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Nicaragua

Economic Performance Assessment



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Nicaragua

Economic Performance

Assessment

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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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A NOTE ON NICARAGUA DATA

The set of up-to-date statistics for Nicaragua from standardized international sources is limited. When possible, the CAS team used more up-to-date statistics from country sources such as the Central Bank. Some indicators from national sources, however, are not reported in a manner directly comparable to the international benchmark data. The International Monetary Fund's Article IV review is a standard source for timely and reliable data on macroeconomic indicators. At the time this report was written, the most recent IMF review documents for the Nicaragua were not available to the public. As the report was being finalized, the IMF released the 2005 Article IV Consultation. Where the updated figures differ substantially from the Central Bank figures, the latest numbers have been used.

HIGHLIGHTS OF NICARAGUA'S PERFORMANCE

Economic Growth	GDP growth is recovering after the devastation of Hurricane Mitch in 1998 and the economic downturn of 2001–2002. Although fixed investment has been very strong, 28.4 percent for 2005, there are problems with capital and labor productivity indicators.
Poverty and Inequality	Close to 50 percent of the population in Nicaragua lives below the national poverty line. Like many of its neighbors, Nicaragua is one of the most unequal societies in the world.
Economic Structure	With 30.5 percent of the workforce dedicated to it, agriculture is the largest employer and yet the least productive sector, contributing 19.2 percent to GDP.
Demography and Environment	Although showing a slight decline, the population growth rate is high, at 2.0 percent, and exceeds the LMI-LAC average by a full percent point. The age dependency ratio shows a declining trend, which should boost per capita income growth.
Gender	Gender indicators point to overall equity in women's access to health and education services. However, female labor participation is low, at 38.5 percent.
Fiscal and Monetary Policy	Nicaragua's macroeconomic indicators remain relatively strong, although future fiscal austerity is subject to election outcomes expected in November 2006. Fiscal discipline remains essential to maintain stability because of the government's revenue-generating constraints. Monetary growth is strong and is an area of concern, with inflation at 9.6 percent in 2005.
Business Environment	Nicaragua's business climate faces the barriers of corruption, poor regulatory quality, and delays in registration while performing well on basic business processes.
Financial Sector	Financial sector indicators are relatively strong. Some indicators beat the regional high performer, Costa Rica, but overall the financial system still does not provide the quality of services needed to promote economic and business growth.
External Sector	CAFTA-DR offers Nicaragua many new opportunities. Taking advantage of enhanced access to the U.S. market is essential to Nicaragua's future economic development.
Economic Infrastructure	Economic infrastructure quality is poor in Nicaragua, falling behind in the categories of access to the Internet, port quality, and railroad quality. Telephone density, however, has seen rapid increases in recent years.
Health	The country suffers from a weak public health system and low public health expenditure, which translates into poor overall provision of health care services.
Education	Primary enrollment is low but shows signs of improving. Youth literacy rate is lower than in all comparator economies. Insufficient resources are devoted to secondary education, while resources are abundant at the tertiary level.
Employment and Workforce	Labor force participation rates are low overall and in particular for women. A large informal sector masks the true scope of employment.
Agriculture	Growth in agriculture has been strong in the past five years, with average growth in agricultural value added at 4.7 percent between 2001 and 2004. Productivity measures such as value added per worker and cereal yields exhibit slight improvement.

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

NICARAGUA: NOTABLE STRENGTHS AND WEAKNESSES— SELECTED INDICATORS

Indicator	Strength	Weakness
Growth Performance		
Real GDP growth	X	
Share of gross fixed investment in GDP	X	
Poverty and Inequality		
Poverty headcount, by national poverty line		X
Economic Structure		
Output structure, agriculture value added, percent GDP		X
Demography and the Environment		
Population growth rate		X
Gender		
Adult literacy rate, male to female ratio	X	
Gross enrollment rates, all levels, male-to-female ratio	X	
Labor force participation rate, female		X
Fiscal and Monetary Policy		
Cash/surplus deficit (% of GDP)	X	
Growth in the broad money supply	X	
Government revenue (% of GDP)		X
Business Environment		
Corruption Perception index		X
Cost of starting a business, % GNI per capita		X
Time to enforce a contract	X	
Financial Sector		
Domestic credit to the private sector, % of GDP		X
Interest rate spread		X
Money supply (M2), % of GDP	X	
External Sector		
Trade Policy index	X	
Current account balance		X
Gross international reserves, months of imports		X
Economic Infrastructure		
Internet users per 1,000 people		X
Overall Infrastructure Quality index		X
Telephone density, fixed line and mobile per 1,000	X	
Internet users per 1,000		X

Indicator	Strength	Weakness
Health		
Access to improved sanitation	X	
Access to improved water source		X
Births attended by skilled health personnel		X
Education		
Net primary enrollment rate (total, male, and female)		X
Persistence in school to grade 5, percent of total		X
Expenditure per student, % of GDP per capita, primary and secondary		X
Employment and Workforce		
Labor force participation rate, total and female		X
Unemployment rate		X
Agriculture		
Agriculture value added per worker		X
Cereal yield		X

Note: The chart identifies selective indicators for which Nicaragua's performance is particularly strong or weak relative to the benchmark standards; details are discussed in the text. The separate Data Supplement 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 sources¹ and uses international benchmarking against reference group averages and comparator countries (Chile and Costa Rica) 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.² Similarly, the economic performance assessment is based on an examination of key economic and social indicators, to see which ones are signaling problems. In some cases a “blinking” indicator has clear implications, while in others a detailed study may be needed to investigate the problems more fully and identify an appropriate course for programmatic action.

The analysis is organized around two mutually supportive goals: transformational growth and poverty reduction.³ Rapid and broad-based growth is the most powerful instrument for poverty reduction. At the same time, 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.

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;

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

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

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

investment in education, health, and workforce skills; infrastructure development; and sustainable use of natural resources.

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

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 on the basis of a review of selected indicators, subject to limits of data availability and quality. The results should provide insight about potential paths for USAID intervention, to complement on-the-ground knowledge and further in-depth studies.

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

Table 1
Topic Coverage

Overview of the Economy	Private Sector Enabling Environment	Pro-Poor Growth Environment
<ul style="list-style-type: none"> •Growth Performance •Poverty and Inequality •Economic Structure •Demographic and •Environmental Conditions •Gender 	<ul style="list-style-type: none"> •Fiscal and Monetary Policy •Business Environment •Financial sector •External sector •Economic Infrastructure •Science and Technology 	<ul style="list-style-type: none"> •Health •Education •Employment and Workforce •Agriculture

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

2. Overview of the Economy

This section reviews basic information on Nicaragua's macroeconomic performance, poverty and inequality, economic structure, demographic and environmental conditions, and indicators of gender equity.⁵ 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 \$867 in 2005, Nicaragua ranks as the second-poorest country in Latin America, after Haiti. This GDP falls well below the \$2,358 average for lower-middle income countries in Latin America and the Caribbean (LMI-LAC).⁶ By contrast, estimated GDP per capita was \$4,526 for Costa Rica and \$6,272 for Chile in 2005.

Growth was a strong 7 percent in 1999, driven by the reconstruction after Hurricane Mitch, which devastated the country in 1998.⁷ By 2002, growth had dipped sharply to a low of 0.8 percent because of a drastic drop in coffee prices, internal debt from the banking sector crisis, and higher-than-expected oil prices. By 2005, real GDP growth was 4.0 percent, having benefited from steady growth in the previous two years.⁸ Nicaragua's 2005 growth compares favorably with the benchmark regression estimate of 3.6 percent for a country with Nicaragua's characteristics and with the LMI-LAC average of 3.7 percent. The Nicaraguan government must aim to sustain growth rates at or above the level projected for 2006—4 percent—to eventually climb into the low middle-income bracket and deliver visible and widespread improvements in living standards (Figure 2-1).⁹

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

⁶ Nicaragua is a low-income country according to the World Bank's country classification system. Our methodology calls for comparing Nicaragua's performance against low-income and low-income Latin American and Caribbean countries, but there is only one other LAC low-income country to compare with Nicaragua, so we chose the higher-income bracket for comparison.

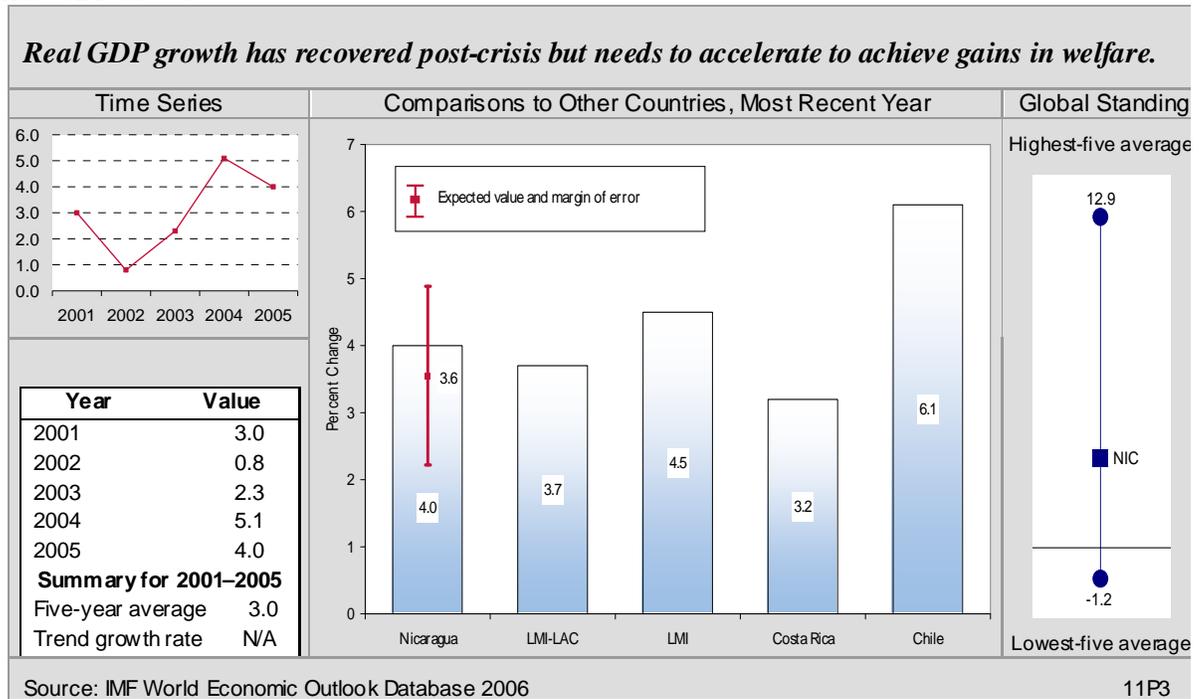
⁷ Hurricane Mitch ravaged Nicaragua. An estimated 3,000 people died or are missing and an estimated 18 percent of the population was affected by the storm. More than 30,000 houses were totally or partially destroyed, 70 percent of the roads were unusable and at least 71 bridges were destroyed or heavily damaged.

Data on 1999 growth rate from Nicaragua's Central Bank's webpage http://www.bcn.gob.ni/estadisticas/red/Nicaragua_RED_Tables_FML.pdf, Statistics Tables of Macroeconomics Variables (1994-2004), Table 1: Nicaragua: Gross Domestic Product by Expenditure.

⁸ IMF, Nicaragua: Poverty Reduction Strategy Paper, December 2005.

⁹ IMF, World Economic Outlook data, estimate.

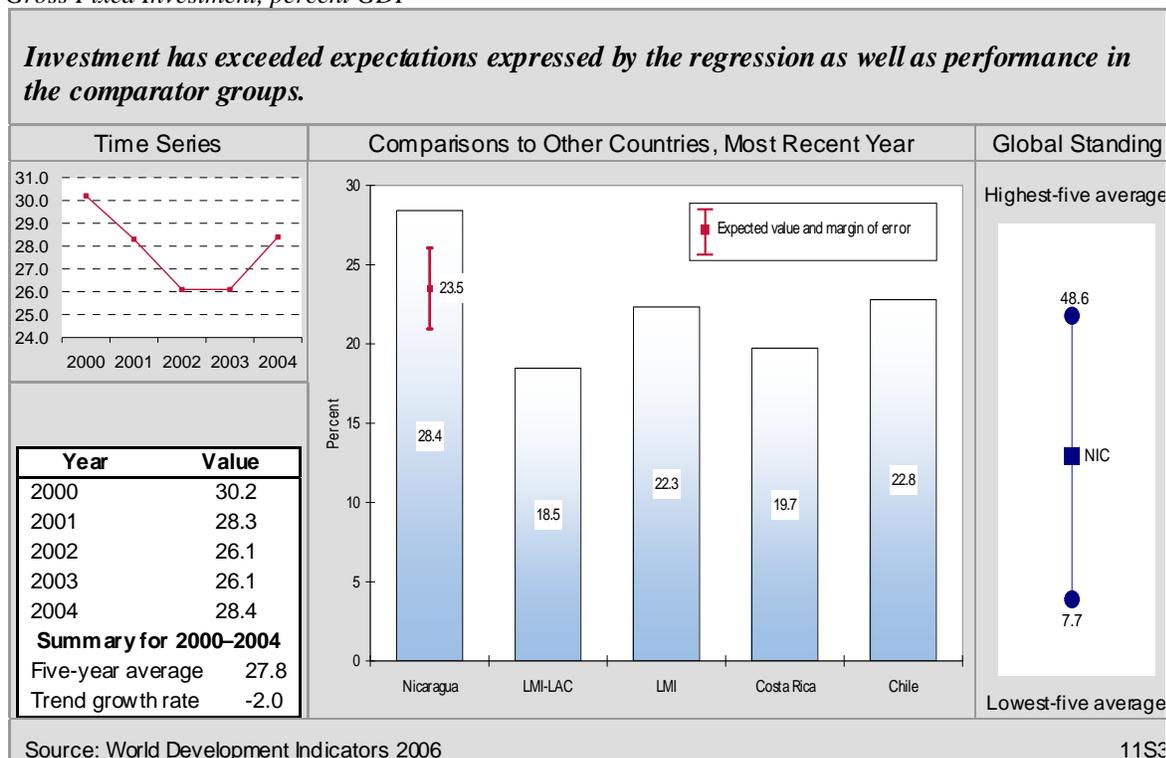
Figure 2-1
Real GDP Growth



Investment has been remarkably high in Nicaragua. The share of gross fixed investment in GDP averaged 28.4 percent between 2000 and 2004, nearly five percentage points higher than the regression benchmark of 23.5 percent and higher than the LMI-LAC average of 18.5 percent, as well as recent performance in Costa Rica (19.7 percent) and Chile (22.8 percent) (Figure 2-2). It is difficult to assess the private sector's investment level because there are no data on fixed private investment for Nicaragua. The incremental capital-output ratio (ICOR) is a basic measure of investment productivity. Over the five years to 2004, the ICOR value was 9.1, which means that \$9.10 of investment has been needed to produce an extra \$1 of output. International experience suggests that an ICOR of 4.0 or less indicates that capital investment is very productive.

Productivity of the labor force has also been weak. Labor productivity growth was negative between 2001 and 2003, after no growth rate in the five years to 2003. Recent negative growth rates in labor productivity have been heavily affected by the economic downturn of 2001/2002. Still, improving in the quality of the labor force by investing in health, education, and training (see Section 4); closing gender disparities in opportunities to work; and introducing new technologies could improve the country's growth and labor productivity performance.

Figure 2-2
Gross Fixed Investment, percent GDP



POVERTY AND INEQUALITY

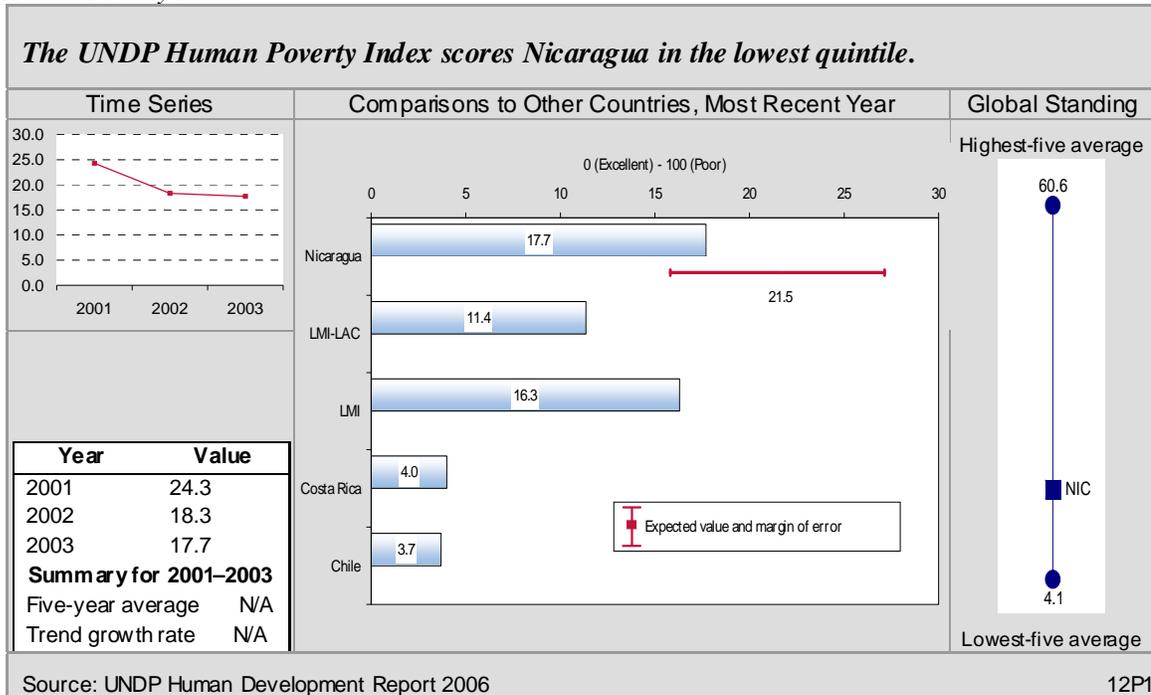
Nicaragua suffers from high levels of poverty in terms of income, even as some areas of social poverty have improved. On the UNDP’s Human Poverty Index, which gauges income poverty as well as social indicators of poverty such as access to education and health care, Nicaragua scored a 17.7 (on a scale of 0 for excellent to 100 for poor) (Figure 2-3).¹⁰ The average score of the highest five scores is 60.6, which places Nicaragua in the lowest quintile and underscores the relative strength of the country’s performance on this indicator. Nicaragua’s above-average performance on components of child malnutrition and probability of not surviving to age 40,¹¹ however, is the driving force behind the score.¹²

¹⁰ The Human Poverty Index is a composite index comprised of eight interrelated indicators that address development factors such as health life, knowledge and standard of living. Nicaragua’s high score is influenced by its relatively good performance on surviving to the age of 40, adult literacy, and access to improved water source despite poor marks on indicators pertaining to income.

¹¹ A full explanation of the Human Poverty Index, including its components and scores for Nicaragua and other countries is available at <http://hdr.undp.org>

¹² Indicators in this section should be interpreted with caution. Poverty figures are dated, hindering our ability to conduct an adequate assessment. Furthermore, the World Bank warns in its Country Assistance Strategy that because national surveys in the Nicaragua are unable to capture many of the most vulnerable populations, such as those living on the border and the undocumented, social indicators may in fact be worse than indicated by surveys.

