El Salvador

Economic Performance Assessment

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Contents

Highlights of El Salvador's Performance iii

El Salvador: Notable Strengths and Weaknesses – Selected Indicators iv

1. Introduction 1

2. Overview of the Economy 5

Growth Performance 5

Poverty and Inequality 7

Economic Structure 8

Demography and Environment 10

Gender 11

3. Private Sector Enabling Environment 13

Fiscal and Monetary Policy 13

Business Environment 15

Financial Sector 18

External Sector 21

Economic Infrastructure 28

Science and Technology 31

4. Pro-Poor Growth Environment 33

Health 33

Education 35

Employment and Workforce 37

Agriculture 39

5. Conclusions: Key Findings 41

Illustrations

Figures

Figure 2-1. Real GDP Growth 6
Figure 2-2. Share of Gross Fixed Investment in GDP 6
Figure 2-3. Percentage of Population Living on Less Than $1 (PPP) Per Day 7
Figure 2-4. Ratio of Income Share Accruing to Richest 20% to Poorest 20% 8
Figure 2-5. Labor Force and Output Structure 9
Figure 2-6. Environmental Sustainability Index 11
Figure 3-1. Growth in the Broad Money Supply 14
Figure 3-2. Government Revenue as a Percent of GDP 15
Figure 3-3. Corruption Perceptions Index 17
Figure 3-4. Ease of Doing Business Ranking 17
Figure 3-5. M2 as a Percentage of GDP 19
Figure 3-6. Interest Rate Spread 20
Figure 3-7. Actual to Expected Trade Size Index 22
Figure 3-8. Current Account Balance as a Percentage of GDP 22
Figure 3-9. Time to Trade, Average Import and Export Days 24
Figure 3-10. Imports from CAFTA Countries Other than the United States 25
Figure 3-11. Exports from CAFTA Countries Other than the United States 26
Figure 3-12. Foreign Direct Investment as a Percent of GDP 27
Figure 3-13. Debt Service Ratio as a Percent of Exports 28
Figure 3-14. Overall Infrastructure Quality Index 29
Figure 3-15. Internet Users per 1,000 People 30
Figure 3-16. FDI Technology Transfer Index 31
Figure 4-1. Births Attended by a Skilled Health Professional 34
Figure 4-2. Persistence in School to Grade Five 36
Figure 4-3. Youth Literacy Rate 36
Figure 4-4. Female Labor Force Participation Rate 38
Figure 4-5. Growth in Agricultural Value Added 40
Figure 4-6. Agriculture Value Added Per Worker 40

HIGHLIGHTS OF EL SALVADOR'S PERFORMANCE

Economic Growth	GDP growth averaged a mere 2.0 percent over the past five years, barely enough to keep pace with population growth. The sluggish growth rate reflects low investment and low productivity, as well as adverse shocks.
Poverty	19 percent of Salvadorans lived below the $1 PPP per day poverty line in 2002 (latest data), and inequality is among the worst in the world. Poverty and inequality are major policy challenges, and constraints on growth.
Economic Structure	Agriculture employs 21.8 percent of the labor force, but generates just 8.9 percent of GDP. This shows that productivity is very low in this sector relative to other sectors, underscoring the need for rapid job growth outside agriculture.
Demography and Environment	Both the population growth rate and the age dependency rate are relatively high, indicating more serious demographic pressures in El Salvador than in other LAC countries. Population pressure is also causing environmental stress.
Gender	Gender indicators point to fairly good equity in women's access to health and education services, but serious disparities in access to jobs.
Fiscal and Monetary Policy	Inflation has been low, on average, but the fact that it is higher than in the United States raises concerns about eroding competitiveness, given the dollarized economy. Dollarization also constrains fiscal policy, which has been under pressure from rising expenditure demands and a relatively weak revenue yield.
Business Environment	El Salvador has made great strides in improving its business environment; scores on indicators of corruption, the rule of law, and time to start a business have all improved. The judicial system is still a major problem. In addition, a recent survey shows that crime is a leading impediment to investment.
Financial Sector	The financial indicators show a well developed and efficient banking sector, with domestic credit to the private sector nearly twice as high as the average for low income countries in the LAC region. Capital markets, however, are thin.
External Sector	For a small country near major markets, trade integration is rather low. Export growth has been lackluster, exports are highly concentrated, and the trade balance has shown large structural deficits. FDI inflows have been weak, and debt has been rising, while reserves have been declining. Workers' remittances are the principal source of financing for the trade deficit, but may be contributing to inflation and problems with competitiveness.
Economic Infrastructure	Basic infrastructure does not appear to be a critical constraint on private sector development, with the exception of the road network, which is being addressed.
Health	Despite relatively high spending on healthcare as a percentage of GDP, most health indicators lag behind regional benchmarks.
Education	Impressive progress has been made in the education system, but most indicators still fall short of regional benchmarks. Major reforms are underway.
Employment and Workforce	El Salvador's unemployment rate is a bit above the regional average, despite a high rate of emigration, which reflects the lack of attractive jobs. Female participation in the labor force is well above the regional average, and improving, but still very low at 53.7 percent.
Agriculture	Agriculture has registered low growth, but the sector remains a major source of employment, albeit with very low productivity.

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

EL SALVADOR: NOTABLE STRENGTHS AND WEAKNESSES – SELECTED INDICATORS

Indicators, by Topic	Strengths	Weaknesses
Growth Performance		
Real GDP growth		X
Share of gross fixed investment in GDP		X
Poverty and Inequality		
Population (%) living on less than $1 PPP per day		X
Ratio of income shares, top 20 percent to bottom 20 percent		X
Demography and the Environment		
Environmental Sustainability Index		X
Gender		
Gross enrollment rates, all levels, male to female ratio	X	
Life expectancy at birth, male to female ratio	X	
Labor force participation rate, female		X
Fiscal and Monetary Policy		
Government revenue, % of GDP		X
Business Environment		
Ease of Dong Business Ranking	X	
Corruption Perception Index	X	
Regulatory Quality Index	X	
Procedures to register property	X	
Cost of starting a business, % of GNI per capita		X
Time to start a business	X	
Time to enforce a contract	X	
Financial Sector		
Domestic credit to the private sector, % of GDP	X	
Interest rate spread, lending minus deposit rate	X	
External Sector		
Actual to expected trade size index		X
Current Account Balance, % of GDP		X
Export growth, goods and services		X
Remittances receipts, % of exports	X	
Foreign Direct Investment, % of GDP		X
Time to Trade, average number of days to import and export		X

Indicators, by Topic	Strengths	Weaknesses
Economic Infrastructure		
Overall Infrastructure Quality Index	X	
Internet Users per 1000 people	X	
Paved road density		X
Health		
Public Health Expenditure, % of GDP	X	
Access to improved sanitation		X
Access to improved water source		X
Births attended by skilled health personnel		X
Education		
Persistence in school to grade 5, % of students		X
Youth Literacy rate		X
Education Expenditure, primary, % of GDP		X
Expenditure per student, % of GDP per capita, tertiary		X
Employment and Workforce		
Labor force participation rate, total	X	
Agriculture		
Agriculture value-added per worker		X
Growth in agricultural value-added, 5-year average		X

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

1. Introduction

This paper is one of a series of Economic Performance Assessments prepared for the EGAT Bureau to provide USAID missions and regional bureaus with a concise evaluation of a broad range of indicators relating to economic growth performance in designated host countries. The report draws on a variety of international data sources[1] and uses international benchmarking against reference group averages and comparator countries (in this case, Chile and Costa Rica[2]) to identify major constraints, trends, and opportunities for strengthening growth and reducing poverty.

The methodology used here is analogous to examining an automobile dashboard to see which gauges are signaling problems. Sometimes a blinking light has obvious implications—such as the need to fill the fuel tank. In other cases, it may be necessary to have a mechanic probe more deeply to assess the source of the trouble and discern the best course of action.[3] Similarly, the Economic Performance Assessment is an examination of key economic and social indicators to see which ones are signaling problems. In some cases, a "blinking" indicator has clear implications, while in others a detailed study may be needed to investigate the problem more fully and identify an appropriate course of programmatic action.

The analysis is organized around two mutually supportive goals: transformational growth and poverty reduction.[4] Rapid and broad-based growth is the most powerful instrument for poverty reduction. At the same time, measures aimed at reducing poverty and lessening inequality can help to underpin rapid and sustainable growth. These interactions create the potential for stimulating a virtuous cycle of economic transformation and human development.

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

[2] These two countries were selected at the request of the LAC Bureau as comparators for all of the CAS reports on CAFTA countries.

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

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

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

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

The remainder of the report discusses the most important results of the diagnostic analysis, in three sections: Overview of the Economy; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topic coverage. A concluding section summarizes the key findings.

Table 1
Topic Coverage

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

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

The appendix provides a brief explanation of the criteria used for selecting indicators, the benchmarking methodology (including our regression benchmarking methodology), and a table showing the full set of indicators examined for this report. A separate Data Supplement provides a full tabulation of the data for El Salvador and the international benchmarks, including indicators not discussed in the text, as well as technical notes for each indicator.

2. Overview of the Economy

This section reviews information on El Salvador'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

With an estimated per capita GDP of $2,453 in 2005, El Salvador ranks squarely in the middle of the World Bank's lower-middle income group, and in line with the average of $2,358 for lower-middle income countries in Latin America and the Caribbean (hereafter, LMI-LAC). Annual GDP growth in real terms averaged a mere 2.0 percent in the past five years, barely enough to keep pace with the population growth rate of 1.7 percent, but not nearly enough to deliver visible improvements in standards of living. This rate of growth is well below the LMI-LAC average of 2.8 percent, as well as our regression benchmark of 3.5 percent for a country with El Salvador's characteristics (see Figure 2-1) Poor growth is partly a reflection of low investment and weak productivity, in the context of adverse external conditions (including unfavorable changes in oil and coffee prices), the trauma of major earthquakes, and election-related uncertainties.[6]

During the 2000–2004 period, the share of gross fixed investment in GDP averaged only 16.4 percent, which is very low compared to all benchmarks. The LMI-LAC average for the same period was 21.3 percent, while Costa Rica and Chile registered investment rates of 21.8 percent and 23.4 percent, respectively (see Figure 2-2). Investment productivity has also been low. Over the past five years, on average, El Salvador had an incremental capital–output ratio (ICOR) of 8.2. This means that each extra $1 of output required $8.20 of gross investment. Countries using capital productively usually have an ICOR of 4.0 or less. Investment productivity in El Salvador also lags behind unimpressive regional standards, including an average ICOR of 7.1 for LMI-LAC, and 6.2 for Costa Rica and 5.6 for Chile. In addition, El Salvador's labor force productivity has declined at an average rate of –0.2 percent per year between 2000 and 2004. This decline is in line with the LMI-LAC average, but contrasts sharply with the 1.8 percent average for LMI countries overall, and Costa Rica's 3.7 percent and Chile's 1.6 percent (latest data 2003).

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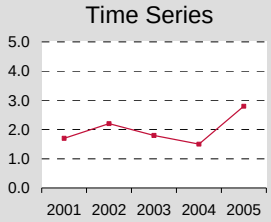
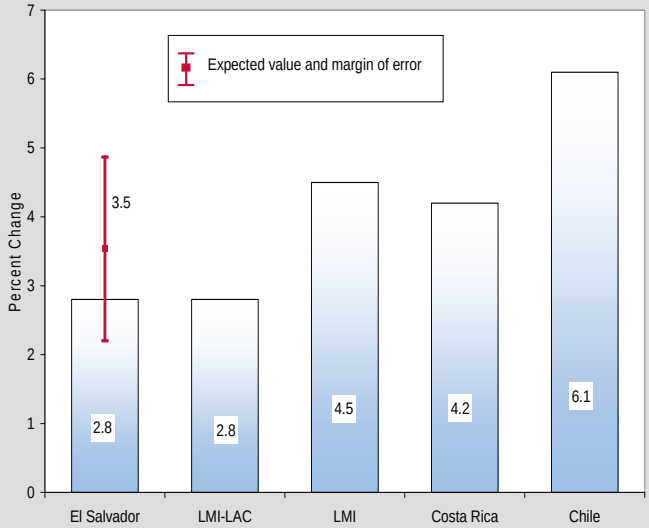
[6] IMF Country Report No. 05/270, *El Salvador: Selected Issues-Background Notes*, August 2005, p. 3.

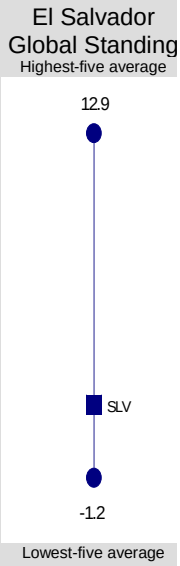
Figure 2-1. Real GDP Growth

GDP growth has been insufficient to raise standards of living.



Year	Value
2001	1.7
2002	2.2
2003	1.8
2004	1.5
2005	2.8
Summary for 2001- 2005	
Five year average	2.0
Trend growth rate	N/A



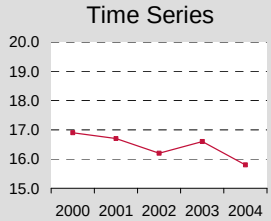


SOURCE: World Economic Outlook 2006.

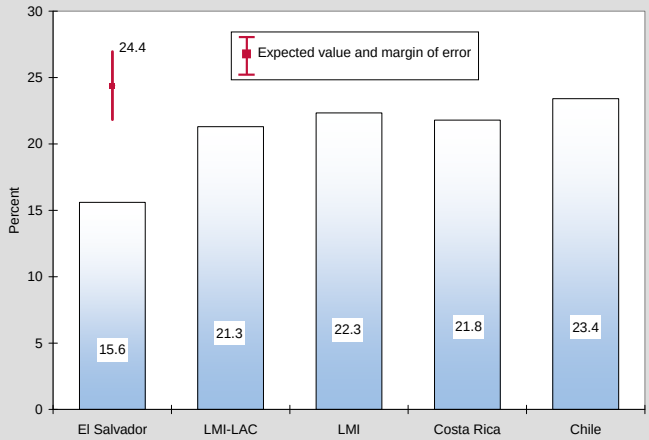
CAS Code: 11p3

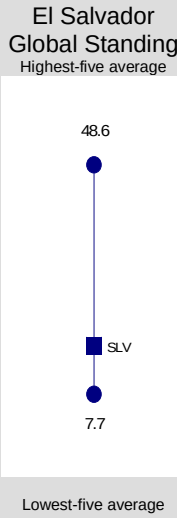
Figure 2-2. Share of Gross Fixed Investment in GDP

Low investment has been a major reason for weak GDP growth.



Year	Value
2000	16.9
2001	16.7
2002	16.2
2003	16.6
2004	15.8
Summary for 2000- 2004	
Five year average	16.4
Trend growth rate	-1.4





SOURCE: IMF Article IV Review, August 2005.

CAS Code: 11s3

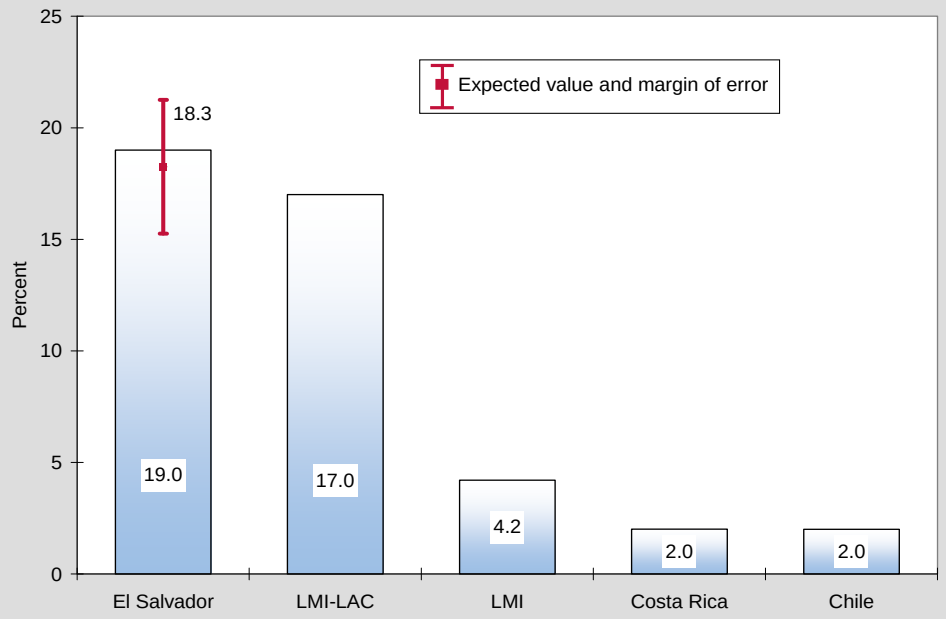
Clearly, a central challenge for the government and donors is to enable higher growth through measures that boost investment and productivity. Meeting this challenge will require more concerted efforts to improve the business environment, expand the export base, and increase investments in human capital and infrastructure.

POVERTY AND INEQUALITY

Most of the poverty and inequality indicators for El Salvador date from 2002. They show a high incidence and depth of poverty, and more income inequality than the LMI-LAC average. An estimated 19 percent of the population struggles to live on less than the international standard for severe poverty, which is $1 per day in terms of purchasing power parity (PPP). This is a higher rate of severe poverty than the LMI-LAC average of 17 percent, which itself is nearly four times higher than the global average of 4.2 percent for lower-middle income countries. Only 2 percent of the population in Costa Rica and Chile lives below $1 PPP per day (Figure 2-3). Likewise, the poverty gap at $1 PPP per day—a measure of the depth of poverty, relative to the $1 PPP line—was estimated at 9.3 for El Salvador in 2002, a third higher than the LMI-LAC average of 6.9. The UNDP's Human Poverty Index (HPI) provides an alternative measure of poverty that includes deprivation in health and education, as well as income or consumption.[7] In 2003, the HPI score for El Salvador was 15.9. This is an improvement over the HPI score of 17.2 in 2001, but the deprivation rate is well above the average of 11.4 for LMI-LAC.

Figure 2-3. Percentage of Population Living on Less Than $1 (PPP) Per Day

The incidence of severe poverty exceeds all of the regional benchmarks.



SOURCE: World Development Indicators 2006. CAS Code: 12p3

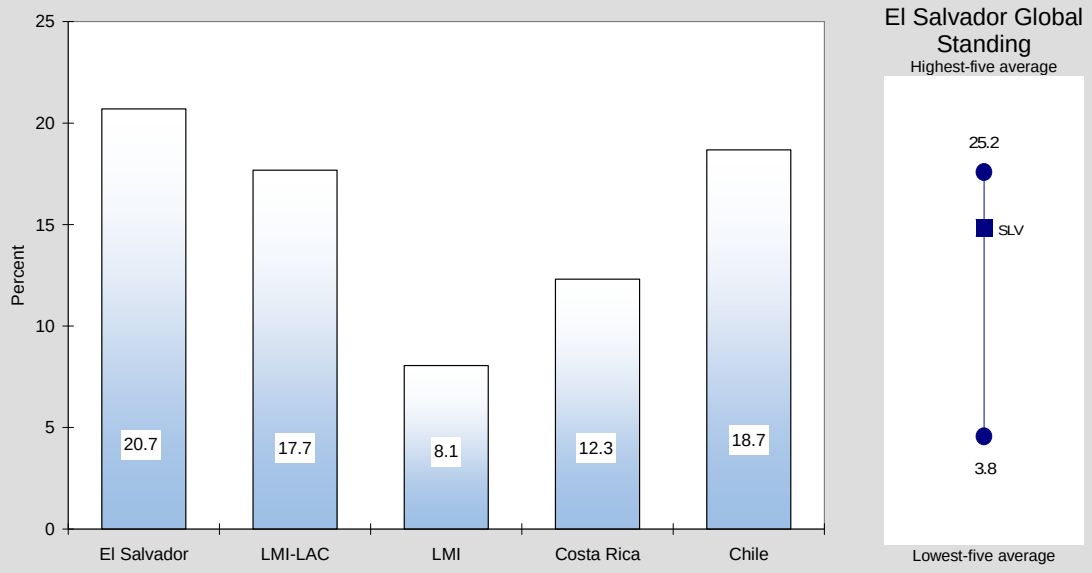
Along with a high incidence of poverty, the income distribution in El Salvador is also marked by a very high degree of inequality. The share of income accruing to the richest 20 percent of the population in El Salvador is 20.7 times higher than the share accruing to the poorest 20 percent. This is substantially higher than the average for LMI-LAC (17.7)—and this region has the highest inequality in the world. Indeed, the average ratio for all LMI countries is just 8.1. Income

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

distribution in El Salvador is also more unequal than in Chile (18.7), and far worse than in Costa Rica (12.3) (Figure 2-4).

Figure 2-4. Ratio of Income Share Accruing to Richest 20% to Poorest 20%

Income inequality in El Salvador exceeds the regional benchmarks.



SOURCE: World Development Indicators 2006. CAS Code: 12p7

El Salvador's high rates of poverty and inequality not only pose critical policy problems in their own right, but also impede economic growth by heightening social and political tensions, by creating risks that deter investment, and by making it difficult to achieve a consensus on reforms. El Salvador has not produced a Poverty Reduction Strategy Paper or an equivalent document presenting a national consensus on how to reduce poverty. Thus, policymakers and donors must focus not only on stimulating investment and productivity, but also on ensuring that growth creates better opportunities for income and wealth generation in the poorer segments of society.

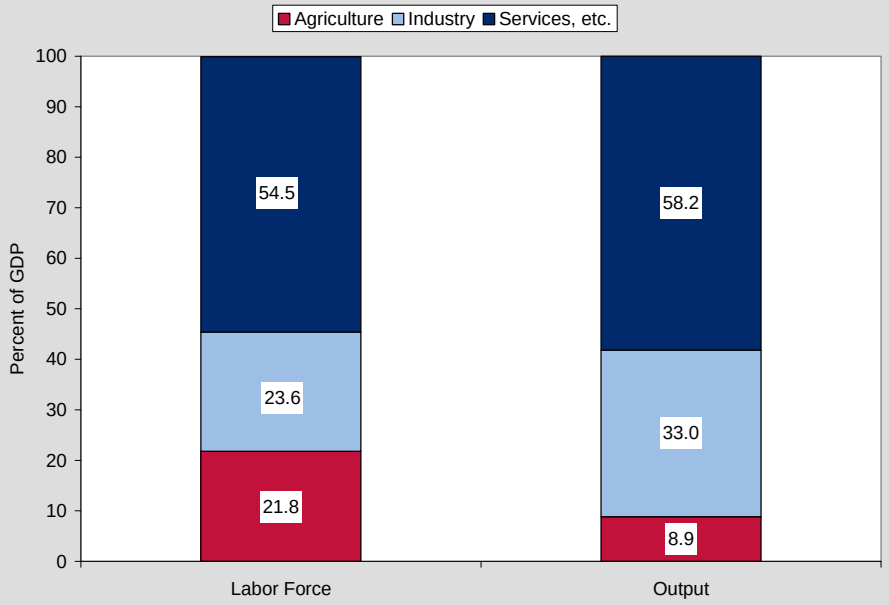
ECONOMIC STRUCTURE

The broad structure of El Salvador's output shows a rising share of GDP in industry and a declining share in services and in agriculture. The share of GDP in industry increased from 29.5 percent of GDP in 2000 to 33.0 percent in 2004, virtually the same as the LMI-LAC average of 29.4 percent, as well as Costa Rica's 28.7. The share of industry in Chile, a more advanced economy, was 34.3 percent (Figure 2-5). Meanwhile, the share of the labor force in the industrial sector was fairly stable, averaging 24.2 percent over the five years to 2001 (latest year of data).

The combination of a rising output share and a stable employment share suggests significant productivity gains in this sector.[8]

Figure 2-5. Labor Force and Output Structure

Agriculture absorbs more than one-fifth of the labor force but produces less than one-tenth of GDP.



