agricultural exports have, until very recently, ridden on a wave of rising world market prices, the sector itself lags behind the rest of the economy in growth performance and productivity. Unlike the situation in many other developing countries, the lackluster performance is not attributable to a burdensome policy regime. The Index of Agricultural Policy Costs produced by the WEF, ranks Indonesia (5.0) above China (4.8) and Thailand (4.4). Indonesia's score is also much better than the median for LMI-Asia (3.8) and the global LMI median (3.6). Because this is a survey measure of business leaders' perceptions, however, the high score shows mainly that commercial farmers and agribusiness executives view government policy as favoring development of the sector.

⁶⁶ World Bank, Jakarta (2006), *Making the New Indonesia Work for the Poor*, pp. 38 (livelihood) and 40 (consumption).

Figure 4-4
Growth in Agriculture Value Added, Percent Change



Indeed, the sluggish growth in agriculture reflects the effects of an overly supportive policy regime, arising from the government's longstanding focus on stimulating paddy production to achieve food security and poverty reduction. These policies have been successful in achieving their direct objective, but as a byproduct, they create an incentive structure that locks farmers into paddy production and slows the diversification of agriculture into higher value crops and the reallocation of labor into more productive off-farm activities. The result is to retard structural transformation and growth. In addition, the large fiscal subsidies and transfers required to maintain this strategy impose a significant burden on the budget, which reduces the resources available for improving public services and infrastructure development (see Fiscal and Monetary Policy).

Together, these indicators demonstrate a need for policies and programs to stimulate diversification in agriculture and more rapid structural transformation. Programmatically, donors can address these issues through a variety of approaches such as supporting the development of rural infrastructure, investing in agricultural research for nontraditional crops, improving marketing channels for nontraditional agricultural products, and strengthening the climate for private investment in commercial farm products, agribusiness, and off-farm employment creation.

Appendix A. CAS Methodology

CRITERIA FOR SELECTING INDICATORS

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

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

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

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

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

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

BENCHMARKING METHODOLOGY

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

For selected variables, a second source of benchmark values uses statistical regression analysis to establish an expected value for the indicator, controlling for income and regional effects.⁴ This approach has three advantages. First, the benchmark is customized to Indonesia's specific level of income. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology enables the quantification of the margin of error and the establishment of a "normal band" for a country with Indonesia's characteristics. An observed value falling outside this band on the side of poor performance signals a serious problem.⁵

Finally, where relevant, Indonesia'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.

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

³ The five-year trends are computed by fitting a log-linear regression line through the data points. The alternative of computing average growth from the end points produces aberrant results when one or both of those points diverge from the underlying trend.

⁴ This is a cross-sectional OLS regression using data for all developing countries. For any indicator, Y , the regression equation takes the form: Y (or $\ln Y$, as relevant) = $a + b * \ln \text{PCI} + c * \text{Region} + \text{error}$ — 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 Indonesia is computed by plugging in Indonesia's specific values for PCI and Region. Where applicable, the regression also controls for population size and petroleum exports (as a percentage of GDP).

⁵ This report uses a margin of error of 0.66 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
Statistical Capacity Indicator	I	EcGov
Growth Performance		
Per capita GDP, in purchasing power parity Dollars	I	
Per capita GDP, in current US Dollars	I	
Real GDP Growth	I	
Growth of labor force productivity	II	
Investment Productivity, incremental capital-output ratio (ICOR)	II	
Gross fixed investment, % GDP	II	
Gross fixed private investment, % GDP	II	
Poverty and Inequality		
Human poverty index (0 for excellent to 100 for poor)	I	
Income-share, poorest 20%	I	
Population living on less than \$1 PPP per day	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 structure	I	
Output structure	I	
Demography and Environment		
Adult literacy rate	I	
Youth dependency rate/ elderly dependency rate	I	
Environmental performance index (0 for poor to 100 for excellent)	I	
Population size and growth	I	
Percent of population living in urban areas	I	
Resource depletion, % GNI	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, excluding grants, % GDP	I	EcGov
Growth in the broad money supply	I	EcGov
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	

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

Indicator	Level	MDG, MCA, or EcGov ^a
Structure of merchandise exports	II	
Trade policy index (0 for poor to 100 for excellent)	II	MCA, EcGov
Ease of trading across borders ranking	II	EcGov
Economic Infrastructure		
Internet users, per 100 people	I	MDG
Logistics Performance Index, infrastructure (1 poor to 5 excellent)	I	EcGov
Telephone density—fixed line and mobile, per 100 people	I	MDG
Quality of infrastructure Index (1 poor to 7 excellent)	I	EcGov
Quality of infrastructure—railroads, ports, air transport, and electricity	II	
Roads paved, % total roads	II	
Science and Technology		
FDI and technology transfer index (1 for poor to 7 for excellent)	I	
Availability of scientists and engineers index (1 for poor to 7 for excellent)	I	
Science & technology journal articles per million people	I	
IPR protection index (1 for poor to 7 for excellent)	I	
Health		
HIV prevalence	I	
Life expectancy at birth	I	
Maternal mortality rate	I	MDG
Access to improved sanitation	II	MDG
Access to improved water source	II	MDG
Births attended by skilled health personnel	II	MDG
Child immunization rate	II	MCA
Prevalence of child malnutrition, weight for age	II	
Public health expenditure, % GDP	II	MCA, EcGov
Education		
Net primary enrollment rate – female, male, total	I	MDG
Primary completion rate – female, male, total	I	
Youth literacy rate, all, male, female	I	
Net secondary enrollment rate	I	
Gross tertiary enrollment rate	I	
Education expenditure, primary, % GDP	II	MCA, EcGov
Expenditure per student, % GDP per capita—primary, secondary, and tertiary	II	EcGov
Pupil-teacher ratio, primary school	II	
Employment and Workforce		
Labor force participation rate, total	I	
Rigidity of employment index (0 for minimum rigidity to 100 for maximum)	I	EcGov
Size and growth of the labor force	I	
Unemployment rate	I	
Economically active children, % children ages 7-14	I	
Firing costs, weeks of wages	II	EcGov

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

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

^b MDG—Millennium Development Goal indicator

MCA—Millennium Challenge Account indicator

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

Appendix B. Data Supplement

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

Growth Performance

	Statistical Capacity Indicator	Per capita GDP, in Purchasing Power Parity Dollars	Per capita GDP, in current U.S. Dollars	Real GDP Growth	Growth of Labor Productivity	Investment Productivity, Incremental Capital-Output Ratio (ICOR)	Gross Fixed Investment, % of GDP	Gross Fixed Private Investment, % of GDP
Indicator Number	11P0	11P1	11P2	11P3	11S1	11S2	11S3	11S4
Indonesia Data								
Latest Year (T)	2008	2007	2007	2007	2006	2007	2007	2007
Value Year T	88	3,725	1,947	6.3	3.7	3.8	24.9	21.5
Value Year T-1	88	3,456	1,663	5.5	3.6	4.2	24.1	21.0
Value Year T-2	84	3,217	1,318	5.7	3.3	4.4	23.6	20.7
Value Year T-3	83	3,005	1,186	5.0	3.0	4.4	22.4	.
Value Year T-4	85	.	1,111	4.8	2.7	2.5	19.5	.
Average Value, 5 year	85.6	.	1,445	5.5	3.2	3.9	22.9	.
Growth Trend	1.3	.	14.6	.	7.6	.	5.6	.
Benchmark Data								
Regression Benchmark	82.5	.	.	7.6	5.0	3.3	22.2	17.0
Lower Bound	76.3	.	.	5.9	3.1	0.1	18.5	14.7
Upper Bound	88.6	.	.	9.3	6.9	6.5	26.0	19.4
Latest Year China	2008	2007	2007	2007	2006	2006	2006	2006
China Value Latest Year	59	5,292	2,461	11.4	9.9	3.9	42.6	38.9
Latest Year Thailand	2008	2007	2007	2007	2006	2007	2007	2006
Thailand Value Latest Year	82	7,900	3,737	4.8	4.0	5.0	31.4	18.6
LMI - Asia	75.7	3,758	1,625	6.6	3.8	6.3	27.6	20.5
LMI	67.5	3,692	1,608	5.5	2.7	4.6	24.2	17.9
High Five Avg.	90.7	49,317	41,413	16.7	14.0	42.2	51.3	.
Low Five Avg.	24.7	365	156	0.7	-3.4	-160.5	9.5	.