Figure 2-3
Human Poverty Index



At the same time, Nicaragua's high level of income poverty is marked by a poverty headcount by national poverty line of 51.9 percent for 2005.¹³ Although this is near the level suggested by the regression benchmark (46.2 percent), it is well above the LMI-LAC average of 37.5 percent and high by absolute standards. Tackling endemic poverty is essential for creating broad growth because those entrenched in the poverty cycle find it difficult to contribute to a growing economy in meaningful ways. To address the poverty challenge fully, Nicaragua requires an adequate accounting of the poverty problems it faces. The most recent data available for Nicaragua on poverty and inequality indicators date to 2001 and therefore do not give a good indication of the current scope of poverty. Fortunately, Nicaragua has just completed a household survey to address this issue. When the data are processed and released, policymakers will be in a better position to formulate pro-poor growth strategies.

Nonetheless, the 2001 data substantiate more recent indications that poverty is widespread in Nicaragua. The poor are concentrated in the northeastern regions of the country.¹⁴ The population living on less than \$1 a day (purchasing power parity dollars) was 45.1 percent, while the poverty gap at \$1 a day was 16.7 percent, much worse than the LMI-LAC average of 6.9 percent, meaning that extreme poverty is a serious problem. By comparison, the regression benchmark predicts that a country of Nicaragua's characteristics should have 24.1 percent of the population living on less than \$1 a day.

¹³ Preliminary data from the Nicaraguan National Development Plan. Detailed report for the LSMS household survey results for 2005 are not yet available.

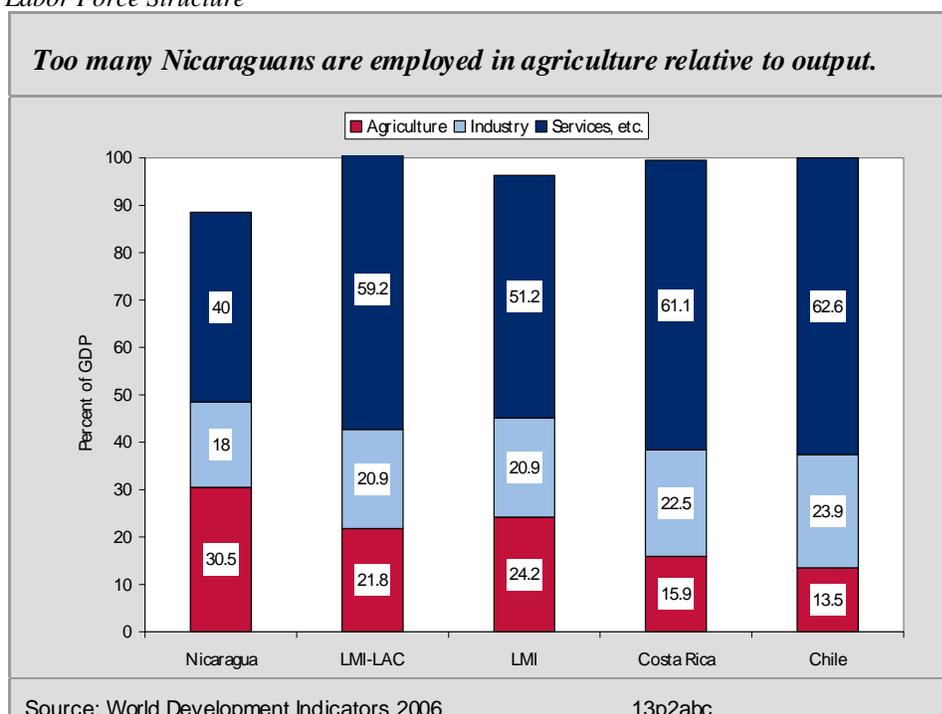
¹⁴ Based on the CIESIN Columbia University Headcount Index, http://www.ciesin.org/povmap/downloads/data/maps/tmp/country/NIC_ADM2_FGT_0.pdf

Income inequality is also problematic. The income share accruing to the richest 20 percent of Nicaraguans was 49.3 percent in 2001, while the income share accruing to the poorest was 5.6 percent. Although these figures are slightly better than for Latin America as a whole (LMI-LAC averages for the richest and poorest are 57.2 percent and 2.9 percent, respectively) inequality is still a problem in absolute terms, because a burgeoning middle class is usually the linchpin to sustainable growth, leading domestic consumption and providing a sophisticated workforce. Meeting poverty reduction goals should be a high priority for international donor programs, which should include funding for improving health care, education, and the competitiveness of productive sectors.

ECONOMIC STRUCTURE

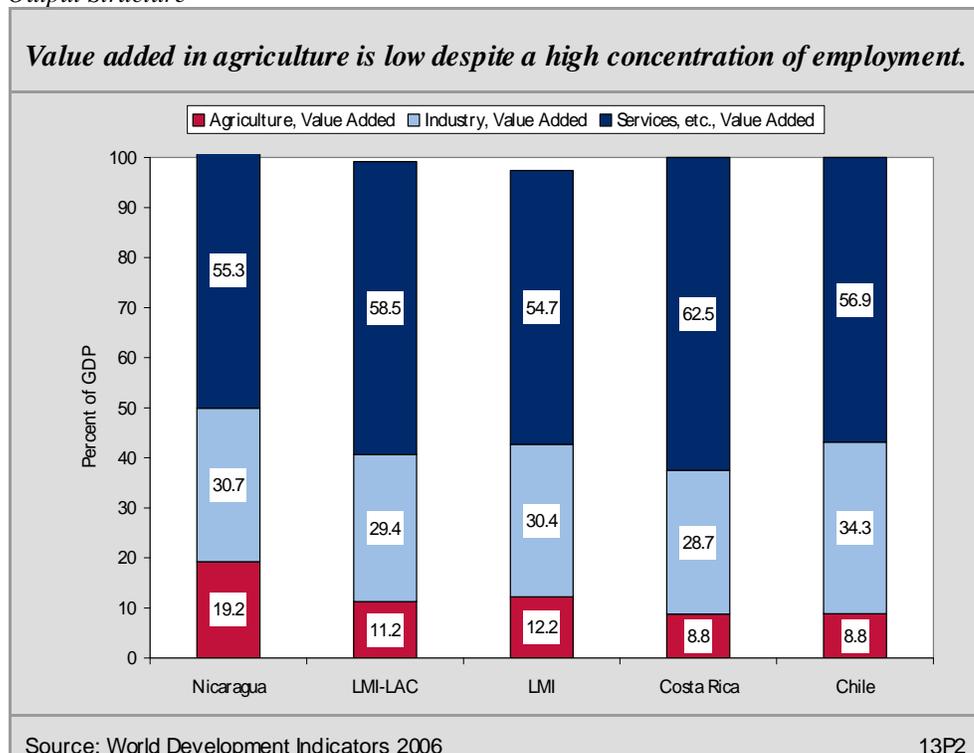
As in many developing countries, a substantial proportion of employment in Nicaragua centers on agricultural production, accounting for 30.5 percent of the labor force in 2003. This value is well above the LMI-LAC average of 21.8 percent and the 15.9 percent for Costa Rica and 13.5 percent for Chile. Nicaragua has a small but growing industrial sector, with 18.0 percent of the workforce dedicated to industry in 2003, an increase from 14.7 percent in 2001. Unlike many other Central American countries Nicaragua does not host a sizeable *maquila* sector, although that may change soon as access to the U.S. consumer market widens through CAFTA-DR. The services sector accounted for 40.0 percent of employment in 2003. This high figure should be interpreted with caution—it is a function of the relative size of the agricultural and industrial sectors rather than an indication that Nicaragua hosts a substantial services sector (Figure 2-4). Although this division of labor is fairly typical for the region, it has important implications for overall economic productivity.

Figure 2-4
Labor Force Structure



The output structure reveals that although agriculture employs one-third of Nicaraguans, it accounts for the least added value as a percent of GDP (19.2 percent)—less than industry, at 30.7 percent, or services, at 55.3 percent (Figure 2-5). This distribution of value added is consistent with the pattern found throughout the region, although low agricultural productivity is more pronounced in Nicaragua than in Costa Rica and Chile (both with 8.8 percent) or the LMI-LAC average of 11.2 percent. Boosting agricultural productivity is particularly important for countries such as Nicaragua that have both high poverty rates and high employment in agriculture, because increases in agricultural productivity have the potential to boost incomes and increase agricultural consumption. Again by default, the services sector makes up a substantial share of output. Nevertheless, improving the competitiveness of the services sector and building linkages between services and industry may be key to fostering dynamic growth.

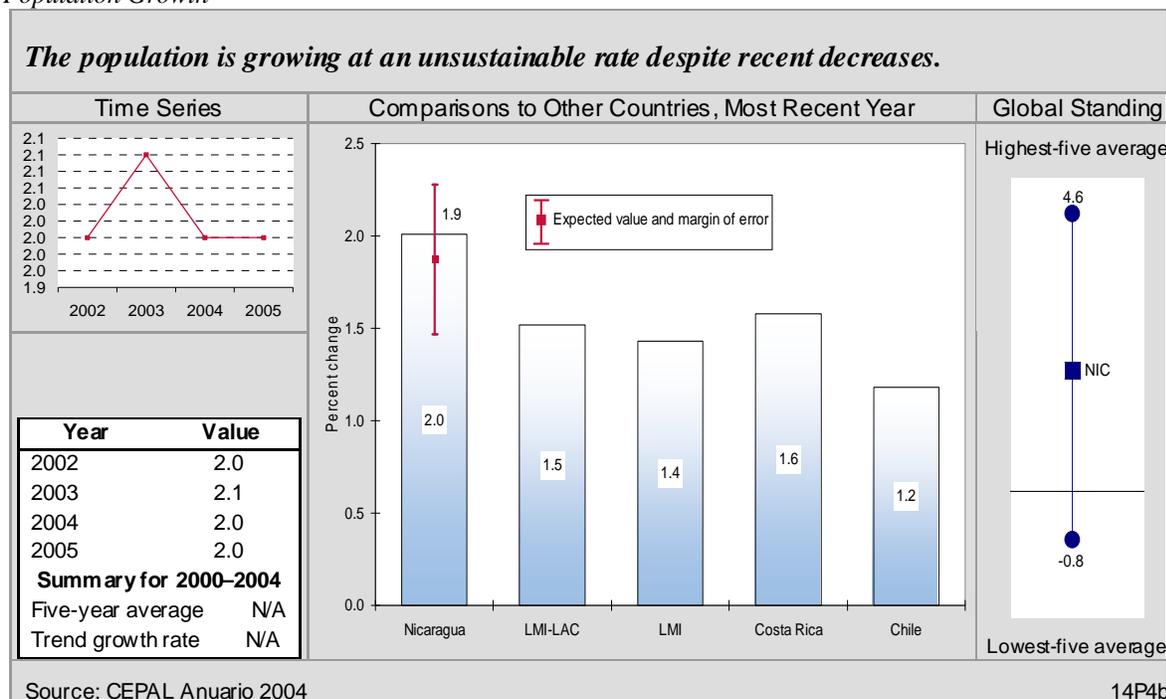
Figure 2-5
Output Structure



DEMOGRAPHY AND ENVIRONMENT

Nicaragua has an estimated population of 5.5 million people, which is growing at a rate of 2.0 percent per year. The population growth rate is higher than the average for LMI-LAC (1.5 percent), the regression benchmark (1.9 percent), and Chile's (1.2 percent) and Costa Rica's (1.6 percent) population growth rate (Figure 2-6). This is of great concern, because the decline in population growth rate was negligible in the four years before 2005. The age-dependency ratio (0.75 dependents per worker) in Nicaragua is much higher than in comparator countries and benchmarks. It shows a significant declining trend, however, which will ease the burden of providing public services such as education and health care while providing the demographic foundations for increased per capita growth in the coming years.

Figure 2-6
Population Growth



As the demographic characteristics of Nicaragua transform and provide opportunities for greater growth, policymakers can galvanize this growth potential by improving the population’s productive capacities. The 2004 adult literacy rate was 76.7 percent¹⁵ of the adult population,¹⁶ well below the LMI-LAC average of 85 percent. Improving the educational attainment of the population will enable Nicaraguans to compete better in a knowledge-based economy.

In 2004, an estimated 57.7 percent of the population lived in urban areas, a rate lower than in Costa Rica (60.6 percent) or Chile (86.6 percent) and than the LMI-LAC average of (64.2 percent). The somewhat low number for Nicaragua may reflect the abundance of very small villages scattered throughout the central portion of the country.

More generally, Nicaragua scores poorly on an international index of environmental sustainability. On a scale of 0 (poor) to 100 (excellent), Nicaragua’s score of 50.2 is below the LMI-LAC average (52.4) as well as the scores for Costa Rica (59.6) and Chile (53.6). Nicaragua especially lags behind in reducing ecosystem stress, private sector responsiveness, and reducing environment-related natural disaster vulnerability. The later is extremely important because Nicaragua is located in a natural hazard zone, having suffered from three earthquakes, one

¹⁵ Adult literacy figures derived from the standard data sources were found to be inconclusive and therefore have been supplemented by secondary sources.

¹⁶ PRED Bank 4.0 Country Profiles, United Nations Department of Economic and Social Affairs, Population Division.

tsunami, two major volcanic eruptions, and several droughts between 1990 and 2001.¹⁷ Improvements are clearly needed in environmental governance. Government and donor initiatives should shift resources towards the mitigation of natural disasters and natural-hazard education in areas of high vulnerability.

GENDER

Nicaragua's performance on gender indicators points to overall gender equity in access to health and education services. One standard indicator for assessing the gender gap is adult literacy. Nicaragua scores a 1.00, indicating no disparity in the literacy rates of men and women. This is in line with the LMI-LAC average of 1.02 and Chile's and Costa Rica's scores of 1.00. For health, a basic gender indicator is the ratio of male-to-female life expectancy. For Nicaragua the ratio equals 0.93 for 2004, reflecting that fact that women live longer than men. This is close to the LMI-LAC average of 0.92 and the ratios for Chile and Costa Rica of 0.92 and 0.94, respectively. A similar result can be seen in the male-to-female gross enrollment rates at all levels of education. The ratio for Nicaragua stood at 0.97 in 2004, revealing gender inequality levels equal to Costa Rica's, at 0.97.

Education, however, needs to be complemented by opportunities for women to use their knowledge in obtaining suitable employment. The labor force data indicate an overwhelming disparity between male and female participation rates. (See section entitled Employment and Workforce). Closing the gender gap in a country's labor market tends to be instrumental in accelerating growth and improving living standards.

¹⁷ World Bank, Nicaragua Country Brief, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/NICARAGUAEXTN/0,,contentMDK:20214837~pagePK:141137~piPK:141127~theSitePK:258689,00.html>, March, 2006.

3. Private Sector Enabling Environment

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

FISCAL AND MONETARY POLICY

Nicaragua's macroeconomic indicators show overall good performance¹⁸ despite the instabilities of 2001–2002. The inflation rate (a Millennium Challenge Account [MCA] indicator) has been maintained at single digits in recent years despite being subject to fluctuations in international prices for oil. Escalating oil prices were a driving factor in peak inflation rates throughout the five-year period leading to 2005, with rates of 4.7 percent for 2001 and 9.6 percent for 2005. The 2005 inflation rate is higher than the regression benchmark at 6.9 percent and the LMI-LAC average of 5.3 percent. In 2001, the money supply increased by only 4.1 percent, but in 2004 it reached 17.2 percent. The International Monetary Fund in its most recent review attributes the recent surge in money supply growth to “increased economic activity, renewed confidence in

¹⁸ 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. Subsequently, the WDI database 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. In this section, comparisons are based on absolute standards or benchmarks derived from 2004 WDI data, as well as figures for Chile and Costa Rica.

economic management, and falling interest rates.”¹⁹ This virtuous growth in money supply needs to be complemented by an inflation-adverse government policy.

In regards to Nicaragua’s fiscal management, the mild austerity of recent years appears to have been relaxed in part to accommodate the election cycle. According to the IMF, from 2003 to 2004 (last year of data), government expenditures decreased slightly from 20.3 percent of GDP to 19.7 percent while revenues increased from 20.6 percent of GDP to 21.3 percent, leaving a public cash deficit of 1.0 percent of GDP (after grants). But the Economist Intelligence Unit Country Report for Nicaragua (January 2006) reported that in 2005 government spending rose by more than the increase in government revenues and created a deficit of 5.6 percent of GDP. The report expressed the reasonable expectation that election-year spending in 2006 will deepen the deficit without the guarantee of a fiscally responsible government taking the helm in 2007.²⁰ The PRSP provides supporting evidence to the Economic Intelligence Unit’s assessment, reporting a combined public sector deficit after grants of -5.3 percent for 2001–2005.²¹ The PRSP projections, however, show that substantial improvements in fiscal policy will be in place and should bring the deficit to -1.4 percent in the next five years.²² Nicaragua’s ability to stay on track with its fiscal spending program is therefore contingent on the electoral outcomes.

According to the standard sources, the ratio of government expenditure to GDP from 2000 to 2004 is close to all the benchmarks. The average of 20.1 is close to the regression benchmark for the most recent year (19.8 percent) and Costa Rica’s performance (23.4 percent) and is higher than Chile’s rate (18.4 percent) and the LMI-LAC average (16.8 percent). The government exhibits some excess spending, however: in the wage bill, which accounted for 35.0 percent of expenditure in 2004, and in subsidies, which accounted for 37.4 percent of spending.

The ratio of government revenue to GDP in Nicaragua is close to all the benchmarks. From 2001 to 2004, government revenue averaged 19.4 percent of GDP, compared with a regression benchmark of 18.5 percent, Costa Rica’s 22.7 percent, and Chile’s 21.2 percent. Nicaragua’s revenue ratio is well above the average for LMI-LAC (at 16.2 percent), which suggests that revenue mobilization is a serious issue for many countries in the region.

IMF Program Status

In January 2006, the IMF completed the seventh, eighth, and ninth reviews of Nicaragua’s performance under its Poverty Reduction and Growth Facility (PRGF) arrangement and approved additional support despite the failure to meet all of the performance criteria. Previously, Nicaragua qualified for 100 percent debt relief under the Multilateral Debt Relief Initiative (MDRI) in December 2005, after reaching the HIPC completion goal in January 2004.

¹⁹ Nicaragua: Fifth and Sixth Reviews Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, International Monetary Fund, November 2004, page 8.

²⁰ Estimates are not from regular sources and are omitted from the Data Supplement.

²¹ Nicaragua: Poverty Reduction Strategy Paper, December 2005, paragraph 21.

²² Ibid.

To ameliorate inefficiencies in revenue collection, the government instituted the minimum tax law in May 2003,²³ but met heavy resistance from taxpayers. Then, under the guidance of the IMF, the first tax code was introduced in 2005 to help solve tax evasion problems. The legislation was vague, however, and modifications to the bill are still under consideration.²⁴ Despite the fact that a more effective tax administration could increase the resources available to the government for delivering services to promote growth and equity, tax policy reform may continue to be delayed for political reasons.