Note: Labor force data corresponds to 2001; output data to 2004.
SOURCE: World Development Indicators 2006.
CAS Code: 13P1 and 13p2

Employment in agriculture fell from 26.4 percent to 21.8 percent of total employment over the five years to 2001. Meanwhile, employment in services increased from 50.1 percent to 54.5 percent of total employment. These changes reflect the pattern of rapid rural to urban migration (as well as emigration) exacerbated by the earthquakes in 2001 that caused extensive damage in poor rural areas and worsened the decline in coffee production. Rural to urban migration has also produced a large informal sector in urban areas.[9, 10]

One reason for the rapid movement of labor out of agriculture is that productivity, and hence income levels, in that sector are very low in comparison with other activities. Agriculture employs more than 20 percent of the labor force, but generates less than 10 percent of GDP. The share of agriculture in employment (21.8 percent in 2001) is comparable to the LMI-LAC average, but its share of GDP (8.9 percent in 2004) is below the reference group average of 11.2

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[8] This statement must be qualified by noting that our data set has output shares for the five years to 2004, whereas the labor force shares run to 2001.

[9] The Economist Intelligence Unit (EIU), El Salvador Country Profile, July 2005, pp. 14, 20.

[10] Data on the informal sector are not readily available. One widely cited international source of data on the size of the informal sector was excluded from the CAS template because the estimates are derived indirectly using a methodology that does not provide a convincing measure of the variable in question.

percent. This shows that the productivity gap between agriculture and other sectors is relatively large in El Salvador. The productivity gap is smaller in Costa Rica and Chile, where agriculture accounted for 8.8 percent of GDP in 2003, while using only 15.9 and 13.5 percent of the labor force, respectively.

Low productivity in agriculture underscores the need for policies that promote rapid job creation outside agriculture in order to stimulate large general gains in productivity, provide workers with better jobs, reduce poverty, and dampen incentives to migrate.

DEMOGRAPHY AND ENVIRONMENT

Estimated to be 6.7 million in 2004, El Salvador's population is growing at a rate of 1.9 percent per year.[11] That rate is above the LMI-LAC average of 1.5 percent, as well as the rates for Chile (1.2 percent) and Costa Rica (1.6 percent). These seemingly small differences indicate that demographic pressures are greater in El Salvador than in many other countries in the region, adding to the burden of job creation and the cost of providing social, health and education programs adequate to the expanding population. The country's age-dependency ratio is also relatively high: 0.65 dependents per worker, compared to the LMI-LAC average of 0.58, and 0.55 and 0.52 in Costa Rica and Chile, respectively. This high dependency ratio is explained partly by worker emigration as well as underlying demographics. Spurred upward by civil war, earthquakes, and drought in rural eastern areas, the emigration rate has been high for many years. An estimated 2 million Salvadorans live abroad, mostly in the United States.[12]

El Salvador is also becoming more urbanized. In the five years from 2000 to 2004, the urbanization rate rose from 58.4 to 59.8 percent. This is still below the LMI-LAC average of 64.2 percent, and Costa Rica's 60.6 percent, and far below Chile's 86.6 percent. Urbanization is driven mainly by the lack of opportunities in rural areas, rather than rapid growth in urban areas. In particular, the coffee sector has been in decline, and many rural dwellers had relied on seasonal employment in that industry.[13] That urbanization has not been even faster reflects the effect of emigration.

Another basic characteristic of the population is the rate of adult literacy. At 79.7 percent, the literacy rate in El Salvador is in line with our regression benchmark (80.8 percent), but well below the LMI-LAC average of 85.0 percent, and far from the standard set by regional leaders like Costa Rica (95.8) and Chile (95.7). Despite the country's strides in education reform in the 1990s, these figures underscore the necessity for further improvement.

Population pressures often give rise to environmental problems and El Salvador is no exception. The country scores poorly on the Environmental Sustainability Index (ESI), which combines a variety of factors relating to environmental quality and environmental policy. On a scale of 0

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[11] The data indicate that population growth has accelerated from 1.5 percent per year in 2000. This may be a statistical fluke, since demographic statistics do not usually change so much so quickly.

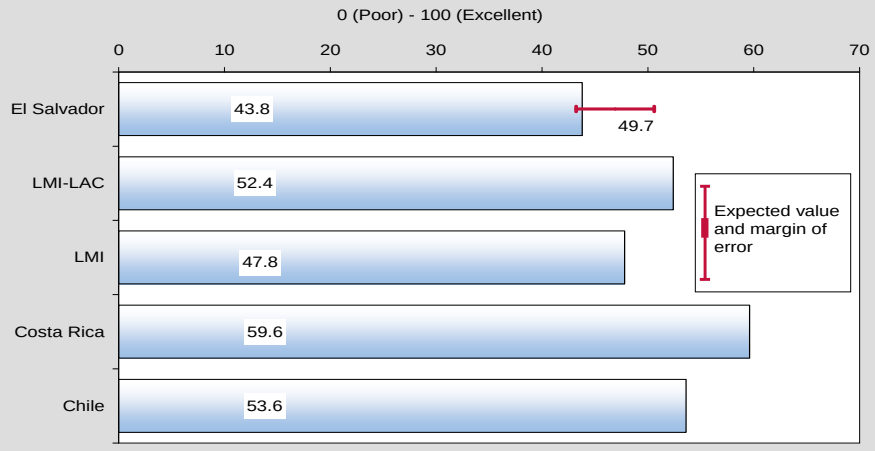
[12] EIU, July 2005, p. 14.

[13] Ibid.

(poor) to 100 (excellent), El Salvador's score of 43.8 is much worse than the average for LMI-LAC (52.4) as well as our regression benchmark (46.9), and the scores for Costa Rica (59.6) and Chile (53.6) (Figure 2-6). According to the index, El Salvador's environment is suffering serious degradation. It particularly lags behind in ecosystem stress, human impact on land and inland waters, and preparedness to reduce vulnerability to natural disasters. In addition, El Salvador's abundant rivers are badly polluted by organic and industrial waste, and studies have shown that the Lempa River—the country's main source of potable water—has dangerously high levels of mercury and other heavy metals. At the same time, deforestation and soil erosion are causing silting in reservoirs that serve hydroelectricity plants.[14]

Figure 2-6. Environmental Sustainability Index

El Salvador's low score on the ESI indicates serious environmental stress.



Source: Center for International Earth Science Information Network (CIESIN) CAS Code: 14p

The analysis suggests that the government and donors must improve environmental governance to monitor environmental conditions, evaluate the impact of policies and programs on the environment, prepare for natural disasters, mitigate the adverse effects of environmental stress, and inform the public about the necessity of sustainable development practices.

GENDER

El Salvador's gender indicators show a high degree of equity in women's access to education. One basic indicator of this is the disparity in literacy rates between men and women. The ratio of male to female literacy in El Salvador was a 1.07 in 2003. This exceeds the LMI-LAC average of 1.02, and the full parity rates (1.0) in Chile and Costa Rica. Much of the gap, however, is the result of earlier inequities. A better gauge of recent gender performance in education can be seen in the ratio of 1.01 in male to female gross enrollment rates at all levels of schooling.

[14] Ibid, p. 17.

The most basic indicator for health also shows a high degree of equity: the ratio of male to female life expectancy in El Salvador is 0.92 (for 2003). A value below 1 is the norm in most countries because women tend to live longer than men do. The value for El Salvador is consistent with LMI-LAC average of 0.93, and the values for Chile (0.92) and Costa Rica (0.94).

Gender disparities in employment, however, are tremendous (see data on labor force participation in the discussion of employment and workforce in section 4). Programs to improve job and income opportunities for women in El Salvador are needed to complement the gender equity achieved in education and health.

3. Private Sector Enabling Environment

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

FISCAL AND MONETARY POLICY [15]

In passing a Monetary Integration Law in 2000, El Salvador took a dramatic step to lock in macroeconomic stability. The law established the US dollar as legal tender as of January 1, 2001, at a fixed exchange rate of 8.755 colones per dollar. With this measure, the authorities relinquished control over monetary policy. Changes in the money supply are now driven largely by foreign exchange transactions. The result has been a pronounced tightening of monetary conditions. During the five years to 2004, the money supply decreased at an average annual rate of 3.3 percent per year (see Figure 3-1). The lack of monetary expansion may partly explain the low rates of investment and growth discussed in section 2.

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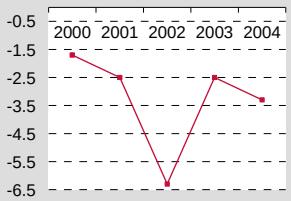
[15] In 2005, the World Development Indicators (WDI) database adopted a new system for classifying fiscal data, even though most developing countries still use the old classification. Consequently, the WDI database now has fiscal data for very few developing countries. Because of the limited sample size, most of the group averages derived from WDI are not meaningful. Comparisons in this section are based on absolute standards, or benchmarks derived from 2004 WDI data, as well as figures for Chile and Costa Rica.

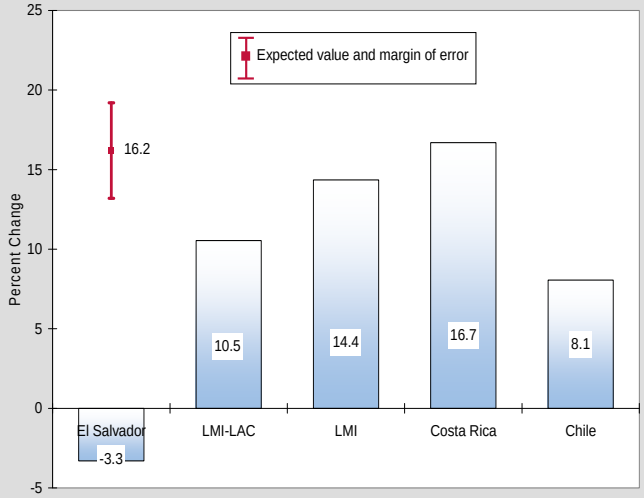
Figure 3-1. Growth in the Broad Money Supply

The money supply has been contracting, which is an abnormal brake on growth.

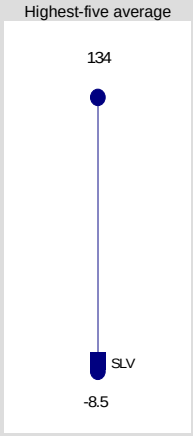
Time Series



Year	Value
2000	-1.7
2001	-2.5
2002	-6.3
2003	-2.5
2004	-3.3
Summary for 2000- 2004	
Five year average	-3.3
Trend growth rate	-14.2



El Salvador Global Standing



SOURCE: IMF Article IV August 2005.

CAS Code: 21p3

As expected, dollarization led to low inflation, which averaged 3.2 percent between 2001 and 2005. This compares favorably with the LMI-LAC average of 5.3 percent, and Costa Rica's rate of 10.5 percent in 2005. Inflation was somewhat lower in Chile at 2.5 percent. But rising oil prices and demand pressure from remittance income (see discussion of the external sector below) lifted inflation in El Salvador to 5.4 percent in 2004, and 4.0 percent in 2005. These rates are not high, but given the fixed exchange rate any inflation higher than in the United States erodes the price competitiveness of Salvadoran goods in the United States and regional markets. If this competitive pressure leads producers in El Salvador to become more productive – with the support of government policies to improve business conditions – then the development outcomes will be very favorable. Otherwise, the inflation rate may lead to mounting problems in maintaining the dollar anchor for macroeconomic stability.

The statutory link between the colon and the US dollar also committed the government implicitly to tight fiscal policy, since it can no longer finance budget deficits by printing money (or more technically, by increasing the monetary base). This has been a difficult adjustment, as public finances have experienced revenue and expenditure problems.

El Salvador has a history of relatively weak revenue mobilization. In 2004, government revenue amounted to 15.8 percent of GDP, slightly below the LMI-LAC average of 16.2 percent, and well below the other benchmarks shown in Figure 3-2. Measures designed in the mid-1990s to provide incentives to investors, along with weak tax collection, contributed to the low revenue yield.[16] To

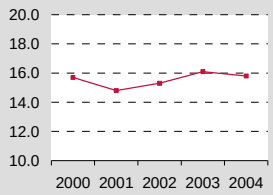
[16] EIU, July 2005, p. 22.

address these problems, the Saca administration in 2004 introduced fiscal reforms to reduce loopholes, improve tax collection powers, and raise selected excise taxes. According to IMF estimates, this package may increase revenue by 1.2 of GDP.[17]

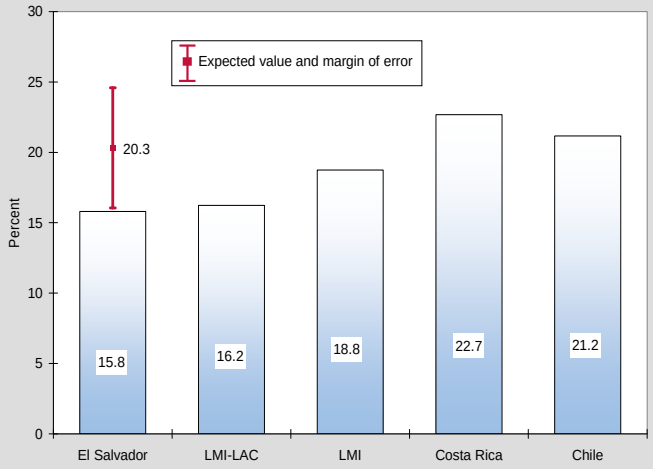
Figure 3-2. Government Revenue as a Percent of GDP

Revenue mobilization is low compared to all of the benchmarks.

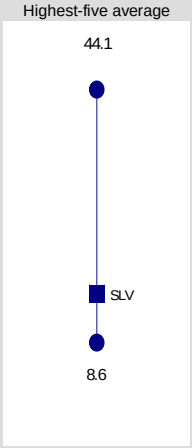
Time Series



Year	Value
2000	15.7
2001	14.8
2002	15.3
2003	16.1
2004	15.8
Summary for 2000- 2004	
Five year average	15.5
Trend growth rate	1.0



El Salvador Global Standing



SOURCE: IMF Article IV August 2005.

CAS Code: 21p

Government expenditure has been fairly steady, averaging 18.1 percent of GDP over the five years to 2004. While expenditure has been reasonably well controlled, the budget has been subject to pressure from debt incurred to finance reconstruction after the 2001 earthquakes, and the high transition costs of social security and pension system reform.[18] These fiscal pressures led to a budget deficit or 2.9 percent of GDP in 2004, exceeding the LMI-LAC average of 2.5 percent, and recent deficits in Costa Rica (1.6 percent) and Chile (0.5 percent). The need for additional resources for reconstruction after Tropical Storm Stan in 2005 has made the fiscal balancing act even more difficult. If the new tax reforms boost revenue, the government will be better able to maintain the strong fiscal stance necessary for macroeconomic stability, while providing additional resources for programs that promote growth and equity.

BUSINESS ENVIRONMENT

Institutional barriers to doing business, including corruption in government, are critical determinants of private sector development and prospects for sustainable growth. Major

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[17] World Bank, Country Assistance Strategy, Report No. 30849-SV for the Republic of El Salvador. April 2005, p. 12.

[18] As private contributions begin to accumulate in new pension funds public pensions must still be paid. EIU, p. 22

indicators show that El Salvador has made great strides in enhancing its business and regulatory climate, such that conditions are now better than the regional benchmarks in key areas.

Transparency International's Corruption Perception Index (CPI) shows a favorable trend in corruption in El Salvador. The country's score improved from 3.6 in 2001—already better than the LMI-LAC average of 3.1—to the current level of 4.2 (on a scale from 1 for poor, to 10 for excellent). This matches Costa Rica, but the scope for improvement is still enormous, as indicated by the CPI score of 7.3 for Chile, the regional leader (see Figure 3-3).

IMF Status for El Salvador

El Salvador does not have a formal economic stabilization program arrangement with the IMF. Following an Article IV consultation in El Salvador in December 2005, the IMF concluded that the economy has performed well in the face of rising oil prices and recent natural disasters. The challenge, however, is to enhance growth while reducing vulnerability to shocks. The IMF identified the following major needs strengthen revenue collection; raise social spending; align prudential regulations for the banking system with international best-practice; improve the business climate; and overcome infrastructure bottlenecks.[19]

The country's legal and regulatory system and the rule of law are also improving. On a scale of -2.5 (worst) to +2.5 (best), El Salvador's score on the World Bank's Rule of Law Index increased from -0.45 in 2000 to -0.10 in 2004 (latest year). The latest score is much better than the LMI-LAC average of -.58, and nearly equal to the global mean of 0.0. Here again, however, El Salvador lags far behind regional best practices, as seen in the scores for Chile (1.16) and Costa Rica (0.57). These quantitative indicators are consistent with USAID's recent legal and regulatory review, which found that the Government of El Salvador has committed to simplifying systems and processes that affect the private sector, including customs administration. The judicial system—slow, inefficient, and unreliable—still poses a major problem.[20]

In view of these improvements, El Salvador's ranking on the World Bank's Ease of Doing Business index is well earned. Out of 155 countries ranked, El Salvador is 76th—better than all regional benchmarks, except Chile, which placed 25th (see Figure 3-4). El Salvador has made good progress in reducing the time required to start a business (an MCA indicator), from 115 days in 2004 to just over 40 days in 2005. This is much better than the average for LMI-LAC countries (56 days), and the approval time in Costa Rica (77 days).

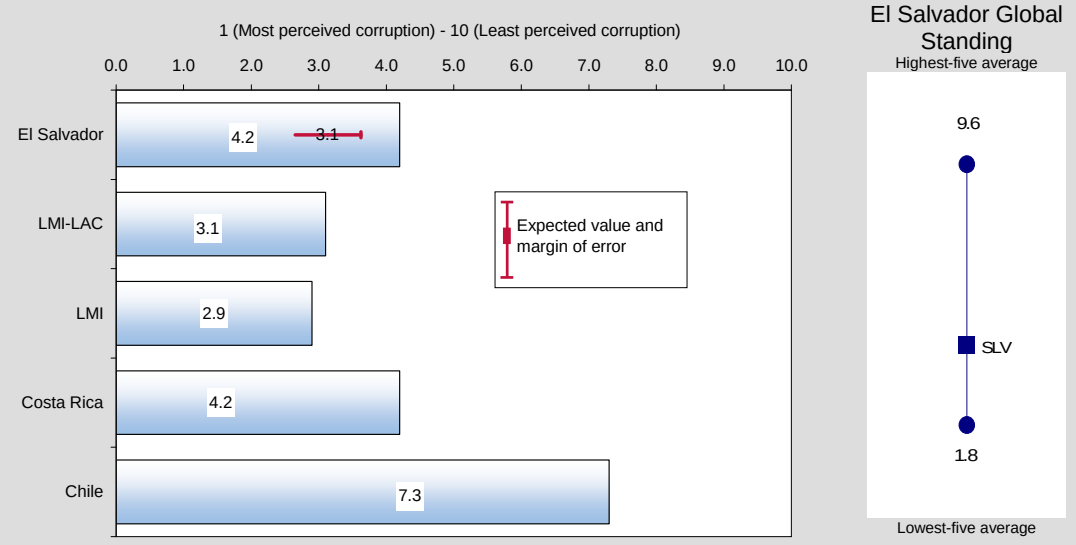
The country scores less well on the cost of starting a business, as a percentage of Gross National Income (another MCA indicator). El Salvador's score of 118 percent is three times higher than the LMI-LAC average of 48 percent; despite faster approval times, the cost of starting a business

[19] IMF, Press Release No. 5/272, *Statement by an IMF Mission to El Salvador*, December 11, 2005. Another IMF Article IV review was scheduled for April 2006, but results were not released at the time this report was written.

[20] See USAID, Trade and Commercial Law Assessment—El Salvador, by Booz Allen Hamilton, January, 2005, at http://www.bizlawreform.com/country_assess/El%20SalvadorTCLA.pdf.

Figure 3-3. Corruption Perceptions Index

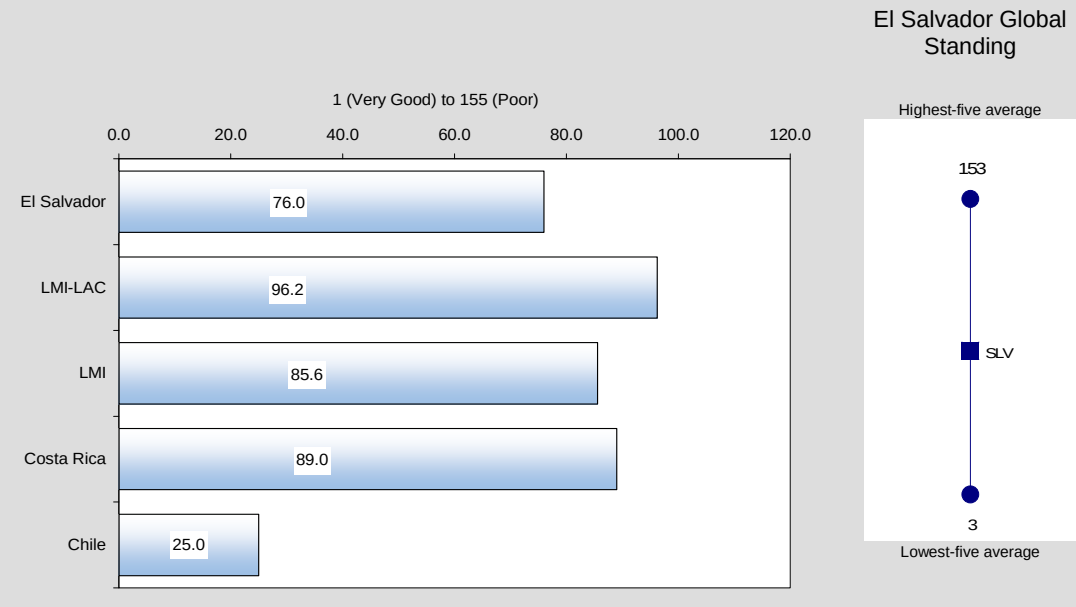
With recent improvements, El Salvador scores very well relative to most benchmarks, but not in absolute terms.



SOURCE: Transparency International 2005. CAS Code: 22p1

Figure 3-4. Ease of Doing Business Ranking

The business environment ranking is favorable compared to most benchmarks.



SOURCE: World Bank Doing Business 2005. CAS Code: 22p2

is still a serious impediment to formalization of small and medium enterprises (SMEs). Given the critical role of small enterprises in creating jobs and output growth, initiatives to simplify procedures for SMEs should be considered. As benchmarks for improvement, El Salvador should look to the highly favorable cost ratios in Costa Rica (23.8 percent) and Chile (10 percent).

According to the Doing Business data set, 5 procedures are required to register property in El Salvador. The average number of procedures for LMI-LAC is 7, while both Chile and Costa Rica have 6 procedures. Likewise, the time required to enforce a contract in El Salvador, 275 days, is far better than the average for LMI-LAC peers (457 days), and country comparators Costa Rica (550) and Chile (305).

Doing Business indicators are based on an assessment of legal requirements for standardized operations. Requirements may differ greatly from practice, depending on the degree of corruption and inefficiency in the legal and regulatory system. Thus, El Salvador's score of 0.66 on the World Bank's Regulatory Quality Index for 2004 (latest year) is encouraging.[21] That score is much better than the LMI-LAC average (-0.13) and a match for Costa Rica's score (0.67). Here again, Chile is the regional leader, with an excellent score of 1.6. Despite these signs of relatively good performance, El Salvador's score on regulatory quality has been highly variable, falling from an impressive 1.2 in 2000 to just 0.07 in 2002, and then rising to 0.66. This large variance implies considerable uncertainty or instability in the regulatory system.