Poverty and Inequality						
Indicator Number	Human Poverty Index (0 for no deprivation to 100 for high deprivation)	Income Share, Poorest 20%	Percentage of Population Living on Less Than \$1 PPP per Day	Poverty Headcount, National Poverty Line	PRSP Status	Population % Below Minimum Dietary Energy Consumption
Indicator Number	12P1	12P2	12P3a	12P4	12P5	12S1
Indonesia Data						
Latest Year (T)	2007	2005	2002	2007	N/A	.
Value Year T	18.2	7.1	7.5	16.6	.	.
Value Year T-1	18.5	.	.	17.8	.	.
Value Year T-2	17.8	.	.	16.0	.	.
Value Year T-3	17.8	8.3	.	16.7	.	.
Value Year T-4	17.9	.	.	17.4	.	.
Average Value, 5 year	18.0	.	.	16.9	.	.
Growth Trend	0.7	.	.	-0.3	.	.
Benchmark Data						
Regression Benchmark	19.5	7.0	.	19.7	.	.
Lower Bound	13.8	6.4	.	13.7	.	.
Upper Bound	25.2	7.7	.	25.6	.	.
Latest Year China	2007	2004	2004	.	N/A	.
China Value Latest Year	11.7	4.3	10.0	.	.	.
Latest Year Thailand	2007	2002	2002	.	N/A	.
Thailand Value Latest Year	10.0	6.3	2.0	.	.	.
LMI - Asia	17.6	.	.	.	.	19.0
LMI	17.8	6.5	.	.	.	12.0
High Five Avg.	56.7	.	.	55.1	.	67.0
Low Five Avg.	3.9	.	.	15.2	.	2.5

Economic Structure						
	Labor Force Structure (Employment in agriculture, % total)	Labor Force Structure (Employment in industry, % total)	Labor Force Structure (Employment in services, % total)	Output structure (Agriculture, value added, % GDP)	Output structure (Industry, value added, % GDP)	Output structure (Services, etc., value added, % GDP)
Indicator Number	13P1a	13P1b	13P1c	13P2a	13P2b	13P2c
Indonesia Data						
Latest Year (T)	2006	2006	2006	2007	2007	2007
Value Year T	42.1	18.6	39.3	13.8	46.7	39.4
Value Year T-1	44.0	18.0	38.0	12.9	47.0	40.1
Value Year T-2	43.3	18.0	38.7	13.1	46.8	40.2
Value Year T-3	46.3	17.5	36.2	14.3	44.6	41.0
Value Year T-4	44.3	18.8	36.9	15.2	43.7	41.1
Average Value, 5 year	44.0	18.2	37.8	13.9	45.8	40.3
Growth Trend	-1.5	0.1	1.7	-3.0	1.8	-1.1
Benchmark Data						
Regression Benchmark	41.3	18.3	41.0	16.1	40.6	41.8
Lower Bound	36.0	15.5	35.9	15.4	36.2	36.0
Upper Bound	46.6	21.1	46.1	16.9	45.1	47.6
Latest Year China	2002	2002	2002	2006	2006	2006
China Value Latest Year	44.1	17.7	16.1	11.7	48.4	39.9
Latest Year Thailand	2005	2005	2005	2007	2007	2007
Thailand Value Latest Year	42.6	20.2	37.1	10.8	43.9	45.3
LMI - Asia	41.1	18.7	39.4	20.2	35.5	45.6
LMI	33.5	20.3	45.3	11.9	31.1	54.8
High Five Avg.	65.1	38.9	80.4	56.9	70.2	85.3
Low Five Avg.	0.2	9.1	24.2	0.3	9.4	18.0

Demography and Environment								
	Adult Literacy Rate	Youth Dependency Rate	Elderly Dependency Rate	Environmental Performance Index (1 to 100)	Population Size (Millions)	Population Growth, Annual %	Percent of Population Living in Urban Areas	Resource Depletion, % GNI
Indicator Number	14P1	14P2a	14P2b	14P3	14P4a	14P4b	14P5	14P6
Indonesia Data								
Latest Year (T)	2007	2007	2007	2007	2007	2007	2007	2006
Value Year T	92.5	41.6	8.7	66.2	225.6	1.2	50.3	14.5
Value Year T-1	92.4	42.2	8.5	.	223.0	1.1	49.2	14.1
Value Year T-2	91.9	42.9	8.3	.	220.6	1.4	48.1	11.3
Value Year T-3	91.5	43.6	8.2	.	217.6	1.3	46.9	9.0
Value Year T-4	90.9	44.3	8.0	.	214.7	1.3	45.7	8.3
Average Value, 5 year	91.8	42.9	8.3	.	220.3	1.3	48.0	11.4
Growth Trend	0.4	-1.6	2.0	.	1.2	-4.1	2.4	15.7
Benchmark Data								
Regression Benchmark	59.6	43.8	7.0	67.1	.	1.5	40.0	14.4
Lower Bound	48.9	38.4	6.3	62.5	.	1.1	32.1	9.9
Upper Bound	70.3	49.2	7.7	71.6	.	1.8	47.9	19.0
Latest Year China	.	2007	2007	2007	2007	2007	2007	2006
China Value Latest Year	.	28.9	11.1	65.1	1,320.0	0.6	42.2	6.5
Latest Year Thailand	.	2007	2007	2007	2007	2007	2007	2006
Thailand Value Latest Year	.	30.0	11.5	79.2	63.8	0.6	33.0	6.1
LMI - Asia	.	46.1	7.8	63.4	41.6	1.3	33.9	5.0
LMI	.	52.7	8.1	69.6	5.8	1.3	53.5	2.9
High Five Avg.	98.4	97.7	28.7	89.1	626.6	4.0	100.0	89.8
Low Five Avg.	45.8	19.9	2.8	37.4	0.0	-0.8	12.4	0.0

Indicator Number	Gender						
	Girls' Primary Completion Rate	Gross Enrollment Rate, All Levels of Education, Male	Gross Enrollment Rate, All Levels of Education, Female	Life Expectancy, Male	Life Expectancy, Female	Labor Force Participation Rate, Male	Labor Force Participation Rate, Female
	15P1	15P2a	15P2b	15P3a	15P3b	15P4a	15P4b
Indonesia Data							
Latest Year (T)	2006	2004	2004	2006	2006	2006	2006
Value Year T	98.9	70.0	67.0	66.4	70.0	87.2	53.3
Value Year T-1	100.0	.	.	66.0	69.7	87.1	53.0
Value Year T-2	100.0	.	.	.	.	87.0	52.8
Value Year T-3	99.0	.	.	.	.	87.0	52.8
Value Year T-4	97.8	.	.	64.6	68.6	87.0	52.8
Average Value, 5 year	99.1	.	.	.	.	87.1	52.9
Growth Trend	0.3	.	.	.	.	0.1	0.2
Benchmark Data							
Regression Benchmark	94.9	67.5	66.0	64.4	69.5	85.7	56.2
Lower Bound	85.0	62.7	59.7	61.6	66.5	82.8	48.4
Upper Bound	104.8	72.3	72.3	67.2	72.4	88.5	64.1
Latest Year China	.	2004	2004	2006	2006	2006	2006
China Value Latest Year	.	71.0	70.0	70.1	73.9	87.7	75.4
Latest Year Thailand	.	2004	2004	2006	2006	2006	2006
Thailand Value Latest Year	.	73.0	74.0	65.9	74.8	84.9	72.2
LMI - Asia	99.9	70.5	69.5	66.2	69.1	87.7	56.6
LMI	91.8	69.0	70.0	67.2	72.8	85.4	54.1
High Five Avg.	122.6	101.2	106.8	78.7	84.2	98.8	91.9
Low Five Avg.	20.0	28.0	21.8	38.5	38.9	66.6	19.6