BUSINESS ENVIRONMENT

Institutional impediments to doing business stymie private sector development by increasing entry and operational costs for businesses that can make starting a business cost prohibitive. Nicaragua's business climate faces barriers of corruption, poor regulatory quality, and delays in registration but performs well on procedural measures of basic business processes.

Nicaragua ranks poorly on the corruption perception index, with a score of 2.6 for 2005 on a scale that considers any score below 4 to be indicative of endemic corruption.²⁵ Similarly, the Rule of Law index ranks Nicaragua below the median, at -0.65 on a scale of -2.5 to 2.5. Although LMI-LAC as a group fares poorly in this category, with a regional average of -0.58, both Chile and Costa Rica maintain positive scores, of 1.16 and 0.57 respectively. The index for regulatory quality also ranks Nicaragua below the mean, with a score of -0.15. As on the Rule of Law index, Nicaragua scores near the LMI-LAC average (-0.13) on the regulatory quality index but underperforms compared to Chile (1.62) and Costa Rica (0.67). In absolute terms for both regulatory quality and rule of law, any score below the median of 0 indicates poor regulatory quality or rule of law. The public sector has a key role to play in enabling a business environment where private enterprise can thrive by establishing the rules of the game through regulatory transparency and good governance of institutions that oversee business processes such as registration and arbitration. If the country is to become competitive in international trade and attractive to foreign investors, Nicaragua must improve public sector efficiency by reducing corruption and improving adherence to the rule of law.

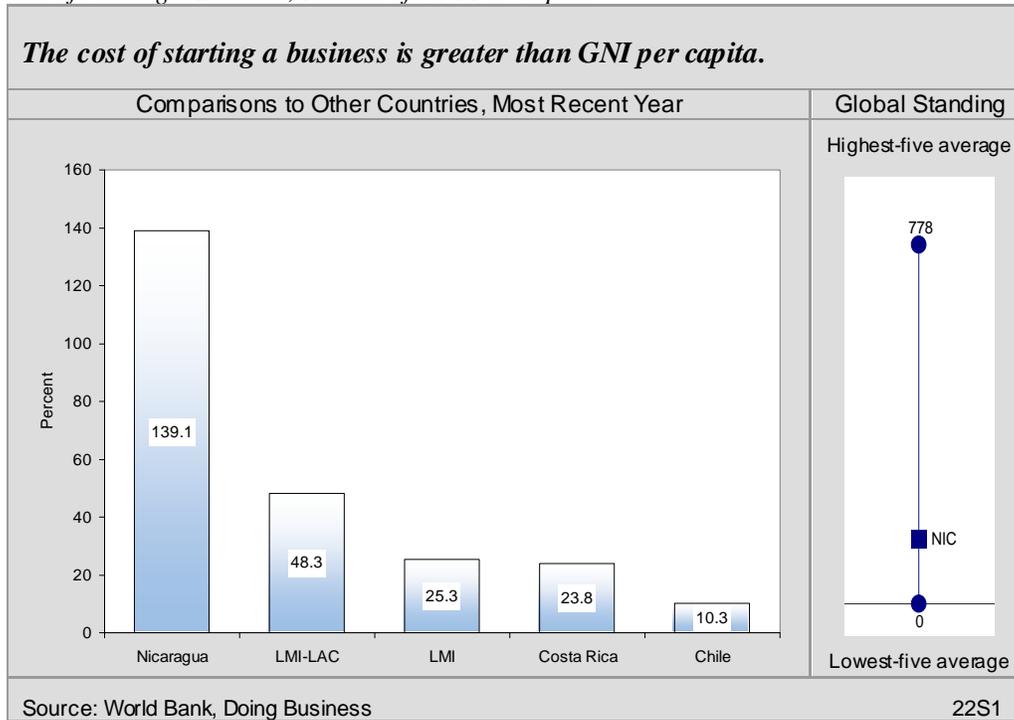
Inefficiency in the public sector translates into slower and more arduous and expensive processes to complete basic transactions. For instance, in Nicaragua it takes 65 days on average to register property—more than the LMI-LAC average (48 days), more than twice Chile's score (31 days), and more than triple Costa Rica's score (21 days). Furthermore, the entry costs for starting a business are high in Nicaragua, at 139 percent of GNI per capita (Figure 3-1). Exceedingly high costs to start a business are detrimental to the growth of a diverse, homegrown business community, as would-be entrants, especially small and medium-sized enterprises, are priced out of business before they have a chance to begin.

²³ Nicaragua: Fifth and Sixth Reviews Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, International Monetary Fund, November 2004, Page 7, Section 3.

²⁴ Economist Intelligence Unit, Country Report for Nicaragua, January 2006.

²⁵ The Corruption Perception Index ranks from 1 (poor) to 10 (good).

Figure 3-1
Cost of Starting a Business, Percent of GNI Per Capita



Nonetheless, Nicaragua shows signs of improvement in procedural efficiency (the number of procedures it takes to render basic business transactions) and in some measures of temporal efficiency (the time it takes to carry out basic business transactions). The number of procedures required to enforce a contract and the number required to start a business in Nicaragua both are below the LMI-LAC average as well as figures for Costa Rica and Chile (Figures 3-2 and 3-3). Nicaragua has also cut the time required to enforce a contract to 155 days, while the LMI-LAC regional average is 409 days, and Costa Rica and Chile require 550 days and 305 days respectively.

Special attention should be paid to lowering entry costs and facilitating small and medium enterprises precisely because it is these types of firms which lend a national character to the business environment, become entrenched in the communities in which they operate, create backward linkages into the domestic economy and therefore support growth and poverty reduction through employment.

Figure 3-2
Procedures Required to Enforce a Contract

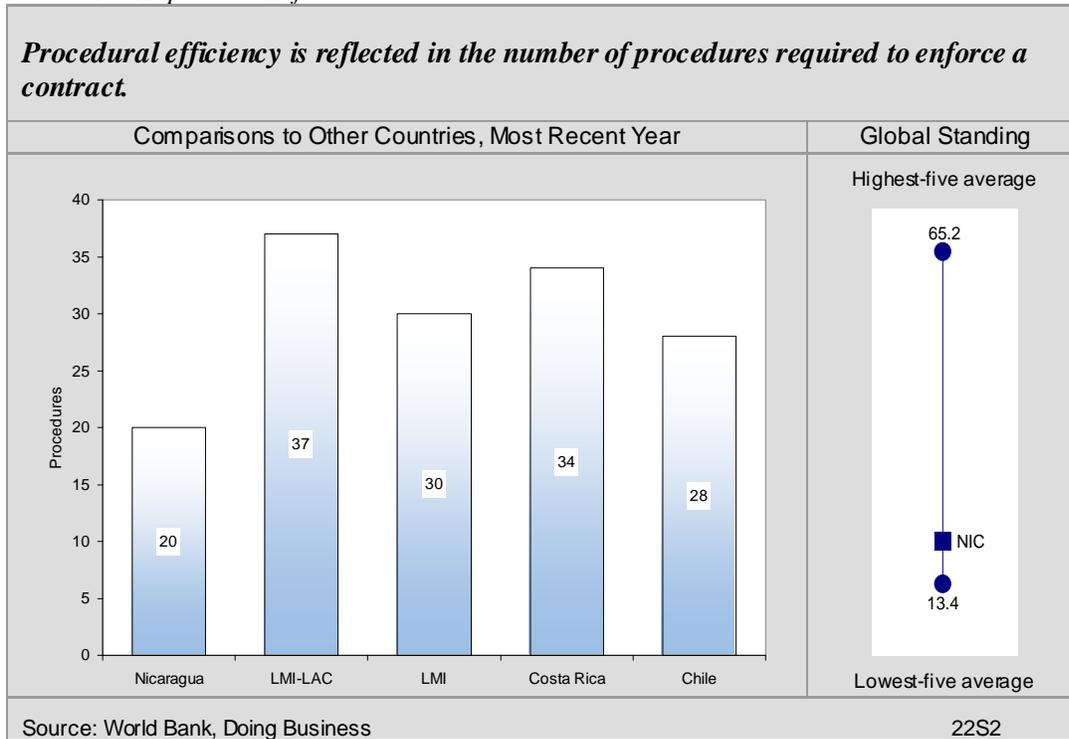
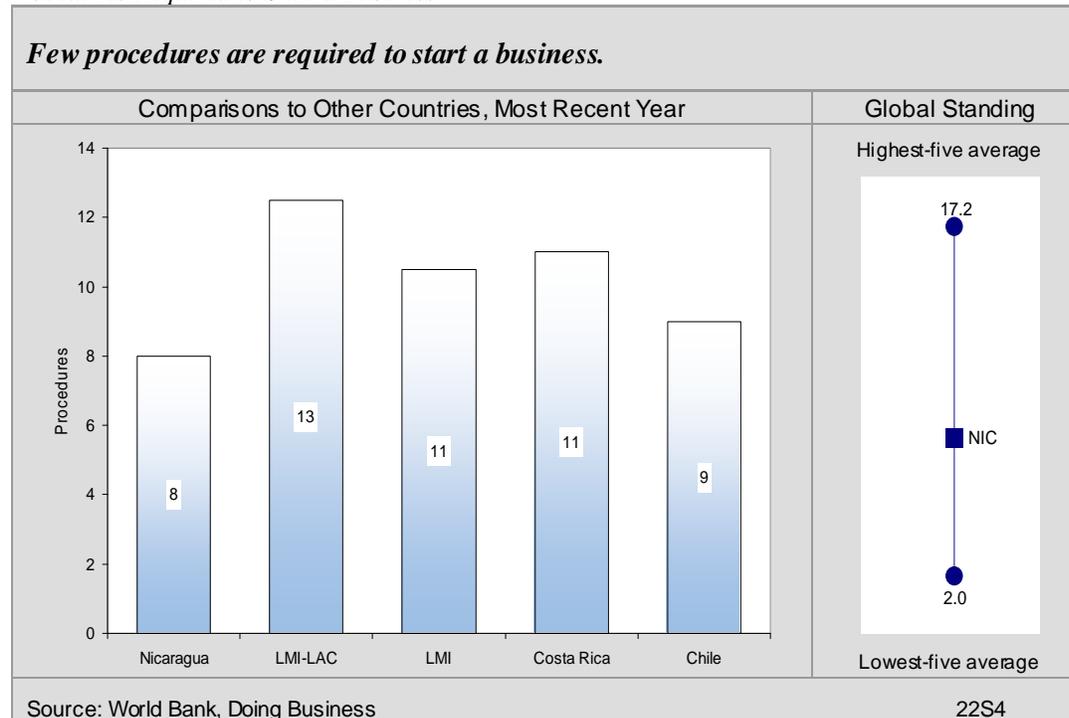


Figure 3-3
Procedures Required to Start a Business

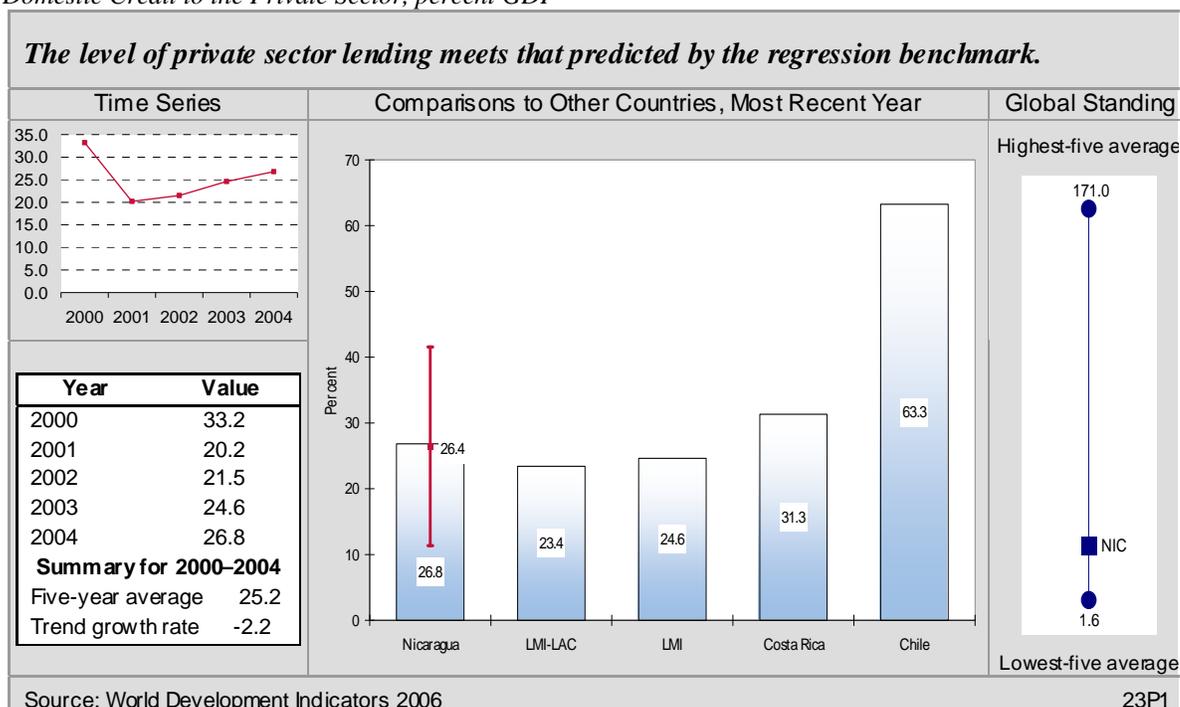


FINANCIAL SECTOR

A sound, efficient, and competitive financial sector is a key to mobilizing savings, fostering productive investment, and improving risk management. Nicaragua's financial sector indicators are mixed. Considering that the economy suffered from a banking sector crisis in 2001,²⁶ the indicators seem stable, and some are even stronger than the benchmarks. Yet when compared to the LMI-LAC average, the Nicaraguan financial sector does not show the vigor needed to promote rapid economic and business growth.

One simple indicator of financial development is degree of monetization, measured by the ratio of broad money (currency plus bank deposits) to GDP. In 2004, Nicaragua's money supply equaled 38.8 percent of GDP, much higher than the LMI-LAC average of 30.1 percent and higher than in Chile and Costa Rica in 2003, at 36.8 percent and 37.6 percent, respectively. Average domestic credit to the private sector as a percent of GDP was 25.2 percent for 2000–2004—similar to the regression benchmark of 26.4 percent and LMI-LAC and global lower middle income (LMI) averages of 23.4 percent and 24.6 percent, but lower than Costa Rica's 31.3 percent, and significantly lower than Chile's 63.3 percent. The data, however, show a rapid increase in the three years leading to 2004 (Figure 3-4).

Figure 3-4
Domestic Credit to the Private Sector, percent GDP



²⁶ In 2000 and 2001, mismanagement and fraud in four of Nicaragua's 10 principal banks led to a banking crisis. The U.S. Department of Commerce reported "Between November 2000 and March 2002, banking regulators intervened to liquidate four banks...amid findings of fraud, mismanagement, and failure to comply with regulatory norms for solvency. The remaining six banks have not exhibited the extreme weaknesses of the four liquidated banks." After the crisis, a number of banking reforms were put into law, including increases in the capital adequacy ratio requirement, caps on bank shares held by individuals, loan limits to individual borrowers, and prohibition of lending to related companies (Heritage Foundation 2006).

The real interest rate (bank lending rate, adjusted for inflation) was 8.8 percent in 2000 before the crisis and jumped to 14.6 percent in 2002. By 2003 the real interest rate had returned to single digits—8.2 percent—and for 2004 reached 3.0 percent. The recent lower real interest rates coincide with an increase in lending activity, suggesting proper risk assessment in the marketplace. Nicaragua's performance is in line with LMI-LAC, is better than Costa Rica's, and lags behind Chile's.

As could be expected, the crisis raised intermediation costs. The spread between lending and borrowing rates increased from 7.0 percentage points in 2001 to 10.5 percentage points in 2002, and subsequently dropped to 8.8 percentage points for 2004. Although the regression benchmark shows 11.6 percent as normal for a country such as Nicaragua, Chile's rate of 3.5 percent shows that there is room for improvement.

This analysis suggests that strengthening the financial sector should be a high priority for Nicaragua and donor agencies. The IMF considers the high degree of dollarization an additional vulnerability of the financial system.²⁷ Although the major banks have been stabilized, internationally assisted inspections identified important gaps in the banking sector.²⁸

EXTERNAL SECTOR

CAFTA-DR

The entry into force of the United States-Central America/Dominican Republic Free Trade Agreement (CAFTA-DR)²⁹ will create new market opportunities for Nicaragua as well as new structural and competitive challenges. The central opportunity provided by CAFTA-DR is expanded and permanent market access to the United States as well as other relatively large consumer markets in Central America, such as Costa Rica and El Salvador. This access is underpinned by the phasing out of tariffs on Nicaraguan goods and the elimination of barriers to numerous services subsectors (such as telecom, financial services, and energy). CAFTA-DR also provides favorable rules of origin for apparel produced in Central America,³⁰ which, in light of the end of the Multifiber Agreement in 2005, promises to give Central American countries a competitive advantage over Asian producers in the U.S. market.

²⁷ Nicaragua: Fifth and Sixth Reviews under the Three-Year Arrangement under the Poverty Reduction and Growth Facility, Request for Waiver and Modification of Performance Criteria, and Financing Assurances Review, November, 2004.

²⁸ The IMF reports that “[B]ank supervisors need better legal protection (several judiciary rulings on supervisory decisions have made it difficult for bank supervisors to effectively fulfill their mandate) and the supervision of the operations of “foreign” parallel banks needs to improve—because lack of consolidated supervision, the true condition of financial groups is uncertain” (International Monetary Fund, November, 2004.)

²⁹ Nicaragua is expected to ratify the agreement in April of 2006.

³⁰ DR-CAFTA: Challenges and Opportunities for Central America, World Bank, Central American Department and Office of the Chief Economist, page 4

CAFTA-DR marks an evolution in the formulation of regional trade agreements in that it contains a trade capacity building process in which the United States will assist the Central American countries with negotiation, implementation, and behind-the-border adjustment to the agreement. Trade capacity building projects have assisted and will continue to assist the CAFTA-DR countries in facilitating economic growth, reducing poverty, and fully implementing the liberalization specified in the agreement. Trade capacity building activities have included helping producers meet sanitary and phytosanitary standards required for exporting agricultural products, assisting with customs reform initiatives to improve administrative efficiency and reduce administrative costs, training on the enforcement of intellectual property rights, and technical assistance in building the capacity of labor enforcement institutions.³¹

Under CAFTA-DR, Nicaragua, like the other signatory countries, has agreed to rules and procedures for government procurement, intellectual property rights, treatment of foreign investment, and the like. All the Central American countries therefore will need to carry out institutional reforms to modernize and improve the transparency of many systems and procedures. Nicaragua and Honduras especially will require intensive assistance in implementing the agreement and taking full advantage of its development potential. Donors can support the institutional reform process by tailoring their programs to fit Nicaragua's circumstances and meet its trade capacity building needs. Assistance could include conducting needs assessments; strengthening roads, ports, and other transport infrastructure; promoting national systems of intellectual property rights protection; strengthening financial sector institutions to give small and medium-sized enterprises access to credit; and providing export promotion services to key value-added sectors such as nontraditional agricultural exports, apparel, and tourism.