It is important to note the impact of crime on the country's business climate. Persistently high levels of crime and violence in El Salvador have had a clear negative effect on the image of the country and perceptions of the investment climate. Indeed, a recent World Bank survey finds that firms consider the costs and risks associated with crime to be the top constraint on business operations and investment in El Salvador.[22]

Overall, El Salvador's business environment has improved substantially and has performed fairly well in absolute terms and relative to regional peers. Now that many regulatory hurdles have been removed, crime is the biggest deterrent to investment. While El Salvador should continue legal and regulatory reforms with regional best practices in mind, it should also focus on controlling crime and violence to improve the investment climate. Doing so will require concerted regional and international coordination to deal with criminal networks, strict enforcement, and better job opportunities at home.

FINANCIAL SECTOR

A sound, efficient, and competitive financial sector is a key to mobilizing savings, fostering productive investment, and improving risk management. Most of El Salvador's financial sector indicators are better than the LMI-LAC averages, suggesting that the sector is relatively well developed compared to regional peers.

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[21] Like the Rule of Law Index, the Regulatory Quality Index ranges from -2.5 (poor) to +2.5 (excellent). The index is a Millennium Challenge Account indicator.

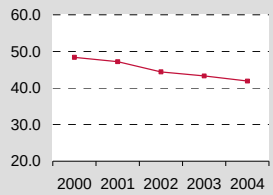
[22] World Bank, Country Assistance Strategy, p. 7.

A fundamental indicator of financial development is monetization as measured by the ratio of broad money (M2) to GDP (where broad money is the amount of currency in circulation plus bank deposits held by the public). In 2004, El Salvador's money supply amounted to 41.9 percent of GDP, which exceeds the LMI-LAC average of 30.1 percent, as well as the ratios for Chile (36.8 percent) and Costa Rica (37.6 percent) (Figure 3-5). Even though the ratio of M2 to GDP is relatively high by regional standards, it has declined over the past five years, reflecting the constraint of dollarization on monetary growth.

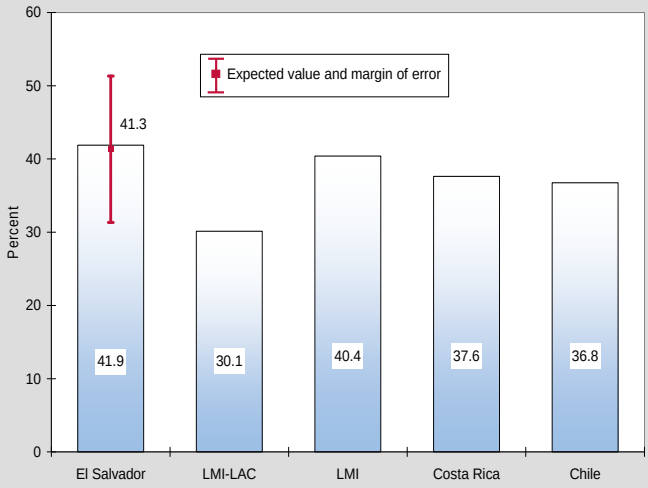
Figure 3-5. M2 as a Percentage of GDP

The relatively high monetization ratio indicates a fairly well developed banking sector.

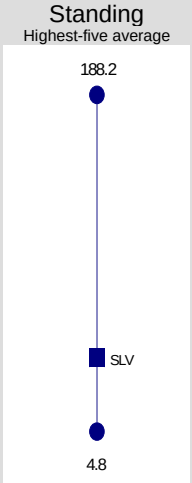
Time Series



Year	Value
2000	48.4
2001	47.2
2002	44.4
2003	43.3
2004	41.9
Summary for 2000- 2004	
Five year average	45.0
Trend growth rate	-3.7



El Salvador Global Standing



SOURCE: IMF Article IV August 2005.

CAS Code: 23p3

Despite the country's tight monetary regime of the past five years, domestic credit to the private sector has been high and stable, averaging 41.7 percent of GDP. This is nearly double the average of 23.4 percent for LMI-LAC countries. It is also better than the credit ratio in Costa Rica (31.3 percent), though well below the ratio of 63.3 percent in Chile, which has a far more advanced financial system.

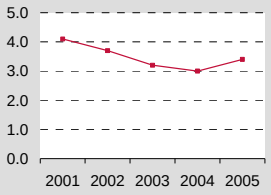
In eliminating exchange rate risk, dollarization has cut the cost of financial intermediation. The spread between lending and borrowing rates fell from an already low 4.1 percentage points in 2000 to a very efficient 3.0 points in 2003. The spread then rebounded to 3.4 percentage points in 2004, possibly because of perceptions of increased lending risk due to the erosion of competitiveness through higher inflation than in the United States (see discussion of fiscal and monetary policy) (Figure 3-6). Nevertheless, intermediation costs in El Salvador remain very low compared to the benchmarks. Our regression estimate for a country with El Salvador's characteristics yields an expected spread of 10.2 percentage points, which is very close to the LMI-LAC average of 10.4. By comparison, the interest rate spread in Costa Rica in 2004 was

extremely high, 13.9 percentage points, whereas the spread in Chile was a very low 3.2 percentage points.

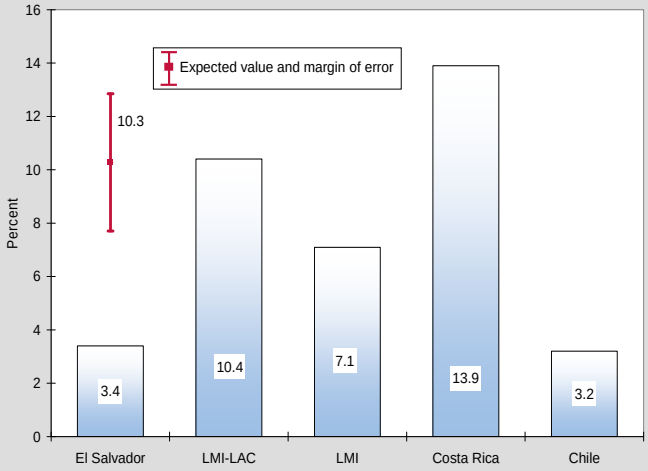
Figure 3-6. Interest Rate Spread

The interest rate spread is remarkably low, suggesting efficient financial intermediation.

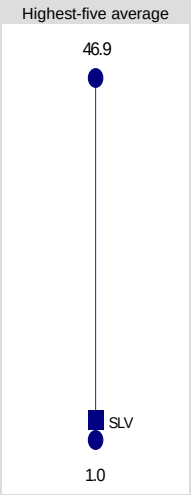
Time Series



Year	Value
2000	4.1
2001	3.7
2002	3.2
2003	3.0
2004	3.4
Summary for 2000- 2004	
Five year average	3.5
Trend growth rate	-5.7



El Salvador Global Standing



SOURCE: www.IMFstatistics.org 2005.

CAS Code: 23p2

Outside the banking system, El Salvador's stock market capitalization rate of 16.7 percent of GDP in 2004 (latest year) is below the LMI-LAC average of 22.1 percent, and near the low end of the normal range of our regression estimates. The equity market in Cost Rica is even less well developed, with a capitalization rate of just 10.4 percent of GDP, whereas Chile provides a high standard for the region, with capitalization equaling 124.4 percent of GDP.

These figures indicate that the banking system in El Salvador is performing very well. Nonetheless, the financial sector has serious problems. First, even though by regional standards bank credit is accessible to the private sector, the gap in financing for SMEs is large.[23] Second, the capital markets are very thin. Broadening development of the sector can do much to foster business development and improve options for financing investment. Another challenge in the financial sector is to capture more remittances in order to intermediate the funds and enhance their developmental impact. This is discussed further in the next section.

[23] Nathan Associates. 2006. *Effective Financing for Exporting MSMEs: A Crucial Need for El Salvador's Development.* USAID/EXPRO project report.

EXTERNAL SECTOR

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

International Trade and the Current Account

Though El Salvador is a small country near the United States and major markets in Latin America, it is not very integrated into global markets. From 2000–2004, the ratio of trade (exports plus imports) of goods and services to GDP averaged 68.1 percent. While this is well above the LMI-LAC average of 52.6 percent, and equal to the ratio for (more remote) Chile, it is still below the average of 79.0 percent for all lower-middle income countries, and on the low side of our regression benchmark of 73.9 percent. By comparison, the ratio for Costa Rica is 95.4 percent.

The Frasier Institute has a systematic index of the actual to expected trade ratio given a country's size, income level, and location. On a scale from 0 (poor) to 10 (excellent) the index value for El Salvador is 3.6. This is low by absolute standards, and by comparison with regional benchmarks, as shown in Figure 3-7. This low value implies considerable scope for El Salvador to boost trade and benefit from greater integration, especially by implementing CAFTA.

El Salvador runs a large structural deficit in merchandise trade, as well as a steady deficit in services. The combined deficit in goods and services trade has averaged more than 15 percent of GDP over the past five years (to 2004). The large net inflow of current transfers, involving an increasing inflow of worker's remittances as well as substantial inflows of foreign aid grants, has offset much of this deficit. The current account deficit widened from 0.9 percent of GDP in 2001 to 4.0 percent or more of GDP over the 2003–2005 period[24] (see Figure 3-8). According to the Economist Intelligence Unit, the deficit narrowed in the first half of 2005, including a turnaround to a surplus in the services account as a result of higher tourism revenue.[25] In addition, service exports are increasingly important, representing 21.8 percent of total exports in 2004, compared to 18.6 percent in 2000. According to the latest WTO figures, 36.6 percent of El Salvador's service exports are in travel, and 37.2 percent in transportation.[26] If these trends continue, trade in services can help El Salvador to ease its structural deficit in merchandise trade.

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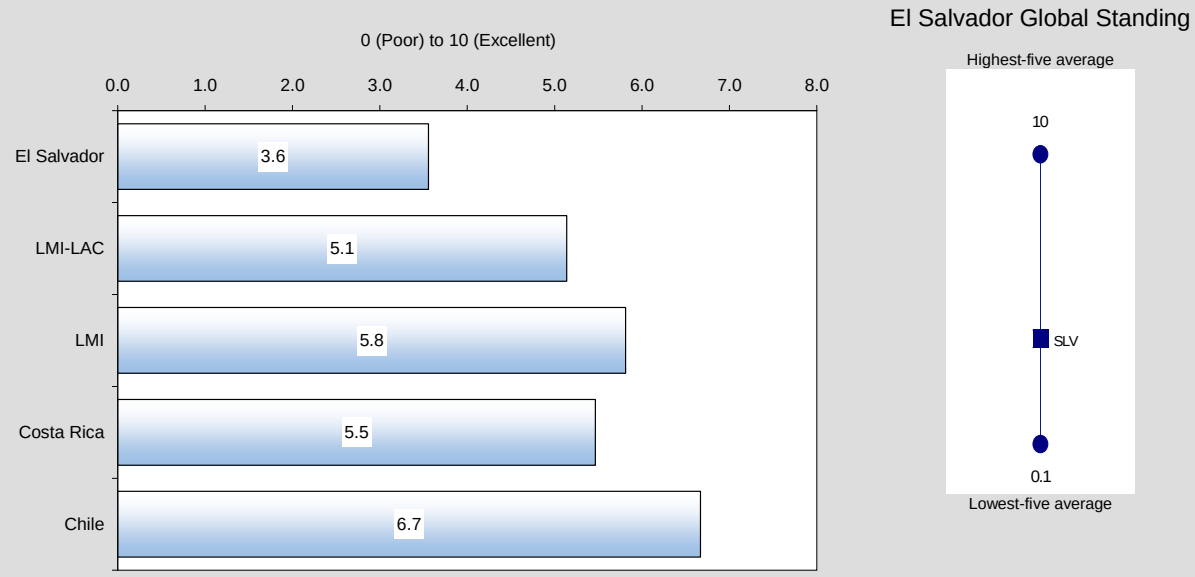
[24] The latter figure is preliminary, as reported by the IMF in its April 2006 World Economic Outlook database.

[25] EIU, El Salvador Country Report, December 2005, p. 23

[26] WTO Trade Profile, El Salvador, March 2006.

Figure 3-7. Actual to Expected Trade Size Index

For a small country located near major markets, El Salvador is not well integrated into global trade.

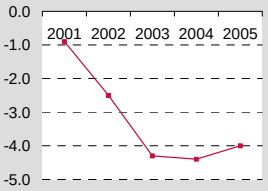


SOURCE: The Fraser Institute 2005. CAS Code: 24p13

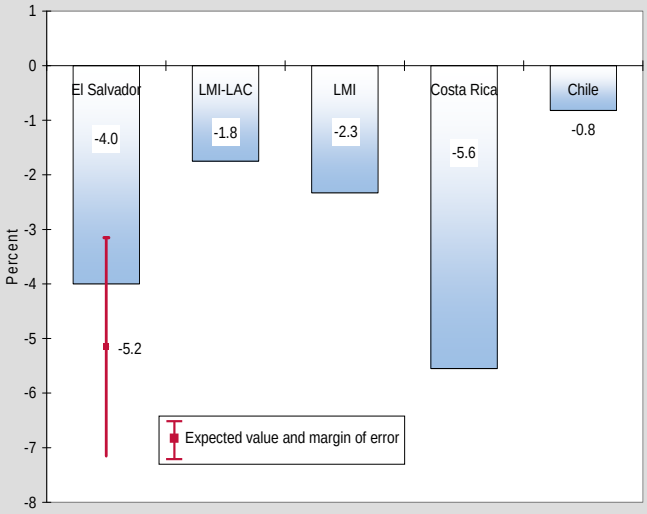
Figure 3-8. Current Account Balance as a Percentage of GDP

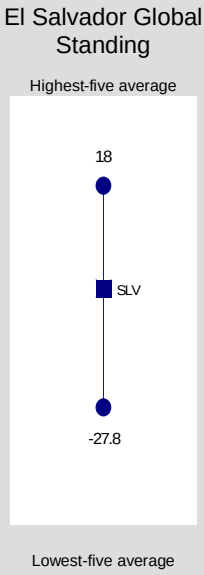
The current account deficit has widened over the past five years, despite rising remittances.

Time Series



Year	Value
2001	-0.9
2002	-2.5
2003	-4.3
2004	-4.4
2005	-4.0
Summary for 2001- 2005	
Five year average	-3.2
Trend growth rate	42.6





SOURCE: World Economic Outlook 2006. CAS Code: 24p2

Exports of goods and services have grown erratically, an average of 5.2 percent for the five years to 2004. Unusually strong performance in 2000 buoyed this figure. In the 2001–2004 period, since the dollar became legal tender, export growth averaged 6.6 percent; this is also the export growth rate for 2004. This is on par with export growth for Costa Rica that year (7.0 percent), and better than the average growth of exports for the LMI-LAC group in 2003 (5.9 percent). Nonetheless, this level of growth is lackluster compared to countries where exports have been driving transformational development, including Chile, where exports grew by 22.0 percent in 2004. El Salvador's modest export growth may partly reflect the effect of the dollarized economy's moderately high inflation on the competitiveness of Salvadoran products.

The country has made progress in diversifying merchandise exports. Export concentration—as defined by measuring the top three products as a percent of total merchandise exports from domestic sources, at the 3-digit SITC level—fell from 32.4 percent in 2000 to 20.1 percent in 2004. This statistic, however, excludes *maquila* exports, which are heavily concentrated in the garment sector, and which amounted in 2004 to more than half of total merchandise exports (US$1.8 billion out of US$3.3 billion). One major reason for diversifying exports is to reduce vulnerability to swings in the world price of particular commodities. In this regard, it is noteworthy that the net barter terms of trade fell from an index value of 100.0 in 2000 to 91.2 in 2004. This means that in 2004 any given volume of exports purchased 9 percent fewer imports than in 2000.

According to the Heritage Foundation's trade policy index for 2006 (an MCA indicator), formal and informal barriers to trade in El Salvador are moderate. El Salvador received an index score of 2.5, on a scale of 1 (excellent) to 5 (poor). This is a half point worse than in 2005. According to the Heritage Foundation, the downgrade was based on evidence of nontariff barriers, including a report from the U.S. Trade Representative on import quotas for rice and pork, discriminatory sanitary practices on poultry, and a few other discriminatory practices. Even so, El Salvador compares very favorably to the LMI-LAC average of 4.0. The country scores worse, however, than the regional average on the World Bank's Doing Business measures of time to trade. As an average of the estimates of time required to comply with import and export procedures, the time to trade in El Salvador was 48.5 days in 2005, considerably above the LMI-LAC average, as well as the values for Costa Rica and Chile (see Figure 3-9).This low rating is called into question by a recent legal and regulatory review by USAID, which finds that the customs service "is a vigorous, effective agency" and that private sector clients appear to be satisfied with current practices.[27] In any case, further improvements in trade policy and procedures would facilitate faster integration into world markets, and stronger export performance as a source of growth.

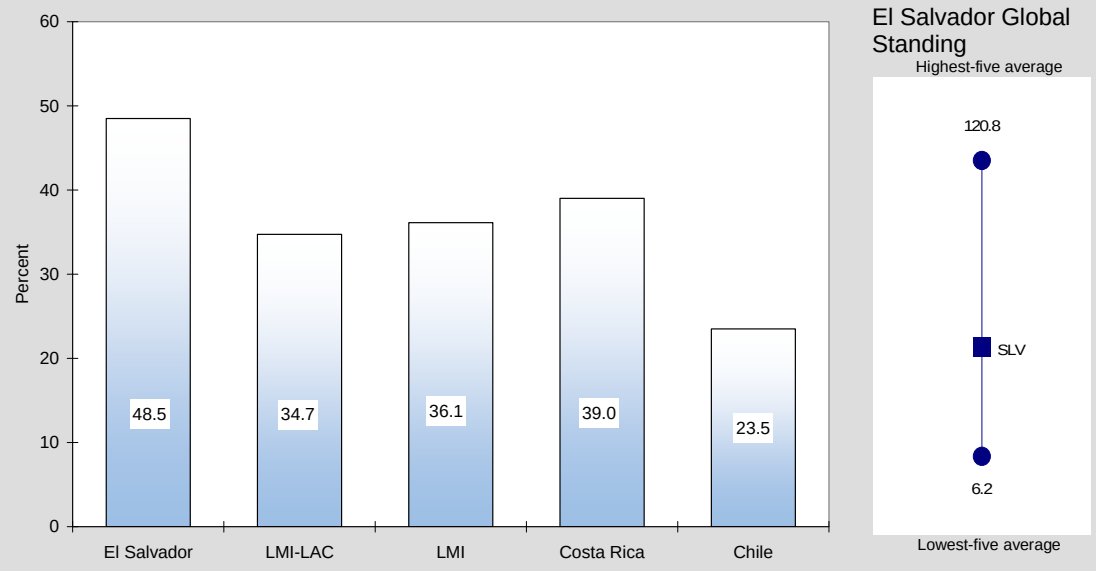
Worker remittances are the principal source of financing for the trade deficit, a vital source of income for many households, and a strong source of domestic demand for goods and services. Between 2000 and 2004, remittance receipts increased from 44.8 percent of export earnings to 52.8 percent. These figures show that El Salvador is a large exporter of labor services. They also

[27] USAID, Trade and Commercial Law Assessment - El Salvador, by Booz Allen Hamilton, January, 2005, page II-6.

reveal a lack of attractive jobs in the country for ambitious Salvadorans. Large remittance receipts can also create a form of Dutch disease. According to the IMF, families spend about 70 percent of remittance income on consumption. Most of this added purchasing power is matched by a supply response from domestic producers or by higher imports, but some of the demand pressure appears

Figure 3-9. Time to Trade, Average Import and Export Days

The time required to comply with import and export procedures hampers trade.



SOURCE: World Bank Doing Business 2005. CAS Code: 24p14

to be pushing up prices and wages, which weakens the competitiveness of local enterprises, and with it, the trade balance.[28] These side effects can be mitigated by attracting more remittances into the financial system, from which they can be channeled into capital investment to produce a stronger domestic supply response. To the extent that remittance-driven demand pressure does push up domestic prices, the remedy lies in higher productivity for local enterprises and measures to reduce other costs of doing business, including regulatory and infrastructure costs.

In summary, El Salvador stands to benefit from more trade integration and less trade restriction. With supporting policies, exports of goods and services should be a major engine of growth and poverty reduction. In addition, programs that facilitate export diversification and that help producers adapt to sophisticated customers in international markets are needed. While remittances are a primary source of trade deficit financing, avoiding foreign exchange constraints and maintaining the dollarized economy over the long run will require promoting competitive nontraditional exports.

[28] IMF Country Report 05/270, El Salvador: Selected Issues Background Notes, August 2005, p. 10

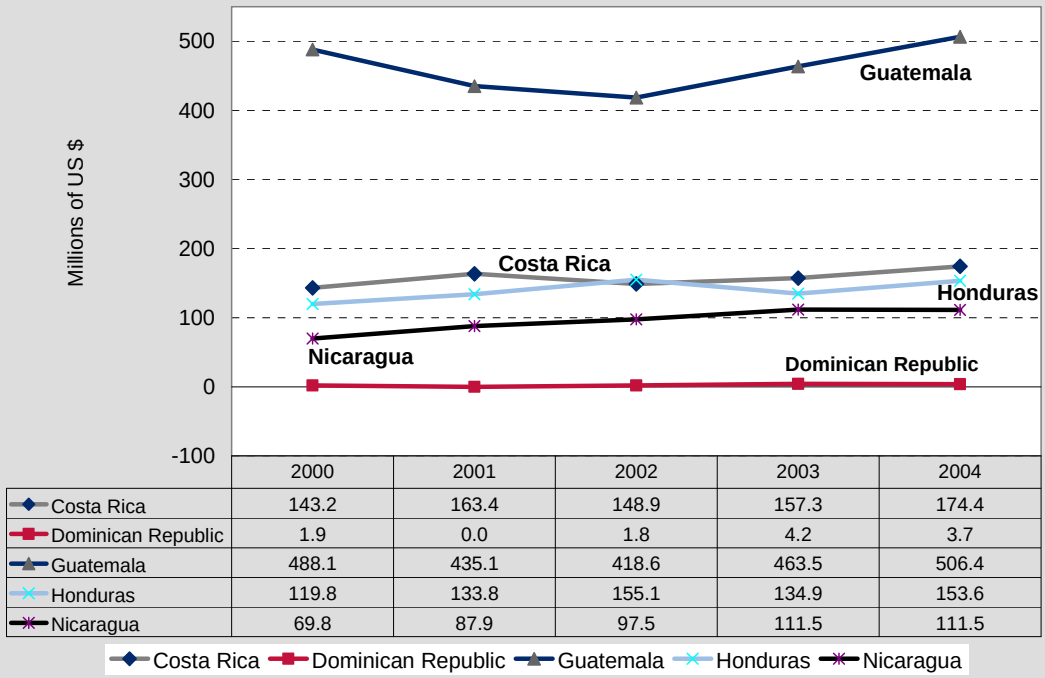
CAFTA Trade

Exports of goods from El Salvador to CAFTA partners grew at a sluggish 2.7 percent per year over the five years to 2004, reaching $1.2 billion in 2004. The main export markets in 2004 were Guatemala ($387.1 million) and the United States ($340.7 million), which together took in more than 60 percent of El Salvador's exports.[29] Imports from the CAFTA group increased even faster, averaging 4.0 percent per year for the same period, to reach $2.5 billion in 2004. Most of these imports came from the United States ($1.5 billion in 2004) and Guatemala ($0.5 billion in 2004).

Except for exports to Honduras, import and exports between El Salvador and CAFTA countries were higher in 2004 than in 2000 (see Figures 3-10 and 3-11). El Salvador's trade has grown most rapidly with the Dominican Republic, but from an exceedingly low base. In contrast, trade with the largest regional partner, Guatemala, has grown slowly, with imports expanding by 0.9 percent per year, and exports by 4.7 percent per year.

Figure 3-10. Imports from CAFTA Countries

Imports from non-US CAFTA countries have grown very slowly.



