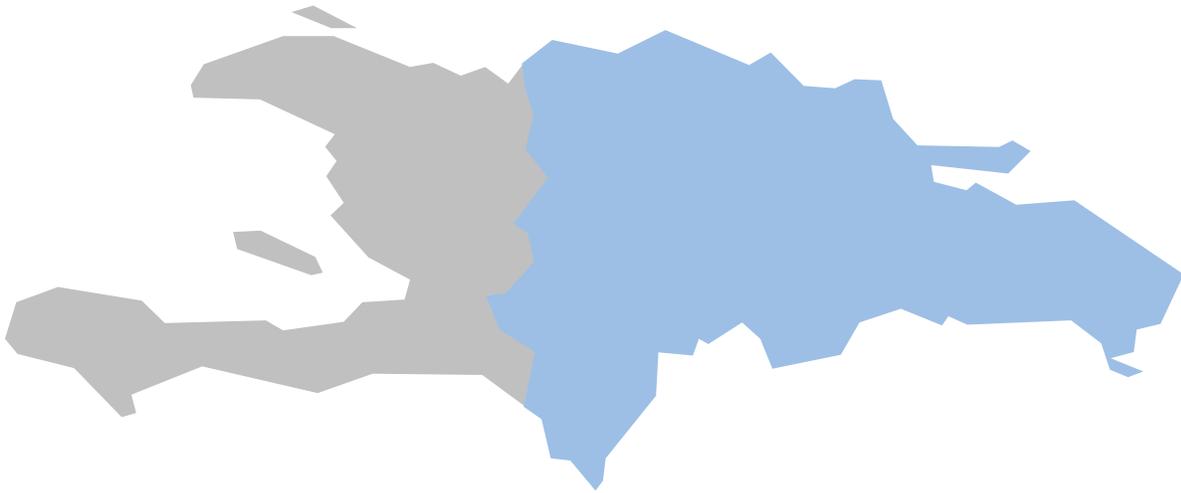




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Dominican Republic Economic Performance Assessment



May 2006

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Dominican Republic 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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NOTE ON DOMINICAN REPUBLIC DATA

Up-to-date statistics for the Dominican Republic from standard international sources are limited. When possible, the CAS team has used more recent statistics from national sources such as the Central Bank. Some indicators from national sources, however, are not entirely 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 Dominican Republic were not available to the public; the analysis therefore used the limited data from the IMF Public Information Notice about the IMF review and IMF data from the September 2005 World Economic Outlook (WEO). As the report was being finalized, the IMF released the April 2006 WEO data set; where the updated figures differ substantially from the September 2005 figures, the latest numbers have been used in the report. There are also weaknesses in trade statistics. Trade data for the Dominican Republic, as reported to international bodies, run only to 2001; more recent trade data rely on "mirror" statistics reported by partner countries.

HIGHLIGHTS OF THE DOMINICAN REPUBLIC'S PERFORMANCE

Economic Growth	GDP growth has recovered from the 2003 banking crisis and compares favorably with regional benchmarks. The IMF projects a growth rate of 5.4% in 2006, following 9.0% growth in 2005. Fixed investment has been strong. There are problems with capital and labor productivity, but these may reflect effects of the crisis rather than structural problems.
Poverty	The latest data on poverty and inequality predate the 2003 crisis, which pushed an estimated 15% of the population into poverty and worsened living conditions across most income groups. Even before the crisis, 25% of the population was not obtaining a minimum level of dietary energy consumption.
Economic Structure	Economic activity is relatively well diversified, with a shift from industry to services in recent years. Labor productivity is remarkably uniform across sectors, indicating flexible labor markets.
Demography and Environment	Both population growth and the age dependency ratio are declining, which should boost per capita income growth. Population growth in tourist areas is contributing to environmental problems.
Gender	Gender indicators point to overall equity in women's access to health and education services, but women's participation in the labor force is low.
Fiscal and Monetary Policy	The Dominican Republic's macroeconomic indicators have improved greatly since the crisis. Nevertheless, fiscal consolidation remains a priority for maintaining stability.
Business Environment	The indicators suggest that the Dominican Republic is a difficult place to do business. Corruption is a concern, but regulatory constraints also impair private sector development.
Financial Sector	Not surprisingly, financial sector indicators worsened with the crisis in 2003. Some indicators still beat regional norms, but the financial system overall does not provide the quality of services needed to support private sector growth.
External Sector	The Dominican Republic is a highly open economy. Trade in services especially has been rising, as well as worker remittances. Capital flight during the crisis led to the virtual exhaustion of international reserves, which remain critically low. Higher-value exports and private capital inflows are needed.
Economic Infrastructure	Infrastructure development is generally superior to that of its peers, with the important exception of electricity supply, which is a serious problem.
Health	Both life expectancy and maternal mortality lag behind regional averages, as does government spending on health (as a percentage of GDP).
Education	Primary enrollment rates are excellent by any standard. However, much needs to be done to increase enrollment at the secondary and tertiary levels and to improve the quality of the education system.
Employment and Workforce	Unemployment was very high before the banking crisis in 2003 and then rose sharply, to 19.7%, in 2004. Job creation is a high-priority concern.
Agriculture	Growth in agriculture has been strong. Productivity measures such as value added per worker and cereal yields exhibit very good gains.

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

DOMINICAN REPUBLIC: 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		
Population (%) below minimum dietary energy consumption		X
Demography and the environment		
Environmental Sustainability Index		X
Gender		
Adult literacy rate, male-to-female ratio	X	
Gross enrollment rates, all levels, male-to-female ratio	X	
Life expectancy at birth, male-to-female ratio	X	
Labor force participation rate, female		X
Fiscal and Monetary Policy		
Cash/surplus deficit (% of GDP)		X
Business environment		
Ease of Doing Business ranking		X
Corruption Perception Index		X
Rule of Law Index		X
Regulatory Quality Index		X
Procedures to enforce a contract	X	
Procedures to start a business	X	
Time to enforce a contract		X
Time to register property		X
Time to start a business		X
Financial Sector		
Domestic credit to the private sector, % of GDP		X
Stock market capitalization rate, % of GDP		X
External sector		
Trade, % of GDP	X	
Actual-to-expected trade size index	X	
Aid, % of GNI	X	
Gross international reserves, months of imports		X
Remittances receipts, % of exports	X	
Private capital inflows, % of GDP		X
Time to trade (average import and export days)	X	

Indicator	Strength	Weakness
Economic Infrastructure		
Overall Infrastructure Quality Index	X	
Telephone density, fixed line and mobile per 1,000 people	X	
Quality of infrastructure index—electricity		X
Health		
Life expectancy		X
Health spending as a % of GDP		X
HIV prevalence		X
Education		
Net primary enrollment rate (total)	X	
Persistence in school to grade 5, percentage of total		X
Pupil-to-teacher ratio, primary school		X
Expenditure per student, % of GDP per capita, primary and secondary		X
Employment and Workforce		
Unemployment rate		X
Agriculture		
Agriculture value-added per worker	X	
Cereal yield	X	

Note: The chart identifies selective indicators for which Dominican Republic'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 other instances 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; investment in education, health, and workforce skills; infrastructure development; and sustainable use of natural resources.

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

² 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.

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 farming is a major source of livelihood for the poor); 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. A concluding section summarizes the key findings and central messages. Finally, 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 1-1
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 on 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 macroeconomic performance, poverty and inequality, economic structure, demographic and environmental conditions, and indicators of gender equity for the Dominican Republic.⁵ Some of the indicators cited here are descriptive rather than analytical to provide context for the performance analysis.