INTERNATIONAL TRADE PERFORMANCE

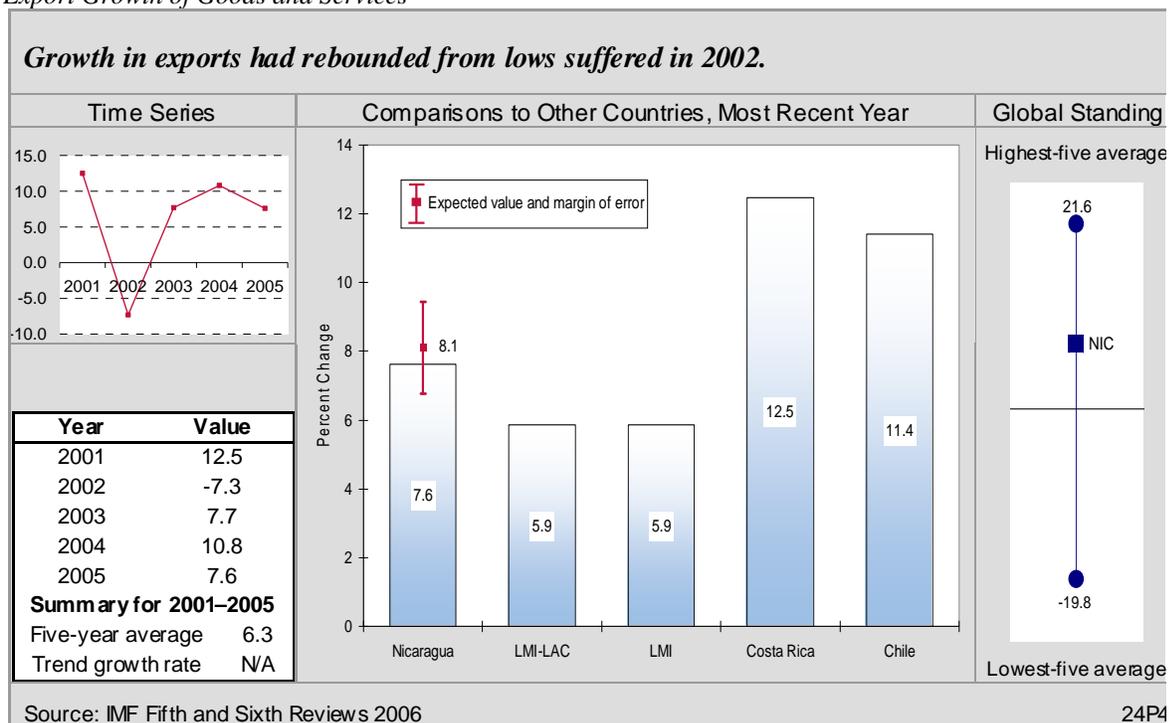
Nicaragua's level of integration into the world trading system is determined by its size, level of development, and geographic location. As a small developing economy with limited capabilities to produce a sophisticated basket of consumables (such as pharmaceuticals and machinery), Nicaragua remains dependent on imports, and its level of trade is therefore high. Trade as percent of GDP, which gauges trade openness, reached 80.8 percent in 2005, with a five-year average between 2001 and 2005 of 75.6 percent. In comparison, the LMI-LAC average is only 52.6 percent, the statistically predicted benchmark is 69.1 percent, and Chile's trade amounts to 68.3 percent of GDP. Costa Rica, an exporter of sophisticated products with links to global supply chains, also exhibits high levels of trade openness, with 95.4 percent of GDP. This openness to trade, driven by imports, necessitates a commensurate level of exports to maintain a reasonable trade balance.

The growth of exports of goods and services rebounded from -7.3 percent in 2002 to 7.6 percent in 2005, with a five-year average of 6.3 percent. This level is near the benchmark regression of 8.1 percent and exceeds the LMI-LAC average of 5.9 percent, but leaves room for improvement to the levels found in Chile (11.4 percent) and Costa Rica (12.5 percent) (Figure 3-5). Because Nicaragua runs a consistently negative trade balance, continued growth in exports will be

³¹ Building Trade Capacity Under the CAFTA, Office of the United States Trade Representative, CAFTA Policy Brief, February 2005.

essential to remedy these chronic imbalances. However, Nicaragua currently faces a number of challenges to its international competitiveness, including diminishing terms of trade. In fact, the Central Bank reports in its 2004 annual report that export prices rose 14 percent in 2004,³² making Nicaraguan goods more expensive on world markets.

Figure 3-5
Export Growth of Goods and Services



Food accounts for 84.8 percent of Nicaragua's total merchandise exports (Figure 3-6). Major exported products include coffee, beef, lobster, shrimp, gold, and fruits, including bananas, mangoes, melons, and oranges (Figure 3-7).³³ Exports of manufactured products are a distant second, making up just 11.3 percent of total exports. Although Nicaragua's exports of manufactured goods are eclipsed by larger free zone producers in Honduras, El Salvador, and the Dominican Republic, Nicaragua may have opportunities to exploit its comparative advantage in the food sector by expanding into processed foods, and possibly horticultural goods as well. CAFTA-DR will necessitate the formulation of an export strategy that balances Nicaragua's strengths vis-à-vis its Central American neighbors with new opportunities to exploit large consumer markets, particularly the U.S. market.

³² Informe Anual 2004, Banco Central de Nicaragua, p.129.

³³ Information of specific products from: Informe Anual 2004, Banco Central de Nicaragua

Figure 3-6
Structure of Merchandise Exports

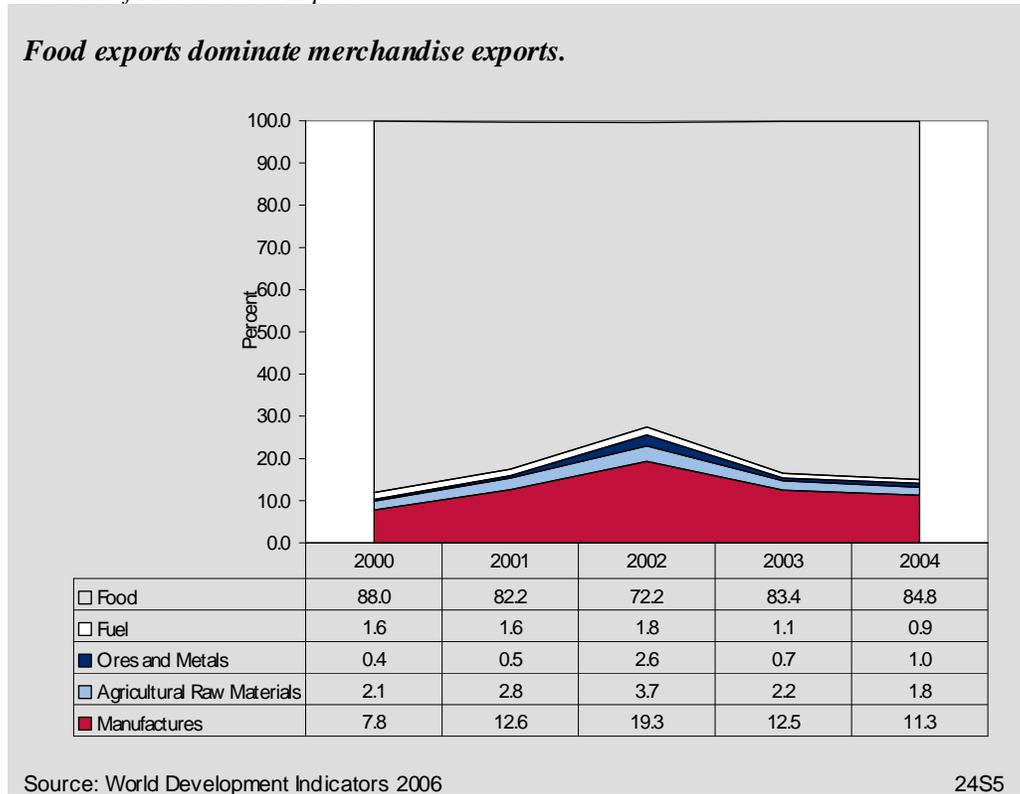
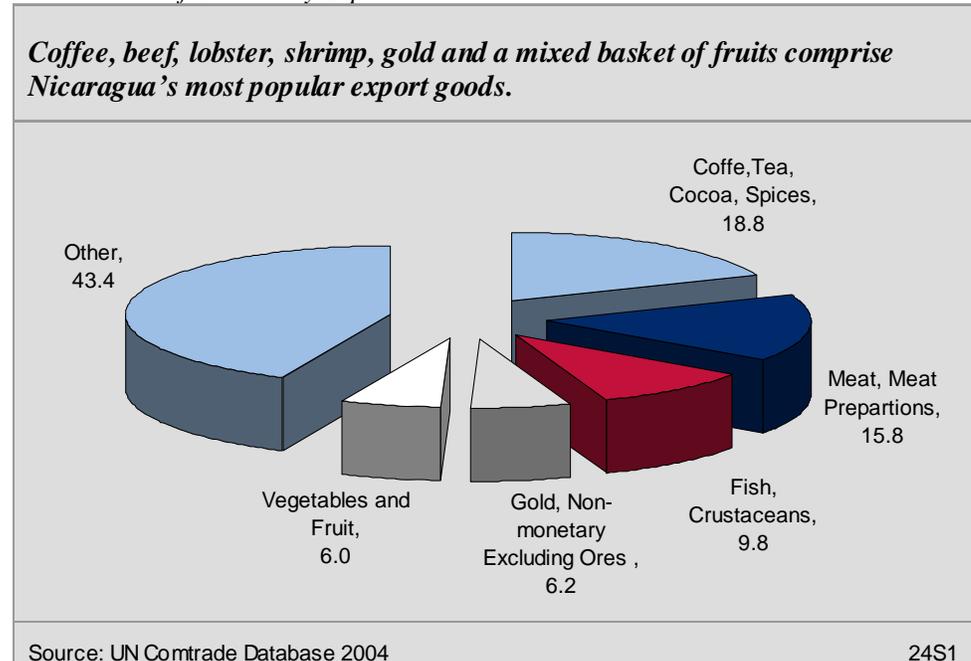


Figure 3-7
Concentration of Commodity Exports



Nicaragua's exports of services have declined slightly in the period between 1999 and 2003, from 22.2 percent of total exports to 19.2 percent, with a growth trend of -3.1 percent for the period.³⁴ Although this share exceeds the LMI-LAC average (16.5 percent) and approaches the levels in Chile (18.6 percent) and Costa Rica (24.9 percent), a declining trend in services exports may indicate declining competitiveness in the services sector. Nicaragua's predominant export sectors in services include transport, tourism, and communications.³⁵ Programs that lend technical assistance in improving the competitiveness of these sectors may be an important way to diversify the character of Nicaraguan exports and augment the progression towards a diverse economy, which includes a robust services sector, among others.

Nicaragua's largest partner in intra-CAFTA trade is the United States—nearly 57 percent of its intra-CAFTA exports and 52 percent of its intra-CAFTA imports. Trade between Nicaragua and its other CAFTA-DR partners is mixed. In descending order of importance Nicaragua's non-U.S. CAFTA-DR export trading partners are El Salvador, Costa Rica, Honduras, Guatemala, and the Dominican Republic, while its import markets in descending order of importance are Costa Rica, Guatemala, El Salvador, Honduras, and the Dominican Republic (Figures 3-8 and 3-9). Nicaragua has run consistent trade deficits with the United States, Costa Rica, and Guatemala while maintaining a surplus with the Dominican Republic, Honduras, and El Salvador (although the Salvadoran surplus is small). The direction of trade between Nicaragua and its CAFTA-DR counterparts is indicative of Nicaragua's overall economic structure, that is, an import dependence on higher value-added goods and an export combination of primary food commodities and *maquila* manufactures. Nicaragua's ability to diversify its export to CAFTA-DR countries has the potential to contribute to dynamic growth.

Nicaragua has relatively liberal trade policies, thanks in large part to the CAFTA-DR process: it scored 2 on the Heritage Foundation's Trade Policy index for 2005, while the LMI-LAC average is 4.³⁶ Nonetheless, Nicaragua could benefit from improved efficiency in the trade process. The average time to trade in Nicaragua (import and export) is 38 days. With an LMI-LAC average of 34.7 days and 39.0 days for Costa Rica, Nicaragua is on par with its neighbors with respect to export and import efficiency. However, Chile, at 23.5 days, gives Nicaragua a goal to aspire to. Better trade efficiency reduces the unit cost of traded goods and therefore makes exports more competitive. Strengthening the institutions that support international trade (customs administration, government ministries that govern trade, port authorities, etc.) has a direct effect on improving trade efficiency.

³⁴ Services imports in the same period remained roughly constant, at an average of 15.7 percent.

³⁵ Informe Annual 2004, Banco Central de Nicaragua.

³⁶ 1 for Excellent and 5 for Poor

Figure 3-8
Composition of Merchandise Imports from CAFTA Countries

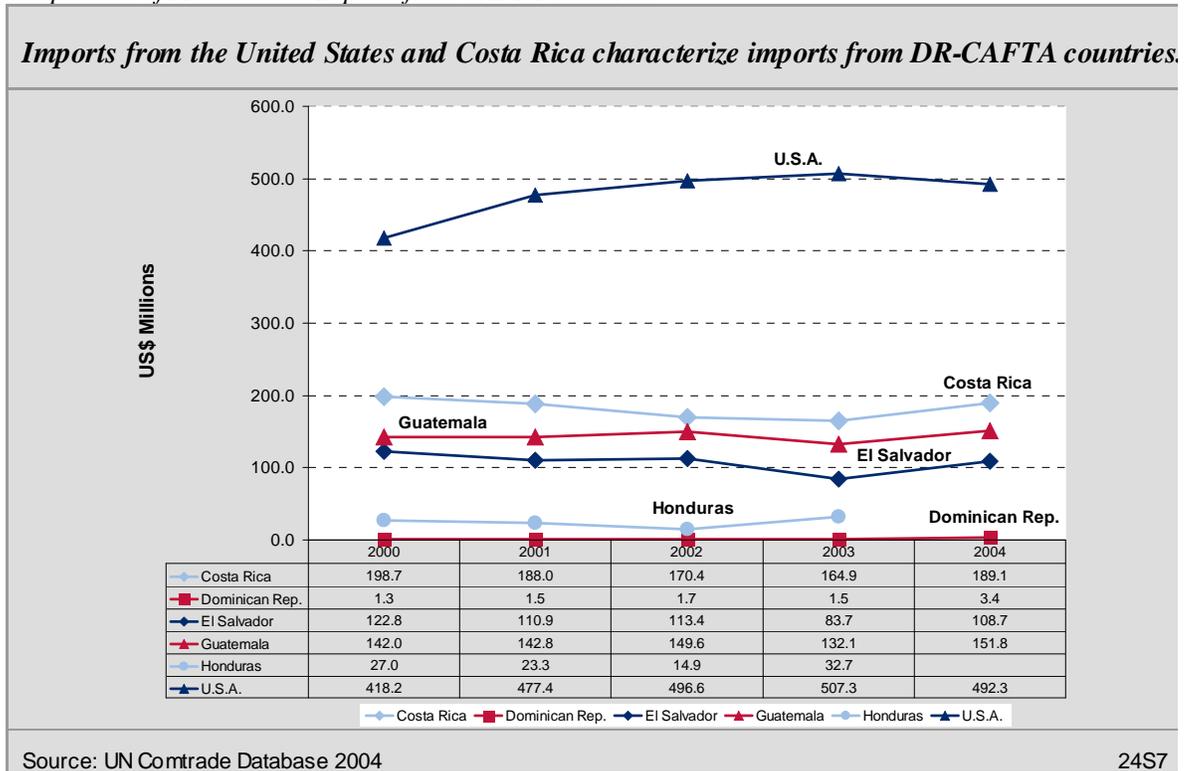
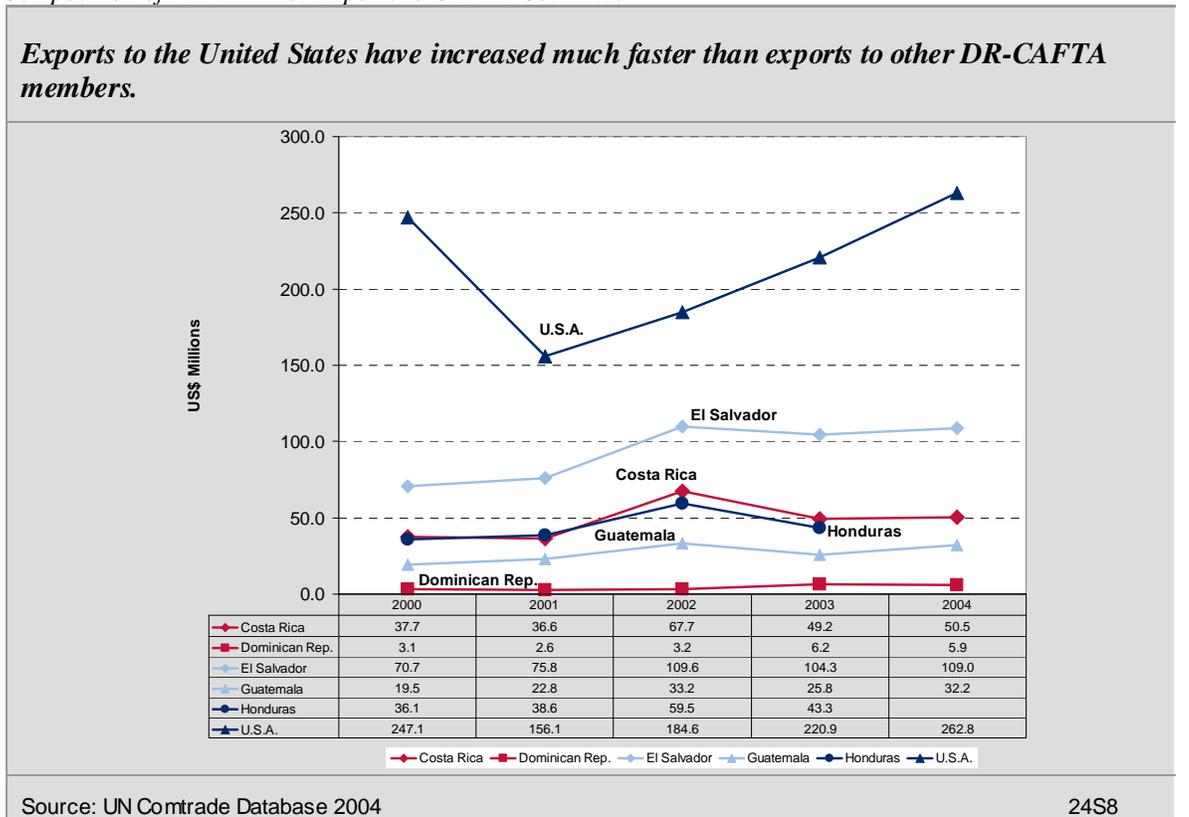