	2000	2001	2002	2003	2004
Costa Rica	143.2	163.4	148.9	157.3	174.4
Dominican Republic	1.9	0.0	1.8	4.2	3.7
Guatemala	488.1	435.1	418.6	463.5	506.4
Honduras	119.8	133.8	155.1	134.9	153.6
Nicaragua	69.8	87.9	97.5	111.5	111.5

* Zero indicates data not reported that year

SOURCE: UN COMTRADE website. CAS Code: 24s7

CAFTA offers opportunities for faster growth of intraregional trade and gains in employment and income. At the same time, the government and donors should be aware of adjustment problems

[29] These figures are drawn from trade data excluding *maquila* exports which amounted to $1.8 billion; in the statistics, these exports are viewed as being produced outside the domestic economy.

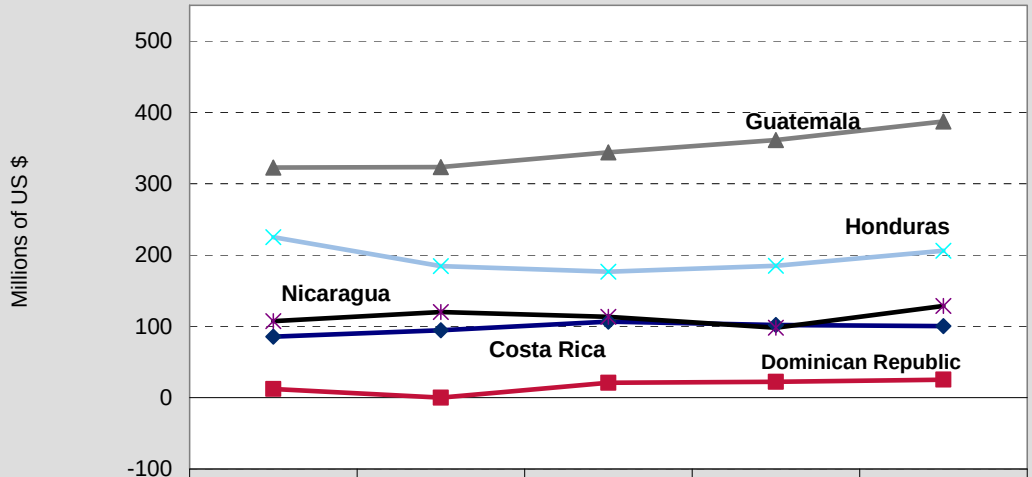
that could arise in certain trade-sensitive sectors when trade barriers are eliminated. This risk can best be managed through policies that foster a strong supply response to new trade opportunities and through programs that ease adjustment for workers and families.

International Financing and External Debt

Foreign aid has not been a major source of external financing for El Salvador. Aid has hovered between 1.3 and 1.8 percent of Gross National Income (GNI) over the past five years (to 2004), with an average of 1.5 percent. The LMI-LAC average is 1.0 percent. The net inflow of foreign direct investment (FDI) was comparable in size, but more erratic. FDI went as high as 3.5 percent of GDP in 2002, but averaged only 1.7 percent over the 2000–2004 period. This is below the average of 2.2 percent for LMI-LAC countries, as well as for Costa Rica (3.3 percent) and Chile (4.1 percent) (Figure 3-12).

Figure 3-11. Exports from CAFTA Countries Other than the United States

Exports to non-US CAFTA countries have grown faster than imports, but in absolute terms growth has been lackluster.



	2000	2001	2002	2003	2004
Costa Rica	85.5	94.6	106.6	102.0	100.3
Dominican Republic	12.2	0.0	20.8	22.2	25.2
Guatemala	322.5	323.3	343.9	361.2	387.1
Honduras	225.0	184.4	176.6	184.8	206.0
Nicaragua	107.4	120.2	113.2	98.0	128.6

Costa Rica Dominican Republic Guatemala Honduras Nicaragua

* Zero indicates data not reported that year

SOURCE: UN COMTRADE website. CAS Code: 24s8

UNCTAD's index of Inward FDI Potential measures a country's attractiveness to foreign investors on a scale of 0.0 (poor) to a theoretical maximum of 1.0.[30] El Salvador's score

[30] The top five average is 0.497.

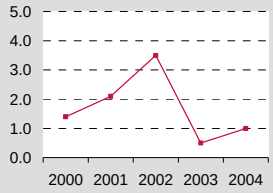
deteriorated from 0.227 in 1999 to 0.142 in 2003. This is in line with the LMI-LAC average, but behind Costa Rica (0.179) and Chile (0.231). While CAFTA should boost investment prospects, these scores suggest that El Salvador is becoming a less attractive venue for FDI.

Foreign borrowing is another source of financing for the current account deficit. El Salvador's present value of debt jumped from 30.6 percent in 2000 to 53.5 percent in 2004. The debt service ratio also rose, from 6.7 percent of exports (goods and services) in 2000 to 8.8 percent in 2004.

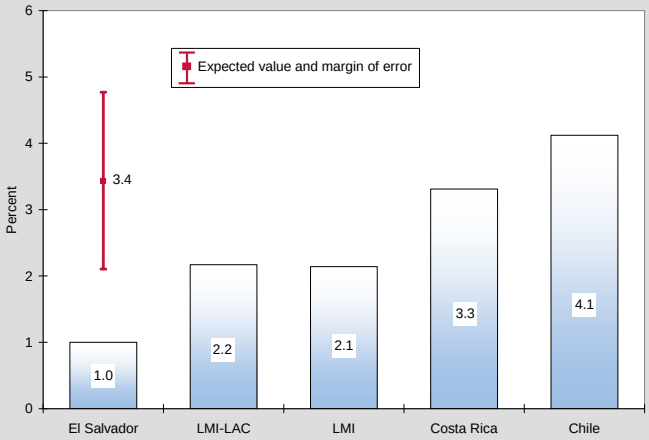
Figure 3-12. Foreign Direct Investment as a Percent of GDP

Foreign direct investment has been erratic, and on average quite low.

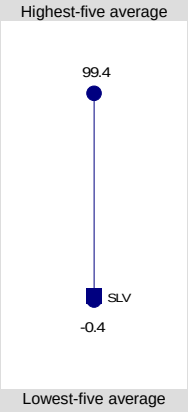
Time Series



Year	Value
2000	1.4
2001	2.1
2002	3.5
2003	0.5
2004	1.0
Summary for 2000- 2004	
Five year average	1.7



El Salvador Global Standing



SOURCE: IMF Article IV August 2005.

CAS Code: 24p5

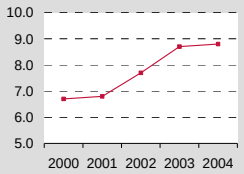
Despite the increase, the debt service ratio is well below the LMI-LAC average of 14.0 percent, as well as our regression benchmark of 12.4 percent (Figure 3-13). Much of the debt increase has been through public sector bond issues facilitated by an investment grade risk rating from Moody's.[31] The rising debt, however, is a cause for concern, in view of sluggish export growth.

[31] EIU, July 2005, p. 26.

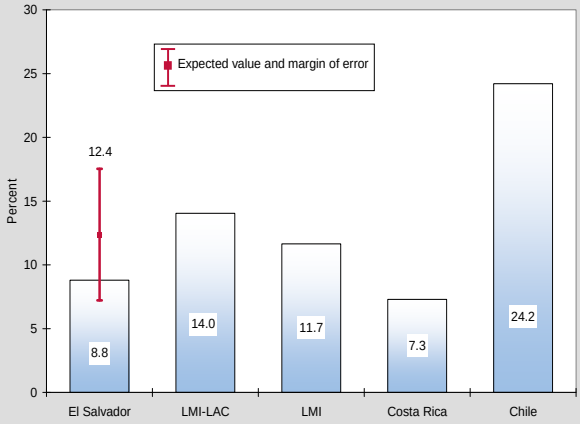
Figure 3-13. Debt Service Ratio as a Percent of Exports

Debt service costs have risen, but remain quite low.

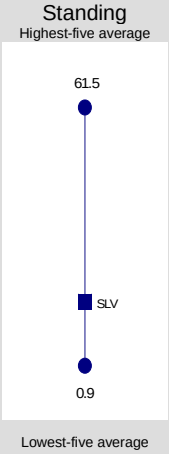
Time Series



Year	Value
2000	6.7
2001	6.8
2002	7.7
2003	8.7
2004	8.8
Summary for 2000- 2004	
Five year average	7.7
Trend growth rate	8.2



El Salvador Global Standing



SOURCE: IMF Article IV August 2005.

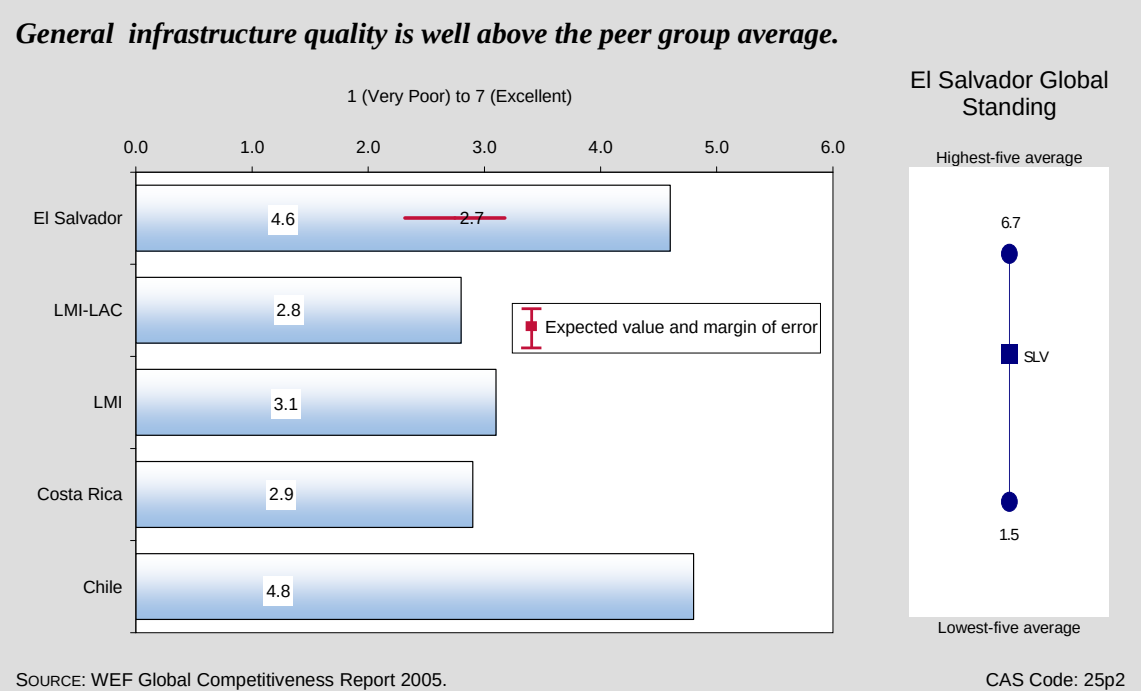
CAS Code: 24p3

Any gap between the amount of financing derived through the capital account and the balance in the current account is reflected in foreign exchange reserves. Over the five years to 2004, El Salvador's gross international reserves, relative to imports of goods and services, declined from 6.4 months of import cover to 4.5 months of import cover. The latter compares favorably to the LMI-LAC average of 4.0 months, and even more so with Costa Rica's 2.3 months of import cover in 2003. Given the dollarization regime, El Salvador is in no danger of encountering critical problems resulting from a need to defend the exchange rate. Instead, the danger lies in the possibility that the balance of payments deficit will lead to monetary outflows that have a contractionary effect on an economy that badly needs rapid growth. This possibility underscores the importance of making a concerted effort to enhance export performance and improve the climate for private capital inflows.

ECONOMIC INFRASTRUCTURE

A country's physical infrastructure—for transportation, communications, power, and information technology—is the backbone for strengthening competitiveness and expanding productive capacity. The broadest measure of infrastructure quality is a subjective index of executive perceptions compiled by the World Economic Forum (WEF). El Salvador's score in 2005 is 4.6 (out of 7), a substantial increase over its score of 3.8 in 2004. El Salvador's latest score nearly matches Chile's 4.8, and exceeds all other benchmarks, including our regression estimate of 2.7 (Figure 3-14).

Figure 3-14. Overall Infrastructure Quality Index



Indeed, El Salvador also scores above the LMI-LAC average for all of the WEF subindices, which cover the quality of air transport, railroads, ports, and electricity supplies. The score for electricity, for example, increased from 4.1 in 2004 to 4.8 in 2005, indicating the success of privatization. Even the 2004 score is above the LMI-LAC average, and the 2005 score is better than Costa Rica's 4.6. Chile still leads with a score of 5.5. Despite the high score for electricity quality, businesses and consumers are complaining that privatization has not brought about the promised drop in electricity prices.[32] A coherent energy policy is needed to sustain the gains in quality while ensuring that pricing is fair and well understood—particularly in light of the sharp rise in oil prices.

Another notable improvement is manifest in the score for port infrastructure, which increased from 2.6 in 2004 to 3.9 in 2005. The latest score is well above the LMI-LAC average of 2.6, as well as Costa Rica's 2.1. Again, Chile has the region's best score of 4.6.

A very different picture emerges for the road system. El Salvador's ratio of paved to total roads is 26 percent, the lowest in Central America.[33] Frequent natural disasters have damaged its two main highways, and secondary and rural roads are sometimes impassable during the six-month rainy season.[34] As a result, the rural poor face great effective distances in accessing services and reaching markets. Projects under Fovial (the road maintenance fund, partly financed by the Inter-

[32] EIU, July 2005. p. 20.

[33] World Bank, *op. cit*., p. 7.

[34] EIU, July 2005, p. 17.

American Development Bank) includes the repair of 2,600 km of the country's 3,300 km road network, as well as a ring road around San Salvador to combat urban congestion.

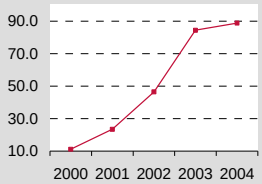
El Salvador's indicators for telecommunications infrastructure have been improving rapidly. In 2003 (latest data), telephone density[35] in the LMI-LAC countries averaged 321 lines per 1,000 people (including mobile phones). That same year, phone penetration in El Salvador was 292 lines, in Costa Rica 362 lines, and in Chile 732 lines. Recent data from El Salvador's *Superintendencia General de Electricidad y Telecommunicaciones* (Siget), shows 403 lines per 1,000 in 2004. According to Siget, El Salvador had 1.8 million mobile subscribers in 2004, making it the largest mobile market in Central America.[36]

Another important telecommunications indicator is the number of Internet users per 1,000 people.[37] In absolute terms, El Salvador's latest score of 89 is still very low compared to the figures for Costa Rica (235) and Chile (279), but it is already above the LMI-LAC average of 74, as well as our regression benchmark of 72. Growth over the past five years has been very impressive, starting from a very low base of 11 Internet users per 1,000 people in 2000 (Figure 3-15).

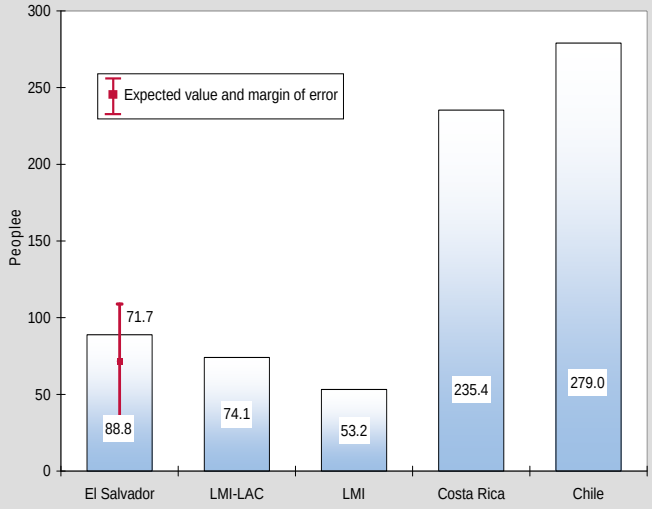
Figure 3-15. Internet Users per 1,000 People

Internet penetration increased eightfold between 2000 and 2004.

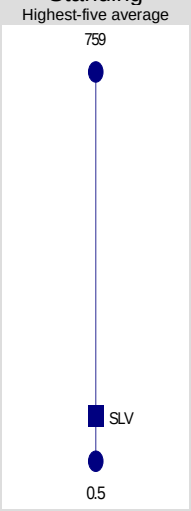
Time Series



Year	Value
2000	11.2
2001	23.4
2002	46.5
2003	84.4
2004	88.8
Summary for 2000- 2004	
Five year average	50.9
Trend growth rate	72.1



El Salvador Global Standing



SOURCE: World Development Indicators 2006.

CAS Code: 25p1

[35] Telephone density is a Millennium Development Goal indicator.

[36] EIU, July 2005, p. 18.

[37] Internet users per 1,000 people is an MDG indicator

The picture is therefore clear: basic infrastructure does not appear to be a critical constraint on private sector development in El Salvador. Many aspects of El Salvador's infrastructure are well above average when compared to lower middle-income peers in Latin America and the country's serious road deficiencies are being addressed.

SCIENCE AND TECHNOLOGY

Science and technology are central to dynamic growth because technical knowledge is a driving force for productivity and competitiveness. Even for lower middle- income countries like El Salvador, transformational development increasingly depends on acquiring and adapting technology from the global economy, and applying it in ways that are appropriate to a particular level of development. Inability to acquire and apply technology prevents an economy from leveraging the benefits of globalization. Unfortunately, few international indicators of science and technology are available for judging performance in low-income countries. Such is the case for El Salvador as well.

One source of information is the FDI Technology Transfer Index compiled by the World Economic Forum (WEF). Based on executive's perceptions of the quality of FDI as a source of new technology, the index's values range from 1 (FDI brings little new technology) to 7 (FDI is an important source of new technology). El Salvador's score of 4.5 in 2005 is in keeping with the LMI-LAC average of 4.6, but significantly below scores for Costa Rica (5.5) and Chile (5.3) (see Figure 3-16). This indicates that the country is doing reasonably well in acquiring technology through FDI. Even so, further improvements, through reforms to the business environment, could boost economic growth.

El Salvador has also made great strides in adopting information and communication technologies (ICT) as indicated by its ranking on WEF's Networked Readiness Index.[38] In 2005, El Salvador ranked 59 out of 115 countries, a jump of 11 places from 2004. El Salvador now outranks Costa Rica (69), but lags behind Chile (29). According to the World Bank, El Salvador is lagging in developing a national innovation system (NIS) to foster patents and investment in research and development. The Bank attributes the low level of innovation efficiency to weak collaboration between the private sector and research organizations.[39]

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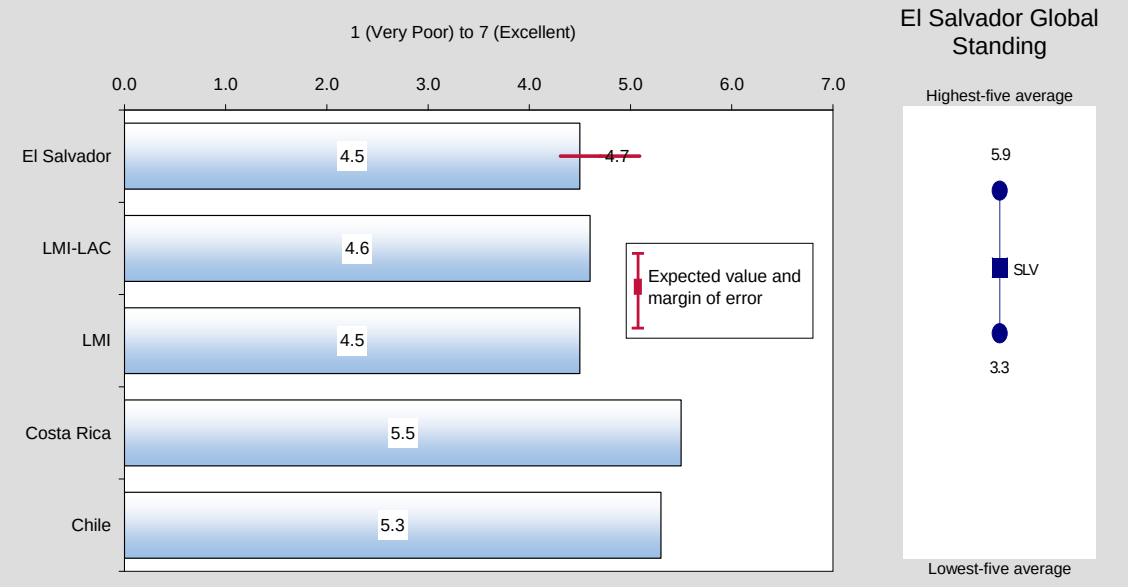
[38] The index is in WEF's *Global Information Technology Report 2005-2006*. It measures the propensity of countries to take advantage of the opportunities offered by ICT.

[39] World Bank, Country Assistance Strategy, Report No. 30849-SV for the Republic of El Salvador. April 2005, p. 7.

Figure 3-16. FDI Technology Transfer Index

Technology benefits from FDI are comparable to peer averages, but well below benefits accruing to regional leaders.



SOURCE: WEF Global Competitiveness Report 2005. CAS Code: 26p2

Technology is so important to economic growth that the government should sharpen its focus on technology transfer and technology development when promoting investment and formulating economic development programs. Indeed, this conclusion is reinforced by the lack of regular and reliable data on science and technology. Particularly important are education, training, and institution building to strengthen intellectual capacity and human capital in research and development.

4. Pro-Poor Growth Environment

Rapid growth is the most powerful and dependable instrument for poverty reduction, yet the link from growth to poverty reduction is not mechanical. In some cases, income growth for poor households exceeds the overall rise in per capita income, while in others growth benefits the non-poor far more than the poor. A pro-poor growth environment stems from policies and institutions that improve opportunities and capabilities for the poor while reducing their vulnerabilities. Pro-poor growth is associated with improvements in primary health and education, the creation of jobs and income opportunities, the development of skills, micro-financing, agricultural development, and gender equality.[40] This section focuses on four of these issues: health, education, employment and the workforce, and agricultural development.

HEALTH

The provision of basic health service is a major form of human capital investment, and a significant determinant of growth and poverty reduction. Although health programs do not fall within the sphere of the EGAT bureau, an understanding of health conditions can influence the design of economic growth interventions. For El Salvador, most health indicators are either similar to or below regional averages, and well short of regional best practices.

The broadest indicator of health conditions is life expectancy at birth. In El Salvador, the estimated life expectancy in 2003 was 70.9 years. This is about the same as the LMI-LAC average of 70.2 years, but quite low compared to Chile (76.4 years) and Costa Rica (78.6 years).

Another important indicator is the maternal mortality rate, or MMR (an MDG indicator), which was estimated at 150 deaths per 100,000 live births in 2000. Here, too, El Salvador is on a par with the LMI-LAC average, but this average is much worse than the global average of 115 for lower middle-income countries. It is also nearly four times higher than the MMR in Costa Rica (43) and five times higher than in Chile (31).