Fiscal and Monetary Policy

	Government Expenditure, % of GDP	Government Revenue, % of GDP	Growth in the Money Supply	Inflation Rate	Overall Budget Balance, Including Grants, % of GDP	Composition of Government Expenditure (Wages and salaries)	Composition of Government Expenditure (Goods and services)	Composition of Government Expenditure (Interest payments)	Composition of Government Expenditure (Subsidies and other current transfers)	Composition of Government Expenditure (Capital expenditure)	Composition of Government Expenditure (Other expenditure)
Indicator Number	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S1e	21S1f
Indonesia Data											
Latest Year (T)	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007
Value Year T	19.1	17.9	19.3	6.4	-1.2	12.0	7.0	10.5	26.5	8.5	35.5
Value Year T-1	20.1	19.0	14.9	13.1	-1.0	11.0	7.0	12.0	22.0	8.0	39.5
Value Year T-2	18.4	17.8	16.4	10.5	-0.5	10.7	5.9	12.8	28.3	6.4	35.8
Value Year T-3	18.6	17.6	7.9	6.1	-1.0	.	.	.	.	.	.
Value Year T-4	18.7	16.9	6.8	6.8	-1.7	.	.	.	.	.	.
Average Value, 5 year	19.0	17.8	13.5	8.6	-1.1	.	.	.	.	.	.
Growth Trend	1.2	1.9	23.0	6.6	7.0	.	.	.	.	.	.
Benchmark Data											
Regression Benchmark	.	14.9	28.4	.	-1.9	.	.	.	.	.	.
Lower Bound	.	11.1	20.9	.	-4.3	.	.	.	.	.	.
Upper Bound	.	18.7	35.9	.	0.4	.	.	.	.	.	.
Latest Year China	.	2005	2007	2007	2005	.	.	.	.	.	.
China Value Latest Year	.	9.6	17.6	4.8	-1.6	.	.	.	.	.	.
Latest Year Thailand	2007	2006	2007	2007	2007	.	.	.	.	.	.
Thailand Value Latest Year	18.5	17.4	1.2	2.2	-1.2	.	.	.	.	.	.
LMI - Asia	.	17.7	16.9	5.3	-4.3	.	.	.	.	.	.
LMI	.	19.8	17.2	5.6	-2.4	.	.	.	.	.	.
High Five Avg.	.	44.4	191.3	798.5	7.9	.	.	.	.	.	.
Low Five Avg.	.	8.7	-0.4	0.8	-8.3	.	.	.	.	.	.

Fiscal and Monetary Policy (cont'd)

	Composition of Government Revenue (Taxes of income, profits and capital gains)	Composition of Government Revenue (Taxes on goods and services)	Composition of Government Revenue (Taxes on international trade)	Composition of Government Revenue (Social contributions)	Composition of Government Revenue (Other taxes)	Composition of Government Revenue (Grants and other revenue)	Composition of Money Supply Growth (Domestic credit to the public sector)	Composition of Money Supply Growth (Domestic credit to the private sector)	Composition of Money Supply Growth (Domestic credit to non-financial public enterprises)	Composition of Money Supply Growth (Net foreign assets, reserves)	Composition of Money Supply Growth (Other items net)
Indicator Number	21S2a	21S2b	21S2c	21S2d	21S2e	21S2f	21S3a	21S3b	21S3c	21S3d	21S3e
Indonesia Data											
Latest Year (T)	2007	2007	2007	.	.	2007	2007	2007	2007	2007	2007
Value Year T	33.7	32.7	3.0	.	.	30.6	2.6	72.4	4.6	40.8	-20.5
Value Year T-1	32.7	29.3	2.1	.	.	35.9	5.3	49.8	5.8	54.5	-15.4
Value Year T-2	35.5	31.5	3.1	.	.	29.9	3.3	78.9	2.0	36.9	-21.1
Value Year T-3	29.6	36.8	3.5	.	.	30.4	-9.1	182.6	3.3	-11.1	-65.7
Value Year T-4	33.7	33.9	3.3	.	.	29.1	-50.5	109.6	-6.9	29.5	18.4
Average Value, 5 year	33.0	32.8	3.0	.	.	31.2	-9.7	98.7	1.8	30.1	-20.9
Growth Trend	1.0	-3.0	-7.0	.	.	2.7	.	.	.	.	.
Benchmark Data											
Regression Benchmark	27.7	29.1	14.1	3.3	.	20.7	.	.	.	.	.
Lower Bound	22.1	22.0	9.7	-1.3	.	14.5	.	.	.	.	.
Upper Bound	33.4	36.3	18.5	7.8	.	26.8	.	.	.	.	.
Latest Year China	2005	2005	2005	.	2005	2005	2007	2007	2007	2007	2007
China Value Latest Year	24.3	79.0	-16.2	.	0.4	12.5	22.2	65.8	0.0	63.8	-51.8
Latest Year Thailand	2006	2006	2006	2006	2006	2006	2007	2007	2007	2007	2007
Thailand Value Latest Year	36.5	40.1	6.2	4.7	0.6	11.9	43.1	150.6	22.0	595.0	-710.7
LMI - Asia	18.1	30.4	9.7	3.7	1.2	25.1	.	.	.	.	.
LMI	18.5	33.0	8.2	11.7	1.5	18.1	.	.	.	.	.
High Five Avg.	54.5	62.6	41.4	46.3	16.7	77.0	.	.	.	.	.
Low Five Avg.	1.8	4.7	-1.6	0.4	0.0	4.0	.	.	.	.	.

Business Environment									
Indicator Number	Control of Corruption Index (-2.5 for poor to 2.5 for excellent)	Ease of Doing Business Ranking (1 to 178)	Rule of Law Index (-2.5 for very poor to 2.5 for excellent)	Regulatory Quality Index (-2.5 for very poor to 2.5 for excellent)	Govt Effectiveness Index (-2.5 for very poor to 2.5 for excellent)	Cost of Starting a Business % GNI per Capita	Procedures to Enforce a Contract	Procedures to Register Property	Procedures to Start a Business
Indicator Number	22P1	22P2	22P3	22P4	22P5	22S1	22S2	22S3	22S4
Indonesia Data									
Latest Year (T)	2007	2008	2007	2007	2007	2008	2008	2008	2008
Value Year T	-0.72	129	-0.71	-0.30	-0.41	77.9	39	6	11
Value Year T-1	-0.78	127	-0.77	-0.31	-0.44	80.0	39	6	12
Value Year T-2	-0.88	.	-0.86	-0.48	-0.46	86.7	39	6	12
Value Year T-3	-0.92	.	-0.82	-0.63	-0.43	101.7	39	6	12
Value Year T-4	-0.97	.	-0.97	-0.65	-0.55	130.7	39	6	12
Average Value, 5 year	-0.85	.	-0.82	-0.47	-0.46	95.4	39.0	6.0	11.8
Growth Trend	7.7	.	7.0	23.0	6.2	-12.7	0.0	0.0	-1.7
Benchmark Data									
Regression Benchmark	-0.74	86.4	-0.77	-0.54	-0.43	.	.	.	9.7
Lower Bound	-0.94	67.8	-1.01	-0.80	-0.66	.	.	.	8.2
Upper Bound	-0.54	104.9	-0.54	-0.29	-0.20	.	.	.	11.2
Latest Year China	2007	2008	2007	2007	2007	2008	2008	2008	2008
China Value Latest Year	-0.66	83	-0.45	-0.24	0.15	8.4	34	4	14
Latest Year Thailand	2007	2008	2007	2007	2007	2008	2008	2008	2008
Thailand Value Latest Year	-0.44	13	-0.06	0.11	0.16	4.9	35	2	8
LMI - Asia	-0.54	111.5	-0.15	-0.24	-0.05	14.3	39.5	5.5	9.5
LMI	-0.59	113.0	-0.61	-0.36	-0.49	36.3	39.0	6.0	10.2
High Five Avg.	2.39	.	1.96	1.83	2.17	574.0	53.7	13.9	18.5
Low Five Avg.	-1.57	.	-1.93	-2.28	-1.85	0.5	22.9	1.6	2.4