GROWTH PERFORMANCE

With an estimated per capita GDP of \$3,234 in 2005, the Dominican Republic ranks near the top of the World Bank's lower-middle-income group⁶ and well above the average of \$2,357 for lower-middle-income countries in Latin America and the Caribbean (LMI-LAC). In the mid- to late 1990s, real GDP grew at annual rates of more than 7 percent. Growth slowed to about 4 percent in 2001 and 2002 and then GDP actually declined by 1.9 percent in 2003 because of a severe banking crisis. The country experienced a partial recovery in 2004, with GDP growing by 2.0 percent, followed by a strong recovery in 2005, with the growth rate reaching 9.0 percent, driven by a rebound in private consumption and investment.⁷ A burst of rapid growth is not unusual in the wake of a crisis such as occurred in 2003. In any case, the IMF projects GDP growth of 5.4 percent in 2006.⁸ Although this is lower than rates achieved in the 1990s, it compares favorably with our benchmark regression estimate of 3.6 percent for a country with the Dominican Republic's characteristics, and with the LMI-LAC average of 3.7 percent. The Dominican Republic must aim to sustain growth rates at or above the level projected for 2006 to achieve visible and widespread improvements in living standards (Figure 2-1).

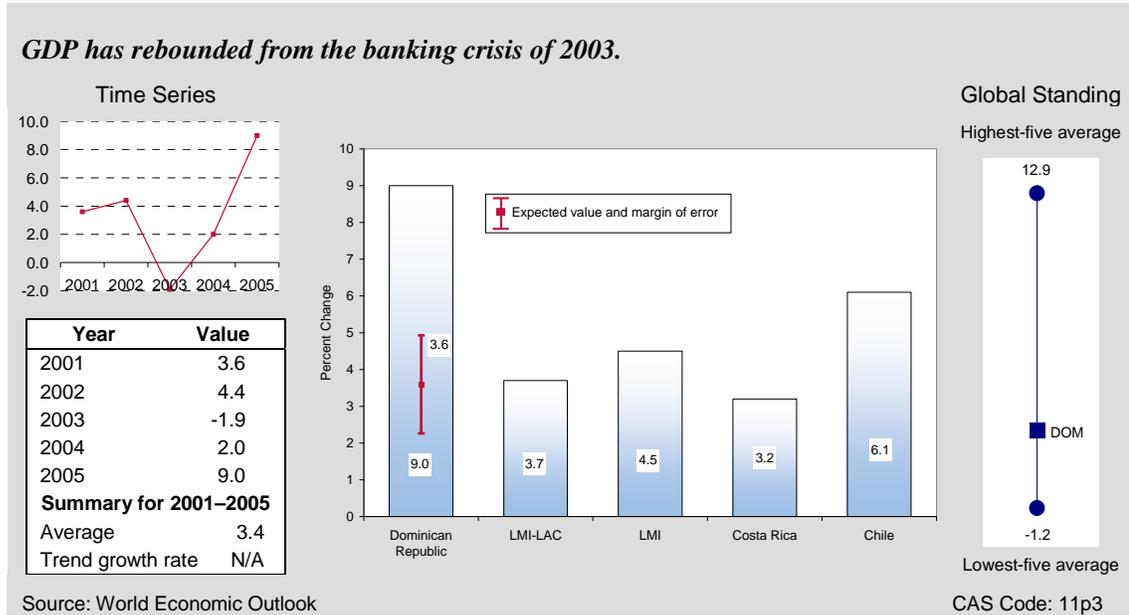
⁵ The separate Data Supplement provides a full tabulation of the data for the Dominican Republic and the international benchmarks, including indicators not discussed in the text, as well as technical notes for each indicator.

⁶ The figure of \$3,234 is the value of per capita income reported in the IMF's World Economic Outlook database for April 2006. Remarkably, the value of per capita income was just \$2,424 in the September 2005 database. This huge difference is attributable to a large appreciation in the year-average exchange rate between 2004 and 2005, which evidently was not foreseen when the IMF made the estimate for the September 2005 WEO. In addition, the September 2005 WEO estimated GDP growth for 2005 at 4.5 percent; the updated figure is 9.0 percent. These enormous revisions highlight the problems involved in using preliminary estimates.

⁷ Economist Intelligence Unit (EIU), Dominican Republic Country Report: January 2006, p. 4

⁸ IMF Public Information Notice no. 05/162, "IMF Executive Board Concludes 2005 Article IV Consultation with the Dominican Republic," December 7, 2005.

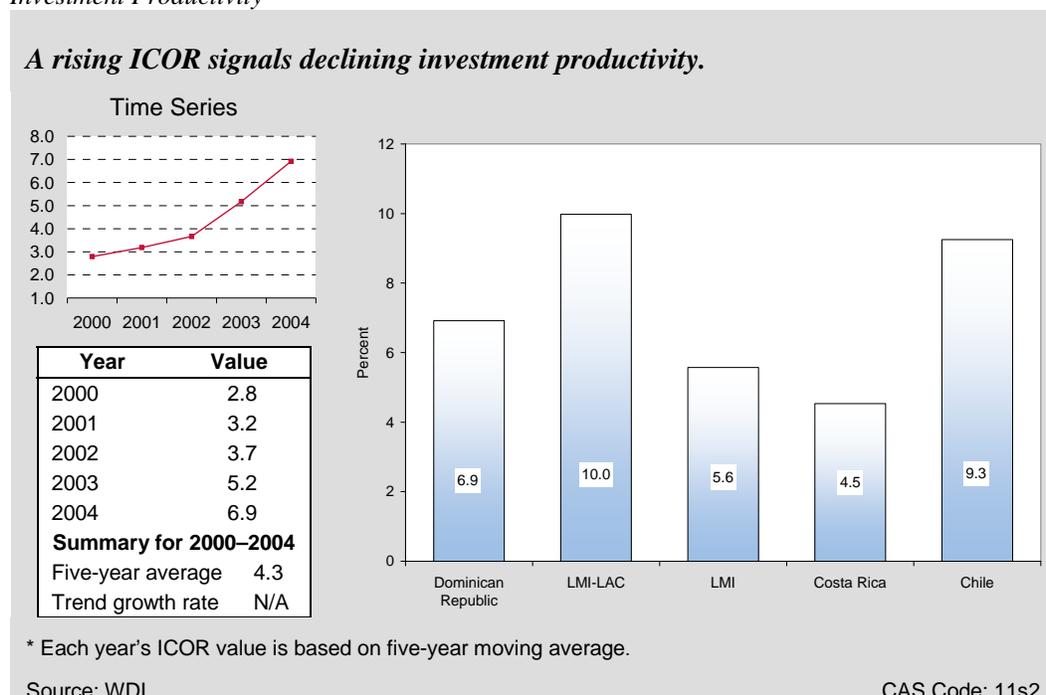
Figure 2-1
Real GDP Growth



Despite the financial crisis, investment remained reasonably high. The share of gross fixed investment in GDP averaged 23.5 percent between 2002 and 2004, which is near the regression benchmark of 24.9 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). The effects of the crisis are more evident in the statistics on productivity. The incremental capital–output ratio (ICOR) is a basic measure of investment productivity. In the five years to 2004, the ICOR value was 6.9, which means that \$6.90 of investment has been needed per extra \$1 of output (Figure 2-2). International experience suggests that an ICOR of 4.0 or less indicates that capital investment is very productive. Notably, the ICOR was just 2.8 in the five years to 2000, showing that the country is fully capable of achieving high investment efficiency.