Related to the high MMR is the proportion of births attended by a skilled health professional. The rate for El Salvador, 69 percent, is in keeping with our regression benchmark, but considerably lower than the other regional benchmarks (Figure 4-1). The problem is substantiated by a recent

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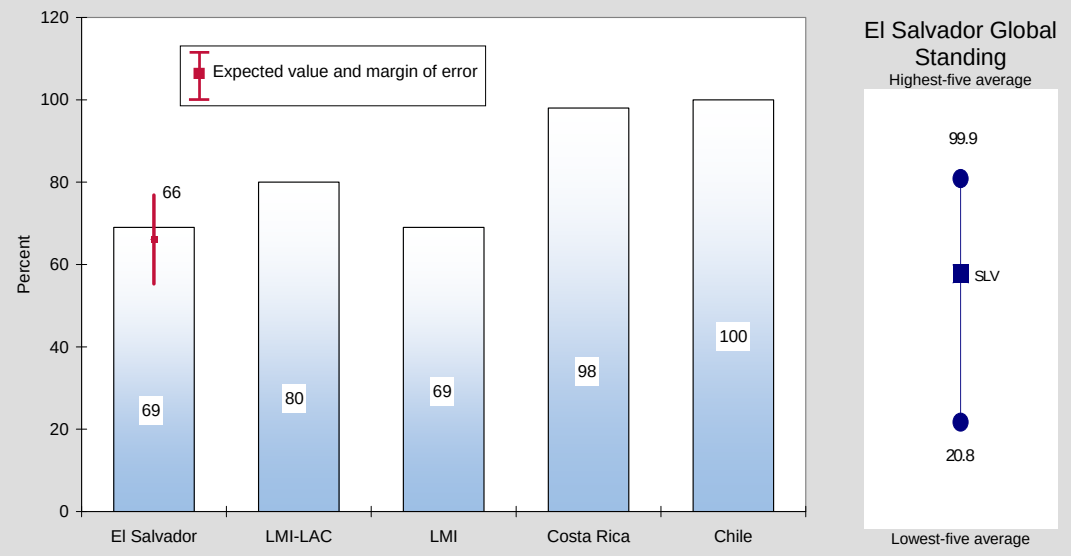
[40] Since this report focuses on economic growth performance, it does not cover emergency relief.

WHO report that lists El Salvador as having a serious shortage of health workers, a shortage that impairs the provision of lifesaving interventions including safe pregnancy and delivery services for mothers.[41] To complicate the problem, the failure of the government and medical unions to reach a consensus on health system reforms is causing frequent strikes by public medical personnel.[42]

Figure 4-1. Births Attended by a Skilled Health Professional

El Salvador's figure points to a shortage of health care workers.



SOURCE: World Development Indicators 2006. CAS Code: 31s3

For two other health-related indicators—access to improved sanitation and to safe water sources—El Salvador also fall below regional benchmarks. On average, 71 percent of the people in LMI-LAC countries have access to improved sanitation, but only 63 percent in El Salvador (with 2002 the latest year of data). In both Chile and Costa Rica, fully 92 percent of the people enjoy improved sanitation. Similarly, 82 percent of the people in El Salvador had access to an improved water source in 2002, compared with an average of 89.5 percent for LMI-LAC, 97 percent in Costa Rica, and 95 percent in Chile. Thus, in addition to problems with the health care system, El Salvador has fundamental deficiencies in the conditions required for good health.

The prevalence of HIV/AIDS infection in El Salvador has been estimated at 0.7 percent of the adult population (ages 15-49) in 2003. This equals the LMI-LAC average and is on par with the prevalence rate in Costa Rica (0.6 percent). Chile, however, has a much lower rate of 0.3 percent. According to UNAIDS, the Government of El Salvador is responding with "resolute political

[41] World Health Organization (WHO). World Health Report 2006.

[42] EIU, July 2005, p. 18.

support" at the highest levels, and a concerted campaign to address the main cause, which is unprotected heterosexual transmission.[43]

Although health indicators are generally weak, public sector expenditure on health is relatively high. Estimates in 2005 by the Millennium Challenge Corporation show expenditures of 4.1 percent of GDP, compared to an average of 3.5 percent for LMI-LAC countries. Health spending in El Salvador, relative to GDP, is nearly double Chile's level of 2.6 percent; Costa Rica leads all comparators, with health spending equal to 6.1 percent of GDP.

Poor health conditions impede growth, retard labor productivity, and contribute greatly to the persistence of poverty. Although multilateral and bilateral donors have introduced important initiatives, and public sector expenditure is relatively high, the nation's health problems can only be tackled through efficient programs and stepped up efforts to address shortages of and dissatisfaction among health care workers.

EDUCATION

El Salvador has made important gains in education thanks to comprehensive reforms that started in the early 1990s and with formal endorsement of a ten-year Education Plan (1995-2005).[44] The benefits of the program are manifest in higher enrollment and literacy rates. El Salvador's indicators, however, still lag behind most benchmarks, and improving the quality and efficiency of the education system poses major challenges.

The net primary enrollment rate (a Millennium Development Goal indicator) is a fundamental gauge of a primary school system. The indicator shows the percentage of children in the primary school age cohort who are enrolled in school. El Salvador's net primary enrollment rate climbed from an estimated 81.0 percent in 1998 to 90.9 percent in 2004, with corresponding gains for males and females. The rate is still below the LMI-LAC average of 95.1 percent, but nearly on par with Costa Rica's rate of 91.8 percent, and (surprisingly) higher than Chile's rate of 85.9 percent.

Efficiency in primary school programs also improved, as the percentage of students persisting to grade five (another MDG indicator) increased from 61.3 percent in 1998 to 74.5 percent in 2002, before falling back to 68.2 percent in 2003 (Figure 4-2). Despite this laudable improvement, El Salvador is behind the benchmarks, and remains far from the MDG goal of universal completion of primary school. In Chile, 99.2 percent of enrolled students persist to grade 5; in Costa Rica, 92.4 percent. In addition, our regression benchmark for a country at El Salvador's level of development indicates an expected persistence rate of 77.4 percent, much higher than the rate achieved so far.

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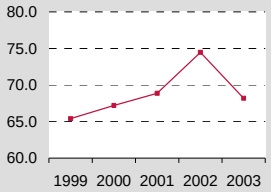
[43] http://www.unaids.org/en/Regions_Countries/Countries/el_salvador.asp.

[44] World Bank, *op. cit*., p. 23.

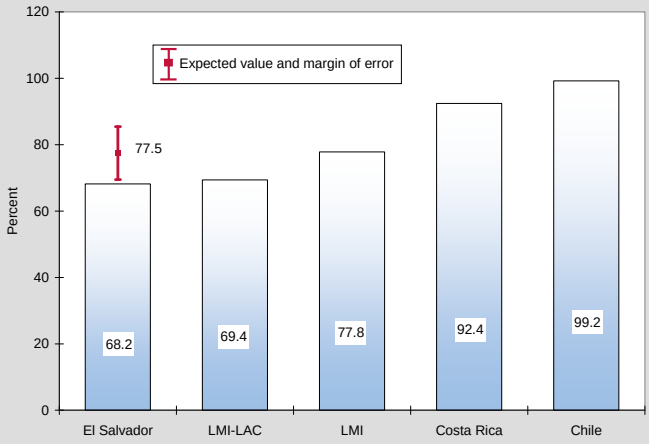
Figure 4-2. Persistence in School to Grade Five

More than 30% of Salvadoran elementary school children do not reach grade five.

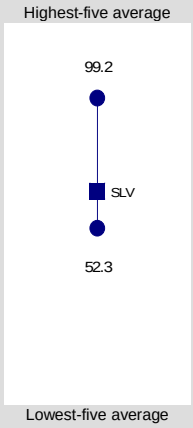
Time Series



Year	Value
1999	65.4
2000	67.2
2001	68.9
2002	74.5
2003	68.2
Summary for 1999-2003	
Average	68.8
Trend growth rate	1.9



El Salvador Global Standing



SOURCE: World Development Indicators 2006.

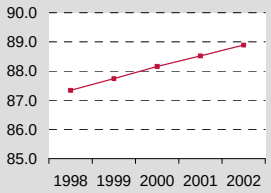
CAS Code: 32p2a

The youth literacy rate has also been improving, though very gradually, from 87.3 percent in 1998 to 88.9 percent in 2002 (latest year). The latter is considerably lower than the LMI-LAC average of 94.5 percent, and even further from Chile's 99.0 percent and Costa Rica's 97.6 percent (Figure 4-3). Youth literacy reflects relatively recent performance in educating children, and the literacy gap in El Salvador shows that many youths still face grim prospects for obtaining productive employment and earning a decent standard of living in the medium run. Programs to encourage youths to become more educated should be a primary focus for achieving the twin objectives of growth and poverty reduction.

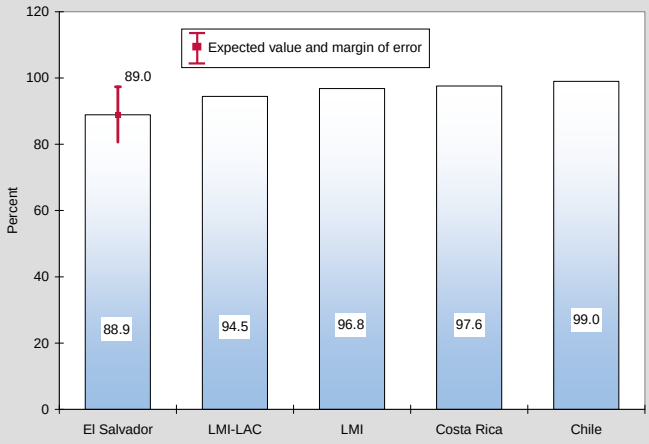
Figure 4-3. Youth Literacy Rate

More than 10% of young people are illiterate.

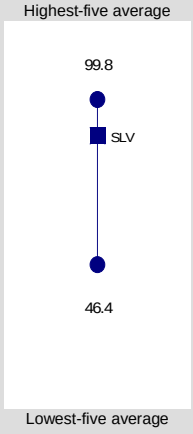
Time Series



Year	Value
1998	87.3
1999	87.7
2000	88.2
2001	88.5
2002	88.9
Summary for 1998-2002	
Five year average	88.1
Trend growth rate	0.4



El Salvador Global Standing



SOURCE: World Development Indicators 2006.

CAS Code: 32p3

Public expenditure on education in El Salvador has increased, though, like the other indicators, it still lags behind most benchmarks. Indeed, the improvements in other education indicators are all the more impressive in light of the low level of resources employed. The MCC estimated in 2005 that public expenditure on primary education amounted to 1.9 percent of GDP, while the average for LMI-LAC was 2.9 percent.

At the secondary level, expenditure per student as a percentage of GDP per capita improved from 8.1 percent to 9.4 percent over the 1998–2002 period. This is still far behind the regional benchmarks, including the LMI-LAC average of 11.1 percent and the much higher rates in Costa Rica (22.9) and Chile (15.6). The gap is even wider for the corresponding indicator at the tertiary level, where expenditure per student as a percentage of GDP per capita was 10.7 percent in 2002, less than one-third the average of 37.2 percent for LMI-LAC. Further, this indicator of expenditure at the tertiary level is very close to the average for the lowest five countries in the world (9.8 percent). Considering the importance of science and technology to transformational development, this is a critical deficiency.

Continuing to strengthen the education system at all levels is a key to increased economic growth and faster poverty reduction. In March 2005, President Saca launched Plan 2021. The purpose of the plan is to raise educational standards by keeping young people in formal education for longer periods, improve access to basic schooling, and improve the infrastructure of the public system. Many of the plan elements emerged from a consultation process that Mr. Saca began soon after taking office. Plan goals include, by 2021, 100 percent enrollment among primary and preschool children, a 90 percent completion rate at the secondary level, and an rise in government spending on education from 2.5 percent of GDP (1999-2001) to 6.3 percent. The government has secured US$100 million in loans from the World Bank and the Inter-American Development Bank for this vital program.[45]

EMPLOYMENT AND WORKFORCE

El Salvador's unemployment rate has varied little since 2000, averaging 6.8 percent. This is somewhat higher than the 5.0 percent average for LMI-LAC countries, but close to Costa Rica's 6.4 percent, and better than Chile's 7.8 percent. The labor force is estimated to be growing by 2.2 percent per year, slightly below the average LMI-LAC growth rate of 2.5 percent. At this rate, the economy must create 64,000 new jobs per year simply to absorb new entrants to the labor force. The combination of below average labor force growth along with above average population growth most likely reflects the effects of a high emigration rate, underscoring the lack of attractive job opportunities.

The labor force participation rate in El Salvador has been quite stable, about 72 percent between 1999 and 2003. This is marginally higher than the LMI-LAC average of 69.3 percent, as well as the participation rates in Costa Rica (63.8) and Chile (64.1) The overall male participation rate has been declining, and the female rate increasing. Accordingly, El Salvador is gradually reducing the large gender gap in the labor force. The participation rate for females rose from 50.1

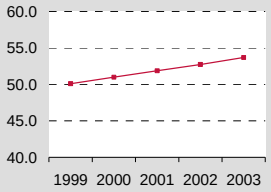
[45] EIU, July 2005, p.16.

percent in 1999 to 53.7 percent in 2003. The latter figure is much higher than the LMI-LAC average, as well as rates in Costa Rica and Chile (Figure 4-4). This is not especially good news, though, since gender discrimination in the labor market is a major problem in the region. Indeed, El Salvador's rate is no higher than the global average for lower-middle income countries (53.8 percent). Still, the entry of increasingly well-educated young women into the labor force can be expected to accentuate the need for job creation. That does not diminish the need for programs to improve job and income opportunities for women in El Salvador itself.

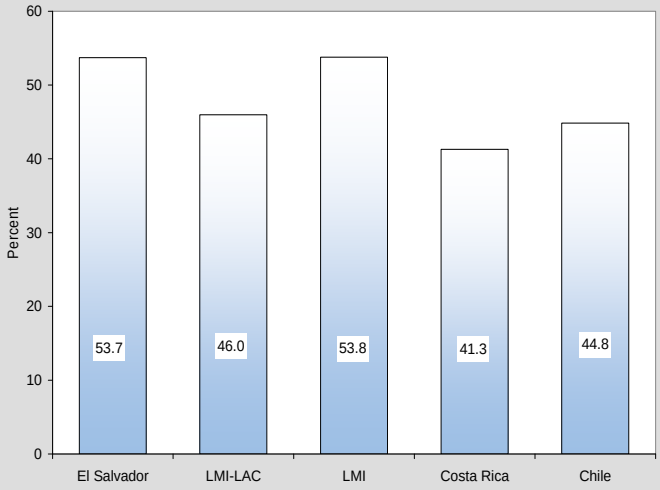
Figure 4-4. Female Labor Force Participation Rate

El Salvador is gradually closing the gender gap in employment.

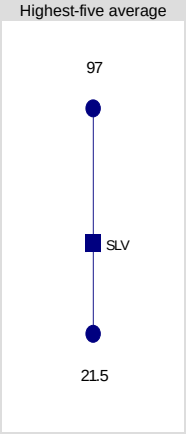
Time Series



Year	Value
2000	50.1
2001	51.0
2002	51.9
2002	52.7
2003	53.7
Summary for 1999 - 2003	
Five year average	51.9
Trend growth rate	1.7



El Salvador Global Standing



Source: World Development Indicators 2006

CAS Code: 33p1c

Labor laws and regulations do not appear to be a critical impediment to job creation. The World Bank's index of Rigidity of Employment measures the difficulty of hiring and firing workers and the rigidity of work hour regulations on a scale of 0 (less rigid) to 100 (most rigid). In 2005, El Salvador scored 41, a great improvement over its score of 52 in 2004. This improvement shows that labor market conditions are slightly less restrictive than the average for LMI-LAC (44) and nearly on par with conditions in Costa Rica (39). As with most regulatory indicators, Chile outperforms the rest with a score of 24—demonstrating that more flexible labor markets are achievable. Greater flexibility would facilitate the reallocation of labor to more productive uses, and allow the economy to cope better with external shocks. Thus, in 2005, the IMF encouraged authorities in El Salvador to further improve labor market regulations.[46]

Creating new and productive jobs requires not only more flexible labor markets but also a business environment that stimulates investment, expands production, and accelerates growth.

[46] IMF Country Report No. 05/271, *El Salvador Article IV Consultation*, August 2005, p. 21.

The education reforms discussed above are equally essential for expanding employment opportunities and increasing labor income.

AGRICULTURE

Agricultural production in El Salvador has grown very slowly over the past five years. Value added in this sector expanded at an average rate of only 0.3 percent for the 2000–2004 period, well below the LMI-LAC average of 2.0 percent, itself a poor rate of growth (see Figure 4-5). As noted in section 2, the agriculture sector also suffers from very low productivity. Value added per worker fell at an average rate of 1.5 percent per year over the five years to 2003, to just US$1,628 (in constant 1995 dollars). This figure is far below all regional benchmarks (see Figure 4-6). Cereal yields, though, rose by 5 percent per year over the period, to 2,441 kilograms per hectare, in keeping with the LMI-LAC average of 2,413 kilograms per hectare, but still far below yields in Chile (3,803 kilograms per hectare) and Costa Rica (5,313 kilograms per hectare).

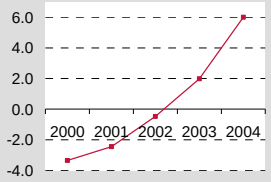
Despite low productivity and sluggish growth, agriculture is an important source of livelihood, employing about one-fifth of the labor force. It is also provides about one-third of merchandise export earnings, while meeting about 70 percent of domestic food needs. The main food crops are maize, beans, rice and sorghum, and the main exports are coffee and sugar. [47] Agriculture will probably continue to decline in significance relative to other sectors. Hence, programs that aim to help poor farm households should emphasize the growth of job opportunities outside of agriculture. Still, given agriculture's significance in terms of employment, exports, and food security, the agenda also has to include programs to improve productivity, especially among small farmers, and to promote diversification into higher-value crops.

[47] EIU, July 2005, p. 25.

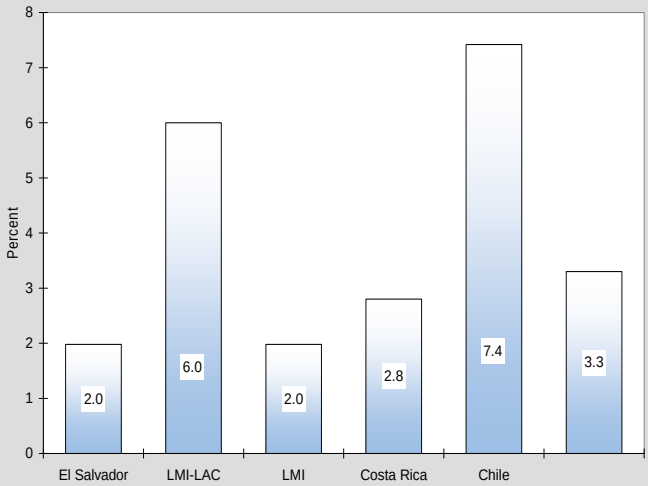
Figure 4-5. Growth in Agricultural Value Added

Despite a recent improvement, growth in agriculture has been weak.

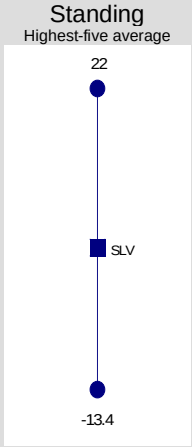
Time Series



Year	Value
2000	-3.4
2001	-2.5
2002	-0.5
2003	2.0
2004	6.0
Summary for 2000- 2004	
Five year average	0.3
Trend growth rate	N/A



El Salvador Global Standing



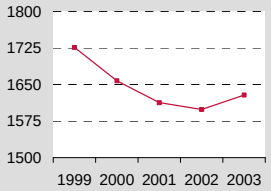
SOURCE: World Development Indicators 2006.

CAS Code: 34p3

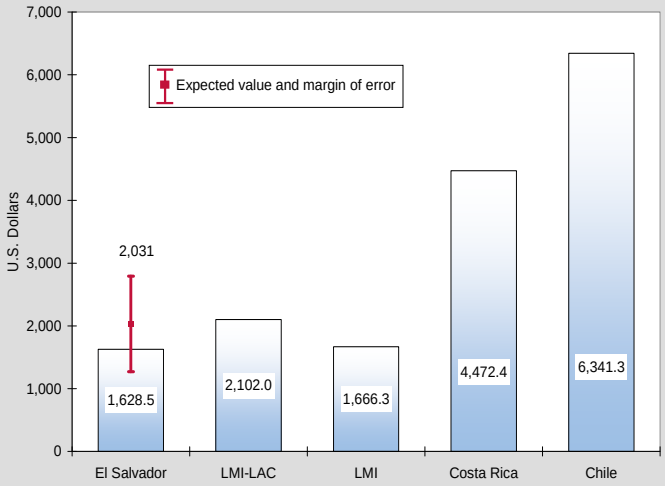
Figure 4-6. Agriculture Value Added Per Worker (constant 1995 US dollars)

Value-added per worker in agriculture is extremely low, and declining.

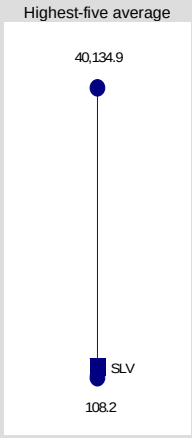
Time Series



Year	Value
1999	1,726.2
2000	1,657.7
2001	1,612.8
2002	1,598.9
2003	1,628.5
Summary for 2000- 2004	
Five year average	1,644.8
Trend growth rate	-1.5



El Salvador Global Standing



SOURCE: World Development Indicators 2006.

CAS Code: 34p1

5. Summary of Key Findings

Annual GDP growth in El Salvador averaged a mere 2.0 percent over the past five years, barely enough to keep pace with population growth, but not nearly enough to visibly improve standards of living. This disappointing growth performance is the result of a low investment and weak gains in productivity. Labor productivity is particularly low in agriculture, implying that the creation of opportunities in other sectors can stimulate large gains in overall productivity for the economy. A key challenge for the government and donors is to facilitate faster growth through continued efforts to improve the business environment, expand the export base, and invest in human capital.

Poverty and inequality are severe. In 2002, about 19 percent of the population lived on less than $1 PPP per day, and income inequality is among the worst in the world. These distributional problems are a major problem in their own right, and also a serious constraint on growth. Initiatives to expand opportunities for income and wealth generation for the poor should be high priority for policymakers and donors alike.

The population of El Salvador is growing by 1.9 percent per year. Demographic pressure heighten the need for job creation and raise the cost of providing adequate social services. They also accentuate environmental stress, notably in the areas of water quality, deforestation, and soil erosion. Better environmental governance is urgently needed, including programs to educate the public on sustainable development practices, and preparation for natural disasters.

Since El Salvador adopted the dollar as legal tender in 2001, inflation has averaged 3.2 percent per year. Over the past two years, however, the inflation rate rose to 5.4 and 4.0 percent. This is a cause for concern, because the gap between inflation in El Salvador and that in the United States erodes the international competitiveness of Salvadoran goods. Unless the inflation gap is matched by increased productivity, inflation will slowly undermine the dollarization regime, which is the anchor for macroeconomic stability. Meanwhile, post-disaster reconstruction, rising debt costs, transitional costs of pension reform, and relatively weak tax collections (15.8 percent of GDP) are squeezing public finances. The government is pursuing a tax reform program to improve revenue yields. This is essential to allow the country to maintain the tight fiscal policy needed to sustain dollarization, and to augment resources for programs to promote growth and equity.

The banking sector in El Salvador is relatively well developed and efficient, compared to regional peers. Capital markets, however, are very thin, and access to credit by micro and small enterprises is very limited.

El Salvador has made great strides in improving the business enabling environment, as evidenced by the country’s scores on indices of corruption, the rule of law, and time to start a business. In

many respects the business environment is better than the regional benchmarks. However, that is not a high standard. Thus, further improvements are both possible and necessary. Moreover, there are still serious problems with the business environment, including an inefficient and unreliable judicial system, and high business start-up costs relative to per capita income. These costs hamper start-ups and formalization of small enterprises. The biggest deterrent to investment, however, appears to be the costs and risks due to crime. While continuing to pursue vigorous legal and regulatory reforms, El Salvador must deal effectively with the crime problem through international coordination to deal with criminal networks, strict law enforcement, and programs to expand job opportunities.

For a small country located near major markets, El Salvador is not well integrated into the global trading system. This is seen in a low ratio of actual to expected trade, relative to GDP; in lackluster export growth (including slow growth of trade with CAFTA partners); and in the large structural deficit in trade of goods and services. Implementation of CAFTA, together with major reforms to strengthen the business climate, now offer the potential to transform this situation. Lower trade restrictions would facilitate more rapid trade growth, as would programs to support export diversification, including measures to help producers become more competitive and adapt to sophisticated international markets.