Business Environment (cont'd)						
	Time to Enforce a Contract	Time to Register Property	Time to Start a Business	Total Tax Payable by Business, % operating profit	Business Costs of Crime, Violence and Terrorism (1 for poor to 7 for excellent)	Senior Manager Time Spent Dealing with Government Regulations (%)
Indicator Number	22S5	22S6	22S7	22S8	22S9	22S10
Indonesia Data						
Latest Year (T)	2008	2008	2008	2008	2007	2003
Value Year T	570	39	76	37.3	5.7	4.0
Value Year T-1	570	39	105	37.3	4.9	.
Value Year T-2	570	39	97	37.3	.	.
Value Year T-3	570	39	151	37.3	.	.
Value Year T-4	570	39	151	.	.	.
Average Value, 5 year	570	39	116.0	.	.	.
Growth Trend	0.0	0.0	-17.4	.	.	.
Benchmark Data						
Regression Benchmark	518.7	.	40.0	41.0	4.5	5.9
Lower Bound	363.1	.	16.9	28.9	4.0	3.7
Upper Bound	674.3	.	63.2	53.1	4.9	8.1
Latest Year China	2008	2008	2008	2008	2007	2003
China Value Latest Year	406	29	40	79.9	4.4	18.3
Latest Year Thailand	2008	2008	2008	2008	2007	2004
Thailand Value Latest Year	479	2	33	37.8	5.1	1.3
LMI - Asia	617.5	36.0	46.3	38.8	4.2	.
LMI	584.5	46.7	40.5	42.3	4.0	9.2
High Five Avg.	1,611.6	485.8	287.7	243.1	6.6	13.9
Low Five Avg.	182.6	2.1	4.3	11.5	2.0	1.7

Financial Sector

	Domestic Credit to Private Sector, % GDP	Interest Rate Spread	Money Supply (M2), % GDP	Stock Market Capitalization Rate, % GDP	Credit Information Index (0 for poor to 6 for excellent)	Legal Rights of Borrowers and Lenders (0 for poor to 10 for excellent)	Real Interest Rate	Number of Microfinance Borrowers
Indicator Number	23P1	23P2	23P3	23P4	23P5	23S1	23S2	23S3
Indonesia Data								
Latest Year (T)	2007	2007	2007	2007	2008	2008	2007	2007
Value Year T	25.4	5.9	41.6	48.9	4.0	3.0	2.4	3,711,563
Value Year T-1	24.6	4.6	41.3	38.1	3.0	3.0	1.9	3,599,658
Value Year T-2	26.4	6.0	43.3	28.4	2.0	3.0	-0.3	3,397,430
Value Year T-3	26.4	7.7	44.9	28.5	2.0	3.0	5.6	3,282,749
Value Year T-4	22.9	6.3	47.0	23.3	2.0	3.0	11.4	3,154,589
Average Value, 5 year	25.2	6.1	43.6	33.4	2.6	3.0	4.2	3,429,197.8
Growth Trend	1.3	-6.7	-3.3	17.7	17.9	0.0	.	4.2
Benchmark Data								
Regression Benchmark	33.6	4.3	41.4	58.2	3.5	3.8	2.4	.
Lower Bound	22.6	2.3	28.2	39.6	1.5	2.9	-0.7	.
Upper Bound	44.6	6.3	54.6	76.9	5.4	4.7	5.5	.
Latest Year China	2006	2006	2007	2007	2008	2008	2007	2007
China Value Latest Year	113.6	3.6	150.9	189.8	4.0	6.0	2.1	.
Latest Year Thailand	2006	2006	2007	2007	2008	2008	2007	2007
Thailand Value Latest Year	88.0	2.9	96.8	79.8	5.0	4.0	3.5	.
LMI - Asia	33.1	5.4	49.8	56.8	3.0	3.2	3.3	.
LMI	30.1	7.3	41.7	18.5	2.6	4.0	6.5	.
High Five Avg.	203.1	.	198.9	219.8	6.0	9.8	35.2	.
Low Five Avg.	2.5	.	8.3	0.6	0.0	0.4	-20.7	.

External Sector											
	Aid, % of GNI	Current Account Balance, % GDP	Debt Service ratio, % Exports	Exports Growth, Goods and Services	Foreign Direct Investment, % GDP	Gross International Reserves, Months of Imports	Gross Private Capital Inflows, % GDP	Present Value of Debt, % GNI	Remittance Receipts, % Exports	Trade, % GDP	Trade in Services, % GDP
Indicator Number	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24P10	24P11
Indonesia Data											
Latest Year (T)	2006	2007	2006	2007	2007	2007	2005	2006	2005	2007	2007
Value Year T	0.4	2.5	5.2	8.0	1.3	5.1	4.7	44.6	5.5	54.7	8.3
Value Year T-1	0.9	2.9	7.4	9.4	1.3	4.7	2.3	.	2.3	56.9	9.1
Value Year T-2	0.1	0.1	12.5	16.6	2.9	4.4	0.7	.	2.1	62.9	12.2
Value Year T-3	0.8	0.6	10.4	13.5	0.7	4.8	0.7	.	1.9	59.8	12.8
Value Year T-4	0.7	3.5	10.2	5.9	-0.3	6.1	-2.0	.	1.7	53.6	9.7
Average Value, 5 year	0.6	1.9	9.1	10.7	1.2	5.0	1.3	.	2.7	57.6	10.4
Growth Trend	-9.0	9.2	-17.0	2.5	.	-3.8	.	.	25.4	-0.1	-6.5
Benchmark Data											
Regression Benchmark	0.1	7.9	.	.	.	5.5	1.7	18.9	4.5	69.3	15.6
Lower Bound	-4.9	3.1	.	.	.	4.1	-0.7	-4.3	-6.3	68.6	14.8
Upper Bound	5.1	12.7	.	.	.	6.9	4.1	42.1	15.3	70.0	16.4
Latest Year China	2006	2006	2006	2007	2006	2006	2005	2006	2005	2006	2006
China Value Latest Year	0.0	9.4	0.8	22.8	3.0	14.5	4.5	13.9	2.4	72.4	7.3
Latest Year Thailand	2006	2007	2006	2007	2006	2007	2005	2006	2005	2007	2007
Thailand Value Latest Year	-0.1	6.1	2.1	6.5	4.4	6.0	9.4	30.3	0.9	132.5	27.4
LMI - Asia	2.0	0.3	7.9	5.6	1.6	4.2	2.2	42.8	6.2	77.1	14.0
LMI	3.6	-1.5	7.2	7.5	3.4	3.8	3.8	33.0	17.7	88.2	19.7
High Five Avg.	53.8	23.8	38.2	43.5	22.1	15.8	197.8	374.7	87.1	294.4	98.5
Low Five Avg.	0.0	-29.3	0.7	-5.8	-1.7	0.3	-4.2	4.9	0.1	28.4	4.8

External Sector (Cont'd)

	Concentration of Exports	Inward FDI Potential Index (0 for poor to 1 for excellent)	Net Barter Terms of Trade (2000 = 100)	Real Effective Exchange Rate (REER) (2000 = 100)	Structure of Merchandise Exports (Agricultural raw materials exports)	Structure of Merchandise Exports (Fuel exports)	Structure of Merchandise Exports (Manufactures exports)	Structure of Merchandise Exports (Ores and metals exports)	Structure of Merchandise Exports (Food exports)	Trade Policy Index (0 for very poor to 100 for excellent)	Ease of Trading Across Borders Ranking
Indicator Number	24S1	24S2	24S3	24S4	24S5a	24S5b	24S5c	24S5d	24S5e	24S6	24S7
Indonesia Data											
Latest Year (T)	2005	2005	2006	2007	2006	2006	2006	2006	2006	2008	2008
Value Year T	29.5	0.1	100.9	128.7	6.4	27.2	44.7	10.0	11.7	73.0	39
Value Year T-1	18.0	0.1	102.3	134.6	5.0	27.5	47.1	8.4	11.7	74.0	37
Value Year T-2	24.0	0.1	105.6	124.7	5.5	17.6	56.1	7.1	13.6	74.6	.
Value Year T-3	22.8	0.2	104.6	.	5.0	25.8	52.1	5.7	11.4	77.2	.
Value Year T-4	23.5	0.2	101.0	.	4.3	24.4	54.4	5.3	11.5	74.2	.
Average Value, 5 year	23.6	0.2	102.9	.	5.3	24.5	50.9	7.3	12.0	74.6	.
Growth Trend	2.3	-5.4	-0.2	.	8.0	2.9	-5.0	16.6	0.6	-0.7	.
Benchmark Data											
Regression Benchmark	.	0.2	.	.	.	26.4	64.9	2.2	5.1	66.0	91.8
Lower Bound	.	0.2	.	.	.	22.0	53.1	-3.6	-8.8	61.0	69.3
Upper Bound	.	0.2	.	.	.	30.8	76.6	8.0	19.0	71.0	114.3
Latest Year China	.	2005	2006	.	2006	2006	2006	2006	2006	2008	2008
China Value Latest Year	.	0.3	82.1	.	0.5	1.8	92.4	2.2	2.9	70.2	48
Latest Year Thailand	2005	2005	2006	.	2006	2006	2006	2006	2006	2008	2008
Thailand Value Latest Year	12.2	0.2	92.3	.	5.3	4.7	76.0	1.5	11.3	75.2	10
LMI - Asia	33.8	0.2	96.2	.	1.7	3.3	73.0	2.7	11.1	72.6	70.5
LMI	41.8	0.2	100.1	.	1.9	7.4	37.0	3.5	16.0	71.2	104.0
High Five Avg.	95.1	0.5	116.7	.	52.6	92.2	95.1	56.9	91.4	87.9	178.8
Low Five Avg.	16.8	0.1	85.2	.	0.0	0.0	1.7	0.0	0.3	22.9	3.0