Figure 3-9
Composition of Merchandise Exports to CAFTA Countries

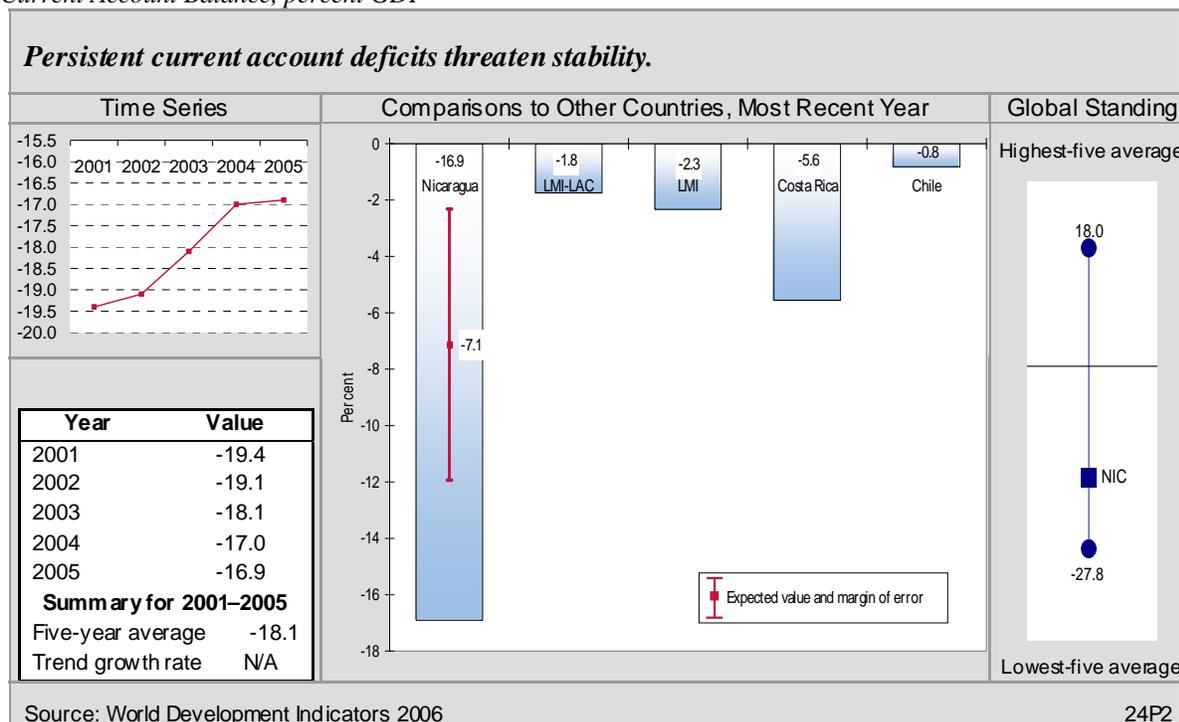


Good institutions support growth through international trade by providing the essential regulatory frameworks that enable exporters to meet international standards and enter new markets. This is particularly relevant for exporters of food products because these products are subject to sanitary and phytosanitary (SPS)—or food safety—standards. Because food products are Nicaragua’s largest export, donors should consider enhancing their cooperation with both the public and private sectors in the SPS area. This would give Nicaragua a great opportunity to take advantage of the liberalization commitments made by the U.S. in CAFTA-DR on food products. Assistance in the SPS area will also aid Nicaragua in diversifying into greater value added sectors of food production (i.e. fresh cut, processed, frozen and canned goods) which would create higher-paying jobs for Nicaraguan workers.

CURRENT ACCOUNT

Nicaragua’s import dependency has translated into persistent current account deficits in the period between 2001 and 2005. The current account deficit expressed as a percent of GDP has decline slightly over the period, but at -16.9 percent for 2005 it is well above the statistically predicted benchmark of -7.1 and the regional comparators: -1.8 percent LMI-LAC average, -5.6 for Costa Rica, and -0.8 in Chile (Figure 3-10).

Figure 3-10
Current Account Balance, percent GDP



More troubling is that despite this imbalance, much of the deficit has already been compensated for through remittance receipts, which were valued at 31.4 percent of exports of goods and services in 2004 (a rate consistent with the five-year average of 31.4 percent.) Remittance receipts

among LMI-LAC countries averaged 19.7 percent of exports.³⁷ The most recent data on remittances³⁸ reports that in 2004 remittances as a percent of exports f.o.b. (exports of goods exclusive of services) equaled 89 percent. Remittances are an essential form of foreign exchange income for most Central American countries, and although these receipts can compensate for current account imbalances, their utility must be measured against the potential volatility of these types of capital inflows because they are subject to the nature of international labor mobility.

Besides running a consistent current account deficit Nicaragua fails to maintain adequate international reserves (although the IMF has lauded Nicaragua's recent accumulation of reserves).³⁹ The accepted standard reserve position required to insulate against crisis is approximately four months of imports. Nicaragua held an average reserve position of 3.0 months of imports in 2005 with a five-year average of 2.7 percent between 2001 and 2005. The LMI-LAC average is consistent with the international standard, at 4.0 months of imports, and Chile has an exemplary 6.8 months of reserves. Nicaragua's low reserve position is troubling in the face of its consistent current account deficit. Maintenance of adequate levels of reserves may prove to be essential for warding off crisis in the face of increased openness and therefore increased vulnerability to exogenous shocks.

INVESTMENT CLIMATE AND FDI

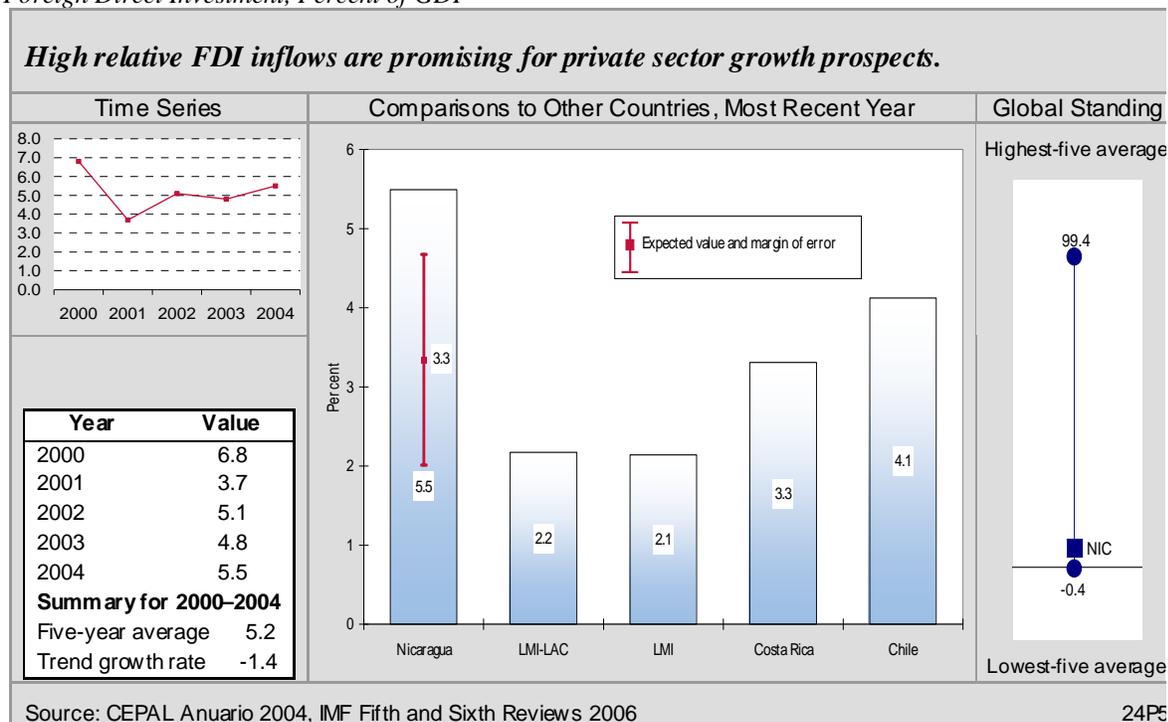
Nicaragua is increasingly a site for international investment—a trend that is expected to continue as CAFTA-DR comes into fruition. Foreign direct investment (FDI) is often seen as the most virtuous of international capital inflows because it contributes directly to growth in production and hard economic assets and is inherently less speculative than other forms of investment. FDI reached 5.5 percent of GDP in 2004, while the regression benchmark and Costa Rica had a value of 3.3 percent, the LMI-LAC average was 2.2 percent, and Chile's value was 4.1 percent (Figure 3-11). In addition to excellent performance in attracting FDI, overall private capital inflows increased steadily in the period 2001 to 2005, with a five-year average of 5.8 percent of GDP and an overall growth trend of 7.5 percent. The favorable rules on investment in CAFTA-DR should make Nicaragua a more attractive investment location for foreign investors and facilitate economic growth through the infusion of international capital.

³⁷ Data on remittances for Chile are unavailable through the standard data sources for this report. With a minute 3.8 percent of exports, Costa Rica is not relevant to the remittance discussion because they have not had the push factors that sent thousands of its citizens abroad.

³⁸ The Inter-American Development Bank's Remittances 2005 reports remittances as a percent of exports f.o.b (i.e. exclusive of services exports) and therefore is not comparable with figures from the standard data set.

³⁹ Nicaragua: Fifth and Sixth Reviews Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, International Monetary Fund, 2004.

Figure 3-11
Foreign Direct Investment, Percent of GDP



INTERNATIONAL FINANCING

Nicaragua, as a beneficiary of the Highly Indebted Poor Country (HIPC) initiative, has seen a drastic reduction in its debt service obligations in the past five years. In 2001 its debt reached 22.4 percent of exports. However, by 2005 its debt service ratio had fallen to 3.6 percent of exports. Furthermore, the IMF recently announced 100 percent debt relief for Nicaragua on all debt incurred before January 1, 2005.⁴⁰ This reduction in debt service obligations gives Nicaragua an excellent opportunity to orient additional government finances toward social spending and to finance the underlying improvements in its competitiveness architecture that will be important for a successful adaptation to CAFTA-DR. Despite significant debt reduction, Nicaragua remains a recipient of other types of international assistance. In 2004 aid as percent of GNI was 28.3 percent, a large sum in comparison to the size of the overall economy. The health and education sectors could benefit greatly from these resources.

ECONOMIC INFRASTRUCTURE

Economic infrastructure, that is, access to electricity, road, ports and modern telecommunications provides the primary conduit for productive activities to take place. The absence of good economic infrastructure fundamentally handicaps commerce.⁴¹ Nicaragua has substantial gaps in

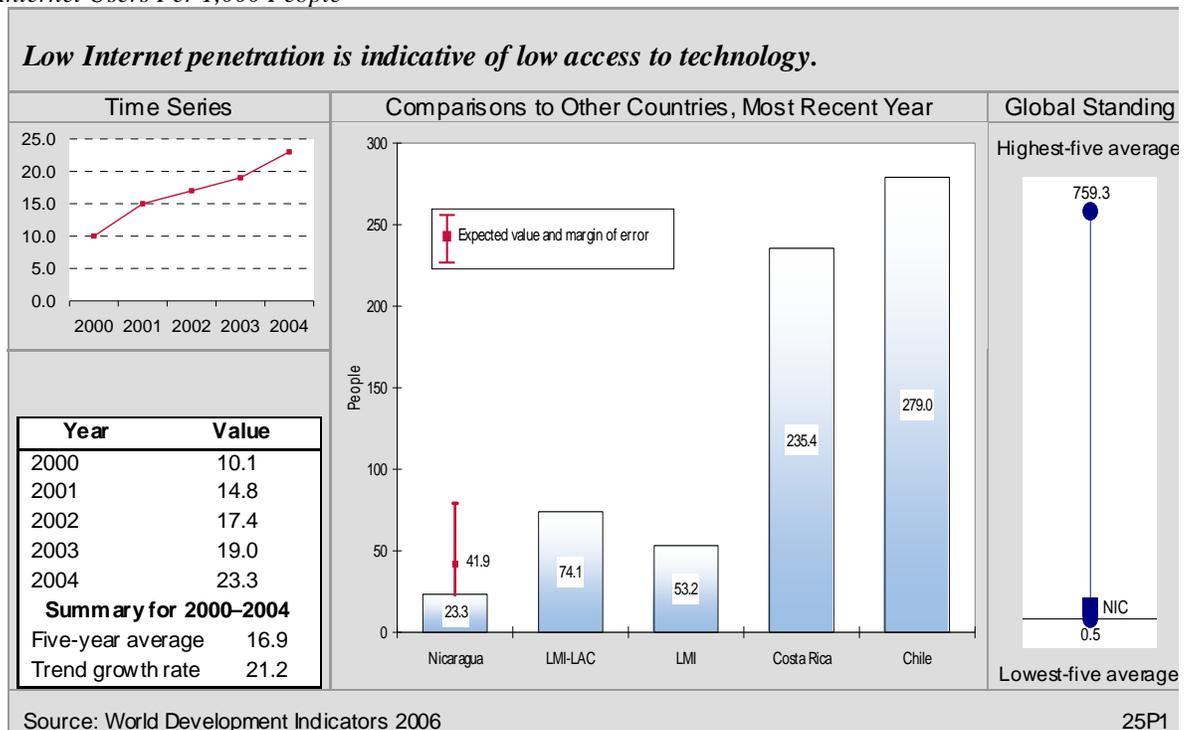
⁴⁰ “IMF to Extend 100 percent Debt Relief to Nicaragua Under the Multilateral Debt Relief Initiative” IMF Press Release No. 05/299.

⁴¹ This section relies on perception indicators to assess infrastructure quality and adequacy. Objective measures of infrastructure quantity often have little diagnostic value. For example, a low value for

the quality of its economic infrastructure. The Global Competitiveness Report's Overall Infrastructure Quality index scores Nicaragua an exceedingly low 1.9 on scale from 1 (for poor) to 7 (for good). Although this is not much worse than the predicted regression benchmark of 2.2, it is almost a full point behind the LMI-LAC average of 2.8 and Costa Rica's 2.9 and pales in comparison to Chile's score of 4.8. Nicaragua's low overall score is driven by the poor quality of its ports and railroads, with scores of 1.7 and 1.1 respectively.

With respect to telecommunications infrastructure, Nicaragua's performance is mixed. Telephone density increased rapidly between 2000 and 2004, more than tripling from 51 fixed and mobile lines per 1,000 people in 2000 to 177 in 2004. With the regression benchmark only 126, this is a great improvement, although there is still room for improvement—the LMI-LAC average is 321, and Costa Rica and Chile have telephone density figures of 362 and 732 respectively. But although Nicaragua has made great strides in telecommunications infrastructure, access to the Internet remain insufficient, at merely 23 users per 1,000 inhabitants in 2004. This is half the regression benchmark estimate of 42 and woefully behind the LMI-LAC average and values for Costa Rica and Chile (Figure 3-12).

Figure 3-12
Internet Users Per 1,000 People



kilometers of paved roads does not imply that there is a problem to be fixed, because unpaved all-weather roads may be more efficient than paving secondary and tertiary roads in poor countries.

Growth planning needs to address Nicaragua's shortcomings in economic infrastructure through port revitalization, provision of better road and rail networks, and enabling widespread access to Internet technology.

SCIENCE AND TECHNOLOGY

Science and technology are central elements of a dynamic growth process, because technical knowledge is a driving force for rising productivity and competitiveness. Even for lower-income countries such as Nicaragua, transformational development increasingly depends on acquiring and adapting technology from the global economy and applying it in ways that are appropriate to their level of development. A lack of capacity to access and utilize 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 Nicaragua. Of the standard indicators used for this series of reports, data for Nicaragua are available only for the FDI Technology Transfer index. This index measures executives' perceptions of the quality of FDI as a source of new technology on a scale of 1 (FDI brings little new technology) to 7 (FDI is an important source of new technology). Nicaragua's latest score (2004) of 4.2 is equal to the regression benchmark but below the LMI-LAC average of 4.6. Chile and Costa Rica had high scores of 5.3 and 5.5. These figures show that Nicaragua could do a better job of acquiring technology through FDI.

Technology is so important to modern economic growth that the country needs to be much more aware of technology transfer when evaluating projects. The lack of reliable data in itself points to the need for the government to improve intellectual capacity and human capital through research and development, education, and training.

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 other conditions 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 improvement in primary health and education, the creation of jobs and income opportunities, the development of skills, microfinance, agricultural development, and gender equality.⁴² This section focuses on four of these issues: health, education, employment and the workforce, and agricultural development.

HEALTH

Quality health care is an essential component to pro-poor growth because healthy populations have higher productivity and a longer productive span over a lifetime. Nicaragua performs poorly on indicators of public health. For instance, the LMI-LAC average maternal mortality rate is 150 maternal deaths per 100,000 live births, while in Nicaragua it is 230. Although the regression benchmark predicts that a country of Nicaragua's characteristics would have a maternal mortality rate of 324.5, this figure is very high and indicates poor health care (Figure 4-1).

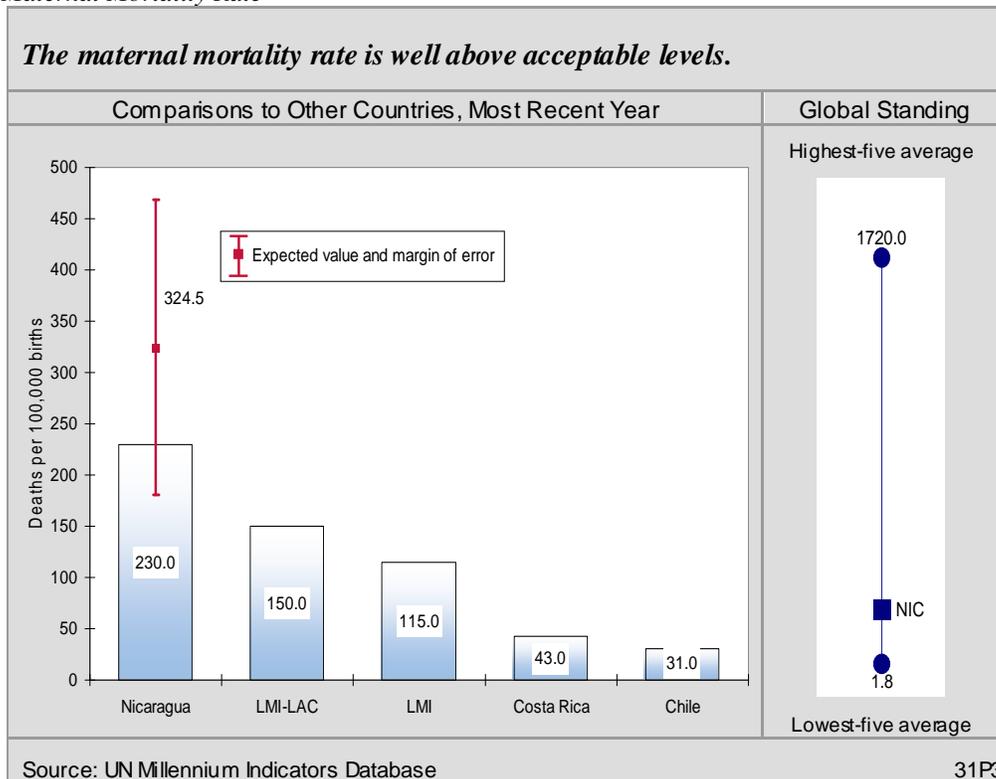
Similarly, the rate of births attended by health care personnel is low at 66.9 percent,⁴³ whereas the LMI-LAC average is 80.0 percent and Chile and Costa Rica boast full or almost full coverage with rates of 100.0 percent and 98.0 percent, respectively. Life expectancy, another indicator of overall health, is on par with the regional average—70.0 years compared to the LMI-LAC average of 70.2—while the regression benchmark predicts 67.1 years. In Chile and Costa Rica, however, life expectancy levels are appreciably higher, at 76.4 years and 78.6 years respectively, and show that more can be achieved in this respect.