Remittances from workers abroad have been a major form of financing for the trade deficit, and an important source of income for many Salvadoran families. As a by-product, however, the large inflow of remittances may be creating macroeconomic problems by spurring demand, pushing up prices and business costs, and eroding the competitiveness of domestic producers. The government might mitigate the adverse effects and enhance the development impact of remittances through programs to attract remittances into the financial system, and hence into investment.

Infrastructure and technology are vital determinants of growth performance. For a lower middle-income country, El Salvador has a well developed supporting infrastructure. The glaring exception is the road system, which is being addressed with donor support. The government also needs to sharpen its focus on technology transfer, in the course of promoting investment and stimulating business development, with a particular emphasis on investing in human capital for research and development.

Health and education services are essential investments in human capital, and a key to rapid growth and poverty reduction. Despite relatively high spending on health, as a percentage of GDP, most health indicators for El Salvador are similar to or below the peer group averages, and far short of regional best practices. The education system has improved greatly over the past decade. Yet most indicators still lag behind regional benchmarks and absolute standards. These indicators include public expenditure on education, relative to GDP and to per capita income, and the rates of primary enrollment, persistence to grade five, and youth literacy.

The unemployment rate in El Salvador is not especially high, partly because many jobseekers emigrate. But this outflow of workers reflects a lack of job opportunities for the growing labor force. El Salvador is doing better than regional peers, however, in closing the gender gap in

employment. The labor force participation rate for females rose from 50.1 percent in 1999 to 53.7 percent in 2003. The entry of increasingly well-educated young women into the labor force accentuates the need for job creation. Labor market rigidities do not appear to be a critical impediment to the expansion of job opportunities, but further reforms in this area would facilitate job growth and the reallocation of labor to more productive activities. Even more important are investments in human capital, and further measures to improve the business environment to foster investment, production, and growth.

Appendix

CRITERIA FOR SELECTING INDICATORS

This economic performance evaluation is designed to balance the need for broad coverage and diagnostic value, on the one hand, and the requirement of brevity and clarity, on the other. The analysis covers 15 EG-related topics, and just over 100 variables. For the sake of brevity, the main text highlights issues for which the "dashboard lights" appear to be signaling problems, which suggest possible priorities for USAID intervention. The table below lists all the indicators examined for this report. A separate Data Supplement contains the complete data set for El Salvador, 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.

Where level I indicators suggest weak performance, the analysis proceeds to review a limited set of *diagnostic supporting indicators*. These "level II" indicators provide additional details, or shed light on *why* the primary indicators may be weak. For example, if economic growth is poor, one can examine data on investment and productivity as diagnostic indicators. If a country performs poorly on educational achievement, as measured by the youth literacy rate, one can examine determinants such as expenditure on primary education, and the pupil-teacher ratio.[48]

We selected indicators on the basis of the following criteria. Each indicator must be accessible through USAID's Economic and Social Database or through convenient public sources, particularly those on the Internet. Each must 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, we use subjective survey responses only when actual measurements are not available. Aside from a few descriptive variables, the indicators must also be useful for diagnostic purposes. Widely used measures, such as Millennium Development Goal indicators or evaluation data used by the Millennium Challenge Corporation, are preferred. Finally, redundancy has been minimized. If two indicators provide similar information, the one that is simplest to understand or most widely used is preferred. For example, both the Gini coefficient and the share of income accruing to the poorest

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

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 El Salvador relative to the average for countries in the same income group and region—in this case, Latin America and Caribbean countries with lower middle incomes.[49] For added perspective, we also examine (1) the global average for this income group, (2) respective values for two comparator countries selected by the LAC Bureau (Chile and Costa Rica), and (3) the average for the five best and five worst performing countries globally. Most comparisons are framed in terms of values for the latest year of data from available sources. Five-year trends are also taken into account where this information sheds light on the performance assessment.[50]

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.[51] This approach has three advantages. First, the benchmark is customized to El Salvador's level of income. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology allows one to quantify the margin of error and establish a "normal band" for a country with El Salvador's characteristics. An observed value falling outside this band on the side of poor performance signals a serious problem.[52]

Finally, where relevant, El Salvador's performance is weighed against absolute standards. For example, if the Corruption Perception Index for a given country is below 3.0, this is a sign of serious economic governance problems, regardless of the regional comparisons or regression result.

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[49] Income groups as defined by the World Bank for 2005. For this study, the average is defined in terms the median, rather than the mean, because the values are not distorted by outliers.

[50] 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.

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

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

LIST OF INDICATORS

	Level	MDG/MCA/EcGov[a]	CAS Indicator Code
OVERVIEW OF THE ECONOMY			
Growth Performance			
Per capita GDP, $PPP	I		11P1
Per capita GDP, current US$	I		11P2
Real GDP growth	I		11P3
Growth of labor productivity	II		11S1
Investment Productivity - Incremental Capital-Output Ratio (ICOR)	II		11S2
Gross fixed investment, % GDP	II		11S3
Gross fixed private investment, % GDP	II		11S4
Poverty and Inequality			
Human poverty index	I		12P1
Income-share, poorest 20%	I		12P2
Population living on less than $1 PPP per day	I	MDG	12P3
Poverty headcount, by national poverty line	I	MDG	12P4
Income-share, richest 20%	I		12P5
Ratio of income shares, richest 20% to poorest 20%	I		12P6
PRSP Status	I	EcGov	12P5
Population below minimum dietary energy consumption	II	MDG	12S1
Poverty gap at $1 PPP a day	II		12S2
Economic Structure			
Labor force structure	I		13P1
Output structure	I		13P2
Demography and Environment			
Adult literacy rate	I		14P1
Age dependency rate	I		14P2
Environmental sustainable index	I		14P3
Population size and growth	I		14P4
Urbanization rate	I		14P5
Gender			
Adult literacy rate, ratio of male to female	I	MDG	15P1
Gross enrollment rate, ratio of male to female,	I	MDG	15P2
Life expectancy at birth, ratio of male to female	I		15P3
PRIVATE SECTOR ENABLING ENVIRONMENT			
Fiscal and Monetary Policy			
Govt. expenditure, % GDP	I	EcGov	21P1
Govt. revenue, % GDP	I	EcGov	21P2
Growth in the money supply	I	EcGov	21P3
Inflation rate	I	MCA	21P4
Govt. budget balance, including grants, % GDP	I	EcGov	21P5
Composition of govt. expenditure	II		21S1
Composition of govt. revenue	II		21S2
Composition of money supply growth	II		21S3
Business Environment			
Corruption perception index	I	EcGov	22P1
Ease of doing business ranking	I	EcGov	22P2

	Level	MDG/MCA/EcGov[a]	CAS Indicator Code
Rule of law index	I	MCA / EcGov	22P3
Cost of starting a business, % GNI per capita	II	MCA / EcGov	22S1
Procedures to enforce contract	II	EcGov	22S2
Procedures to register property	II	EcGov	22S3
Procedures to start a business	II	EcGov	22S4
Time to enforce a contract	II	EcGov	22S5
Time to register property	II	EcGov	22S6
Time to start a business	II	EcGov	22S7
Financial Sector			
Domestic credit to private sector, % GDP	I		23P1
Interest rate spread	I		23P2
Money supply, % GDP	I		23P3
Stock market capitalization rate, % of GDP	I		23P4
Cost to create collateral	II		23S1
Country credit rating	II		23S2
Legal rights of borrowers and lenders index	II		23S3
Real Interest rate	I		23S4
External Sector			
Aid , % GNI	I		24P1
Current account balance, % GDP	I		24P2
Debt service ratio, % exports	I	MDG	24P3
Export growth of goods and services	I		24P4
Foreign direct investment, % GDP	I		24P5
Gross international reserves, months of imports	I	EcGov	24P6
Gross Private capital inflows, % GDP	I		24P7
Present value of debt, % GNI	I		24P8
Remittance receipts, % exports	I		24P9
Trade, % GDP	I		24P10
Exports of services, % total exports	I		24P11
Imports of services, % total exports	I		24P12
Actual and expected trade size, index	I		24P13
Time to trade, days	I		24P14
Merchandise exports from CAFTA countries, millions of current USD	I		24P15
Merchandise imports to CAFTA countries, millions of current USD	I		24P16
Concentration of exports	II		24S1
Inward FDI Potential Index	II		24S2
Net barter terms of trade	II		24S3
Real effective exchange rate (REER)	II	EcGov	24S4
Structure of merchandise exports	II		24S5
Trade policy index	II	MCA / EcGov	24S6
Composition of merchandise exports from CAFTA countries, by country, millions of current USD	II		24S7
Composition of merchandise imports to CAFTA countries, by country, millions of current USD	II		24S8
Economic Infrastructure			
Internet users per 1000 people	I	MDG	25P1
Overall infrastructure quality	I	EcGov	25P2
Telephone density, fixed line and mobile	I	MDG	25P3

	Level	MDG/MCA/EcGov[a]	CAS Indicator Code
Quality of infrastructure – railroads, ports, air Transport, and electricity	II		25S1
Telephone cost, average local call	II		25S2
Science and Technology			
Expenditure for R&D, % GNI	I		26P1
FDI and technology transfer index	I		26P2
Patent applications filed by residents	I		26P3
PRO-POOR GROWTH ENVIRONMENT			
Health			
HIV prevalence	I		31P1
Life expectancy at birth	I		31P2
Maternal mortality rate	I	MDG	31P3
Access to improved sanitation	II	MDG	31S1
Access to improved water source	II	MDG	31S2
Births attended by skilled health personnel	II	MDG	31S3
Child immunization rate	II		31S4
Prevalence of child malnutrition (weight for age)	II		31S5
Public health expenditure, % GDP	II	EcGov	31S6
Education			
Net primary enrollment rate	I	MDG	32P1
Persistence in school to grade 5	I	MDG	32P2
Youth literacy rate	I		32P3
Education expenditure, primary, % GDP	II	MCA/ EcGov	32S1
Expenditure per student, % GDP per capita – primary, secondary, and tertiary	II	EcGov	32S2
Pupil-teacher ratio, primary school	II		32S3
Employment & Workforce			
Labor force participation rate, females, males, total	I		33P1
Rigidity of employment index	I	EcGov	33P2
Size and growth of the labor force	I		33P3
Unemployment rate	I		33P4
Agriculture			
Agriculture value added per worker	I		34P1
Cereal yield	I		34P2
Growth in agricultural value-added	I		34P3
Agricultural policy costs index	II	EcGov	34S1
Crop production index	II		34S2
Livestock production index	II		34S3

[a] Level I = primary performance indicators, Level II = supporting diagnostic indicators
MDG = Millennium Development Goal indicator; MCA = Millennium Challenge Account indicator; EcGov = Major indicators of *economic governance*, which is defined in USAID's *Strategic Management Interim Guidance* to include "microeconomic and macroeconomic policy and institutional frameworks and operations for economic stability, efficiency, and growth." The term 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.

El Salvador

Economic Performance Assessment

Data Supplement

June 2006

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

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

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

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

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Contents

Full Dataset: El Salvador and Benchmark Comparissons **1**

Technical Notes **19**

	Growth Performance						
	Per capita GDP, purchasing power parity Dollars	Per capita GDP, current U.S. Dollars	Real GDP growth	Growth of labor productivity	Investment productivity - incremental capital-output ratio (ICOR)	Share of gross fixed investment in GDP, current prices	Share of gross fixed private investment in GDP, current prices
Indicator Number	11P1	11P2	11P3	11S1	11S2	11S3	11S4
El Salvador Data							
Latest Year (T)	*2005*	*2005*	*2005*	*2004*	*2005*	*2004*	*2004*
Value Year T	4,511	2,453	2.8	-0.9	8.2	15.6	13.5
Value Year T-1	4,391	2,335	1.5	-0.5	8.7	16.6	13.0
Value Year T-2	4,291	2,248	1.8	0.0	7.3	16.2	11.9
Value Year T-3	4,209	2,194	2.2	-0.4	.	16.7	12.3
Value Year T-4	4,123	2,158	1.7	0.6	.	16.9	14.0
Average Value, 5 year	4,305	2,278	2.0	-0.2	.	16.4	12.9
Growth Trend	2.3	3.2	.	.	.	-1.4	-0.2
Benchmark Data							
Regression Benchmark	.	.	3.5	.	.	24.4	.
Lower Bound	.	.	2.2	.	.	21.8	.
Upper Bound	.	.	4.9	.	.	26.9	.
Latest Year Costa Rica	*2005*	*2005*	*2005*	*2003*	*2003*	*2003*	.
Costa Rica Value Latest Year	10,316	4,526	4.2	3.7	6.2	21.8	.
Latest Year Chile	*2005*	*2005*	*2005*	*2003*	*2003*	*2003*	.
Chile Value Latest Year	11,537	6,272	6.1	1.6	5.6	23.4	.
LMI-LAC Avg.	4,663	2,358	2.8	-0.2	7.1	21.3	.
Low-Middle Income Avg.	5,323	2,298	4.5	1.8	5.6	22.3	.
High Five Avg.	45,202	58,939	12.9	14.1	70.2	48.6	.
Low Five Avg.	698	132	-1.2	-13.3	-302.9	7.7	.

	Poverty and Inequality								
	Human Poverty Index (0 for excellent to 100 for poor)	Income share accruing to poorest 20%	Population (%) living on less than $1 PPP per day	Poverty headcount (%), by national poverty line	PRSP Status	Income share accruing to richest 20%	Ratio of income share accruing to richest 20 % to the poorest 20%	Population (%) below minimum dietary energy consumption	Poverty gap at $1 PPP a day
Indicator Number	12P1	12P2	12P3	12P4	12P5	12P6	12P7	12S1	12S2
El Salvador Data									
Latest Year (T)	*2003*	*2002*	*2002*	*2002*	.	*2002*	*2002*	*2001*	*2002*
Value Year T	15.9	2.7	19.0	.	No	55.9	20.7	11.0	9.3
Value Year T-1	17.0	.	.	.	.	..	..	.	.
Value Year T-2	17.2	.	.	.	.	..	..	.	.
Value Year T-3	.	.	.	.	.	..	..	.	.
Value Year T-4	.	.	.	.	.	..	..	.	.
Average Value, 5 year	.	.	.	.	.	..	..	.	.
Growth Trend	.	.	.	.	.	.	.	.	.
Benchmark Data									
Regression Benchmark	15.4	3.5	18.3	39.2	.	.	.	18.0	.
Lower Bound	9.7	2.6	10.8	31.1	.	.	.	10.1	.
Upper Bound	21.1	4.4	25.7	47.4	.	.	.	26.0	.
Latest Year Costa Rica	*2003*	*2000*	*2000*	.	.	*2000*	*2000*	*2001*	*2000*
Costa Rica Value Latest Year	4.0	4.2	2.0	.	.	51.5	12.3	6.0	0.7
Latest Year Chile	*2003*	*2000*	*2000*	.	.	*2000*	*2000*	*2001*	*2000*
Chile Value Latest Year	3.7	3.3	2.0	.	.	62.2	18.7	4.0	0.5
LMI-LAC Avg.	11.4	2.9	17.0	37.5	.	57.2	17.7	13.0	6.9
Low-Middle Income Avg.	16.3	8.1	4.2	49.0	.	48.0	8.1	11.0	1.2
High Five Avg.	60.6	8.7	.	.	.	62.7	25.2	66.0	11.8
Low Five Avg.	4.1	5.9	.	.	.	36.2	3.8	3.0	0.5

	Economic Structure					
	Employment or labor force in agriculture, % total	Employment or labor force in industry, % total	Employment or labor force in services, % total	Output structure (agriculture, value added, % GDP)	Output structure (industry, value added, % GDP)	Output structure (services, etc., value added, % GDP)
Indicator Number	13P1a	13P1b	13P1c	13P2a	13P2b	13P2c
El Salvador Data						
Latest Year (T)	*2001*	*2001*	*2001*	*2004*	*2004*	*2004*
Value Year T	21.8	23.6	54.5	8.9	33.0	58.2
Value Year T-1	20.7	24.4	54.8	8.5	32.1	59.4
Value Year T-2	22.1	25.0	52.9	8.7	30.2	61.1
Value Year T-3	25.1	24.6	50.3	9.4	29.5	61.1
Value Year T-4	26.4	23.6	50.1	9.8	29.5	60.7
Average Value, 5 year	23.2	24.2	52.5	9.1	30.9	60.1
Growth Trend	-5.6	-0.1	2.6	-3.0	3.1	-1.1
Benchmark Data						
Regression Benchmark	.	.	.	14.0	26.3	.
Lower Bound	.	.	.	8.0	20.4	.
Upper Bound	.	.	.	20.0	32.3	.
Latest Year Costa Rica	*2002*	*2002*	*2002*	*2003*	*2003*	*2003*
Costa Rica Value Latest Year	15.9	22.5	61.1	8.8	28.7	62.5
Latest Year Chile	*2002*	*2002*	*2002*	*2003*	*2003*	*2003*
Chile Value Latest Year	13.5	23.9	62.6	8.8	34.3	56.9
LMI-LAC Avg.	21.8	20.9	59.2	11.2	29.4	58.5
Low-Middle Income Avg.	24.2	20.9	51.2	12.2	30.4	54.7
High Five Avg.	41.5	37.1	72.8	56.0	66.2	77.7
Low Five Avg.	0.3	12.9	36.0	0.8	12.3	15.4

	Demography and Environment						Gender		
	Adult literacy rate	Age dependency rate	Environmental sustainability index (0 for poor to 100 for excellent)	Population size (millions)	Population growth rate	Urbanization rate	Ratio of male to female - adult literacy rate	Ratio of male to female - gross enrollment rate, all levels	Ratio of male to female - life expectancy at birth
Indicator Number	14P1	14P2	14P3	14P4a	14P4b	14P5	15P1	15P2	15P3
El Salvador Data									
Latest Year (T)	*2003*	*2004*	*2005*	*2004*	*2004*	*2004*	*2003*	*2003*	*2003*
Value Year T	79.7	0.65	43.8	6.7	1.9	59.8	1.07	1.01	0.92
Value Year T-1	79.2	0.66	.	6.5	1.8	59.4	1.07	1.02	0.92
Value Year T-2	78.7	0.67	.	6.4	1.7	59.1	.	.	.
Value Year T-3	78.1	0.67	48.7	6.3	1.6	58.8	.	.	.
Value Year T-4	77.6	0.68	.	6.2	1.5	58.4	.	.	.
Average Value, 5 year	78.6	0.67	.	6.4	1.7	59.1	.	.	.
Growth Trend	0.7	-1.05	.	1.8	.	0.6	.	.	.
Benchmark Data									
Regression Benchmark	80.8	0.62	46.9	.	1.6	52.9	.	.	.
Lower Bound	72.2	0.56	43.2	.	1.2	43.7	.	.	.
Upper Bound	89.5	0.68	50.6	.	2.0	62.1	.	.	.
Latest Year Costa Rica	*2002*	*2003*	*2005*	*2003*	*2003*	*2003*	*2003*	*2003*	*2003*
Costa Rica Value Latest Year	95.8	0.55	59.6	4.0	1.6	60.6	1.00	0.97	0.94
Latest Year Chile	*2002*	*2003*	*2005*	*2003*	*2003*	*2003*	*2003*	*2003*	*2003*
Chile Value Latest Year	95.7	0.52	53.6	15.8	1.2	86.6	1.00	1.01	0.92
LMI-LAC Avg.	85.0	0.58	52.4	8.8	1.5	64.2	1.02	0.98	0.92
Low-Middle Income Avg.	87.8	0.58	47.8	8.0	1.4	57.0	1.03	0.99	0.93
High Five Avg.	99.7	1.03	72.6	607.0	4.6	100.0	2.48	1.59	1.02
Low Five Avg.	35.7	0.38	32.6	0.0	-0.8	9.0	0.91	0.86	0.84

	Fiscal and Monetary Policy									
	Government expenditure, % GDP	Government revenue, % GDP	Growth in the broad money supply	Inflation rate	Budget Balance (% of GDP)	Composition of government expenditure (wages and salaries)	Composition of government expenditure (goods and services)	Composition of government expenditure (interest payments)	Composition of government expenditure (subsidies and other current transfers)	Composition of government expenditure (other expense)
Indicator Number	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S1e
El Salvador Data										
Latest Year (T)	*2004*	*2004*	*2004*	*2005*	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*
Value Year T	18.2	15.8	-3.3	4.0	-2.9	40.1	18.1	12.1	17.6	12.1
Value Year T-1	18.5	16.1	-2.5	5.4	-3.8	40.0	20.0	11.3	17.3	11.4
Value Year T-2	17.3	15.3	-6.3	2.5	-4.6	42.8	18.5	9.8	15.6	13.3
Value Year T-3	17.7	14.8	-2.5	2.8	-4.3	44.1	16.9	7.9	13.6	17.5
Value Year T-4	18.7	15.7	-1.7	1.4	-3.0	45.0	15.0	8.0	14.0	18.0
Average Value, 5 year	18.1	15.5	-3.3	3.2	-3.7	42.4	17.7	9.8	15.6	14.5
Growth Trend	-0.1	1.0	-14.2	31.7	1.9	-3.2	5.6	12.7	7.4	-10.7
Benchmark Data										
Regression Benchmark	21.3	20.3	16.2	5.8	-2.5	.	.	.	.	.
Lower Bound	17.2	16.1	7.7	2.5	-4.2	.	.	.	.	.
Upper Bound	25.3	24.6	24.7	9.0	-0.9	.	.	.	.	.
Latest Year Costa Rica	*2003*	*2003*	*2003*	*2005*	*2003*	*2003*	*2003*	*2003*	*2003*	*2003*
Costa Rica Value Latest Year	23.4	22.7	16.7	10.5	-1.6	42.9	12.9	18.4	21.2	4.8
Latest Year Chile	*2003*	*2003*	*2003*	*2005*	*2003*	*2003*	*2003*	*2003*	*2003*	.
Chile Value Latest Year	18.4	21.2	8.1	2.5	-0.5	23.1	10.0	6.4	60.6	.
LMI-LAC Avg.	16.8	16.2	10.5	5.3	-2.5	27.0	13.6	11.3	20.4	6.6
Low-Middle Income Avg.	18.4	18.8	14.4	5.3	-1.3	25.7	15.7	8.9	30.2	6.5
High Five Avg.	43.7	44.1	134.4	53.7	3.9	52.5	47.7	18.8	71.8	22.1
Low Five Avg.	12.1	8.6	-8.5	0.5	-8.1	6.2	6.0	1.9	2.6	0.3

	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 (Other taxes)	Composition of government revenue (Social Security Contributions)	Grants and other revenue (% of revenue)	Composition of money supply growth (Net credit to government)	Composition of money supply growth (Credit to the private sector)	Composition of money supply growth (Net credit to non-financial public enterprises)	Composition of money supply growth (Net foreign assets)	Composition of money supply growth (Other items, net)
Indicator Number	21S2a	21S2b	21S2c	21S2d	21S2e	21S2f	21S3a	21S3b	21S3c	21S3d	21S3e
El Salvador Data											
Latest Year (T)	*2005*	*2005*	*2005*	*2005*	*2005*	*2005*	.	.	.	.	.
Value Year T	29.0	52.0	7.8	0.7	10.2	0.3	.	.	.	.	.
Value Year T-1	25.5	49.0	8.4	0.8	10.7	5.6	.	.	.	.	.
Value Year T-2	25.4	49.1	9.0	0.8	10.9	4.8	.	.	.	.	.
Value Year T-3	25.5	50.4	8.6	0.8	11.7	3.6	.	.	.	.	.
Value Year T-4	26.1	52.0	8.8	0.7	12.3	0.0	.	.	.	.	.
Average Value, 5 year	26.3	50.5	8.5	0.8	11.2	2.9	.	.	.	.	.
Growth Trend	-1.2	15.4	0.2	.	-4.5	-6.1	.	.	.	.	.
Benchmark Data											
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	
Lower Bound	.	.	.	.	.	.	.	.	.	.	
Upper Bound	.	.	.	.	.	.	.	.	.	.	
Latest Year Costa Rica	*2003*	*2003*	*2003*	*2003*	*2003*	*2003*	.	.	.	.	.
Costa Rica Value Latest Year	14.8	37.8	4.5	2.2	32.3	8.4	.	.	.	.	.
Latest Year Chile	*2003*	*2003*	*2003*	*2003*	*2003*	*2003*	.	.	.	.	.
Chile Value Latest Year	20.7	48.9	3.0	3.9	6.9	16.6	.	.	.	.	.
LMI-LAC Avg.	22.9	54.8	7.8	2.2	6.7	13.4	.	.	.	.	.
Low-Middle Income Avg.	16.7	38.6	7.8	1.8	8.7	15.8	.	.	.	.	.
High Five Avg.	53.7	57.9	34.1	5.4	45.0	65.4	.	.	.	.	.
Low Five Avg.	3.3	5.0	0.5	0.0	0.5	3.2	.	.	.	.	.