Economic Infrastructure

	Internet Users per 100 people	Logistics Performance Index, Instructure (1 for poor to 5 for excellent)	Telephone Density, Fixed Line and Mobile per 100 people	Infrastructure Quality Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Air Transport Infrastructure Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Port Infrastructure Quality Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Rail Development Index (1 for poor to 7 for excellent)	Quality of Infrastructure - Quality of Electricity Supply Index (1 for poor to 7 for excellent)	Roads, Paved (% total)
Indicator Number	25P1	25P2	25P3	25P4	25S1a	25S1b	25S1c	25S1d	25S2
Indonesia Data									
Latest Year (T)	2007	2007	2007	2007	2007	2007	2007	2007	2004
Value Year T	5.8	2.8	44.2	2.6	4.1	2.7	2.7	4.0	55.3
Value Year T-1	4.7	.	35.3	2.8	4.1	2.8	2.7	3.5	58.3
Value Year T-2	3.6	.	27.4	.	.	.	.	.	58.0
Value Year T-3	2.6	.	18.7	.	.	.	.	.	58.9
Value Year T-4	3.8	.	12.4	.	.	.	.	.	57.1
Average Value, 5 year	4.1	.	27.6	.	.	.	.	.	57.5
Growth Trend	14.4	.	31.8	.	.	.	.	.	-0.7
Benchmark Data									
Regression Benchmark	.	2.6	.	3.0	.	3.4	3.0	3.6	48.9
Lower Bound	.	1.9	.	2.6	.	3.0	2.6	3.1	35.6
Upper Bound	.	3.3	.	3.5	.	3.9	3.3	4.0	62.1
Latest Year China	2007	2007	2007	2007	2007	2007	2007	2007	2005
China Value Latest Year	15.9	3.2	69.1	3.6	4.1	4.0	3.9	4.2	81.6
Latest Year Thailand	2007	2007	2007	2007	2007	2007	2007	2007	.
Thailand Value Latest Year	21.0	3.2	91.5	5.1	5.7	4.7	3.5	5.6	.
LMI - Asia	7.3	.	28.0	2.3	4.1	3.1	2.7	3.8	52.8
LMI	8.8	.	58.1	2.3	4.1	3.1	1.9	3.9	57.2
High Five Avg.	80.9	4.2	87.9	.	6.6	6.6	6.5	6.8	100.0
Low Five Avg.	0.1	1.5	2.1	.	2.4	1.4	1.1	1.5	4.8

Science and Technology				
	FDI Technology Transfer Index (1 for poor to 7 for excellent)	Availability of Scientists and Engineers (1 for poor to 7 for excellent)	Scientific and Technology Journal Articles, per Million People	IPR Protection (1 for poor to 7 for excellent)
Indicator Number	26P1	26P2	26P3	26P4
Indonesia Data				
Latest Year (T)	2007	2007	2005	2007
Value Year T	5.9	5.1	205.0	3.1
Value Year T-1	5.6	4.8	182.0	3.4
Value Year T-2	.	.	157.0	.
Value Year T-3	.	.	178.0	.
Value Year T-4	.	.	207.0	.
Average Value, 5 year	.	.	185.8	.
Growth Trend	.	.	0.0	.
Benchmark Data				
Regression Benchmark	5.2	4.7	1,003.4	3.1
Lower Bound	5.0	4.3	-242.3	2.8
Upper Bound	5.5	5.0	2,249.1	3.4
Latest Year China	2007	2007	2005	2007
China Value Latest Year	4.5	4.2	41,596.0	3.4
Latest Year Thailand	2007	2007	2005	2007
Thailand Value Latest Year	5.3	4.7	1,249.0	4.1
LMI - Asia	5.1	4.5	657.2	3.3
LMI	4.6	4.2	192.0	3.0
High Five Avg.	6.1	6.1	75,711.9	6.3
Low Five Avg.	3.6	2.7	55.1	2.0

Health									
	HIV Prevalence	Life Expectancy at Birth	Maternal Mortality Rate, per 100,000 Live Births	Access to Improved Sanitation	Access to Improved Water Source	Births Attended by Skilled Health Personnel	Child Immunization Rate	Prevalence of Child Malnutrition, Weight for Age	Public Health Expenditure, % GDP
Indicator Number	31P1	31P2	31P3	31S1	31S2	31S3	31S4	31S5	31S6
Indonesia Data									
Latest Year (T)	2007	2007	2005	2006	2006	2004	2006	2005	2005
Value Year T	0.2	69.1	420	52.0	80.0	71.5	71.0	24.4	0.9
Value Year T-1	.	68.2	.	.	.	66.3	71.0	19.7	1.0
Value Year T-2	0.1	67.8	.	.	.	.	71.0	23.1	0.9
Value Year T-3	.	.	.	.	.	64.2	71.0	23.0	0.9
Value Year T-4	0.1	.	.	.	.	.	71.0	23.4	0.8
Average Value, 5 year	.	.	.	.	.	.	71.0	22.7	0.9
Growth Trend	.	.	.	.	.	.	0.0	-0.7	3.4
Benchmark Data									
Regression Benchmark	0.2	66.2	.	56.3	73.0	51.3	77.5	19.9	1.6
Lower Bound	-1.3	63.4	.	47.9	66.1	39.1	76.6	19.1	0.9
Upper Bound	1.8	68.9	.	64.7	79.9	63.5	78.3	20.7	2.3
Latest Year China	2007	2006	2005	2006	2006	2005	2006	2002	2005
China Value Latest Year	0.1	72.0	45	65.0	88.0	97.8	93.0	6.8	1.8
Latest Year Thailand	2007	2006	2005	2006	2006	2006	2006	2006	2005
Thailand Value Latest Year	1.4	70.2	110	96.0	98.0	97.3	97.0	7.0	2.2
LMI - Asia	0.1	67.8	175.0	59.0	78.0	62.5	90.1	.	2.1
LMI	0.2	70.6	170.0	70.0	84.5	89.6	88.6	10.3	3.0
High Five Avg.	21.6	81.7	1,720.0	100.0	100.0	.	99.0	.	11.4
Low Five Avg.	0.1	41.9	2.6	11.4	34.0	.	35.6	.	0.6