Productivity of the labor force has also been weak, with an average growth rate of just 1.4 percent in the five years to 2004. These productivity figures, however, should not be taken as structural trends, because they have been heavily affected by the banking crisis. Still, improving the quality of the labor force by investing in health, education, and training (see Section 4); closing the gender disparities in opportunities to work; and introducing new technologies could improve the country's growth and labor productivity performance.

Figure 2-2
Investment Productivity



POVERTY AND INEQUALITY

The latest household survey data for the Dominican Republic predate the 2003–2004 crisis. These figures show a lower incidence of poverty and a more equal distribution of income than in many other LMI-LAC countries. Clearly, the country's impressive growth during the 1990s lifted many people out of poverty. For example, the proportion of population living below the national poverty line was estimated at 28.6 percent in 2002, compared to the regression benchmark of 32.4 percent and the average for LMI-LAC of 37.5 percent.⁹ Similarly, the share of income accruing to the richest 20 percent was 10.4 times larger than the share accruing to the poorest 20 percent in 1998. This sounds very high, but it indicates less inequality than the average for LMI-LAC (with a ratio of 17.7), and even Costa Rica (12.3) or Chile (18.7). The LAC region in general, however, has the highest inequality in the world.¹⁰

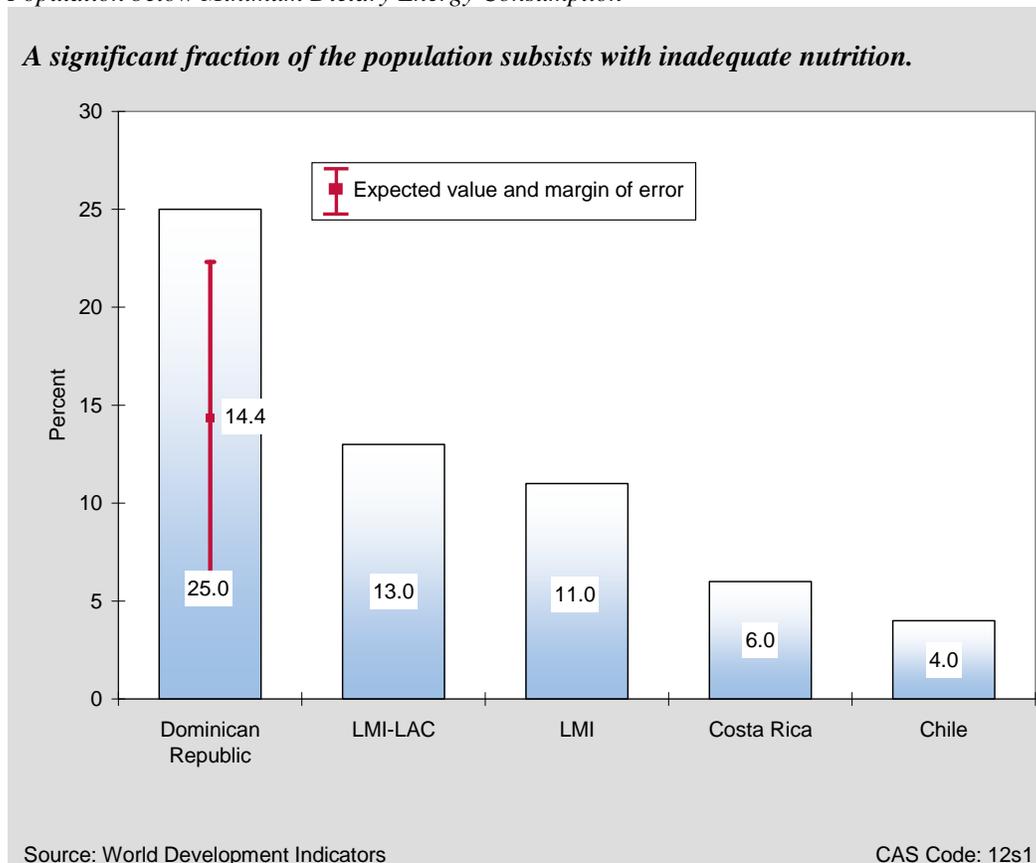
The UNDP's Human Poverty Index (HPI) provides a broader gauge of poverty that takes into account deprivation in health and education as well as income. On a scale of 0 (no deprivation) to 100 (maximum deprivation), the Dominican Republic scored 11.8 in 2003, with a declining trend to that year. This is slightly better than the regression benchmark of 12.6 and in line with the LMI-LAC average of 11.4; but the Dominican Republic is far behind regional leaders such as Costa Rica and Chile, with HPI scores of 4.0 and 3.7, respectively.

⁹ National poverty lines differ; thus cross-country comparisons must be interpreted with caution.

¹⁰ Indicators in this section should be interpreted with caution. The poverty figures are dated. Furthermore, the World Bank warns in its Country Assistance Strategy that because national surveys in the Dominican Republic do not count many people in 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.

One of the most problematic indicators for the Dominican Republic is, and was even before the crisis, the percent of population unable to obtain minimum dietary energy consumption (a Millennium Development Goal [MDG] indicator). In 2001, before the crisis, this figure stood at 25 percent, which is extremely high in absolute terms and nearly twice the regression benchmark (14.3 percent) and the average for LMI-LAC (13.0 percent) (Figure 2-3). Since the crisis, high inflation has increased the prices of food and transport, which undoubtedly has worsened the problem of undernourishment. At the same time, the reduction in fiscal revenues has affected the provision of basic social services and programs.¹¹ In addition to humanitarian concerns, undernourishment seriously affects labor productivity and earning capacity and should be a priority for the government and donors. The remedy may involve interventions to improve rural development, the distribution infrastructure, and basic education, as well as transfer payments to assist the most vulnerable groups in achieving adequate food consumption.

Figure 2-3
Population below Minimum Dietary Energy Consumption



Preliminary assessments of the impact of the recent crisis on the poor indicate a dramatic increase in the percentage of people living in poverty. The World Bank has estimated that about 15 percent of Dominicans (about 1.3 million people) fell into poverty during 2002–2004 and that

¹¹ World Bank, Country Assistance Strategy for the Dominican Republic, Report No. 31627-DO, May 2005, p. 10

living conditions worsened across all income groups.¹² The same factors have probably worsened inequality, as well. High levels of poverty and inequality can impede economic growth—by heightening social and political tensions, creating risks that deter investment, and making it more difficult to achieve consensus on essential reforms. Donors and policymakers will need to support a variety of initiatives that focus on reducing social exclusion and increasing opportunities for wealth creation in the poorer socioeconomic segments.

The need to reduce poverty was highlighted by the government in the Poverty Reduction Strategy for 2003–2015, which provides a plan to meet the MDGs. The pillars of the strategy are maintaining a stable macroeconomic environment guaranteeing an average growth rate of at least 4 percent; sustainable increases in the size and efficiency of public social expenditures, assigning priority to health and education; and stimulating rural and regional development.¹³ In its Country Assistance Strategy, the World Bank affirms these objectives but notes that implementation must be adapted to the post-crisis fiscal situation and the need for short-term actions to mitigate the impact of the crisis on the poor.¹⁴

ECONOMIC STRUCTURE

In broad terms, the Dominican Republic economy is well diversified, with a shift from industry to services in the five years to 2004. During that period, the share of value added originating in the service sector rose from 54.8 percent to 63 percent, while industry's share declined from 34 percent to 25.6 percent. The contribution from agriculture was steady, averaging 11.3 percent.