	Business Environment										
	Corruption Perception Index (1 for poor to 10 for excellent)	Ease of doing business ranking (1 to 155)	Rule of law index (-2.5 for poor to +2.5 for excellent)	Regulatory quality index (-2.5 for poor to +2.5 for excellent)	Cost of starting a business, % GNI per capita	Procedures to enforce a contract	Procedures to register property	Procedures to start a business	Time to enforce a contract	Time to register property	Time to start a business
Indicator Number	22P1	22P2	22P3	22P4	22S1	22S2	22S3	22S4	22S5	22S6	22S7
El Salvador Data											
Latest Year (T)	*2005*	*2005*	*2004*	*2004*	*2005*	*2005*	*2005*	*2005*	*2005*	*2005*	*2005*
Value Year T	4.2	76.0	-0.10	0.66	118	41.0	5.0	12.0	275	52	40
Value Year T-1	4.2	.	.	.	128	41.0	5.0	12.0	275	52	115
Value Year T-2	3.7	.	-0.43	0.07	.	.	.	.	.	.	.
Value Year T-3	3.4	.	.	.	.	.	.	.	.	.	
Value Year T-4	3.6	.	-0.45	1.15	.	.	.	.	.	.	.
Average Value, 5 year	3.8	..	.	.	.	.	.	.	.	.	
Growth Trend	5.3	.	.	.	.	.	.	.	.	.	
Benchmark Data											
Regression Benchmark	3.1	.	-0.6	.	.	.	.	.	.	.	.
Lower Bound	2.7	.	-0.8	.	.	.	.	.	.	.	.
Upper Bound	3.6	.	-0.3	.	.	.	.	.	.	.	.
Latest Year Costa Rica	*2005*	*2005*	*2004*	*2004*	*2005*	*2005*	*2005*	*2005*	*2005*	*2005*	*2005*
Costa Rica Value Latest Year	4.2	89.0	0.57	0.67	24	34.0	6.0	11.0	550	21	77
Latest Year Chile	*2005*	*2005*	*2004*	*2004*	*2005*	*2005*	*2005*	*2005*	*2005*	*2005*	*2005*
Chile Value Latest Year	7.3	25.0	1.16	1.62	10	28.0	6.0	9.0	305	31	27
LMI-LAC Avg.	3.1	96.2	-0.58	-0.13	48	37.0	7.0	12.5	457	48	56
Low-Middle Income Avg.	2.9	85.6	-0.56	-0.34	25	30.0	7.0	10.5	409	52	45
High Five Avg.	9.6	153.0	1.98	1.88	778	65.2	15.8	17.2	1,166	557	180
Low Five Avg.	1.8	3.0	-1.92	-2.29	0	13.4	1.6	2.0	51	2	4

	Financial Sector							
	Domestic credit to private sector, % GDP	Interest rate spread, lending rate minus deposit rate	Money supply (M2), % GDP	Stock market capitalization rate, % GDP	Cost to create collateral	Country credit rating	Legal rights of borrowers and lenders index (0 for poor to 10 for excellent)	Real interest rate
Indicator Number	23P1	23P2	23P3	23P4	23S1	23S2	23S3	23S4
El Salvador Data								
Latest Year (T)	*2004*	*2005*	*2004*	*2004*	*2004*	.	*2005*	*2004*
Value Year T	42.0	3.4	41.9	16.7	5.0	.	5.0	0.8
Value Year T-1	42.3	3.0	43.3	14.1	.	.	5.0	2.4
Value Year T-2	41.4	3.2	44.4	10.5	.	.	.	.
Value Year T-3	39.9	3.7	47.2	9.7	.	.	.	.
Value Year T-4	42.8	4.1	48.4	15.5	.	.	.	.
Average Value, 5 year	41.7	3.5	45.0	.	.	.	.	.
Growth Trend	0.2	-5.7	-3.7	.	.	.	.	1.1
Benchmark Data								
Regression Benchmark	35.5	10.3	41.3	38.0	.	.	.	.
Lower Bound	20.5	7.7	27.3	14.8	.	.	.	.
Upper Bound	50.5	12.9	55.4	61.3	.	.	.	.
Latest Year Costa Rica	*2003*	*2004*	*2003*	*2004*	*2004*	.	*2005*	*2003*
Costa Rica Value Latest Year	31.3	13.9	37.6	10.4	16.2	.	4.0	16.5
Latest Year Chile	*2003*	*2004*	*2003*	*2004*	*2004*	.	*2005*	*2003*
Chile Value Latest Year	63.3	3.2	36.8	124.4	5.3	.	4.0	1.7
LMI-LAC Avg.	23.4	10.4	30.1	22.1	23.7	27.4	3.5	9.1
Low-Middle Income Avg.	24.6	7.1	40.4	18.1	10.0	28.8	5.0	9.2
High Five Avg.	171.0	46.9	188.2	238.9	121.6	51.5	9.6	36.2
Low Five Avg.	1.6	1.0	4.8	1.0	0.0	9.4	0.6	-4.6

	External Sector										
	Aid, % GNI	Current account balance, % GDP	Debt service ratio, % exports	Exports growth, goods and services	Foreign direct investment, % GDP	Gross international reserves, months of imports	Private capital inflows, % GDP	Present value of debt, % GNI	Remittance receipts, % exports	Trade, % GDP	Exports of services, % total exports
Indicator Number	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24P10	24P11
El Salvador Data											
Latest Year (T)	*2004*	*2005*	*2004*	*2004*	*2004*	*2004*	*2003*	*2004*	*2004*	*2004*	*2004*
Value Year T	1.4	-4.0	8.8	6.6	1.0	4.5	2.7	53.5	52.8	65.5	21.8
Value Year T-1	1.3	-4.4	8.7	3.8	0.5	5.2	11.7	55.7	51.3	70.0	20.6
Value Year T-2	1.7	-4.3	7.7	5.9	3.5	4.7	5.0	46.2	53.5	67.8	20.0
Value Year T-3	1.8	-2.5	6.8	-0.2	2.1	5.8	2.5	35.7	48.6	67.5	19.2
Value Year T-4	1.4	-0.9	6.7	16.8	1.4	6.4	3.1	30.6	44.2	69.8	18.6
Average Value, 5 year	1.5	-3.2	7.7	6.6	1.7	5.3	5.0	44.3	50.1	68.1	.
Growth Trend	-3.3	42.6	8.2	.	-19.0	-7.8	13.5	16.9	4.18	-0.9	.
Benchmark Data											
Regression Benchmark	0.6	-5.2	12.4	7.1	3.4	3.8	.	49.1	.	73.9	.
Lower Bound	-5.9	-10.0	7.2	0.4	1.5	2.4	.	25.4	.	55.1	.
Upper Bound	7.1	-0.3	17.5	13.7	5.4	5.3	.	72.8	.	92.6	.
Latest Year Costa Rica	*2004*	*2003*	*2004*	*2004*	*2005*	*2003*	*2003*	*2004*	*2003*	*2003*	*2003*
Costa Rica Value Latest Year	0.1	-5.6	7.3	7.0	3.3	2.3	8.9	35.5	3.8	95.4	24.9
Latest Year Chile	*2004*	*2003*	*2004*	*2004*	*2003*	*2003*	*2004*	*2004*	.	*2003*	*2003*
Chile Value Latest Year	0.1	-0.8	24.2	22.0	4.1	6.8	10.3	56.7	.	68.3	18.6
LMI-LAC Avg.	1.0	-1.8	14.0	5.9	2.2	4.0	.	54.0	63.5	52.6	16.5
Low-Middle Income Avg.	1.8	-2.3	11.7	5.9	2.1	3.9	.	44.9	8.8	79.0	13.8
High Five Avg.	66.1	18.0	61.5	21.6	99.4	18.6	.	380.0	86.5	228.0	83.8
Low Five Avg.	-0.3	-27.8	0.9	-19.8	-0.4	0.3	.	9.1	0.0	27.1	1.4

	External Sector (cont'd)									
	Imports of services, % total import s	Actual to expected trade size index (0 for poor and 10 for excellent)	Time to trade (average import and export, days)	Merchandise imports from CAFTA countries, mil. current USD	Merchandise exports to CAFTA countries, mil. current USD	Concentration of exports (top three exports, 3-digit SITC)	Inward FDI potential index (0 for poor to 1 for excellent)	Net barter terms of trade (2000=100)	Real effective exchange rate index (1995=100)	Structure of merchandise exports (agricultural raw materials)
Indicator Number	24P12	24P13	24P14	24P15	24P16	24S1	24S2	24S3	24S4	24S5a
El Salvador Data										
Latest Year (T)	*2004*	*2003*	*2005*	*2004*	*2004*	*2004*	*2001-2003*	*2004*	.	*2003*
Value Year T	14.4	3.6	48.5	2,476.3	1,187.9	20.1	0.142	91.2	.	0.7
Value Year T-1	15.0	3.5	..	2,371.4	1,011.9	21.2	0.159	91.4	.	0.8
Value Year T-2	16.3	3.9	..	2,138.2	1,013.5	21.5	0.166	92.2	.	0.8
Value Year T-3	15.7	3.8	..	2,144.6	949.8	22.9	0.221	94.4	.	0.6
Value Year T-4	15.6	..	..	2,144.7	1,075.5	32.4	0.227	100.0	.	0.6
Average Value, 5 year	.	3.7	..	2,255.0	1,047.7	23.6	0.183	93.8	.	0.7
Growth Trend	.	-2.9	.	4.0	2.7	.	-11.905	-2.1	.	5.5
Benchmark Data										
Regression Benchmark	.	.	.	.	.	.	0.155	.	.	3.4
Lower Bound	.	.	.	.	.	.	0.135	.	.	-3.0
Upper Bound	.	.	.	.	.	.	0.174	.	.	9.8
Latest Year Costa Rica	*2003*	*2003*	*2005*	*2004*	*2004*	.	*2001-2003*	*2002*	.	*2003*
Costa Rica Value Latest Year	14.0	5.5	39.0	3,942.4	3,590.7	.	0.179	97.0	.	3.1
Latest Year Chile	*2003*	*2003*	*2005*	*2004*	*2004*	.	*2001-2003*	*2002*	.	*2003*
Chile Value Latest Year	23.6	6.7	23.5	3,404.7	4,982.7	.	0.231	93.0	.	8.9
LMI-LAC Avg.	21.9	5.1	34.7	.	.	.	0.147	97.0	.	4.2
Low-Middle Income Avg.	17.2	5.8	36.1	.	.	.	0.165	98.5	.	2.3
High Five Avg.	50.4	10.0	120.8	.	.	.	0.497	149.8	.	30.8
Low Five Avg.	5.4	0.1	6.2	.	.	.	0.051	71.8	.	0.0

	External Sector (cont'd)									
	Structure of merchandise exports (fuel)	Structure of merchandise exports (manufactured goods)	Structure of merchandise exports (ores and metals)	Structure of merchandise exports (food)	Trade policy index (1 for excellent to 5 for poor)	CAFTA merchandise imports (imports from Costa Rica, mil. current USD)	CAFTA merchandise imports (imports from Dominican Republic, mil. current USD)	CAFTA merchandise imports (imports from El Salvador, mil. current USD)	CAFTA merchandise imports (imports from Guatemala, mil. current USD)	CAFTA merchandise imports (imports from Honduras, mil. current USD)
Indicator Number	24S5b	24S5c	24S5d	24S5e	24S6	24S7a	24S7b	24S7c	24S7d	24S7e
El Salvador Data										
Latest Year (T)	*2003*	*2003*	*2003*	*2003*	*2006*	*2004*	*2004*	*2004*	*2004*	*2004*
Value Year T	5.0	57.1	3.3	33.8	2.5	174.4	3.7	.	506.4	153.6
Value Year T-1	5.2	58.5	2.8	32.6	2.0	157.3	4.2	.	463.5	134.9
Value Year T-2	6.8	54.8	2.6	34.8	2.0	148.9	1.8	.	418.6	155.1
Value Year T-3	5.0	48.5	2.4	42.4	2.0	163.4	.	.	435.1	133.8
Value Year T-4	4.7	50.1	2.5	42.1	2.0	143.2	1.9	.	488.1	119.8
Average Value, 5 year	5.3	53.8	2.7	37.1	2.1	157.5	.	.	462.3	139.4
Growth Trend	1.8	4.6	7.2	-6.8	4.6	3.6	.	.	1.4	5.2
Benchmark Data										
Regression Benchmark	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.
Latest Year Costa Rica	*2003*	*2003*	*2003*	*2003*	*2005*	*2004*	*2004*	*2004*	*2004*	*2004*
Costa Rica Value Latest Year	0.5	65.6	0.7	30.2	3.0	.	12.2	88.4	158.7	36.0
Latest Year Chile	*2003*	*2003*	*2003*	*2003*	*2005*	*2004*	*2004*	*2004*	*2004*	*2004*
Chile Value Latest Year	2.2	16.4	41.7	28.2	1.0	9.0	2.8	3.0	12.3	1.1
LMI-LAC Avg.	8.2	24.1	3.3	33.8	4.0	.	.	.	.	.
Low-Middle Income Avg.	5.6	44.4	3.2	14.5	4.0	.	.	.	.	.
High Five Avg.	92.8	94.2	51.5	91.0	5.0	.	.	.	.	.
Low Five Avg.	0.0	2.6	0.0	0.5	1.0	.	.	.	.	.

	External Sector (cont'd)								
	CAFTA merchandise imports (imports from Nicaragua, mil. current USD)	CAFTA merchandise imports (imports from U.S.A., mil. current USD)	CAFTA merchandise exports (exports to Costa Rica, mil. current USD)	CAFTA merchandise exports (exports to Dominican Republic, mil. current USD)	CAFTA merchandise exports (exports to El Salvador, mil. current USD)	CAFTA merchandise exports (exports to Guatemala, mil. current USD)	CAFTA merchandise exports (exports to Honduras, mil. current USD)	CAFTA merchandise exports (exports to Nicaragua, mil. current USD)	CAFTA merchandise exports (exports to U.S.A., mil. current USD)
Indicator Number	24S7f	24S7g	24S8a	24S8b	24S8c	24S8d	24S8e	24S8f	24S8g
El Salvador Data									
Latest Year (T)	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*
Value Year T	111.5	1,526.8	100.3	25.2	.	387.1	206.0	128.6	340.7
Value Year T-1	111.5	1,500.0	102.0	22.2	.	361.2	184.8	98.0	243.7
Value Year T-2	97.5	1,316.3	106.6	20.8	.	343.9	176.6	113.2	252.4
Value Year T-3	87.9	1,324.4	94.6	.	.	323.3	184.4	120.2	227.2
Value Year T-4	69.8	1,321.9	85.5	12.2	.	322.5	225.0	107.4	322.8
Average Value, 5 year	95.6	1,397.9	97.8	.	.	347.6	195.4	113.5	277.4
Growth Trend	12.5	4.2	4.0	.	.	4.9	-1.7	1.6	1.8
Benchmark Data									
Regression Benchmark	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.
Latest Year Costa Rica	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*
Costa Rica Value Latest Year	50.8	3,596.3	.	70.6	195.9	272.8	185.6	219.9	2,646
Latest Year Chile	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*	*2004*
Chile Value Latest Year	0.1	3,376.4	97.0	28.6	56.4	165.6	57.2	8.4	4,569
LMI-LAC Avg.	.	.	.	.	.	.	.	.	.
Low-Middle Income Avg.	.	.	.	.	.	.	.	.	.
High Five Avg.	.	.	.	.	.	.	.	.	.
Low Five Avg.	.	.	.	.	.	.	.	.	.

	Economic Infrastructure							
	Internet users per 1000 people	Overall infrastructure quality index (1 for poor to 7 for excellent)	Telephone density, fixed line and mobile, per 1000 people	Quality of infrastructure index - air transport (1 for poor to 7 for excellent)	Quality of infrastructure index - ports (1 for poor to 7 for excellent)	Quality of infrastructure index - railroads (1 for poor to 7 for excellent)	Quality of infrastructure index - electricity (1 for poor to 7 for excellent)	Telephone cost, average local call
Indicator Number	25P1	25P2	25P3	25S1a	25S1b	25S1c	25S1d	25S2
El Salvador Data								
Latest Year (T)	*2004*	*2005*	*2003*	*2005*	*2005*	*2005*	*2005*	*2001*
Value Year T	89	4.6	292	5.6	3.9	1.5	4.8	0.07
Value Year T-1	84	3.8	241	5.0	2.60	1.1	4.1	0.06
Value Year T-2	46	.	236	.	.	.	.	0.06
Value Year T-3	23	.	218	.	.	.	.	0.06
Value Year T-4	11	.	164	.	.	.	.	0.05
Average Value, 5 year	51	1.7	230	.	.	.	.	0.06
Growth Trend	72.1	.	13.4	.	.	.	.	7.3
Benchmark Data								
Regression Benchmark	72	2.7	226	.	.	.	.	.
Lower Bound	33	2.3	131	.	.	.	.	.
Upper Bound	110	3.2	321	.	.	.	.	.
Latest Year Costa Rica	*2004*	*2004*	*2002*	*2004*	*2004*	*2004*	*2004*	*2003*
Costa Rica Value Latest Year	235	2.9	362	4.1	2.1	1.2	4.6	0.02
Latest Year Chile	*2004*	*2004*	*2003*	*2004*	*2004*	*2004*	*2004*	*2003*
Chile Value Latest Year	279	4.8	732	5.4	4.6	2.2	5.5	0.10
LMI-LAC Avg.	74	2.8	321	3.7	2.6	1.4	4.0	0.06
Low-Middle Income Avg.	53	3.1	273	4.0	3.4	2.2	4.1	0.03
High Five Avg.	759.3	6.7	1,686	6.7	6.6	6.5	6.9	0.41
Low Five Avg.	0.5	1.5	10	2.4	1.3	1.1	1.4	0.00

	Science and Technology		
	Expenditure for R&D, % GDP	FDI technology transfer index (1 for FDI bringing little new technology to 7 for FDI bringing a lot of it)	Patent applications filed by residents
Indicator Number	26P1	26P2	26P3
El Salvador Data			
Latest Year (T)	.	*2005*	.
Value Year T	.	4.5	.
Value Year T-1	.	4.7	.
Value Year T-2	.	.	.
Value Year T-3	.	.	.
Value Year T-4	.	.	.
Average Value, 5 year	.	.	.
Growth Trend	.	.	.
Benchmark Data			
Regression Benchmark	.	4.7	.
Lower Bound	.	4.3	.
Upper Bound	.	5.1	.
Latest Year Costa Rica	*2000*	*2004*	*2002*
Costa Rica Value Latest Year	0.4	5.5	0.0
Latest Year Chile	*2001*	*2004*	*2000*
Chile Value Latest Year	0.5	5.3	241.0
LMI-LAC Avg.	0.1	4.6	13.0
Low-Middle Income Avg.	0.3	4.5	13.0
High Five Avg.	3.5	5.9	153,540.2
Low Five Avg.	0.1	3.3	0.0

	Health								
	HIV prevalence	Life expectancy at birth	Maternal mortality rate, 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
El Salvador Data									
Latest Year (T)	*2003*	*2003*	*2000*	*2002*	*2002*	*2003*	*2004*	*2003*	*2005*
Value Year T	0.7	70.9	150.0	63.0	82.0	69.0	91.5	10.3	4.1
Value Year T-1	.	70.4	.	.	.	.	93.5	.	.
Value Year T-2	.	70.1	.	.	.	.	87.0	.	.
Value Year T-3	.	.	.	.	.	.	87.0	.	.
Value Year T-4	.	.	.	.	.	.	98.0	.	.
Average Value, 5 year	.	70.5	.	.	.	.	91.4	.	.
Growth Trend	.	.	.	.	.	.	-0.6	.	.
Benchmark Data									
Regression Benchmark	.	69.1	174.0	.	.	66.1	.	.	.
Lower Bound	.	65.3	29.7	.	.	55.3	.	.	.
Upper Bound	.	72.9	318.2	.	.	76.9	.	.	.
Latest Year Costa Rica	*2003*	*2003*	*2000*	*2002*	*2002*	*2001*	*2003*	*.*	*2002*
Costa Rica Value Latest Year	0.6	78.6	43.0	92.0	97.0	98.0	88.5	.	6.1
Latest Year Chile	*2003*	*2003*	*2000*	*2002*	*2002*	*2001*	*2003*	*2002*	*2002*
Chile Value Latest Year	0.3	76.4	31.0	92.0	95.0	100.0	99.0	0.8	2.6
LMI-LAC Avg.	0.7	70.2	150.0	71.0	89.5	80.0	87.3	14.0	3.5
Low-Middle Income Avg.	0.1	69.6	115.0	73.0	85.0	69.0	92.5	7.0	3.2
High Five Avg.	30.2	80.5	1,720.0	100.0	100.0	99.9	99.0	36.3	8.7
Low Five Avg.	0.1	37.3	1.8	8.0	26.4	20.8	39.0	7.3	0.6

	Education											
	Net primary enrollment rate (total)	Net primary enrollment rate (female)	Net primary enrollment rate (male)	Persistence in school to grade 5 (total)	Persistence in school to grade 5 (female)	Persistence in school to grade 5 (male)	Youth literacy rate	Education expenditure, primary, %GDP	Expenditure per student, % GDP per capita, primary	Expenditure per student, % GDP per capita, secondary	Expenditure per student, % GDP per capita, tertiary	Pupil-teacher ratio, primary school
Indicator Number	32P1a	32P1b	32P1c	32P2a	32P2b	32P2c	32P3	32S1	32S2a	32S2b	32S2c	32S3
El Salvador Data												
Latest Year (T)	*2004*	*2004*	*2004*	*2003*	*2003*	*2003*	*2002*	*2005*	*2003*	*2002*	*2002*	*2001*
Value Year T	90.9	91.0	90.8	68.2	69.9	66.6	88.9	1.9	9.4	9.0	11.1	26.0
Value Year T-1	90.9	91.0	90.8	74.5	76.0	73.0	88.5	.	10.1	9.5	10.9	25.9
Value Year T-2	89.4	89.4	89.3	68.9	70.8	67.1	88.2	.	.	.	.	.
Value Year T-3	88.1	88.1	88.1	67.2	70.0	64.7	87.7	.	9.0	7.9	9.3	.
Value Year T-4	.	.	.	65.4	65.7	65.1	87.3	.	8.9	.	.	.
Average Value, 5 year	.	.	.	68.8	70.5	67.3	88.1	.	.	.	.	.
Growth Trend	.	.	.	1.9	2.1	1.7	0.4	.	.	.	.	.
Benchmark Data												
Regression Benchmark	91.9	.	.	77.5	.	.	89.0	.	.	.	.	.
Lower Bound	85.4	.	.	70.5	.	.	80.6	.	.	.	.	.
Upper Bound	98.4	.	.	84.4	.	.	97.4	.	.	.	.	.
Latest Year Costa Rica	*2004*	*2004*	*2004*	*2003*	*2003*	*2003*	*2004*	*.*	*2004*	*2004*	*2004*	*2002*
Costa Rica Value Latest Year	91.8	92.3	91.3	92.4	92.7	92.2	97.6	.	17.1	20	36.3	22.6
Latest Year Chile	*2003*	*2003*	*2003*	*2002*	*2002*	*2002*	*2004*	*.*	*2003*	*2003*	*2003*	*2002*
Chile Value Latest Year	85.9	85.3	86.4	99.2	98.4	100.0	99.0	.	15.3	16.3	15.3	32.9
LMI-LAC Avg.	95.1	94.4	94.6	69.4	74.0	67.1	94.5	2.9	12.7	11.1	37.2	23.7
Low-Middle Income Avg.	92.4	92.6	92.9	77.8	77.7	79.5	96.8	2.3	11.5	14.8	35.5	20.8
High Five Avg.	100.0	100.0	100.0	99.2	99.8	99.3	99.8	5.5	31.3	46.9	344.3	65.5
Low Five Avg.	42.3	36.9	47.6	52.3	51.5	51.8	46.4	0.2	6.2	6.0	9.8	11.7