	Education								
	Net Primary Enrollment Rate, Total	Net Primary Enrollment Rate, Female	Net Primary Enrollment Rate, Male	Persistence to Grade 5, Total	Persistence to Grade 5, Female	Persistence to Grade 5, Male	Youth Literacy Rate, Total	Youth Literacy Rate, Male	Youth Literacy Rate, Female
Indicator Number	32P1a	32P1b	32P1c	32P2a	32P2b	32P2c	32P3a	32P3b	32P3c
Indonesia Data									
Latest Year (T)	2006	2006	2006	2006	2006	2006	2004	2004	2004
Value Year T	95.5	93.8	97.2	98.8	98.9	98.7	98.7	98.9	98.5
Value Year T-1	94.5	92.9	96.2	99.4	100.0	98.9	.	.	.
Value Year T-2	94.4	93.3	95.3	99.9	100.6	99.2	.	.	.
Value Year T-3	94.3	93.4	95.2	99.0	99.0	99.0	.	.	.
Value Year T-4	94.0	93.5	94.4	97.4	97.8	97.1	.	.	.
Average Value, 5 year	94.5	93.4	95.7	98.9	99.3	98.6	.	.	.
Growth Trend	0.3	0.0	0.7	0.3	0.3	0.3	.	.	.
Benchmark Data									
Regression Benchmark	.	89.1	.	.	94.9	88.6	75.6	85.3	91.2
Lower Bound	.	80.2	.	.	84.7	79.0	67.4	80.6	77.5
Upper Bound	.	97.9	.	.	105.1	98.2	83.7	90.0	104.9
Latest Year China	.	.	.	.	.	.	.	.	.
China Value Latest Year	.	.	.	.	.	.	.	.	.
Latest Year Thailand	.	.	.	.	.	.	.	.	.
Thailand Value Latest Year	.	.	.	.	.	.	.	.	.
LMI - Asia	86.8	85.4	88.1	96.5	99.9	93.1	.	.	.
LMI	89.7	89.4	90.3	92.6	91.8	91.6	.	.	.
High Five Avg.	99.4	99.6	99.6	125.2	122.6	125.7	99.6	99.6	99.6
Low Five Avg.	41.4	36.0	46.7	25.9	20.0	30.7	62.2	70.9	52.9

Education (cont'd)							
Indicator Number	Net Secondary Enrollment Rate, Total	Gross Tertiary Enrollment Rate, Total	Expenditure on Primary Education, % GDP	Educational Expenditure per Student, % GDP per capita, Primary	Educational Expenditure per Student, % GDP per capita, Secondary	Educational Expenditure per Student, % GDP per capita, Tertiary	Pupil-teacher Ratio, Primary School
	32P4	32P5	32S1	32S2a	32S2b	32S2c	32S3
Indonesia Data							
Latest Year (T)	2006	2006	2006	2003	2003	2003	2006
Value Year T	59.0	17.0	2.0	2.6	4.9	13.4	20.3
Value Year T-1	57.4	17.0	1.4	2.9	5.7	15.7	20.4
Value Year T-2	56.1	16.6	1.4	.	.	.	20.1
Value Year T-3	54.3	16.2	.	.	.	.	20.3
Value Year T-4	.	15.0	.	.	.	.	20.9
Average Value, 5 year	.	16.4	.	.	.	.	20.4
Growth Trend	.	3.0	.	.	.	.	-0.5
Benchmark Data							
Regression Benchmark	53.9	14.6	.	9.5	8.4	33.5	20.8
Lower Bound	45.9	7.8	.	6.3	6.8	-17.9	20.1
Upper Bound	61.8	21.4	.	12.7	10.0	84.9	21.5
Latest Year China	.	2006	.	.	.	.	2006
China Value Latest Year	.	21.6	.	.	.	.	18.3
Latest Year Thailand	2006	2006	2006	2004	2004	2005	2006
Thailand Value Latest Year	71.0	45.9	1.3	14.1	15.5	25.0	18.3
LMI - Asia	63.0	19.2	.	14.1	.	35.5	27.8
LMI	55.1	22.4	.	11.8	17.0	38.2	26.1
High Five Avg.	97.1	79.3	.	28.9	49.7	482.5	63.3
Low Five Avg.	7.7	0.6	.	6.0	6.6	7.9	9.9

Employment and Workforce							
Indicator Number	Labor Force Participation Rate, Total	Rigidity of Employment Index (0 for minimum rigidity to 100 for maximum rigidity)	Size of the Labor Force	Growth of the Labor Force, Annual % Change	Unemployment Rate	Economically Active Children, % Children Ages 7-14	Firing Costs, Weeks of Wages
	33P1	33P2	33P3a	33P3b	33P4	33P5	33S1
Indonesia Data							
Latest Year (T)	2007	2008	2006	2006	2007	.	2008
Value Year T	67.0	40.0	109,165,541	1.8	9.1	.	108.0
Value Year T-1	66.2	44.0	107,263,903	2.2	10.3	.	108.0
Value Year T-2	66.8	40.0	104,982,118	1.9	11.2	.	108.0
Value Year T-3	67.6	44.0	103,047,612	1.9	9.9	.	108.0
Value Year T-4	65.7	44.0	101,130,082	1.5	9.5	.	108.0
Average Value, 5 year	66.7	42.4	105,117,851	1.9	10.0	.	108.0
Growth Trend	0.2	-1.0	1.9	4.1	-0.5	.	0.0
Benchmark Data							
Regression Benchmark	70.5	34.2	104,000,000	2.2	5.1	8.3	.
Lower Bound	66.1	25.6	102,443,522	1.7	2.7	3.0	.
Upper Bound	74.9	42.7	105,556,478	2.8	7.5	13.6	.
Latest Year China	2006	2008	2006	2006	2005	.	2008
China Value Latest Year	83.7	27.0	780,548,654	0.8	4.2	.	91.0
Latest Year Thailand	2006	2008	2006	2006	2005	.	2008
Thailand Value Latest Year	81.4	18.0	36,450,231	1.0	1.3	.	54.0
LMI - Asia	71.9	28.5	22,170,198	2.4	5.1	.	55.0
LMI	68.9	31.7	2,738,322	2.6	10.2	.	53.0
High Five Avg.	92.4	72.4	311,642,398	6.5	28.0	.	226.3
Low Five Avg.	50.1	0.0	50,909	-1.5	1.8	.	0.0

Agriculture								
	Agriculture Value Added per Worker	Cereal Yield	Growth in Agricultural Value-Added	Fertilizer Consumption, 100 grams per hectare of arable land	Agricultural Policy Costs Index (1 for poor to 7 for excellent)	Crop Production Index (1999-2001 = 100)	Livestock Production Index (1999-2001 = 100)	Agricultural Export Growth
Indicator Number	34P1	34P2	34P3	34P4	34S1	34S2	34S3	34S4
Indonesia Data								
Latest Year (T)	2005	2006	2007	2005	2007	2004	2004	2006
Value Year T	596.1	4,476.4	3.5	1,496.9	5.0	117.3	133.2	51.4
Value Year T-1	583.4	4,311.2	3.4	1,597.1	4.4	113.1	127.0	11.9
Value Year T-2	570.2	4,274.5	2.7	1,253.9	.	107.8	121.6	23.3
Value Year T-3	552.3	4,248.1	2.8	1,438.7	.	.	.	23.9
Value Year T-4	539.8	4,174.2	3.8	.	.	.	.	24.1
Average Value, 5 year	568.4	4,296.9	3.2	.	.	.	.	26.9
Growth Trend	2.5	1.5	.	.	.	.	.	8.2
Benchmark Data								
Regression Benchmark	632.6	3,464.0	5.0	1,038.6	4.1	112.9	115.0	21.6
Lower Bound	-339.6	2,837.8	2.4	387.3	3.8	106.0	109.4	-30.0
Upper Bound	1,604.8	4,090.1	7.6	1,689.9	4.4	119.7	120.6	51.6
Latest Year China	2005	2006	2007	2005	2007	2004	2004	2006
China Value Latest Year	423.3	5,305.0	4.0	3,410.2	4.8	115.2	122.6	15.9
Latest Year Thailand	2005	2006	2007	2005	2007	2004	2004	2006
Thailand Value Latest Year	606.5	2,981.7	4.8	1,214.1	4.4	109.5	92.3	38.9
LMI - Asia	583.2	2,842.4	3.3	1,430.2	3.8	107.3	110.5	19.4
LMI	1,449.1	2,036.1	3.4	460.9	3.6	107.3	107.1	14.0
High Five Avg.	49,898.7	27,557.6	14.5	17,297.0	5.1	131.0	141.9	361,826
Low Five Avg.	90.7	372.2	-9.4	3.0	2.6	65.3	86.8	-27.6

Technical Notes

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

STATISTICAL CAPACITY

Statistical Capacity Indicator

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

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

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

CAS Code # 01P1

GROWTH PERFORMANCE

Per capita GDP, in Purchasing Power Parity Dollars

Source: World Bank International Comparison Program, at <http://go.worldbank.org/VMCB80AB40>

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

Coverage: Data are available for about 65 USAID countries.