A similar structural shift can be seen in employment. Employment trends suggest that labor markets have been flexible and that transformational development is occurring. For the five years to 2001 (latest data), employment in industry declined from 25.8 percent to 23 percent, while employment in services rose from 54.4 percent to 62.2 percent. Employment in agriculture declined from 19.7 percent to 14.9 percent in that period, while the share of output in the sector remained stable. This suggests important productivity gains in agriculture (see Section 4). The data on output and employment also demonstrate an absence of large productivity differentials across sectors (Figure 2-4). In contrast, there are large differences between employment shares and output shares in Costa Rica and Chile, indicating large differences in labor productivity from sector to sector; in Chile, productivity is particularly high in industry, while in Costa Rica workers in the service sector generate a disproportionately large share of GDP.

Another important structural feature is the size of the informal sector.¹⁵ The UNDP Human Development Report for 2005 reports that the share of the informal sector in total employment increased from 52.1 percent to 56.3 percent between 2000 and 2002 (latest figures available). As

¹² World Bank, Country Assistance Strategy for the Dominican Republic, Report No. 31627-DO, May 2005, p. 9

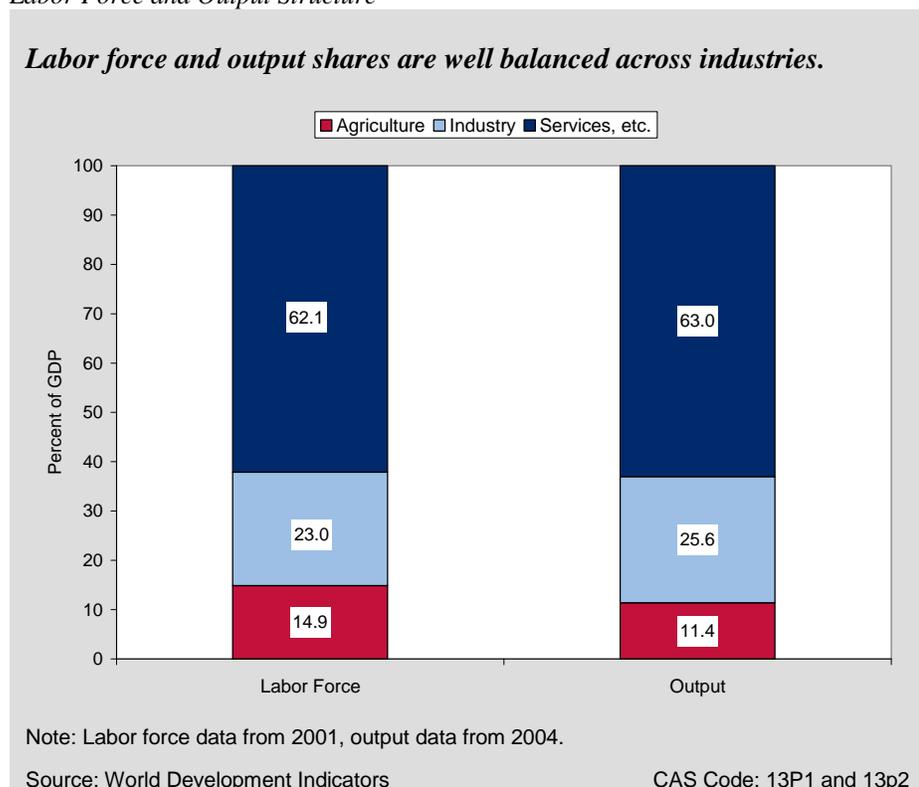
¹³ OPANAL, *Estrategia Nacional para la Reducción de la Pobreza en la República Dominicana*, June 2003, xx–xxiii

¹⁴ *Ibid.*, p. 11

¹⁵ A widely cited econometric estimate of the size of the informal sector is not used here because the figures are based on a methodology that does not provide a convincing measure of the variable in question.

with the poverty statistics, these figures are likely to have worsened as a result of the recent economic crisis. The consequence of a growing informal sector is a worsening of living conditions and job quality.¹⁶ The restoration of stronger growth and macroeconomic stability should set the stage for faster job creation in the formal sector, though improvements in the financial system and the business environment (discussed below) are also vital.

Figure 2-4
Labor Force and Output Structure



DEMOGRAPHY AND ENVIRONMENT

The Dominican Republic has an estimated population of 8.8 million people, which is growing at a rate of 1.5 percent per year. The population growth rate matches the average for LMI-LAC and the regression benchmark and falls in the range of Chile's 1.2 percent and Costa Rica's 1.6 percent. The Dominican Republic's age-dependency ratio (0.56 dependents per worker) is also consistent with comparator countries and benchmarks. Both population growth and age dependency show a declining trend, which will ease the burden of providing public services such as education and health care in the coming years while increasing per capita growth.

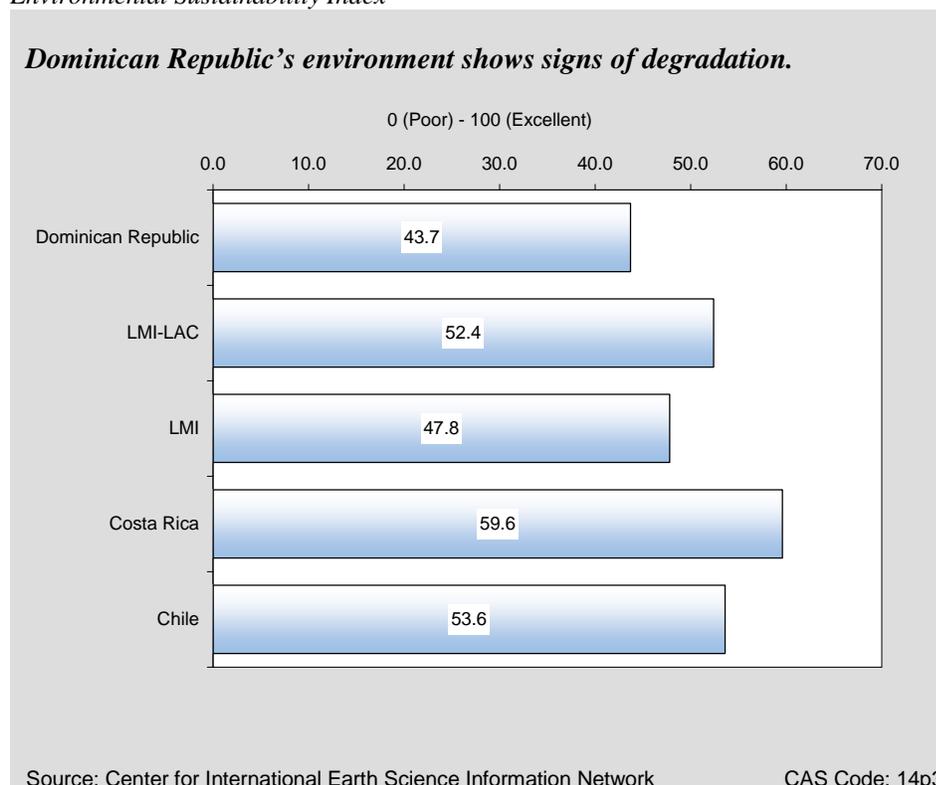
In 2004, an estimated 59.7 percent of the population lived in urban areas. This is similar to the rate in Costa Rica (60.6 percent) but less than the LMI-LAC average of 64.2 percent. Chile exhibits a much higher urbanization rate, 86.6 percent. The low number for the Dominican Republic may reflect in part the growth of tourism outside urban centers. This growth, however,

¹⁶ *Informe Nacional de Desarrollo Humano*, República Dominicana 2005, UNDP, p. 192

raises concerns about population impact on coastal areas and deforestation. In addition, this growth has exacerbated environmental problems such as water treatment, waste disposal, and agricultural runoff. New tourism developments add to the demand on aquifers where water is scarce.¹⁷

These environmental problems are reflected more generally in the Dominican Republic’s low score on the international Environmental Sustainability Index (ESI). On a scale of 0 (poor) to 100 (excellent), Dominican Republic’s score of 43.7 is well below the average LMI-LAC as well as the scores for Costa Rica and Chile (Figure 2-5).