Access to an improved water source is substandard in Nicaragua, with only 75.8 percent of the population having access to clean potable water, compared to the LMI-LAC average of 89.5 percent. Nicaragua does perform well, however, on access to improved sanitation, with 87.1 percent of the population in 2004, compared to the LMI-LAC average of 71.0 percent.

⁴² Since this report focuses on economic growth performance, this report does not cover emergency relief.

⁴³ These data go back to 2001 and therefore should be used with caution.

Figure 4-1
Maternal Mortality Rate



Nicaragua's poor performance on health-related indicators may be linked to low public expenditure for health programs. Between 1999 and 2003 Nicaragua spent an average of 3.7 percent of GDP per annum on public health. Programs that improve access to clean water and basic health care, particularly pre- and post-natal care, will significantly improve standards for public health care.

EDUCATION

Nicaragua's education system needs substantial improvement, especially at the secondary and preschool levels.⁴⁴

The net primary enrollment rate⁴⁵ for Nicaragua was 88.0 percent in 2004, lower than the regional benchmarks. The LMI-LAC average is 95.1 percent, while the corresponding figures for Costa Rica and Chile are 90.4 percent and 86.4 percent, respectively. Although enrollment rates are high, in 2004 just 73.5 percent of the students persisted to grade 5.⁴⁶ This falls well below the

⁴⁴ Preschool education is not an indicator usually used for economic performance assessments for country analytical reports, but Nicaragua's National Development Plan 2005 specifies preschool education as an intermediate goal to increase women's participation in the workforce.

⁴⁵ Net primary enrollment rate is an MDG indicator.

⁴⁶ Persistence to grade 5 is an MDG indicator.

persistence rate for Chile (99.9 percent) and Costa Rica (91.6 percent). The secondary school enrollment rate is estimated to be 36 percent for males and 42 percent for females.⁴⁷

The quality of education is difficult to gauge. One rough proxy is the pupil–teacher ratio in the primary schools.⁴⁸ Nicaragua’s ratio of 35:1 is higher than the average of 24:1 for LMI-LAC, as well as the ratios for Costa Rica (23:1) and Chile (33:1).

Nicaragua’s youth literacy rate (86.2 percent) may be consistent with the regression benchmark, but it is well below the regional average. A sign of improvement is the average growth trend of 4.2 percent in the youth literacy rate during the five years ending in 2001.

The National Development Plan, released in November 2005, set goals to increase the primary school enrollment rate to 90.5 percent and the rate of secondary education to 49.7 percent by 2010.⁴⁹ To accomplish these goals the government will need to increase expenditure in primary education as a percent of GDP.⁵⁰ The 1.4 percent for 2005 lags behind the LMI-LAC and LMI averages of 2.93 percent and 2.29 percent, respectively.

Spending at the secondary level has improved recently. In 2004, Nicaragua spent 10.7 percent of per capita GDP per secondary student (from 5.2 percent in 2002). Although it is far behind Costa Rica’s 22.9 percent and Chile’s 16 percent, it nears the LMI-LAC average of 11.1 percent. Remarkably, tertiary expenditure per student as a percentage of GDP per capita is 62.4 percent. This is much higher than all the comparable benchmarks, with Costa Rica at 50.6 percent and Chile at 17.7 percent. It is difficult to assess the benefits of such disproportional funding, given the lack of resources at the primary and secondary levels.

Education is a cornerstone of development and current and future initiatives must do a better job in addressing the country’s education needs. Programs to retain children past primary school and to increase enrollment in secondary school should be stimulated if Nicaragua is going to reach its goals.

EMPLOYMENT AND WORKFORCE

A strong and fully utilized labor force is the lynchpin of economic growth because it is the source of a nation’s productive capacity. Underemployment and employment in the informal sector threaten to undercut efforts at human development because workers are often paid low wages and have no legal recourse for abuse by employers. Workers in the informal sector also do not pay

⁴⁷ UNICEF – At a Glance: Nicaragua, Tables 2006. This is not a standard CAR indicator, but considered here due to the lack of other data. Secondary figure is net enrollment.

⁴⁸ Evidence of the link between class size and quality of education obtained is far from conclusive. However, there is a presumption that small class sizes allow teachers the opportunity to offer more individualized attention thereby facilitating learning and retention. In this regard, pupil-teacher ratio is widely used as a rough indicator of education quality and measure of commitment to primary education.

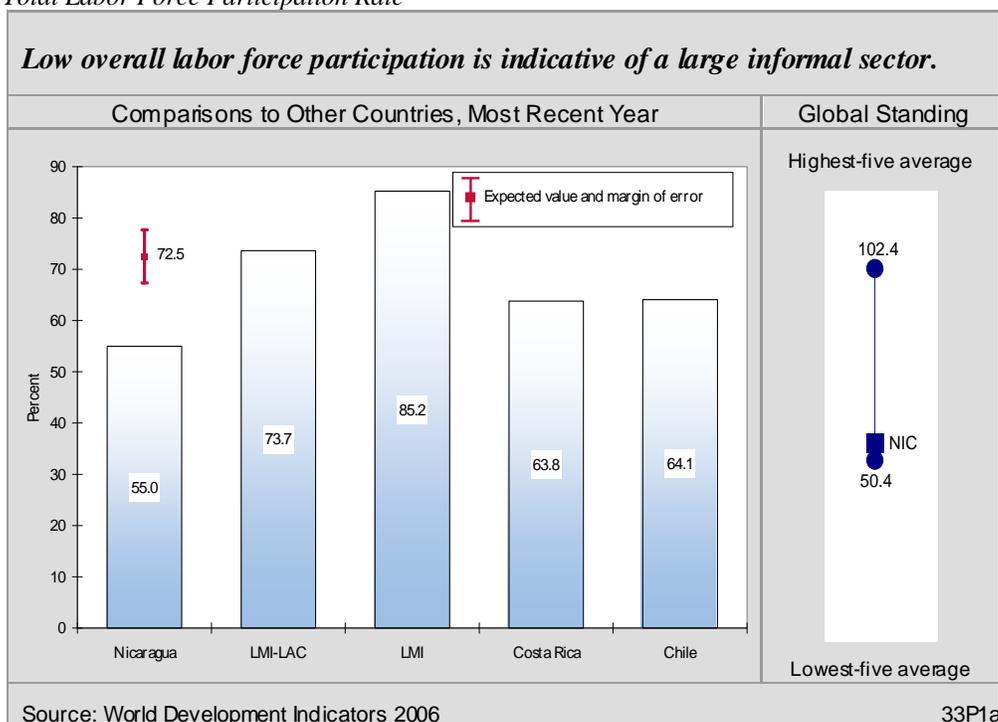
⁴⁹ Republic of Nicaragua, National Development Plan, November 2005. p. 22.

⁵⁰ Education expenditure as a percentage of GDP is an MCA indicator.

taxes, which reduces the amount of funds available for public spending on health, education, and other public goods.

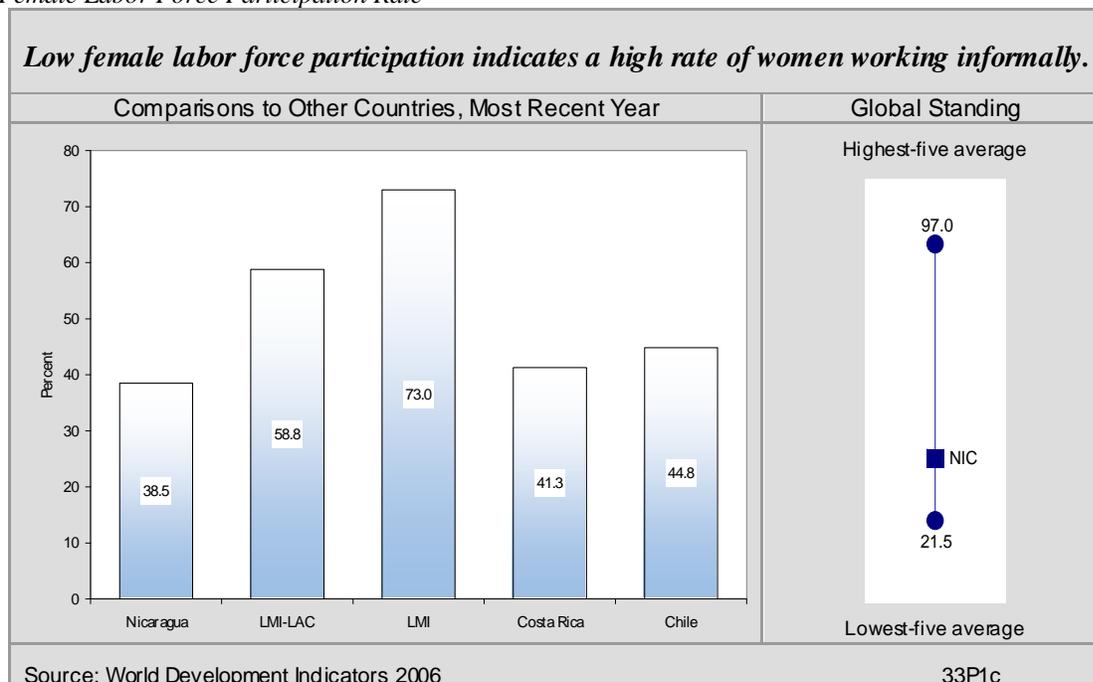
Nicaragua's labor force participation rate is extremely low, at 55 percent for 2005. The benchmark regression predicts a labor force participation rate of 72.5 percent for a country with Nicaragua's characteristics (Figure 4-2). The Rigidity of Employment index, based on scale of 0 for minimum rigidity to 100 for maximum rigidity, ranks Nicaragua at 47.0, or roughly at a mean score indicating that the (formal) labor force is neither excessively rigid or too flexible. With that in mind, Nicaragua's low labor force participation rate is attributable to a large informal sector rather than a lack of employment opportunities caused by rigid rules for hiring and firing employees. Formal unemployment, at a five year average of 10 percent, is high by OECD standards but not outside the norm for the developing world.

Figure 4-2
Total Labor Force Participation Rate



More troubling is the large gender discrepancy in labor force participation. The female labor force participation rate of 38.5 percent is only slightly more than half the male labor force participation rate of 72.0 percent, signifying a greater tendency for women to be employed in the informal sector (Figure 4-3). Accordingly, women have proportionately fewer rights than men in the labor force. Donors may wish to consider targeting interventions to mitigate the constraints on formal employment for women. Expanded female employment has the potential to reduce poverty substantially because women's incomes tend to be reinvested in human capital through the provision of education for children and increased household nutritional consumption. Nonetheless, with a labor force that is growing at a rate of 2.9 percent (2004) per year, job creation will continue to be the primary programmatic priority for Nicaragua in the coming years, regardless of gender.

Figure 4-3
Female Labor Force Participation Rate



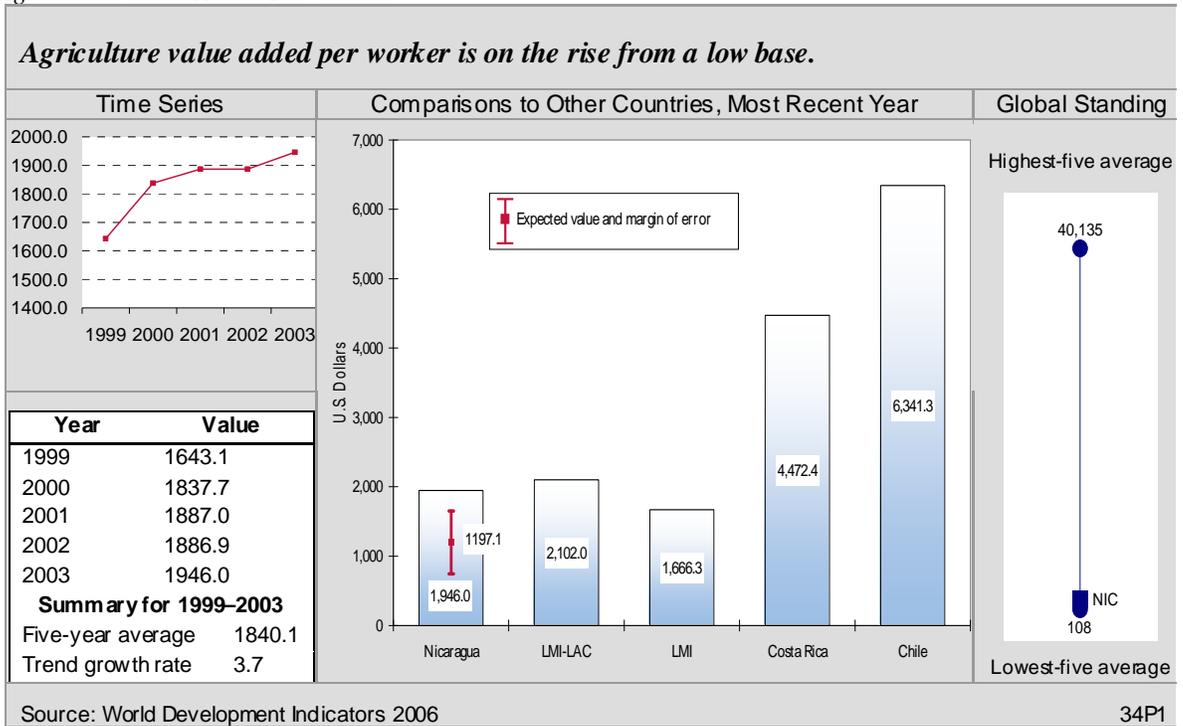
AGRICULTURE

As mentioned in the Economic Structure section, agriculture has accounted for about 19.5 percent of GDP in recent years, yet employment in the sector accounts for 30.5 percent of total employment. Employment in agriculture exhibits decreasing trend, accompanied by a slight increase in agricultural value added (4.7 percent from 1999 to 2004), indicating small gains in labor productivity. This is comparable to the LMI-LAC average of 2.0 percent. Nicaraguan agricultural value added per worker rose by 3.7 percent per year during the period, reaching US\$1,946, which is close to the regional benchmark of US\$2,102 for LMI-LAC and much higher than the regression benchmark of US\$1,197, although Chile far outperforms Nicaragua in this category at agricultural value added of US\$6,341 per worker (Figure 4-4).⁵¹ Cereal yields improved 1.2 percent in the five years leading to 2005, reaching 1,789.3 kg per hectare for 2005. These improvements are not sufficient, amounting to less than half of Costa Rica’s 3,803 kg per hectare yield and about one-third of Chile’s 5,313 kg per hectare yield.

Nicaragua is an agricultural economy with significant potential. However, continued productivity enhancements should be emphasized to expand this essential sector.

⁵¹ See Technical Notes for details. Data measured in constant 2000 US\$.

Figure 4-4
Agriculture Value Added Per Worker



5. Conclusions: Key Findings

Nicaragua remains one of the poorest countries in Latin America in terms of GDP per capita. It has suffered from intermittent political and social instability over the past few decades as well as from devastating natural disasters, including Hurricane Mitch. Despite this difficult past, Nicaragua performs well in several areas.

Some of the key strengths on which Nicaragua will be able to draw in the years to come include

- **CAFTA-DR.** Through CAFTA-DR, Nicaraguan producers of goods and services have secure tariff- and quota-free access to the largest consumer market in the world. Nicaragua will also benefit from CAFTA-DR's comprehensive rules on investment, intellectual property, government procurement, and transparency.
- **Debt relief.** Nicaragua has benefited from significant debt relief in recent years. Lifting the debt burden will free the country to make productive investments that will have positive social and economic impacts.
- **Investment.** Nicaragua's investment levels have been remarkably high, and it is the best performer in the CAFTA-DR region in this area. This sign of optimism in the private sector can be the catalyst that spurs economic growth in the years ahead.

Nicaragua also must address certain weaknesses, including the following:

- **Poverty and income inequality.** Nicaragua suffers from widespread poverty and an unequal distribution of income. Reducing poverty is fundamental to the country's long-term social stability and economic development.
- **Education is inadequate.** Few children enroll in primary school, and those that do often leave the education system before they reach fifth grade. The government devotes too few resources to the primary and secondary educational systems.
- **Although women have access to education, their level of participation in the labor force is woefully low.** Increasing the participation of women in the work force would help raise household incomes and reduce poverty.
- **Mismatch between number of workers employed in agriculture and agricultural productivity.** Many Nicaraguans are employed in low-productivity jobs in the agricultural sector. Improving the productivity of the agricultural sector while creating more non-farm employment opportunities is essential.

Given Nicaragua's strengths and weaknesses, donors must choose among a number of competing priorities. Donors should consider the following as among the highest priorities for intervention:

- ***Assisting Nicaragua in taking advantage of the opportunities generated by CAFTA-DR.*** Potential activities include (1) a comprehensive trade facilitation audit to identify the impediments to reducing the time required to trade; (2) technical assistance to the apparel sector; (3) assistance in implementing and administering the agreement, including rules of origin, intellectual property rights, and trade in services; and (4) development of a strategy to enhance the value-added share of Nicaragua's food and agricultural exports.
- ***Helping Nicaragua increase women's participation in formal employment.*** Activities to register and formalize firms in the informal sector and to enable access to credit for woman-owned micro, small, and medium enterprises would promote the employment of women.
- ***Improving educational attainment at all levels, giving the highest priority to establishing universal primary education.*** Programs to expand primary education in rural areas and to emphasize student retention should be emphasized.
- ***Increasing agricultural productivity and creating new opportunities for agricultural sector workers.*** Programs that improve agricultural productivity, especially those that assist producers in moving up the value chain, such as diversifying into horticultural crops or fresh vegetables, will increase incomes of those employed in agriculture. Furthermore, identifying high value-added sectors outside agriculture and assisting the growth of these sectors may be important for correcting the mismatch in the agricultural sector.

Appendix

CRITERIA FOR SELECTING INDICATORS

The economic performance evaluation is designed to balance the need for broad coverage and diagnostic value, on the one hand, and the requirement of brevity and clarity, on the other. The analysis covers 15 economic governance–related topics, and just over 100 variables. For the sake of brevity, the write-up in the text highlights issues for which the “dashboard lights” appear to be signaling problems, which suggest possible priorities for USAID intervention. The accompanying table provides a full list of indicators examined for this report. A separate Data Supplement contains the complete data set for Nicaragua, 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?” Primary indicators also include descriptive variables such as per capita income, poverty head count, and age dependency rate.

When level I indicators suggest weak performance, a limited set of *diagnostic supporting indicators* is reviewed. 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.⁵²

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

⁵² Deeper analysis of the topic using more detailed data (level III) is beyond the scope of this series.