CAS Code #11P1

Per capita GDP, in current US Dollars

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P2

Real GDP Growth

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P3

Growth of Labor Force Productivity

Source: World Development Indicators. Estimated by calculating the annual percentage change of the ratio of GDP (constant 2000 US\$) (NY.GDP.MKTP.KD) to the population age 15–64 who participate in the labor force, which in turn is the product of the total population (SP.POP.TOTL) times the product of percentage of total population in this age group (SP.POP.1564.IN.ZS) and the labor force participation rate in this age group (SL.TLF.ACTI.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) that participate in the labor force.

Coverage: Data are available for about 85 USAID countries.

CAS Code # 11S1

Investment Productivity, Incremental Capital-Output Ratio (ICOR)

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

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

Coverage: Data are available for about 81 USAID countries.

CAS Code #11S2

Gross Fixed Investment, Percentage of GDP

Source: IMF Article IV consultation report for latest country data; international benchmark from the World Development Indicators, most recent publication series NE.GDI.FTOT.ZS.

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

Coverage: Data are available for about 84 USAID countries.

CAS Code # 11S3

Gross Fixed Private Investment, Percentage of GDP

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

government expenditure (percent of GDP) (GB.XPD.TOTL.GD.ZS).

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

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

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

CAS Code #11S4

POVERTY AND INEQUALITY

Human Poverty Index

Source: UNDP, Human Development Report.

<http://hdrstats.undp.org/indicators/18.html>

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

Coverage: Data are available for about 60 USAID countries.

CAS Code #12P1

Income Share, Poorest 20 Percent

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

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

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

CAS Code # 12P2

Percentage of Population Living on Less than \$1 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

Poverty Headcount, National Poverty Line

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

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

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

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

CAS Code #12P4

PRSP Status

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

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

Coverage: All countries having PRSPs are so indicated.

CAS Code #12P5

Percent of Population below Minimum Dietary Energy Consumption

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code # 12S1

ECONOMIC STRUCTURE

Employment or Labor Force Structure

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

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

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

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

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

CAS Code #13P1

Output Structure

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

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

Coverage: Data are available for about 86 USAID countries.

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

CAS Code #13P2

DEMOGRAPHY AND ENVIRONMENT

Adult Literacy Rate

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

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

Coverage: Data are available for about 66 USAID countries.

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

CAS Code #14P1

Youth Dependency Rate

Source: World Development Indicators, most recent publication series.

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

Coverage: Data are available for about 89 USAID countries.

CAS Code #14P2a

Elderly Dependency Rate

Source: World Development Indicators, most recent publication series.

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

Coverage: Data are available for about 89 USAID countries.

CAS Code #14P2b

Environmental Performance Index

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

Definition: The Environmental Performance Index (EPI) is a composite index of national environmental protection, which tracks (1) environmental health, (2) air quality, (3) water resources, (4) biodiversity and habitat, (5) productive natural resources, and (6) sustainable energy. The index is a weighted average of these six policy categories, with more weight given environmental health, (i.e., $EPI = 0.5 \times \text{environmental health} + 0.1 \times (\text{air quality} + \text{water resources} + \text{productive natural resources} + \text{biodiversity and habitat} + \text{sustainable energy})$). The index values range from 0 (very poor performance) to 100 (very good performance). The 2008 edition is considered a work in progress.

Coverage: Data are available for about 80 USAID countries.

CAS Code #14P3

Population Size and Growth

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #14P4

Percent of Population Living In Urban Areas

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

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

Coverage: Data are available for about 86 USAID countries.

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

CAS Code #14P5

Resource Depletion, Percent GNI

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

Definition: Resource depletion, as a percent of GNI is an indicator of environmental sustainability. Energy depletion is equal to the product of unit resource rents and the physical quantities of energy extracted. It covers crude oil, natural gas, and coal.

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

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code #14P6

GENDER

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 Ratio, All Levels of Education, Male and Female

Source: United Nations Organization for Education, Science, and Culture UNESCO:

http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?ReportId=136&IF_Language=eng&BR_Topic=0

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code #15P2

Life Expectancy, Male and Female

Source: Estimated from UNDP Human Development Indicators:

<http://hdrstats.undp.org/indicators/270.html>

and

<http://hdrstats.undp.org/indicators/271.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: 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 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 #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 (GC.REV.XGRT.GD.ZS). Original data from the IMF, Government Finance Statistics Yearbook and data file, and World Bank estimates.

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

Gaps: Data missing for about 24 USAID countries.

CAS Code # 21P2

Growth in Broad Money Supply

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

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

Coverage: Data are available for about 81 USAID countries.

CAS Code #21P3

Inflation Rate

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

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

Coverage: Data are available for about 85 USAID countries.

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

CAS Code # 21P4

Overall Budget Balance, Including Grants, Percentage of GDP

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

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

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

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

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

CAS Code # 21P5

Composition of Government Expenditure

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

Definition: Central government expenditure, broken down into the following six categories: (1) wages and salaries; (2) goods and services; (3) interest payments; (4) subsidies and other current transfers; (5) capital expenditures; (6) 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 for about 46 USAID countries.

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

CAS Code # 21S2

Composition of Money Supply Growth

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

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

Coverage: Data are available for about 86 USAID countries.

CAS Code # 21S3

BUSINESS ENVIRONMENT

Control of Corruption Index

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

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

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

Coverage: Data are available for nearly all USAID countries.

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

CAS Code # 22P1

Ease of Doing Business Index

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code # 22P2

Rule of Law Index

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

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

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

Coverage: Data are available for nearly all USAID countries.

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

CAS Code #22P3

Regulatory Quality Index

Source: World Bank Institute;

<http://www.govindicators.org>

Definition: The regulatory quality index measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. It is computed from survey data from multiple sources. The index values range from -2.5 (very poor performance) to +2.5 (excellent performance).

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

Gaps: Data are available for nearly all USAID countries.

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

CAS Code #22P4

Government Effectiveness Index

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

Definition: This index, based on 17 component sources, measures "the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and

implementation, and the credibility of the government's commitment to such policies." The index values range from -2.5 (very poor performance) to +2.5 (excellent performance).

Coverage: Data are available for nearly all USAID countries.
CAS Code #22P5

Cost of Starting a Business

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

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

Coverage: Data are available for nearly all USAID countries.
CAS Code #22S1

Procedures to Enforce a Contract

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

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

Coverage: Data are available for nearly all USAID countries.
CAS Code # 22S2

Procedures to Register Property

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

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

Coverage: Data are available for nearly all USAID countries.
CAS Code #22S3

Procedures to Start a Business

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

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

Coverage: Data are available for nearly all USAID countries.
CAS Code # 22S4

Time to Enforce a Contract

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

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

Coverage: Data are available for nearly all USAID countries.
CAS Code # 22S5

Time to Register Property

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

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

Coverage: Data are available for nearly all USAID countries.
CAS Code #22S6

Time to Start a Business

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

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

Coverage: Data are available for nearly all USAID countries.
CAS Code #22S7

Total Tax Payable by Business

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

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

Coverage: Data are available for nearly all USAID countries
CAS Code #22S8

Business Costs of Crime, Violence and Terrorism Index

Source: Global Competitiveness Report, World Economic Forum.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #22S9

Senior Manager Time Spent Dealing with Government Regulations

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

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

Coverage: Data available for about 80 USAID countries.

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

CAS Code #22S10

FINANCIAL SECTOR

Domestic Credit to Private Sector, Percentage of GDP

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code # 23P1

Interest Rate Spread

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

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

Coverage: Data are available for about 66 USAID countries.

CAS Code # 23P2

Money Supply, Percentage of GDP

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

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

Coverage: Data are available for about 81 USAID countries.