Figure 2-5
Environmental Sustainability Index



This shows that the environment is suffering serious degradation. Examining components of the Economic Sustainability Index, the Dominican Republic lags furthest behind in biodiversity, land, water quality, water quantity, and reduction of water stress. Improvements are clearly needed in environmental governance. Government and donor initiatives to shift tourism from the mass market to higher-value ecotourism and initiatives to save water should also be considered. Such initiatives are still in their infancy.¹⁸

¹⁷Country Assistance Strategy.

¹⁸ EIU Country Profile 2005, p. 24

GENDER

The Dominican Republic's performance on gender indicators points to overall gender equity in terms of women's access to health and education services. One basic indicator is the gender gap in adult literacy. The Dominican Republic's score of 1.01 indicates no disparity in literacy rates between men and women. This is in line with the LMI-LAC average of 1.02, and Chile's and Costa Rica's scores of 1.0. For health, a basic gender indicator is the male-to-female ratio for life expectancy. In the Dominican Republic, the ratio equals 0.90 (for 2003, the latest year), reflecting that fact that women live significantly longer than men on average. By comparison, the LMI-LAC average is 0.92, and the ratios for Chile and Costa Rica are 0.92 and 0.94, respectively. These figures show that longevity for women, relative to men, is better in the Dominican Republic than the regional norms. A similar result can be seen in the ratio of male-to-female gross enrollment rates at all levels of education. The ratio for the Dominican Republic stood at 0.88 in 2003, revealing gender inequality in favor of women. This could be indicative of young males leaving school to enter the workforce, particularly during a year of economic crisis.

Education, however, needs to be complemented by work opportunities for women. Labor force data indicate a large disparity between male and female participation. Female participation stood at just 32.4 percent in 2004; for males the figure was nearly three times as high, at 86 percent. Labor force participation for females in the Dominican Republic falls below all the benchmarks, with the LMI-LAC average at 46.5 percent, and Costa Rica and Chile achieving 42 percent and 36 percent respectively. Efforts to close the gender gap in the labor market can be instrumental in accelerating growth and improving living standards.

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; 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 the development of the physical infrastructure to support production and trade. Finally, developing countries need to adapt and apply science and technology to attract efficient investment, improve competitiveness, and stimulate productivity growth.

FISCAL AND MONETARY POLICY

The Dominican Republic's macroeconomic indicators show considerable improvement following a major deterioration caused by the banking crisis in 2003. Notably, the inflation rate (an MCA indicator) reached a high of 51.5 percent in 2004 but then fell to 4.2 percent in 2005 because of "an aggressive monetary policy to absorb excess liquidity created by the bank bailout"²⁰ in 2003. Indeed, the money supply increased 64.7 percent in 2003, but then only 9.3 percent and 15.4 percent in 2004 and 2005, respectively.²¹

IMF Program Status

In January, 2005, the Fund approved a 28-month Stand-By Arrangement in support of President Fernández's program aimed at addressing the weaknesses in macroeconomic policies and in a wide range of structural areas. The arrangement, expiring in July 2007, emphasizes financial sector strengthening, fiscal consolidation, sector strengthening, and addressing the weaknesses of the electricity sector.¹⁹

¹⁹ Summarized from IMF Public Information Notice No. 05/162, December 7, 2005.

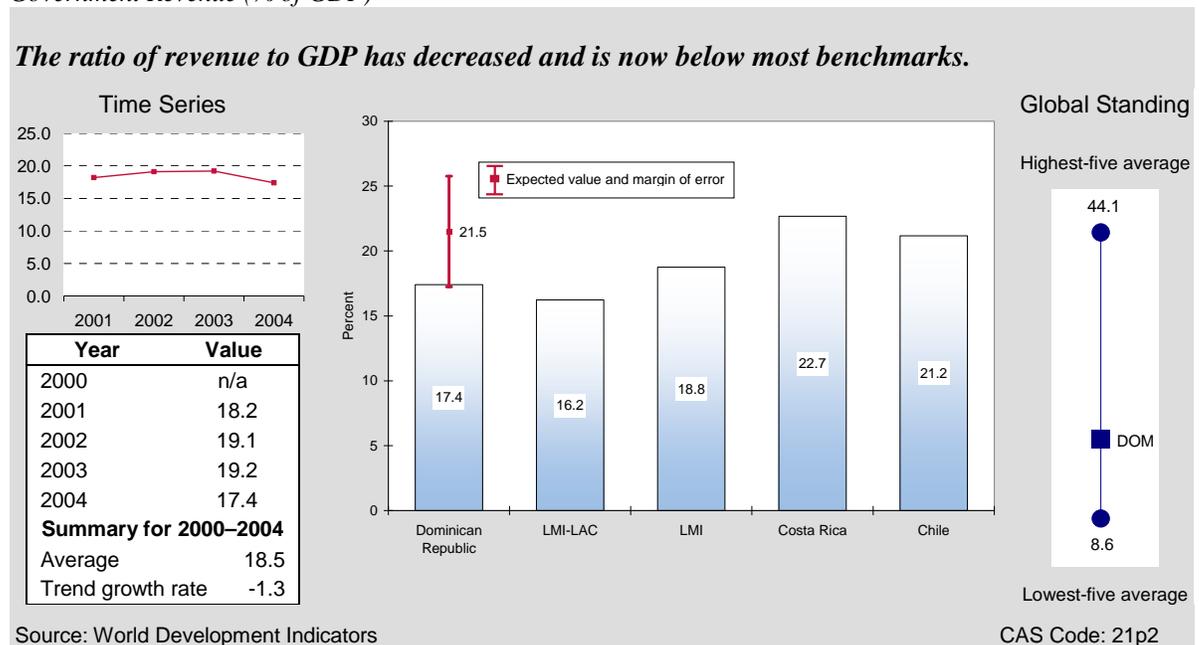
²⁰ EIU Country Report, p. 8

²¹ In 2005, the World Development Indicators (WDI) began using a new system for classifying fiscal data, even though most developing countries still use the old classification system. Consequently, the WDI database has fiscal data for only a limited number of developing countries; because of the small sample size, most 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.

Even though inflation has come down, programs to strengthen fiscal management, budget planning, and tax administration remain important. From 2003 to 2004 (latest data), government expenditure increased from 18.1 percent of GDP to 20.9 percent, while revenue fell from 19.2 percent of GDP to 17.4 percent, leaving a public cash deficit of 3.5 percent of GDP. IMF estimates for 2005 and projections for the next few years indicate that the fund foresees substantial improvement in the budget position. Still, the Fund also sees major challenges ahead, involving tax reform, expenditure discipline, and prioritization of spending.²²

The ratio of government revenue to GDP is low relative to most benchmarks. From 2001 to 2004, government revenue averaged 18.5 percent of GDP, compared with a regression benchmark of 21.5 percent, Costa Rica's 22.7 percent, and Chile's 21.2 percent (Figure 3-1).