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

BENCHMARKING METHODOLOGY

Comparative benchmarking is the main tool used to evaluate each indicator. The analysis draws on several criteria rather than a single mechanical rule. The starting point is a comparison of performance in Nicaragua relative to the average for countries in the higher-income group and region—in this case, Latin American and Caribbean countries with lower middle incomes.⁵³ For added perspective, three other comparisons are made: (1) the global average for this income group; (2) respective values for two comparator countries selected by the LAC Bureau (in this case, 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 when this information sheds light on the performance assessment.⁵⁴

For some 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.⁵⁵ This approach has three advantages. First, the benchmark is customized to Nicaragua’s specific level of income. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology allows the margin of error to be quantified and establishes a “normal band” for a country with Nicaragua’s characteristics. An observed value falling outside this band on the side of poor performance signals a serious problem.⁵⁶

Finally, when relevant, Nicaragua’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.

⁵³ Typically the same income group is chosen for analysis when income groups are defined by the World Bank for 2005. For this study, a higher income group is chosen because there are only two Latin American low-income countries: Nicaragua and Haiti. In addition, the average is defined in terms of the median rather than the mean because the values are not distorted by outliers.

⁵⁴ 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.

⁵⁵ This is a cross-sectional OLS regression using data for all developing countries. For any indicator, Y , the regression equation takes the form: Y (or $\ln Y$, as relevant) = $a + b * \ln \text{PCI} + c * \text{Region} + \text{error}$ – where PCI is per capita income in PPP\$, and Region is a set of 0-1 dummy variables indicating the region in which each country is located. Once estimates are obtained for the parameters a , b and c , the predicted value for Nicaragua is computed by plugging in Nicaragua-specific values for PCI and Region . When applicable, the regression also controls for population size and petroleum exports (as a percent of GDP).

⁵⁶ This report uses a margin of error of 0.66 times the standard error of estimate (adjusted for heteroskedasticity, where appropriate). With this value, 25 percent of the observations should fall outside the normal range on the side of poor performance (and 25 percent on the side of good performance). Some regressions produce a very large standard error, giving a “normal band” that is too wide to provide a discerning test of good or bad performance.

LIST OF INDICATORS

Indicator	Level ^a	MDG, MCA, or EcGov ^b	CAS 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, all levels, 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

Indicator	Level ^a	MDG, MCA, or EcGov ^b	CAS Code
Growth in the money supply	I	EcGov	21P3
Inflation rate	I	MCA	21P4
Overall 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
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

Indicator	Level ^a	MDG, MCA, or EcGov ^b	CAS Code
Actual and expected trade size, index	I		24P13
Time to trade, days	I		24P14
Merchandise imports from CAFTA countries, millions of current USD	I		24P15
Merchandise exports 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 imports from CAFTA countries, by country, millions of current USD	II		24S7
Composition of merchandise exports to CAFTA countries, by country, millions of current USD	II		24S8
Economic Infrastructure			
Internet users per 1,000 people	I	MDG	25P1
Overall infrastructure quality	I	EcGov	25P2
Telephone density, fixed line and mobile	I	MDG	25P3
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

Indicator	Level ^a	MDG, MCA, or EcGov ^b	CAS Code
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 and 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

^b MDG—Millennium Development Goal indicator

MCA—Millennium Challenge Account indicator

EcGov—Major indicators of economic governance, which, according to USAID’s Strategic Management Interim Guidance, 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.

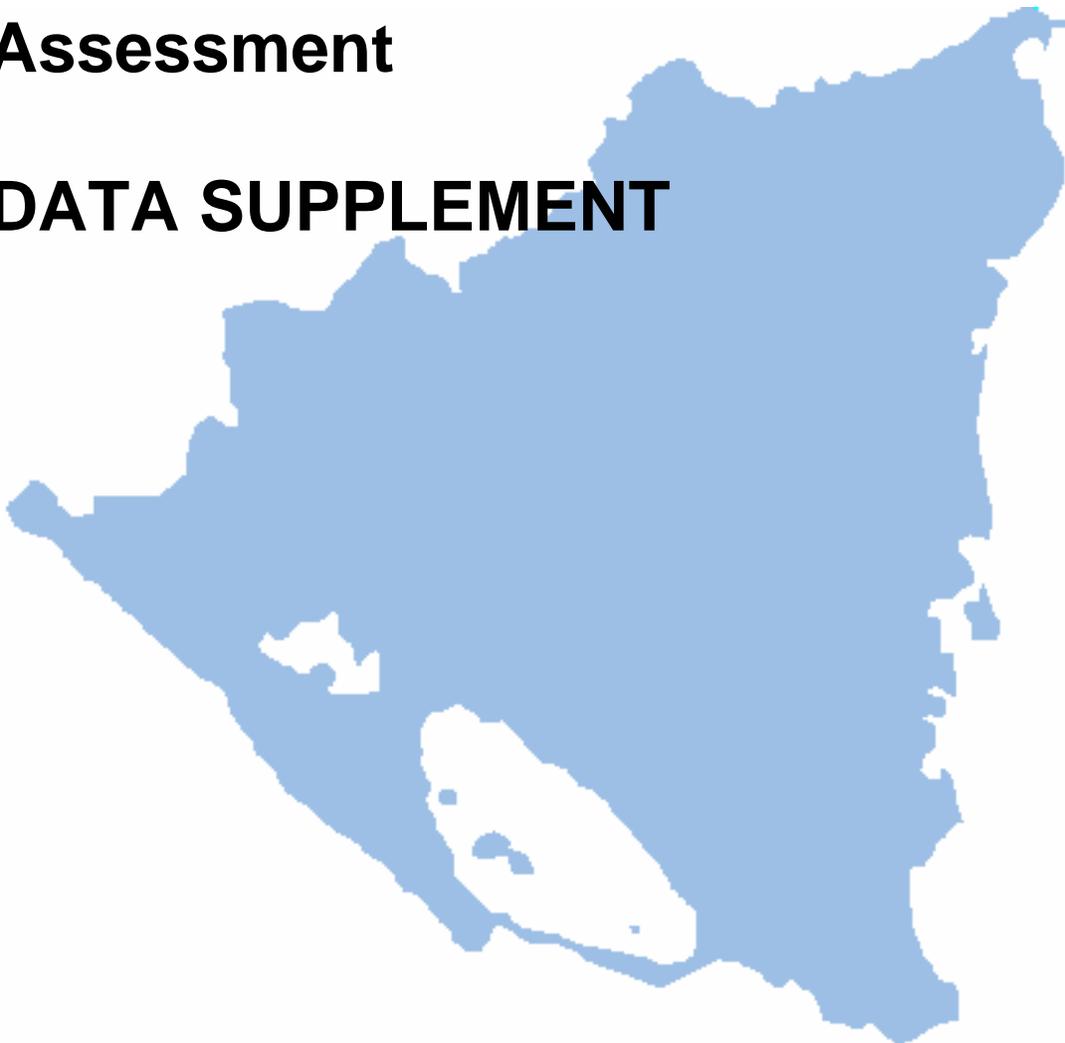


USAID
FROM THE AMERICAN PEOPLE

Nicaragua

Economic Performance Assessment

DATA SUPPLEMENT



June 2006

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

Nicaragua

Economic Performance

Assessment

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DISCLAIMER

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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:

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- 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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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
Nicaragua Data							
<i>Latest Year (T)</i>	2005	2005	2005	2003	2004	2004	.
Value Year T	3,636	867	4.0	-1.1	9.1	28.4	.
Value Year T-1	3,516	810	5.1	-2.4	9.3	26.1	.
Value Year T-2	3,346	756	2.3	-0.5	8.2	26.1	.
Value Year T-3	3,290	753	0.8	0.6	6.8	28.3	.
Value Year T-4	3,292	788	3.0	3.3	5.5	30.2	.
Average Value, 5 year	3,416	795	3.0	0.0	.	27.8	.
Growth Trend	2.7	2.7	.	.	.	-2.0	.
Benchmark Data							
Regression Benchmark	.	.	3.6	.	.	23.5	.
Lower Bound	.	.	2.2	.	.	20.9	.
Upper Bound	.	.	4.9	.	.	26.1	.
<i>Latest Year Costa Rica</i>	2005	2005	2005	2003	2003	2003	.
Costa Rica Value Latest Year	10,316	4,526	3.2	3.7	4.5	19.7	.
<i>Latest Year Chile</i>	2005	2005	2005	2003	2003	2003	.
Chile Value Latest Year	11,537	6,272	6.1	1.6	9.3	22.8	.
LMI-LAC Avg.	4,663	2,358	3.7	-0.2	10.0	18.5	.
Lower 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 share 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
<i>Nicaragua Data</i>									
<i>Latest Year (T)</i>	2003	2001	2001	2005	2005	2001	2001	2003	2001
Value Year T	17.7	5.6	45.1	51.9	YES	49.3	8.8	27.0	16.7
Value Year T-1	18.3	.	.	.	.	.	.	.	.
Value Year T-2	24.3	.	.	.	.	.	.	29.0	.
Value Year T-3	.	.	44.7	.	.	.	.	.	16.6
Value Year T-4	.	.	.	45.8	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	..	..	.	.
Growth Trend	.	.	.	.	.	.	.	.	.
<i>Benchmark Data</i>									
Regression Benchmark	21.5	4.0	24.1	46.2	.	.	.	24.3	.
Lower Bound	15.8	3.1	16.6	38.0	.	.	.	16.3	.
Upper Bound	27.1	4.9	31.7	54.4	.	.	.	32.3	.
<i>Latest Year Costa Rica</i>	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
<i>Latest Year Chile</i>	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
Lower 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	33.5	.	.	62.7	25.2	66.0	11.8
Low Five Avg.	4.1	5.9	2.0	.	.	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
Nicaragua Data						
<i>Latest Year (T)</i>	2003	2003	2003	2004	2004	2004
Value Year T	30.5	18.0	40.0	19.2	30.7	55.3
Value Year T-1	.	.	.	18.7	29.9	55.8
Value Year T-2	43.4	14.7	38.2	19.1	29.6	55.4
Value Year T-3	43.5	14.7	37.9	19.5	29.4	54.9
Value Year T-4	42.4	15.0	38.2	20.9	28.2	54.6
Average Value, 5 year	.	.	.	19.5	29.6	55.2
Growth Trend	.	.	.	-2.1	1.9	0.4
Benchmark Data						
Regression Benchmark	.	.	.	19.9	23.3	.
Lower Bound	.	.	.	13.9	17.3	.
Upper Bound	.	.	.	25.9	29.3	.
<i>Latest Year Costa Rica</i>	2002	2002	2002	2003	2003	2003
Costa Rica Value Latest Year	15.9	22.5	61.1	8.8	28.7	62.5
<i>Latest Year Chile</i>	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
Lower 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

Indicator Number	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
	14P1	14P2	14P3	14P4a	14P4b	14P5	15P1	15P2	15P3
Nicaragua Data									
<i>Latest Year (T)</i>	2004	2004	2005	2005	2005	2004	2004	2004	2004
Value Year T	76.7	0.75	50.2	5.5	2.0	57.7	1.00	0.97	0.93
Value Year T-1	.	0.77	.	5.4	2.0	57.3	1.00	0.96	0.93
Value Year T-2	.	0.78	.	5.3	2.1	56.9	1.00	0.95	0.93
Value Year T-3	.	0.80	51.8	5.2	2.0	56.5	.	0.94	.
Value Year T-4	.	0.82	.	5.1	.	56.1	.	0.94	0.93
Average Value, 5 year	68.1	0.78	.	5.3	.	56.9	.	0.95	.
Growth Trend	3.3	-2.14	.	2.0	.	0.7	.	0.78	.
Benchmark Data									
Regression Benchmark	75.4	0.68	45.2	.	1.9	47.2	.	.	.
Lower Bound	66.7	0.62	41.5	.	1.5	38.0	.	.	.
Upper Bound	84.0	0.74	48.9	.	2.3	56.4	.	.	.
<i>Latest Year Costa Rica</i>	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
<i>Latest Year Chile</i>	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
Lower 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	31,200.0	-0.8	9.0	0.91	0.86	0.84

Fiscal and Monetary Policy										
	Government expense, % GDP	Government revenue, % GDP	Growth in the broad money supply	Inflation rate	Cash Surplus/Deficit (% of GDP)	Composition of government expense (wages and salaries)	Composition of government expense (goods and services)	Composition of government expense (interest payments)	Composition of government expense (subsidies and other current transfers)	Composition of government expense (other expense)
Indicator Number	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S1e
<i>Nicaragua Data</i>										
<i>Latest Year (T)</i>	2004	2004	2004	2005	2004	2004	2004	2004	2004	2004
Value Year T	19.7	21.3	17.2	9.6	-1.0	35.0	12.3	12.4	37.4	2.8
Value Year T-1	20.3	20.6	12.6	8.5	-1.9	36.3	11.8	18.1	31.0	5.0
Value Year T-2	19.3	19.2	13.3	5.2	-1.7	37.9	14.7	14.2	29.3	4.0
Value Year T-3	21.8	17.5	4.1	4.0	-5.9	.	.	.	.	.
Value Year T-4	19.2	18.4	9.4	4.7	-3.1	.	.	.	.	.
Average Value, 5 year	20.1	19.4	11.3	6.4	-2.7	.	.	.	.	.
Growth Trend	-0.2	4.6	.	24.4	.	.	.	.	.	.
<i>Benchmark Data</i>										
Regression Benchmark	19.8	18.5	16.8	6.9	-2.6	.	.	.	.	.
Lower Bound	15.8	14.3	8.3	3.6	-4.2	.	.	.	.	.
Upper Bound	23.9	22.8	25.3	10.2	-1.0	.	.	.	.	.
<i>Latest Year Costa Rica</i>	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
<i>Latest Year Chile</i>	2003	2003	2003	2005	.	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
Lower 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 on 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
Nicaragua Data											
<i>Latest Year (T)</i>	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004
Value Year T	26.0	60.3	5.6	0.1	0.0	27.4	-42.1	88.1	8.3	69.5	-106.6
Value Year T-1	24.1	62.4	6.2	0.1	0.0	27.7	16.3	101.0	8.4	-47.8	-65.3
Value Year T-2	18.8	63.9	7.5	0.1	0.0	27.4	26.3	53.6	0.4	-27.3	-39.6
Value Year T-3	.	.	.	.	.	.	1,936.3	-714.3	16.8	267.6	-1,502.3
Value Year T-4	.	.	.	.	.	.	106.9	118.0	-3.0	-250.4	37.8
Average Value, 5 year	.	.	.	.	.	.	408.7	-70.7	6.2	2.3	-335.2
Growth Trend	.	.	.	.	.	.	.	.	.	.	.
Benchmark Data											
Regression Benchmark	.	.	.	.	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.	.	.	.	.
<i>Latest Year Costa Rica</i>	2003	2003	2003	2003	2003	2003	.	.	.	.	.
Costa Rica Value Latest Year	14.8	37.8	4.5	2.2	32.3	8.4	.	.	.	.	.
<i>Latest Year Chile</i>	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	40.6	7.8	2.2	6.7	13.4	.	.	.	.	.
Lower 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
<i>Nicaragua Data</i>											
<i>Latest Year (T)</i>	2005	2005	2004	2004	2005	2005	2005	2005	2005	2005	2005
Value Year T	2.6	59.0	-0.65	-0.15	139.1	20	7	8	155	65	42
Value Year T-1	2.7	.	.	.	170.1	18	7	9	155	65	45
Value Year T-2	2.6	.	-0.67	-0.41	.	.	.	.	.	.	.
Value Year T-3	2.5	.	.	.	.	.	.	.	.	.	.
Value Year T-4	2.4	.	-0.91	0.32	.	.	.	.	.	.	.
Average Value, 5 year	2.6	.	.	.	.	.	.	.	.	.	.
Growth Trend	2.4	.	.	.	.	.	.	.	.	.	.
<i>Benchmark Data</i>											
Regression Benchmark	2.7	.	-0.8	.	.	.	.	.	.	.	.
Lower Bound	2.2	.	-1.1	.	.	.	.	.	.	.	.
Upper Bound	3.2	.	-0.5	.	.	.	.	.	.	.	.
<i>Latest Year Costa Rica</i>											
Costa Rica Value Latest Year	4.2	89.0	0.57	0.67	23.8	34	6	11	550	21	77
<i>Latest Year Chile</i>											
Chile Value Latest Year	7.3	25.0	1.16	1.62	10.3	28	6	9	305	31	27
LMI-LAC Avg.	3.1	96.2	-0.58	-0.13	48.3	37	7	13	457	48	56
Lower Middle Income Avg.	2.9	85.6	-0.56	-0.34	25.3	30	7	11	409	52	45
High Five Avg.	9.6	153.0	1.98	1.88	777.9	65.2	15.8	17.2	1,166	557	180
Low Five Avg.	1.8	3.0	-1.92	-2.29	0.4	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
<i>Nicaragua Data</i>								
<i>Latest Year (T)</i>	2004	2004	2004	.	2004	2005	2005	2004
Value Year T	26.8	8.8	38.8	.	2.0	21.7	4.0	3.0
Value Year T-1	24.6	10.0	39.0	.	.	.	4.0	8.2
Value Year T-2	21.5	10.5	37.8	.	.	.	.	14.6
Value Year T-3	20.2	7.0	36.1	.	.	.	.	10.6
Value Year T-4	33.2	7.3	37.4	.	.	.	.	8.8
Average Value, 5 year	25.2	8.7	37.8	.	.	.	.	9.0
Growth Trend	-2.2	7.4	1.5	.	.	.	.	-21.4
<i>Benchmark Data</i>								
Regression Benchmark	26.4	11.6	36.8	27.7	.	.	.	.
Lower Bound	11.4	9.0	22.7	4.5	.	.	.	.
Upper Bound	41.5	14.2	50.9	51.0	.	.	.	.
<i>Latest Year Costa Rica</i>	2003	2003	2003	2003	2004	.	2005	2003
Costa Rica Value Latest Year	31.3	15.2	37.6	9.9	16.2	.	4.0	16.5
<i>Latest Year Chile</i>	2003	2003	2003	2003	2004	.	2005	2003
Chile Value Latest Year	63.3	3.5	36.8	119.2	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
Lower 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
Indicator Number	24P1	24P2	24P3	24P4	24P5	24P6	24P7	24P8	24P9	24P10
<i>Nicaragua Data</i>										
<i>Latest Year (T)</i>	2004	2005	2005	2005	2004	2005	2005	2004	2004	2005
Value Year T	28.3	-16.9	3.6	7.6	5.5	3.0	6.2	35.2	31.4	80.8
Value Year T-1	21.1	-17.0	7.5	10.8	4.8	2.8	6.7	39.9	33.6	78.7
Value Year T-2	13.5	-18.1	10.9	7.7	5.1	2.8	5.7	74.9	33.0	74.7
Value Year T-3	24.1	-19.1	16.4	-7.3	3.7	2.6	5.5	116.5	30.1	71.3
Value Year T-4	15.0	-19.4	22.4	12.5	6.8	2.4	4.8	155.8	29.0	72.7
Average Value, 5 year	20.4	-18.1	12.2	6.3	5.2	2.7	5.8	84.4	31.4	75.6
Growth Trend	11.9	.	-35.8	.	-1.4	5.3	7.5	-33.3	2.71	3.2
<i>Benchmark Data</i>										
Regression Benchmark	5.0	-7.1	11.7	8.1	3.3	3.8	.	54.8	.	69.1
Lower Bound	-1.5	-11.9	6.5	1.5	1.4	2.3	.	31.1	.	50.3
Upper Bound	11.5	-2.3	16.9	14.8	5.3	5.2	.	78.5	.	87.9
<i>Latest Year Costa Rica</i>	2003	2003	2003	2003	2003	2004	2003	2003	2003	2003
Costa Rica Value Latest Year	0.2	-5.6	9.7	12.5	3.3	2.3	8.9	36.1	3.8	95.4
<i>Latest Year Chile</i>	2003	2003	2003	2003	2003	2003	2004	2003	.	2003
Chile Value Latest Year	0.1	-0.8	31.3	11.4	4.1	6.8	10.3	67.0	.	68.3
LMI-LAC Avg.	1.0	-1.8	14.0	5.9	2.2	4.0	.	54.0	19.7	52.6
Lower Middle Income Avg.	1.8	-2.3	11.7	5.9	2.1	3.9	.	44.9	8.8	79.0
High Five Avg.	66.1	18.0	61.5	21.6	99.4	18.6	.	380.0	86.5	228.0
Low Five Avg.	-0.3	-27.8	0.9	-19.8	-0.4	0.3	.	9.1	0.0	27.1