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

CAS Code # 23P3

Stock Market Capitalization Rate, Percentage of GDP

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

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

Coverage: Data are available for about 54 USAID countries.

CAS Code # 23P4

Credit Information Index

Source: World Bank, Doing Business; Getting Credit Category:

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

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

Coverage: Data are available for nearly all USAID countries.

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

CAS Code # 23P5

Legal Rights of Borrowers and Lenders Index

Source: World Bank Doing Business; Getting Credit category:

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

The index is based on data collected through research of collateral and insolvency laws supported by survey data on secured transactions laws.

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

Coverage: Data are available for nearly all USAID countries.

CAS Code # 23S1

Real Interest Rate

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

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

Coverage: Data are available for about 68 USAID countries.

CAS Code # 23S2

Number of Active Microfinance Borrowers

Source: The Mix Market.

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

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

Coverage: Data are available for about 68 USAID countries.

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

CAS Code # 23S3

EXTERNAL SECTOR

Aid, Percentage of GNI

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

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

Coverage: Data are available for about 84 USAID countries.

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

CAS Code #24P1

Current Account Balance, Percentage of GDP

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

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

Coverage: Data are available for about 79 USAID countries.

CAS Code #24P2

Debt Service ratio

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

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

Definition: 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 FL.RES.TOTL.MO.

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

Coverage: Data are available for about 77 USAID countries.

CAS Code #24P6

Gross Private Capital Inflows, Percentage of GDP

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

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

Coverage: Information on coverage is not easily accessible.

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

CAS Code #24P7

Present Value of Debt, Percentage of GNI

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

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

existing loans. The indicator measures the value of debt relative to the GNI.

Coverage: Data are available for about 80 USAID countries.

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

CAS Code # 24P8

Remittances Receipts, Percentage of Exports

Source: Latest country data obtained from national data sources or IMF Article IV consultation reports: www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data are obtained from World Development Indicators, most recent publication and remittances data compiled by the World Bank at <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:21122856~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html>. The figure is constructed by dividing workers' remittances (receipts), by exports of goods and services, WDI series BX.GSR.GNFS.CD.

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

Coverage: Data are available for all USAID countries.

CAS Code # 24P9

Trade, Percentage of GDP

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

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

Coverage: Data available for about 84 USAID countries.

CAS Code # 24P10

Trade in Services, Percentage of GDP

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

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

Coverage: Data available for about 80 USAID countries.

CAS Code # 24P11

Concentration of Exports

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

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

Coverage: Available for about 74 USAID countries.

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

CAS Code # 24S1

Inward FDI Potential Index

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

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

Coverage: Data are available for about 77 USAID countries.

CAS Code # 24S2

Net Barter Terms of Trade

Source: World Development Indicators, most recent publication, series TT.PRI.MRCH.XD.WD

Definition: Net barter terms of trade are calculated as the ratio of the export price index to the corresponding import price index measured relative to the base year 2000.

Coverage: Data are available for about 51 USAID countries.

CAS Code # 24S3

Real Effective Exchange Rate (REER)

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

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

Coverage: Information on coverage is not easily accessible.

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

CAS Code # 24S4

Structure of Merchandise Exports

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

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

Coverage: Data are available for about 78 USAID countries.

Data Quality: The classification of commodity groups follows the Standard International Trade Classification

(SITC) revision 1, but most countries report using later revisions of the SITC. Tables are used to convert data reported in one system to another and this may introduce errors of classification. Shares may not sum to 100 percent because of unclassified trade.

CAS Code # 24S5

Trade Policy Index

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

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

Coverage: Data are available for about 83 USAID countries.

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

CAS Code # 24S6

Ease of Trading Across Borders Ranking

Source: World Bank, Doing Business, Trading Across Borders category:

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

Definitions: The 178 economies covered by the Doing Business report are ranked on the ease with which one may import into and export out of the economy. The ranking is based on a simple average of the economy's ranking on each of the composite indicators for Trading Across Borders: number of documents to import and export, cost to import and export, and time to import and export.

Coverage: Data are available for nearly all USAID countries.

CAS Code # 24S7

ECONOMIC INFRASTRUCTURE

Internet Users per 100 people

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code # 25P1

Logistics Performance Index, Infrastructure

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

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

Coverage: Data are available for about 80 USAID countries.

CAS Code # 25P2

Telephone Density, Fixed Line and Mobile

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #25P3

Overall Infrastructure Quality Index

Source: Global Competitiveness Report, World Economic Forum.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 25P4

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

Source: Global Competitiveness Report, World Economic Forum.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #25S1

Roads, paved (% total)

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

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

Coverage: Data are available for nearly all USAID countries.

CAS Code #25S2

SCIENCE AND TECHNOLOGY

FDI Technology Transfer Index

Source: Global Competitiveness Report, World Economic Forum.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 26P1

Availability of Scientists and Engineers Index

Source: Global Competitiveness Report, World Economic Forum.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #26P2

Science and Technology Journal Articles, per Million People

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code #26P3

IPR Protection Index

Source: Global Competitiveness Report, World Economic Forum.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #26P4

HEALTH

HIV Prevalence

Source: UNAIDS for most recent country data:

http://data.unaids.org/pub/GlobalReport/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

Primary Completion Rate – Female, Male, and Total

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

Definition: Primary completion rate is the percentage of students completing the last year of primary school. It is

calculated by taking the total number of students in the last grade of primary school, minus the number of repeaters in that grade, divided by the total number of children of official graduation age.

Coverage: Data are available for about 128 USAID countries

CAS Code # 32P2

Youth Literacy Rate—Female, Male, and Total

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

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

Coverage: Data are available for about 67 USAID countries.

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

CAS Code #32P3

Net Secondary Enrollment Rate, Total

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

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

Coverage: Not available for draft.

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

CAS Code #32P4

Gross Tertiary Enrollment Rate, Total

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

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

Coverage: Not available for draft.

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

CAS Code #32P5

Expenditure on Primary Education, Percentage of GDP

Source: Millennium Challenge Corporation:

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

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

Coverage: Data are available for about 58 USAID countries.

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

CAS Code #32S1

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

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

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

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

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

CAS Code # 32S2

Pupil-teacher Ratio, Primary School

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

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

Coverage: Data are available for about 76 USAID countries.

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

CAS Code # 32S3

EMPLOYMENT AND WORKFORCE

Labor Force Participation Rate

Source: 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, Employing workers category:

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

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

Coverage: Data are available for nearly all USAID countries.

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

CAS Code # 33P2

Size and Growth of the Labor Force

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #33P3

Unemployment Rate

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

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

Coverage: Data are available for about 50 USAID countries.

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

CAS Code # 33P4

Economically Active Children, Percentage Children Ages 7-14

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

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

CAS Code # 33P5

Firing Costs, Weeks of Wages

Source: World Bank, Doing Business, Employing Workers Category:

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

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

Coverage: Data available for nearly all USAID countries.

CAS Code # 33S1

AGRICULTURE

Agriculture Value Added per Worker

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

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

Coverage: Data are available for about 80 USAID countries.

CAS Code # 34P1

Cereal Yield

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

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

Coverage: Data are available for about 84 USAID countries.

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

CAS Code # 34P2

Growth in Agricultural Value-Added

Source: The latest country data are taken from national data sources or from IMF Article IV consultation reports:

<http://www.imf.org/external/np/sec/aiv/index.htm>. The benchmarking data are from World Development Indicators, most recent publication series NV.AGR.TOTL.KD.ZG

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

Coverage: Data are available for about 84 USAID countries.

CAS Code # 34P3

Fertilizer Consumption (100 grams per hectare of arable land)

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

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

Coverage: Data available for

CAS Code #34P4

Agricultural Policy Costs Index

Source: Global Competitiveness Report, World Economic Forum.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 34S1

Crop Production Index

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

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

Coverage: Data are available for about 85 USAID countries.

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

Coverage: Data are available for about 85 USAID countries.

CAS Code # 34S2

Livestock Production Index

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

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

Coverage: Data are available for about 85 USAID countries.

Data Quality: See comments on the Crop Production Index.

CAS Code # 34S3

Agriculture Export Growth

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

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

Coverage: Not available for draft.

CAS Code # 34S4