Figure 3-1
Government Revenue (% of GDP)



The Dominican Republic's revenue ratio has been higher, however, than the LMI-LAC average of 16.2 percent, which suggests that revenue mobilization is a serious issue for many countries in the region. Nonetheless, more effective tax administration could increase the resources available to the government for delivering services to promote growth and equity.

An examination of the composition of government revenue shows that taxes on international trade amounted to 27.5 percent of the total in 2004, more than three times the LMI-LAC average of 7.8 percent. It is expected that Dominican Republic-CAFTA will lead to a revenue loss equivalent to 3 percent of GDP. A package of reforms designed to compensate for this loss was watered down by the Congress in December 2005. If revenues are not maintained or increased, it will be even more difficult for the government to sustain improvements in the fiscal balance.

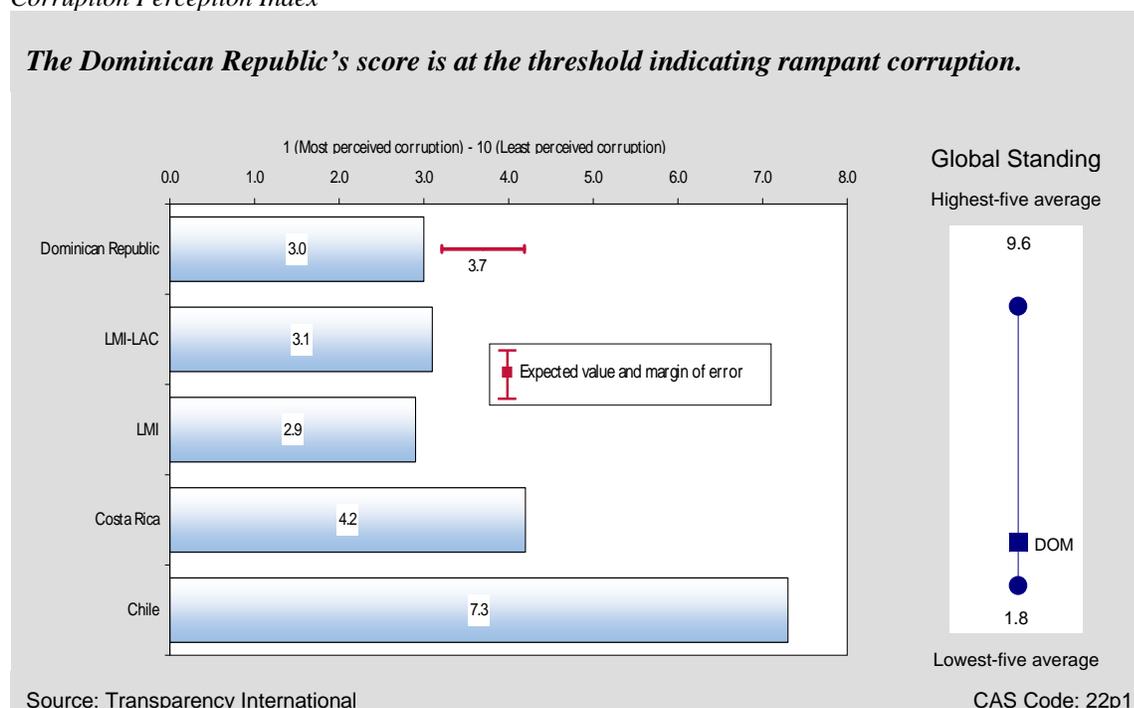
²² EIU Country Report, p. 18

BUSINESS ENVIRONMENT

Institutional barriers to doing business, including corruption in government, are critical determinants of private sector development and prospects for sustainable growth. Most of the Dominican Republic's indicators illustrate a difficult environment in which to do business.

Corruption is an ongoing concern. Recent high-profile corruption cases and the banking crisis highlight the impact of corruption and the capture of state resources by vested interests. The severity of the problem is highlighted by the Dominican Republic's rating of 3.0 on Transparency International's 2005 Corruption Perception Index (on a scale of 1, for poor, to 10, for excellent). Transparency International considers 3.0 the threshold indicating "rampant corruption." The latest rating represents a marked deterioration from the score of 3.5 in 2002. Although the Dominican Republic's score is in line with the LMI-LAC average of 3.1, the country has a long way to go to reach the level of transparency in Chile (7.3) or even Costa Rica (4.2) (Figure 3-2). The culture of patronage and corruption has profoundly shaped Dominican public institutions and administrative practices and resulted in inefficient public resource use.²³ Institutional weaknesses have stymied progress in tackling corruption; according to the Economist Intelligence Unit (EIU), most Dominicans consider the main cause to be a lack of political will.²⁴

Figure 3-2
Corruption Perception Index



The country's legal system and the rule of law are also ineffective. The court system has lost some of its credibility, having failed to effectively resolve corruption scandals under the Mejia administration. Although the country's score of -0.54 on the World Bank's Rule of Law Index (an

²³ Country Assistance Strategy.

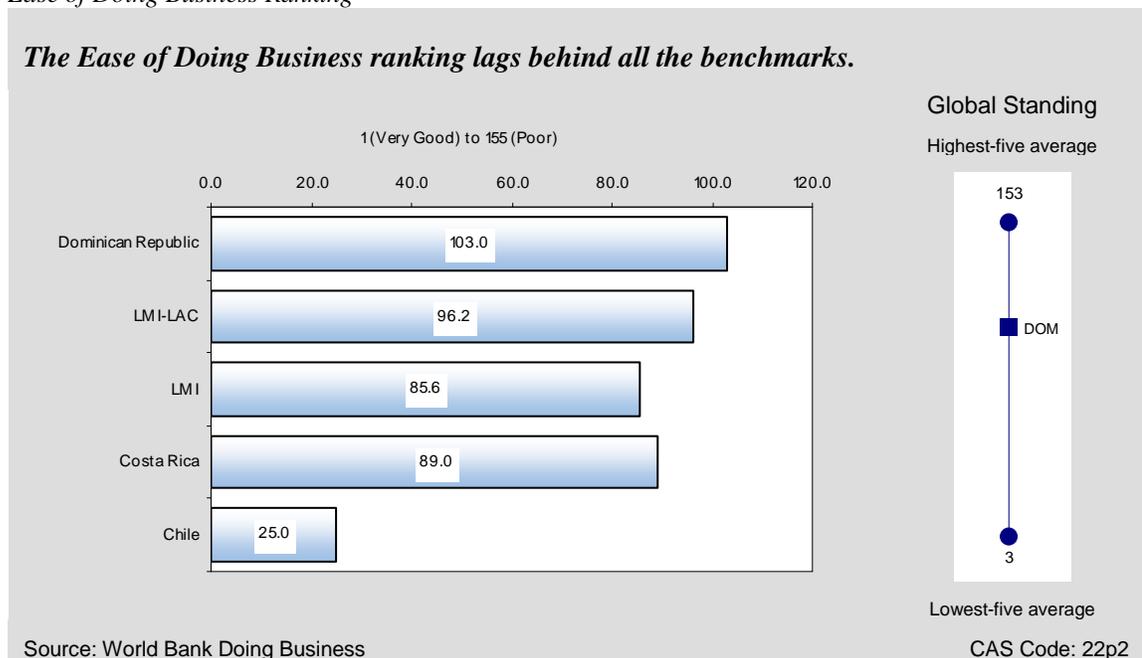
²⁴ EIU Country Report, p. 12.