	Employment and Workforce						
	Labor force participation rate (total)	Labor force participation rate (male)	Labor force participation rate (female)	Rigidity of employment index (0 for minimum rigidity to 100 for extreme rigidity)	Size of labor force	Labor force growth rate	Unemployment rate
Indicator Number	33P1a	33P1b	33P1c	33P2	33P3a	33P3b	33P4
El Salvador Data							
Latest Year (T)	*2003*	*2003*	*2003*	*2005*	*2004*	*2004*	*2004*
Value Year T	71.7	90.8	53.7	41.0	2,894,629	2.2	7.0
Value Year T-1	71.9	92.1	52.7	52.0	2,833,521	2.1	6.9
Value Year T-2	72.1	93.7	51.9	.	2,776,331	2.0	6.2
Value Year T-3	72.4	95.3	51.0	.	2,722,873	1.9	7.0
Value Year T-4	72.2	95.8	50.1	.	2,672,975	.	7.0
Average Value, 5 year	72.1	93.5	51.9	.	2,780,065	2.1	6.8
Growth Trend	-0.2	-1.4	1.7	.	2.0	.	0.0
Benchmark Data							
Regression Benchmark	70.6	.	.	39.8	.	2.5	.
Lower Bound	65.4	.	.	28.5	.	2.0	.
Upper Bound	75.8	.	.	51.1	.	3.0	.
Latest Year Costa Rica	*2003*	*2002*	*2002*	*2005*	*2003*	*2004*	*2002*
Costa Rica Value Latest Year	63.8	86.6	41.3	39.0	1,641,238	2.0	6.4
Latest Year Chile	*2003*	*2002*	*2002*	*2005*	*2003*	*2004*	*2002*
Chile Value Latest Year	64.1	83.5	44.8	24.0	6,619,875	2.1	7.8
LMI-LAC Avg.	69.3	88.7	46.0	44.0	3,762,947	2.5	5.0
Low-Middle Income Avg.	69.7	85.0	53.8	41.0	4,061,858	2.3	9.2
High Five Avg.	102.4	112.6	97.0	84.8	316,912,650	5.7	24.3
Low Five Avg.	50.4	70.9	21.5	2.0	125,147	-0.3	1.7

	Agriculture					
	Agriculture value added per worker	Cereal yield	Growth in agricultural value-added	Agricultural policy costs index (1 for poor to 7 for excellent)	Crop production index (1999-01=100)	Livestock production index (1999-01=100)
Indicator Number	34P1	34P2	34P3	34S1	34S2	34S3
El Salvador Data						
Latest Year (T)	*2003*	*2004*	*2004*	*2005*	*2004*	*2004*
Value Year T	1,628	2,441	6.0	3.9	89.8	104.9
Value Year T-1	1,599	2,418	2.0	3.4	89.4	104.8
Value Year T-2	1,613	2,477	-0.5	.	90.1	103.2
Value Year T-3	1,658	1,910	-2.5	.	95.6	104.5
Value Year T-4	1,726	2,155	-3.4	.	97.0	103.6
Average Value, 5 year	1,645	2,280	0.3	.	92.4	104.2
Growth Trend	-1.5	5.0	.	.	-2.2	0.3
Benchmark Data						
Regression Benchmark	2,031.0	.	0.2	.	.	.
Lower Bound	1,270.3	.	-4.1	.	.	.
Upper Bound	2,791.8	.	4.5	.	.	.
Latest Year Costa Rica	*2003*	*2004*	*2003*	*2004*	*2004*	*2004*
Costa Rica Value Latest Year	4,472	3,803	7.4	3.8	91.8	97.1
Latest Year Chile	*2003*	*2004*	*2003*	*2004*	*2004*	*2004*
Chile Value Latest Year	6,341	5,313	3.3	4.6	107.0	107.7
LMI-LAC Avg.	2,102	2,413	2.0	3.4	106.5	102.6
Low-Middle Income Avg.	1,666	2,441	2.8	3.5	106.3	103.4
High Five Avg.	40,135	7,775	22.0	5.3	134.9	145.5
Low Five Avg.	108	312	-13.4	2.4	69.5	78.3

Technical Notes

The following technical notes (updated as of February 13, 2006) 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. These technical notes include information on the additional indicators that are only used for LAC studies. In many cases, the descriptive information is taken directly from the original sources, as cited.

GROWTH PERFORMANCE

Per capita GDP, purchasing power parity dollars

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P1

Per capita GDP, current US dollars

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P2

Real GDP growth

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P3

Growth of labor productivity

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code # 11S1

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

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

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

Coverage: Data are available for about 81 USAID countries.

CAS Code #11S2

Gross fixed investment, percentage of GDP

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

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

Coverage: Data are available for about 84 USAID countries.

CAS Code # 11S3

Gross fixed private investment, percentage of GDP

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

Definition: This indicator measures gross fixed capital formation by non-government investors, including spending

for replacement or net addition to fixed assets (buildings, machinery, equipment and similar goods).

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

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

CAS Code #11S4

POVERTY AND INEQUALITY

Human poverty index

Source: UNDP, Human Development Report.

http://hdr.undp.org/statistics/data/indicators.cfm?x=18&y=1&z=1 for 2005 edition; updates may be found at http://hdr.undp.org/reports/view_reports.cfm?type=1

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

Coverage: Data are available for about 60 USAID countries.

CAS Code #12P1

Income share held by lowest 20%

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

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

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

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

CAS Code # 12P2

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

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

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

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

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

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

CAS Code #12P3

Poverty headcount, national poverty line

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

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

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

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

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

CAS Code #12P4

PRSP Status

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

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

Coverage: All countries having PRSPs are so indicated.

CAS Code #12P5

Income share held by highest 20%

Source: World Development Indicators 2005 series SI.DST.05TH.20. These are World Bank staff estimates based on primary household survey data obtained from government statistical agencies and World Bank country departments. Alternate source for target countries: Country Poverty Reduction Strategy Paper:

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

Definition: Share of total income or consumption accruing to the richest 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 # 12P6

Ratio of income share held by highest 20% to income share held by lowest 20%

Source: World Development Indicators 2005; calculated from series SI.DST.05TH.20 and SI.DST.FRST.20. These are World Bank staff estimates based on primary household survey data obtained from government statistical agencies and World Bank country departments. Alternate source for target countries: Country Poverty Reduction Strategy Paper:

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

Definition: Ratio of the share of total income or consumption accruing to the richest quintile of the population to the 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 # 12P7

Population below minimum dietary energy consumption

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code # 12S1

Poverty gap at $1 PPP a day

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

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

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

CAS Code #12S2

ECONOMIC STRUCTURE

Labor force or employment structure

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

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

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

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

CAS Code #13P1

Output structure

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

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

Coverage: Data are available for about 86 USAID countries.

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

CAS Code #13P2

DEMOGRAPHY AND ENVIRONMENT

Adult literacy rate

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

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

Coverage: Data are available for about 66 USAID countries.

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

CAS Code # 14P1

Age dependency rate

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

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

Coverage: Data are available for about 89 USAID countries.

CAS Code #14P2

Environmental Sustainability Index

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

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

Coverage: Data are available for about 83 USAID countries.

CAS Code #14P3

Population size (in millions) and growth

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code # 14P4

Urbanization rate

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

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

Coverage: Data are available for about 86 USAID countries.

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

CAS Code #14P5

GENDER

Adult literacy rate, ratio of male to female

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #15P1

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

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

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

Coverage: Data are available for about 83 USAID countries.

CAS Code # 15P2

Life expectancy, ratio of male to female

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #15P3

FISCAL AND MONETARY POLICY

In the World Development Indicators for 2005, the World Bank has adopted a new system for government budget statistics, switching from data based on cash outlays and receipts, to a system with revenues booked on receipt and expenses booked on accrual, in accordance with the IMF's *Government Financial Statistics Manual, 2001*. On the revenue side, the changes are minor, and comparisons to the old system may still be valid. There is a major change, however, in the reporting of capital outlays, which are now treated as balance sheet entries; only the annual capital consumption allowance (depreciation) is reported as an expense. Hence, the data on total *expense* is not comparable to the former data on total *expenditure*. In addition, WDI 2005 now provides data on the government's *cash surplus/deficit*; this differs from the previous concept of the *overall budget balance* by excluding net lending minus repayments (which are now a financing item under net acquisition of financial assets). Many countries do not use the new GFS system, so country coverage of fiscal data in WDI 2005 is quite limited. For these reasons, the template will continue to use some data from WDI 2004, along with new data from WDI 2005 data, as appropriate.

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

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

Definition: Expense is an accrued obligation to pay for operating activities of the government in providing goods and services. It includes compensation of employees (such as wages and salaries), interest and subsidies, grants, social benefits, and other expenses such as rent and dividends.[1]

Coverage: Data are available for about 42 USAID countries.

CAS Code # 21P1

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

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

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

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

Coverage: Data are available for about 41 USAID countries.

CAS Code # 21P1

Government revenue, excluding grants, percentage of GDP

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

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

Coverage: Data are available for about 47 USAID countries.

CAS Code # 21P2

Money supply growth

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

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

Coverage: Data are available for about 81 USAID countries.

CAS Code #21P3

Inflation rate

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

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

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

Coverage: Data are available for about 85 USAID countries.

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

CAS Code #21P4

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

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

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

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

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

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

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

CAS Code # 21P5

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

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

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

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

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

CAS Code # 21S1

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

[2] This variable is no longer available in WDI 2005.

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

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

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

CAS Code # 21S1

Composition of government revenue

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

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

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

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

CAS Code # 21S2

Composition of money supply growth

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

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

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

Coverage: Data are available for about 86 USAID countries.

CAS Code # 21S3

BUSINESS ENVIRONMENT

Corruption perception index

Source: Transparency International:

http://ww1.transparency.org/cpi/2005/dnld/media_pack_en.pdf .

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

Coverage: Data are available for about 79 USAID countries.

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

CAS Code # 22P1

Ease of doing business ranking

Source: World Bank, Doing Business Indictors http://rru.worldbank.org/DoingBusiness/

Definition: The ease of doing business index ranks economies from 1 to 155. The index is calculated as the ranking on the simple average of country percentile rankings on each of the 10 topics covered in Doing Business in 2006 – 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 about 74 USAID countries.

CAS Code # 22P2

Rule of law index

Source: World Bank Institute,

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

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

Coverage: Data are available for nearly all USAID countries.

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

CAS Code #22P3

Regulatory Quality Index

Source: World Bank Institute;

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

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

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

Gaps: Data are available for nearly all USAID countries.

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

CAS Code #22P4

Cost to start a business, % of GNI per capita

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #22S1

Procedures to enforce a contract

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 22S2

Procedures to register property

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #22S3

Procedures to start a business

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 22S4

Time to enforce a contract

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 22S5

Time to register property

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #22S6

Time to start a business

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code #22S7

FINANCIAL SECTOR

Domestic credit to private sector, percent of GDP

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code # 23P1

Interest rate spread

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

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

Coverage: Data are available for about 66 USAID countries.

CAS Code # 23P2

Money supply, percent of GDP

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

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

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

Coverage: Data are available for about 81 USAID countries.

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

CAS Code # 23P3

Stock Market Capitalization Rate, % of GDP

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

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

Coverage: Data are available for about 54 USAID countries.

CAS Code # 23P4

Cost to Create Collateral

Source: World Bank Doing Business; Getting Credit category:

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

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

Coverage: Data are available for about 74 USAID countries.

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

CAS Code #23S1

Country credit rating

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

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

Coverage: Data are available for about 58 USAID countries.

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

CAS Code # 23S2

Legal rights of borrowers and lenders

Source: World Bank Doing Business; Getting Credit category:

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 23S3

Real interest rate

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

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

Coverage: Data are available for about 68 USAID countries.

CAS Code # 23S4

EXTERNAL SECTOR

Aid, % of GNI

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

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

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

Coverage: Data are available for about 84 USAID countries.

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

CAS Code #24P1

Current Account Balance, percent of GDP

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

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

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

Coverage: Data are available for about 79 USAID countries.

CAS Code # 24P2

Debt service ratio

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

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

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

Coverage: Data are available for about 77 USAID countries.

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

CAS Code # 24P3

Exports growth, goods and services

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

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

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

Coverage: Data are available for about 81 USAID countries.

CAS Code # 24P4

Foreign Direct Investment, percent of GDP

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

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code #24P5

Gross international reserves, months of imports

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

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

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

Coverage: Data are available for about 77 USAID countries.

CAS Code # 24P6

Private capital inflows, percent of GDP

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

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

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

Coverage: Information on coverage is not easily accessible.

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

CAS Code #24P7

Present value of debt, percent of GNI

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

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code # 24P8

Remittances receipts, percent of exports

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 24P9

Trade in goods and services, as a percentage of GDP

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

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

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

Coverage: Data available for about 84 USAID countries.

CAS Code # 24P10

Exports of services, as a percent of total exports

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data is obtained from World Development Indicators 2005; it is constructed by dividing Exports of Services, series BX.GSR.NFSV.CD, by Exports of Goods and Services, series BX.GSR.GNFS.CD.

Definition: Services (previously classified by the IMF as nonfactor services) refer to economic output of intangible commodities that may be produced, transferred, and consumed at the same time. The indicator is the ratio of exports of services to exports of goods and services. Original data are in current U.S. dollars.

Coverage: Data are available for about 71 USAID countries.

CAS Code # 24P11

Imports of services, as a percent of total imports

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

www.imf.org/external/np/sec/aiv/index.htm. Benchmarking data is obtained from World Development Indicators 2005; it is constructed by dividing Imports of Services, series BM.GSR.NFSV.CD, by Imports of Goods and Services, series BM.GSR.GNFS.CD.

Definition: Services (previously classified by the IMF as nonfactor services) refer to economic output of intangible commodities that may be produced, transferred, and consumed at the same time. The indicator is the ratio of imports of services to imports of goods and services. Original data are in current U.S. dollars.

Coverage: Data are available for about 69 USAID countries.

CAS Code # 24P12

Index of deviation of a country's trade sector from its expected size

Source: The Fraser Institute. Indicator is available online at http://freetheworld.com/download.html; see component 4-C.

Definition: In order to estimate the degree to which an economy's actual trade share (in percent of GDP) deviates from its expected trade share, an economic model is run with the following independent variables: working age population, geographic size, extent of coastline, absence of coastline, a linear trend, and a measure of proximity to World's consumer demand. Once the regression estimate is available, the index ranking trade share on the scale of 0 to 10 is created by as follows: (1) 0 is assigned if a country's trade share is 50 percent or more below the regression estimate; (2) 10 is assigned if a country's trade share is 100 percent or more above the regression estimate; and (3) for the remainder of countries, the index is calculated based on a set formula that assigns an index value between 10 and 0, with higher number indicating that the trade sector is outperforming the expectations substantially, and lower number meaning that the trade sector is performing below the expectations.

Coverage: Data are available for about 60 USAID countries.

Data Quality: The Fraser Institute does not report the regression estimates for the expected trader share, nor the standard errors. Consequently, it is impossible to judge whether the expected trade share is statistically different from the actual trade share for a given country. Furthermore, the regression model used by the Fraser Institute does not control for petroleum exports.

CAS Code # 24P13

Time to trade, days

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

http://www.doingbusiness.org/ExploreTopics/TradingAcrossBorders/; constructed as an average of time to import (days) and time to export (days).

Definition: An average of days needed for exporting and importing a standardized cargo of goods. Time is calculated from the moment a procedure is initiated until it is completed. It is assumed that neither the importer nor the exporter wastes time and that each commits to completing each remaining procedure without delay.

Coverage: Data are available for about 74 USAID countries.

CAS Code # 24P14

Merchandise imports from CAFTA member countries, millions of current US Dollars

Source: ITC COMTRADE (SITC Rev.3), http://unstats.un.org/unsd/comtrade/, import data, all commodities.

Definition: Combined total of country's merchandise imports from all of the CAFTA member countries (United States, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua), SITC (Rev. 3), in millions of current US Dollars.

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 24P15

Merchandise exports to CAFTA member countries, millions of current US Dollars

Source: ITC COMTRADE (SITC Rev.3), http://unstats.un.org/unsd/comtrade/, export data, all commodities.

Definition: Combined total of country's merchandise exports to all of the CAFTA member countries (United States, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua), SITC (Rev. 3), in millions of current US Dollars.

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 24P16

Concentration of exports

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

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

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 24S1

Inward FDI Potential Index

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

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

Coverage: Data are available for about 77 USAID countries.

CAS Code # 24S2

Net barter terms of trade

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

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

Coverage: Data are available for about 51 USAID countries.

CAS Code # 24S3

Real effective exchange rate (REER)

Source: IMF Article IV Reviews:

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

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

Coverage: Information on coverage is not easily accessible.

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

CAS Code # 24S4

Structure of merchandise exports

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

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

Coverage: Data are available for about 78 USAID countries.

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

CAS Code # 24S5

Trade Policy Index

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

Definition: The index measures the degree to which government hinders the free flow of foreign commerce based on a country's weighted average tariff rate (weighted by imports from the country's trading partners), with adjustments for non-tariff barriers and corruption in the custom service. The index ranges in value from 1 (for low levels of barriers to trade) to 5 (for high levels of barriers to trade).

Coverage: Data are available for about 83 USAID countries.

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

CAS Code # 24S6

Composition of merchandise imports from CAFTA member countries, by destination country, millions of current US Dollars

Source: ITC COMTRADE (SITC Rev.3), http://unstats.un.org/unsd/comtrade/, import data, all commodities.

Definition: Country's merchandise imports from each of the CAFTA member country (United States, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua), SITC (Rev. 3), in millions of current US Dollars.

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 24S7

Composition of merchandise exports to CAFTA member countries, by country of origin, millions of current US Dollars

Source: ITC COMTRADE (SITC Rev.3), http://unstats.un.org/unsd/comtrade/, export data, all commodities.

Definition: Country's merchandise exports to each of the CAFTA member country (United States, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua), SITC (Rev. 3), in millions of current US Dollars.

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 24S8

ECONOMIC INFRASTRUCTURE

Internet users per 1,000 people

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code # 25P1

Overall Infrastructure Quality

Source: Global Competitiveness Report 2005-2006, World Economic Forum. The indicator can be found in the Data Tables, Section V. General Infrastructure; 5.01.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 25P2

Telephone density, fixed line and mobile

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #25P3

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

Source: Global Competitiveness Report 2005-2006, World Economic Forum. The indicators can be found in the Data Tables, Section V. General Infrastructure; 5.02, 5.03, 5.04, and 5.05 for Railroad, Port; Air Transport, and Electricity, respectively.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #25S1

Telephone cost, average local call

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code #25S2

SCIENCE AND TECHNOLOGY

Expenditure in Research and Development, percent of GDP

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

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

Coverage: Data are available for about 26 USAID countries.

CAS Code #26P1

FDI technology transfer index

Source: Global Competitiveness Report 2005-2006, World Economic Forum. The indicator can be found in the Data Tables, Section III. Technology: Innovation and Diffusion; 3.04.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 26P2

Patent applications filed, by residents

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

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

Coverage: Data are available for about 63 USAID countries.

CAS Code #26P3

HEALTH

HIV prevalence rate

Source: UNAIDS for most recent country data:

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

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

Coverage: Data are available for about 79 USAID countries.

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

CAS Code # 31P1

Life expectancy at birth

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

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

Coverage: Data are available for about 88 USAID countries.

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

CAS Code # 31P2

Maternal mortality rate

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

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

Coverage: Data are available for about 87 USAID countries.

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

CAS Code # 31P3

Access to improved sanitation

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

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

Coverage: Data are available for about 82 USAID countries.

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

CAS Code #31S1

Access to improved water source

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

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

Coverage: Data are available for about 83 USAID countries.

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

CAS Code # 31S2

Births attended by skilled health personnel

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

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

Coverage: Data are available for about 62 USAID countries.

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

CAS Code # 31S3

Child immunization rate

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #31S4

Prevalence of child malnutrition, weight for age

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

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

Coverage: Data are available for about 55 USAID countries.

CAS Code # 31S5

Public health expenditure, percent of GDP

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

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #31S6

EDUCATION

Net primary enrollment rate - female, male and total

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

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code # 32P1

Persistence to grade 5 – female, male, and total

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

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

Coverage: Data are available for about 48 USAID countries.

CAS Code # 32P2

Youth literacy rate

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

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

Coverage: Data are available for about 67 USAID countries.

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

CAS Code #32P3

Expenditure on primary education, percent GDP

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

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

Coverage: Data are available for about 58 USAID countries.

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

CAS Code #32S1

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

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

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

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

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

CAS Code # 32S2

Pupil-teacher ratio, primary school

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

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

Coverage: Data are available for about 76 USAID countries.

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

CAS Code # 32S3

EMPLOYMENT AND WORKFORCE

Labor force participation rate – total, male, female

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

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

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

To calculate the *male* labor force participation rate using WDI 2004: the numerator is calculated by subtracting the female labor force, derived above, from the total labor force (SL.TLF.TOTL.IN). The denominator is Population ages 15-64, male (SP.POP.1564.MA.IN). Using WDI 2005, the

denominator is an estimated of the male population, ages 15-64, calculated as the total population (SP.POP.TOTL) times the percentage ages 15-64 (SP.POP.1564.IN.ZS) times the percentage of males in the total population, where the final factor is computed as 100 minus the percentage of females in the total population (SP.POP.TOTL.FE.ZS).

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #33P1

Rigidity of employment index

Source: World Bank, Doing Business in 2005, Hiring and Firing Workers Category: http://rru.worldbank.org/DoingBusiness/ExploreTopics/HiringFiringWorkers/CompareAll.aspx

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

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 33P2

Size and growth of the labor force

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #33P3

Unemployment rate

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

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

Coverage: Data are available for about 50 USAID countries.

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

CAS Code # 33P4

AGRICULTURE

Agriculture value added per worker

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

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

Coverage: Data are available for about 80 USAID countries.

CAS Code # 34P1

Cereal yield

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

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

Coverage: Data are available for about 84 USAID countries.

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

CAS Code # 34P2

Growth in agricultural value added

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

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

Coverage: Data are available for about 84 USAID countries.

CAS Code # 34P3

Agricultural policy costs index

Source: Global Competitiveness Report 2005-2006, World Economic Forum. The indicator can be found in the Data Tables, Section II. Macroeconomic Environment; 2.20.

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 34S1

Crop production index

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

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

Coverage: Data are available for about 85 USAID countries.

Data Quality: Regional and income group aggregates for the FAO's production indices are calculated from the underlying values in international dollars, normalized to the base period 1999-2001. The FAO obtains data from official and 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 2005 series AG.PRD.LVSK.XD, based on FAO.

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

Coverage: Data are available for about 85 USAID countries.

Data Quality: See comments on the Crop Production Index.

CAS Code # 34S3