External Sector (cont'd)

	Exports of services, % total exports	Imports of services, % total imports	Actual and 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 (1995=100)	Real effective exchange rate index (1995=100)
Indicator Number	24P11	24P12	24P13	24P14	24P15	24P16	24S1	24S2	24S3	24S4
<i>Nicaragua Data</i>										
<i>Latest Year (T)</i>	2003	2003	2003	2005	2004	2004	2004	2002	2004	2004
Value Year T	19.2	15.5	4.7	38.0	945.4	460.5	Coffee, Tea, Cocoa, Spices	0.13	91.0	82.6
Value Year T-1	19.8	15.3	4.5	.	922.2	449.7	Meat, Meat Preparations	0.13	88.6	87.1
Value Year T-2	19.7	16.3	4.6	.	946.5	457.8	Fish, Crustaceans	0.12	88.1	98.8
Value Year T-3	20.1	16.0	4.8	.	944.0	332.5	Gold, Nonmonetary	0.13	90.7	103.0
Value Year T-4	22.2	15.5	.	.	910.0	414.3	Vegetables and Fruit	0.12	100.0	100.0
Average Value, 5 year	20.1	15.7	4.7	.	933.6	423.0	.	0.12	91.7	94.3
Growth Trend	-3.1	-0.4	-0.9	.	0.5	5.3	.	1.3	-2.1	-5.4
<i>Benchmark Data</i>										
Regression Benchmark	.	.	.	.	.	.	.	0.1	.	.
Lower Bound	.	.	.	.	.	.	.	0.1	.	.
Upper Bound	.	.	.	.	.	.	.	0.1	.	.
<i>Latest Year Costa Rica</i>	2003	2003	2003	2005	2004	2004	.	2002	2002	.
Costa Rica Value Latest Year	24.9	14.0	5.5	39.0	3,942.4	3,590.7	.	0.18	97.0	.
<i>Latest Year Chile</i>	2003	2003	2003	2005	2004	2004	.	2002	2002	.
Chile Value Latest Year	18.6	23.6	6.7	23.5	3,404.7	4,982.7	.	0.24	93.0	.
LMI-LAC Avg.	16.5	21.9	5.1	34.7	.	.	.	0.16	97.0	.
Lower Middle Income Avg.	13.8	17.2	5.8	36.1	.	.	.	0.16	98.5	.
High Five Avg.	83.8	50.4	10.0	120.8	.	.	.	0.50	149.8	.
Low Five Avg.	1.4	5.4	0.1	6.2	.	.	.	0.06	71.8	.

External Sector (cont'd)						
	Structure of merchandise exports (agricultural raw materials)	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)
Indicator Number	24S5a	24S5b	24S5c	24S5d	24S5e	24S6
Nicaragua Data						
<i>Latest Year (T)</i>	2004	2004	2004	2004	2004	2005
Value Year T	1.8	0.9	11.3	1.0	84.8	2.0
Value Year T-1	2.2	1.1	12.5	0.7	83.4	2.0
Value Year T-2	3.7	1.8	19.3	2.6	72.2	2.0
Value Year T-3	2.8	1.6	12.6	0.5	82.2	4.0
Value Year T-4	2.1	1.6	7.8	0.4	88.0	4.0
Average Value, 5 year	2.5	1.4	12.7	1.0	82.1	2.8
Growth Trend	-5.8	-13.5	7.6	25.3	-0.6	-18.8
Benchmark Data						
Regression Benchmark	5.5	.	.	.	.	.
Lower Bound	-0.9	.	.	.	.	.
Upper Bound	11.9	.	.	.	.	.
<i>Latest Year Costa Rica</i>	2003	2003	2003	2003	2003	2005
Costa Rica Value Latest Year	3.1	0.5	65.6	0.7	30.2	3.0
<i>Latest Year Chile</i>	2003	2003	2003	2003	2003	2005
Chile Value Latest Year	8.9	2.2	16.4	41.7	28.2	1.0
LMI-LAC Avg.	4.2	8.2	24.1	3.3	33.8	4.0
Lower Middle Income Avg.	2.3	5.6	44.4	3.2	14.5	4.0
High Five Avg.	30.8	92.8	94.2	51.5	91.0	5.0
Low Five Avg.	0.0	0.0	2.6	0.0	0.5	1.0

External Sector (cont'd)							
	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)	CAFTA merchandise imports (imports from Nicaragua, mil. current USD)	CAFTA merchandise imports (imports from U.S.A., mil. current USD)
Indicator Number	24S7a	24S7b	24S7c	24S7d	24S7e	24S7f	24S7g
Nicaragua Data							
<i>Latest Year (T)</i>	2004	2004	2004	2004	2004	2004	2004
Value Year T	189.1	3.4	108.7	151.8	Not Reported	Not Applicable	492.3
Value Year T-1	164.9	1.5	83.7	132.1	32.7	Not Applicable	507.3
Value Year T-2	170.4	1.7	113.4	149.6	14.9	Not Applicable	496.6
Value Year T-3	188.0	1.5	110.9	142.8	23.3	Not Applicable	477.4
Value Year T-4	198.7	1.3	122.8	142.0	27.0	Not Applicable	418.2
Average Value, 5 year	182.2	1.9	107.9	143.7	24.5	Not Applicable	478.4
Growth Trend	.	.	.	.	.	.	.
Benchmark Data							
Regression Benchmark	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.
<i>Latest Year Costa Rica</i>	2004	2004	2004	2004	2004	2004	2004
Costa Rica Value Latest Year	Not Applicable	12.2	88.4	158.7	36.0	50.8	3,596.3
<i>Latest Year Chile</i>	2004	2004	2004	2004	2004	2004	2004
Chile Value Latest Year	9.0	2.8	3.0	12.3	1.1	0.1	3,376.4
LMI-LAC Avg.	.	.	.	.	.	.	.
Lower Middle Income Avg.	.	.	.	.	.	.	.
High Five Avg.	.	.	.	.	.	.	.
Low Five Avg.	.	.	.	.	.	.	.

External Sector (cont'd)							
	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	24S8a	24S8b	24S8c	24S8d	24S8e	24S8f	24S8g
Nicaragua Data							
<i>Latest Year (T)</i>	2004	2004	2004	2004	2004	2004	2004
Value Year T	50.5	5.9	109.0	32.2	Not Reported	Not Applicable	262.8
Value Year T-1	49.2	6.2	104.3	25.8	43.3	Not Applicable	220.9
Value Year T-2	67.7	3.2	109.6	33.2	59.5	Not Applicable	184.6
Value Year T-3	36.6	2.6	75.8	22.8	38.6	Not Applicable	156.1
Value Year T-4	37.7	3.1	70.7	19.5	36.1	Not Applicable	247.1
Average Value, 5 year	48.4	4.2	93.9	26.7	44.4	Not Applicable	214.3
Growth Trend	.	.	.	.	.	.	.
Benchmark Data							
Regression Benchmark	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.
<i>Latest Year Costa Rica</i>	2004	2004	2004	2004	2004	2004	2004
Costa Rica Value Latest Year	Not Applicable	70.6	195.9	272.8	185.6	219.9	2,645.9
<i>Latest Year Chile</i>	2004	2004	2004	2004	2004	2004	2004
Chile Value Latest Year	97.0	28.6	56.4	165.6	57.2	8.4	4,569.5
LMI-LAC Avg.	.	.	.	.	.	.	.
Lower Middle Income Avg.	.	.	.	.	.	.	.
High Five Avg.	.	.	.	.	.	.	.
Low Five Avg.	.	.	.	.	.	.	.

Economic Infrastructure								
Indicator Number	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
	25P1	25P2	25P3	25S1a	25S1b	25S1c	25S1d	25S2
Nicaragua Data								
<i>Latest Year (T)</i>	2004	2004	2004	2004	2004	2004	2004	2003
Value Year T	23.3	1.9	177	3.0	1.7	1.1	3.10	0.08
Value Year T-1	19.0	.	128	.	.	.	.	0.08
Value Year T-2	17.4	.	79	.	.	.	.	0.10
Value Year T-3	14.8	.	64	.	.	.	.	0.11
Value Year T-4	10.1	.	51	.	.	.	.	0.09
Average Value, 5 year	16.9	.	100	.	.	.	.	0.09
Growth Trend	21.2	.	37.3	.	.	.	.	-4.2
Benchmark Data								
Regression Benchmark	41.9	2.2	126	.	.	.	.	.
Lower Bound	3.2	1.8	73	.	.	.	.	.
Upper Bound	80.5	2.6	179	.	.	.	.	.
Latest Year Costa Rica								
Costa Rica Value Latest Year	235.4	2.9	362	4.1	2.1	1.2	4.60	0.02
Latest Year Chile								
Chile Value Latest Year	279.0	4.8	732	5.4	4.6	2.2	5.50	0.10
LMI-LAC Avg.	74.1	2.8	321	3.7	2.6	1.4	4.00	0.06
Lower Middle Income Avg.	53.2	3.1	273	4.0	3.4	2.2	4.10	0.03
High Five Avg.	759.3	6.7	1,686	6.7	6.6	6.5	6.90	0.41
Low Five Avg.	0.5	1.5	10	2.4	1.3	1.1	1.40	0.00

Indicator Number	Science and Technology			Health				
	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	HIV prevalence	Life expectancy at birth	Maternal mortality rate, per 100,000 live births	Access to improved sanitation	Access to improved water source
	26P1	26P2	26P3	31P1	31P2	31P3	31S1	31S2
Nicaragua Data								
<i>Latest Year (T)</i>	2002	2004	1999	2003	2004	2000	2004	2004
Value Year T	0.1	4.2	9.0	0.2	70.1	230.0	87.1	75.8
Value Year T-1	.	.	12.0	.	69.8	.	.	73.2
Value Year T-2	.	.	.	0.2	69.5	.	66.0	71.3
Value Year T-3	.	.	.	.	.	.	.	70.2
Value Year T-4	.	.	.	0.2	68.9	.	.	67.2
Average Value, 5 year	.	.	.	.	.	.	.	71.5
Growth Trend	.	.	.	.	.	.	.	2.9
Benchmark Data								
Regression Benchmark	.	4.2	.	.	67.1	324.5	.	.
Lower Bound	.	3.8	.	.	63.3	180.2	.	.
Upper Bound	.	4.6	.	.	70.9	468.7	.	.
<i>Latest Year Costa Rica</i>	2000	2004	2002	2003	2003	2000	2002	2002
Costa Rica Value Latest Year	0.4	5.5	0.0	0.6	78.6	43.0	92.0	97.0
<i>Latest Year Chile</i>	2001	2004	2000	2003	2003	2000	2002	2002
Chile Value Latest Year	0.5	5.3	241.0	0.3	76.4	31.0	92.0	95.0
LMI-LAC Avg.	0.1	4.6	13.0	0.7	70.2	150.0	71.0	89.5
Lower Middle Income Avg.	0.3	4.5	13.0	0.1	69.6	115.0	73.0	85.0
High Five Avg.	3.5	5.9	153,540.2	30.2	80.5	1,720.0	100.0	100.0
Low Five Avg.	0.1	3.3	0.0	0.1	37.3	1.8	8.0	26.4

	Health (cont'd)				Education						
	Births attended by skilled health personnel	Child immunization rate	Prevalence of child malnutrition (weight for age)	Public health expenditure, % GDP	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
Indicator Number	31S3	31S4	31S5	31S6	32P1a	32P1b	32P1c	32P2a	32P2b	32P2c	32P3
Nicaragua Data											
<i>Latest Year (T)</i>	2001	2004	2001	2003	2004	2004	2004	2004	2003	2003	2004
Value Year T	66.9	81.5	9.6	3.7	88.0	87.4	88.5	73.5	60.9	52.46	86.2
Value Year T-1	.	89.5	.	3.9	88.0	87.4	88.5	73.1	60.8	55.40	.
Value Year T-2	.	91.5	.	3.7	88.0	87.8	88.3	74.0	67.3	62.50	.
Value Year T-3	64.6	88.0	12.2	3.7	82.8	83.1	82.6	66.7	58.3	50.51	86.2
Value Year T-4	.	84.5	.	3.2	80.5	80.9	80.1	66.0	52.6	44.64	71.6
Average Value, 5 year	.	87.0	.	3.7	85.4	85.3	85.6	70.7	60.0	53.10	.
Growth Trend	.	-0.6	.	3.8	2.4	2.1	2.7	3.1	3.4	4.2	.
Benchmark Data											
Regression Benchmark	56.7	.	.	.	87.3	.	.	71.7	.	.	84.4
Lower Bound	45.9	.	.	.	80.7	.	.	64.8	.	.	76.0
Upper Bound	67.5	.	.	.	93.8	.	.	78.7	.	.	92.7
<i>Latest Year Costa Rica</i>	2001	2003	.	2002	2002	2002	2002	2001	2001	2001	2002
Costa Rica Value Latest Year	98.0	88.5	.	6.1	90.4	91.2	89.7	91.6	93.1	90.21	98.4
<i>Latest Year Chile</i>	2001	2003	2002	2002	2002	2002	2002	1999	1999	1999	2002
Chile Value Latest Year	100.0	99.0	0.8	2.6	86.5	86.0	87.0	99.9	99.9	100.00	99.0
LMI-LAC Avg.	80.0	87.3	14.0	3.5	95.1	94.4	94.6	69.4	74.0	67.09	94.5
Lower Middle Income Avg.	69.0	92.5	7.0	3.2	92.4	92.6	92.9	77.8	77.7	79.54	96.8
High Five Avg.	.	99.0	36.3	8.7	100.0	100.0	100.0	99.2	99.8	99.30	99.8
Low Five Avg.	20.8	39.0	7.3	0.6	42.3	36.9	47.6	52.3	51.5	51.78	46.4

Indicator Number	Education (cont'd)					Employment and Workforce			
	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	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)
	32S1	32S2a	32S2b	32S2c	32S3	33P1a	33P1b	33P1c	33P2
Nicaragua Data									
<i>Latest Year (T)</i>	2005	2004	2004	2002	2004	2005	2005	2005	2005
Value Year T	1.40	9.1	10.7	62.4	35.0	55.0	72.0	38.5	47.0
Value Year T-1	.	.	.	.	35.0	.	.	.	51.0
Value Year T-2	.	8.9	5.2	.	35.2	.	.	.	.
Value Year T-3	.	.	.	.	36.7	.	.	.	.
Value Year T-4	.	17.4	.	.	35.7	53.8	71.9	36.3	.
Average Value, 5 year	.	.	.	.	35.5	.	.	.	.
Growth Trend	.	.	.	.	-0.8	.	-1.4	1.4	.
Benchmark Data									
Regression Benchmark	.	.	.	.	.	72.5	.	.	43.1
Lower Bound	.	.	.	.	.	67.3	.	.	31.8
Upper Bound	.	.	.	.	.	77.7	.	.	54.4
<i>Latest Year Costa Rica</i>	.	2002	2002	2002	2002	2003	2003	2003	2005
Costa Rica Value Latest Year	.	16.2	22.9	50.6	22.6	63.8	86.6	41.3	39.0
<i>Latest Year Chile</i>	.	2002	2002	2002	2002	2003	2003	2003	2005
Chile Value Latest Year	.	15.8	15.6	17.7	32.9	64.1	83.5	44.8	24.0
LMI-LAC Avg.	2.93	12.7	11.1	37.2	23.7	73.7	89.2	58.8	44.0
Lower Middle Income Avg.	2.29	11.5	14.8	35.5	20.8	85.2	97.1	73.0	41.0
High Five Avg.	5.54	31.3	46.9	344.3	65.5	102.4	112.6	97.0	84.8
Low Five Avg.	0.17	6.2	6.0	9.8	11.7	50.4	70.9	21.5	2.0

	Employment and Workforce (cont'd)			Agriculture					
	Size of labor force	Labor force growth rate	Unemployment rate	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	33P3a	33P3b	33P4	34P1	34P2	34P3	34S1	34S2	34S3
<i>Nicaragua Data</i>									
Latest Year (T)	2004	2004	2003	2003	2005	2004	2004	2004	2004
Value Year T	1,966,355	2.9	8	1,946.0	1,789.3	6.0	3.1	119.1	123.9
Value Year T-1	1,910,125	3.5	12	1,886.9	1,739.8	2.9	.	119.4	120.1
Value Year T-2	1,846,192	3.3	11	1,887.0	1,804.7	-0.3	.	107.5	115.8
Value Year T-3	1,787,446	3.3	10	1,837.7	1,731.9	2.7	.	100.5	108.1
Value Year T-4	1,730,845	.	11	1,643.1	1,692.9	12.1	.	103.7	104.8
Average Value, 5 year	1,848,193	3.2	10	1,840.1	1,751.7	4.7	.	110.0	114.5
Growth Trend	3.3	.	-4.0	3.7	1.2	.	.	4.6	4.5
<i>Benchmark Data</i>									
Regression Benchmark	.	2.7	.	1,197.1	.	0.9	.	.	.
Lower Bound	.	2.3	.	742.7	.	-3.4	.	.	.
Upper Bound	.	3.2	.	1,651.5	.	5.2	.	.	.
Latest Year Costa Rica	2003	2004	2002	2003	2004	2003	2004	2004	2004
Costa Rica Value Latest Year	1,641,238	2.0	6	4,472.4	3,803.1	7.4	3.8	91.8	97.1
Latest Year Chile	2003	2004	2002	2003	2004	2003	2004	2004	2004
Chile Value Latest Year	6,619,875	2.1	8	6,341.3	5,313.4	3.3	4.6	107.0	107.7
LMI-LAC Avg.	3,762,947	.	5	2,102.0	2,412.8	2.0	3.4	106.5	102.6
Lower Middle Income Avg.	4,061,858	2.3	9	1,666.3	2,441.0	2.8	3.5	106.3	103.4
High Five Avg.	316,912,650	5.7	24	40,134.9	7,775.3	22.0	5.3	134.9	145.5
Low Five Avg.	125,147	-0.3	2	108.2	312.1	-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 SL.DST.05TH.20 and SL.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 SL.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: The 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://www1.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 Indicators <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: Private capital inflows flows are the sum of the absolute values 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/Unaid/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 (whooping cough), and tetanus (DDPT).

Coverage: Data are available for about 88 USAID countries.

CAS Code #31S4

Prevalence of child malnutrition, weight for age

Source: World Development Indicators 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