MCA indicator) is in line with the LMI-LAC average of -0.60, the scores for Chile (1.2) and Costa Rica (0.60) show how far the Dominican Republic lags behind regional best practices.²⁵

The country also performed poorly on the World Bank's Regulatory Quality Index, with a score of -0.28 for 2004.²⁶ This is below all benchmarks: the LMI-LAC average is -0.1, and Chile and Costa Rica scored 1.6 and 0.7, respectively. More troubling is the large decline from a rating of 0.52 in 2000. These scores indicate excessive regulation and a lack of market-friendly policies.

Given the poor scores on other business environment indicators, it is not surprising that the Dominican Republic ranks a poor 103rd of 155 in the World Bank's Ease of Doing Business ranking. This is well below all comparators, with Chile doing the best among them at 25th place. (Figure 3-3).

Figure 3-3
Ease of Doing Business Ranking



One indicator that can be improved easily is the cost to start a business as a percentage of gross national income (another MCA indicator). Although the Dominican Republic's score of 30.9 percent is better than the LMI-LAC average of 48 percent, the country should look at Costa Rica's 23.8 percent and Chile's 10 percent as benchmarks for reform. Improvements can also be made in the time it takes to register property—more than three months (107 days) in the Dominican Republic, which is more than twice the LMI-LAC average of 47.5 days. Likewise, it takes 75 days to start a business, compared to 56 days in the average LMI-LAC country. Finally,

²⁵ The Rule of Law Index ranges in value from -2.5 (for poor) to 2.5 (for excellent), with zero as the international mean.

²⁶ Regulatory Quality Index ranges in value from -2.5 (for poor) to 2.5 (for excellent), with zero as the international mean. The index is a Millennium Challenge Account Indicator.

it takes 580 days to enforce a contract in the Dominican Republic, compared with 456.5 days in the average LMI-LAC country.

The Dominican Republic does well, though, in the number of procedures required to start a business, register property, and enforce a contract. In these areas, the Dominican Republic's scores are in line with or better than most benchmarks. For instance, the number of procedures to start a business (10) is better than the LMI-LAC average of 12.5 and slightly better than Costa Rica's 11, though marginally below Chile's figure of 9. Likewise, the number of procedures to enforce a contract in the Dominican Republic (29) is distinctly better than the LMI-LAC average (37) and the figure for Costa Rica (34), and virtually on par with the number of procedures required in Chile (28).

The business environment indicators convey a consistent message: notwithstanding some areas of good performance, institutional constraints seriously impair private sector development. Consequently, programs to promote institutional reform and combat corruption should be a principal focus of the government and donors. The current administration is aware of the link between corruption and lack of credibility and has appointed a high-level ethics and anticorruption commission to develop an anticorruption plan of action. President Fernández has also requested support from USAID and the World Bank.²⁷ Improvements in other areas of the enabling environment are equally important.

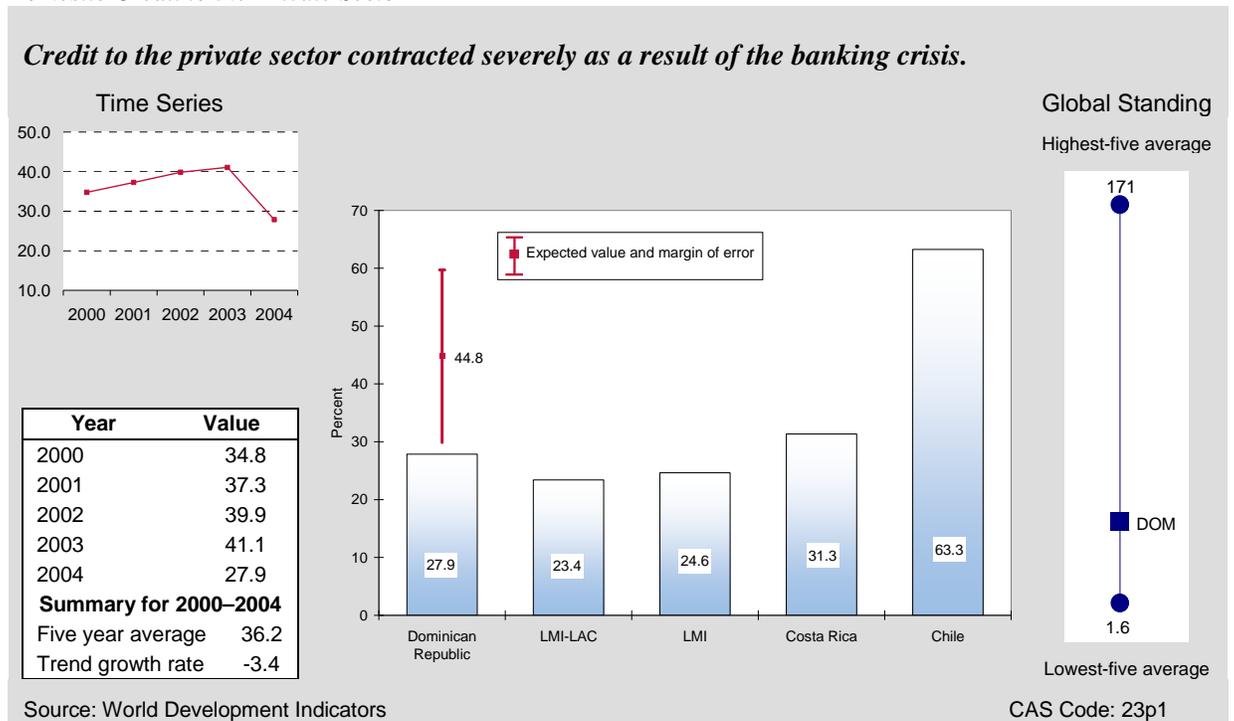
FINANCIAL SECTOR

A sound, efficient, and competitive financial sector is key to mobilizing savings, fostering productive investment, and improving risk management. As expected, the Dominican Republic's financial sector indicators worsened with the financial collapse of 2003. Even after the crisis, some indicators compare favorably with the LMI-LAC average; this benchmark, though, does not exemplify a vigorous financial sector, which is needed to promote rapid economic and business growth. Compared to the other benchmarks, the indicators for the Dominican Republic tell a story of a weak, inefficient, and underdeveloped financial sector.

One simple indicator of financial development is the degree of monetization, measured by the ratio of broad money (currency plus bank deposits) to GDP. In 2004, the Dominican Republic's money supply amounted to 32.1 percent of GDP. In spite of being slightly higher than the LMI-LAC average of 30.1 percent, this is below the standard set by Chile and Costa Rica, with ratios of 36.8 and 37.6 percent, respectively, in 2003. In the fallout from the banking crisis, from 2003 to 2004, domestic credit to the private sector fell precipitously, from 41.1 percent of GDP to 27.9 percent. Both figures are below the regression benchmark of 44.8 percent and Chile's 63.3 percent; only the more recent figure is below Costa Rica's credit ratio of 31.3 percent (Figure 3-4).

²⁷ Country Assistance Strategy.

Figure 3-4
Domestic Credit to the Private Sector



Domestic credit to the private sector increased rapidly in the years before the financial crisis, reaching its highest level when the collapse occurred. The real interest rate (bank lending rate, adjusted for inflation) was also very high in those years, peaking at 19.8 percent in 2002. Normally, high real interest rates could be expected to reduce lending activity. That this did not occur suggests that the rapid growth in lending took place without proper risk assessment and was motivated by other than normal market considerations.

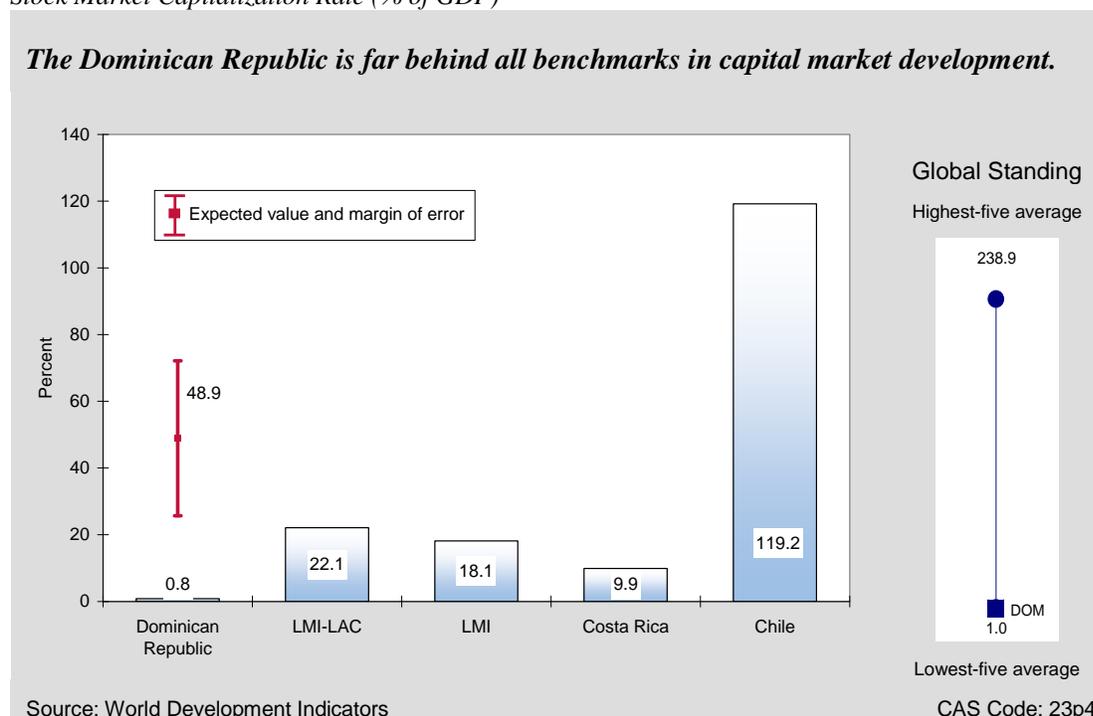
As could be expected, the crisis also raised intermediation costs. The spread between lending and borrowing rates increased from 9.2 percentage points in 2000 to 11.5 in 2004. Although the regression benchmark shows 9.1 percent as a normal level for a country such as the Dominican Republic, Chile's intermediation costs of 3.5 percent show that there is enormous room for improvement.

Looking beyond the banking system, the Dominican Republic's stock market capitalization rate of 0.8 percent of GDP in 1999 (latest year of data) is extremely low compared to the LMI-LAC average of 22.1 percent and the global LMI average of 18.1 percent (Figure 3-5). Although stock market capitalization may not be an immediate priority given the recent banking crisis, the indicator shows that the Dominican Republic is far behind its peers in developing capital markets and creating competitive sources of finance to broaden and deepen the financial sector.

This analysis suggests that strengthening the financial sector should be a high priority for the Dominican Republic and donor agencies. Although major banks are now stabilized, internationally assisted inspections identified important gaps in bank capitalization. The authorities have taken action to eliminate these weaknesses. Efforts to improve banking

regulation and supervision are ongoing,²⁸ as are measures to bring capital adequacy ratios in line with international standards and the introduction of credit risk assessment systems.²⁹

Figure 3-5
Stock Market Capitalization Rate (% of GDP)



EXTERNAL SECTOR

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

International Trade and the Current Account

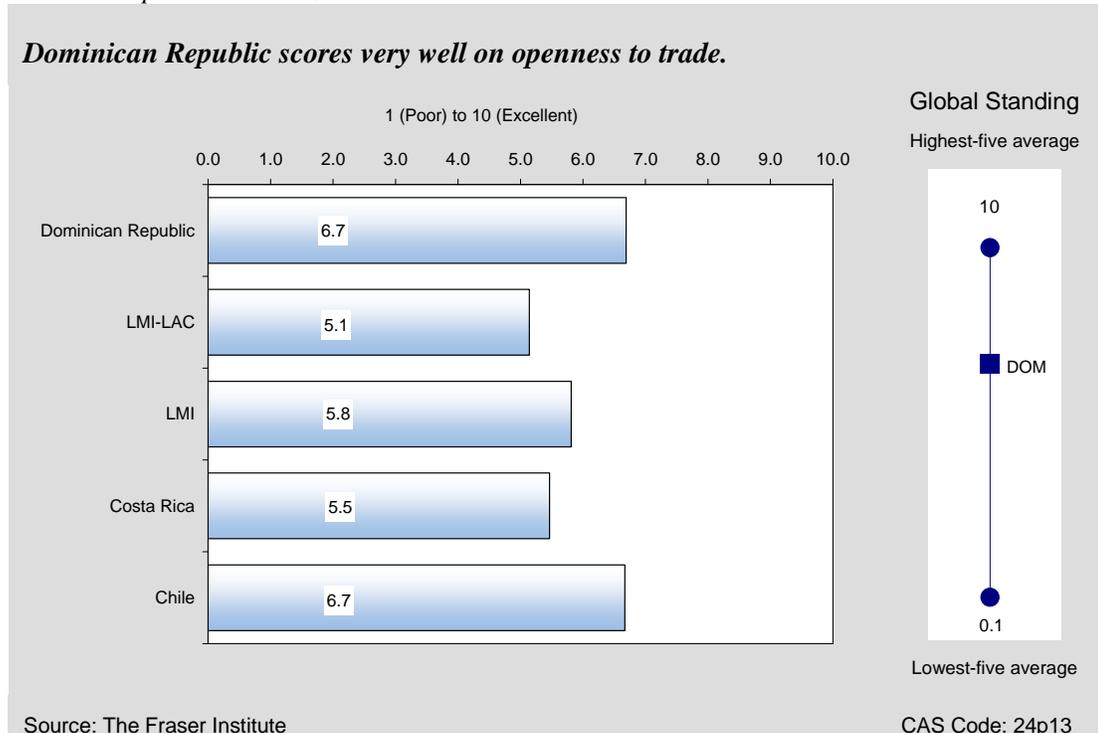
The Dominican Republic is strongly integrated with international markets. The ratio of trade (exports plus imports of goods and services) to GDP averaged 93.5 percent from 2000 to 2004; this is nearly double the LMI-LAC average of 52.6 percent, exceeds Chile's 68.3 percent, and is in line with Costa Rica's 95.4 percent. Furthermore, the index of actual to expected trade (given a

²⁸ Country Assistance Strategy

²⁹ EIU Country Profile.

country's size, income level, and location) has been rising in recent years, reaching 6.7 in 2003. This compares favorably with the LMI- LAC average of 5.1 and Costa Rica's 5.5, and equals Chile's 6.7 (Figure 3-6).³⁰

Figure 3-6
Actual-to-Expected Trade Size Index



Like other Caribbean economies that depend on tourism for a large proportion of export earnings, the Dominican Republic runs a structural deficit in merchandise trade. Moreover, domestic merchandise exports (as distinct from free-zone exports) account for less than half of earnings from exports of goods and services (net of free-zone inputs). The free-zone sector has struggled since the beginning of the decade, with a gradual loss of U.S. market share, particularly in the garment sector, which accounts for 50 percent of free-zone exports.³¹

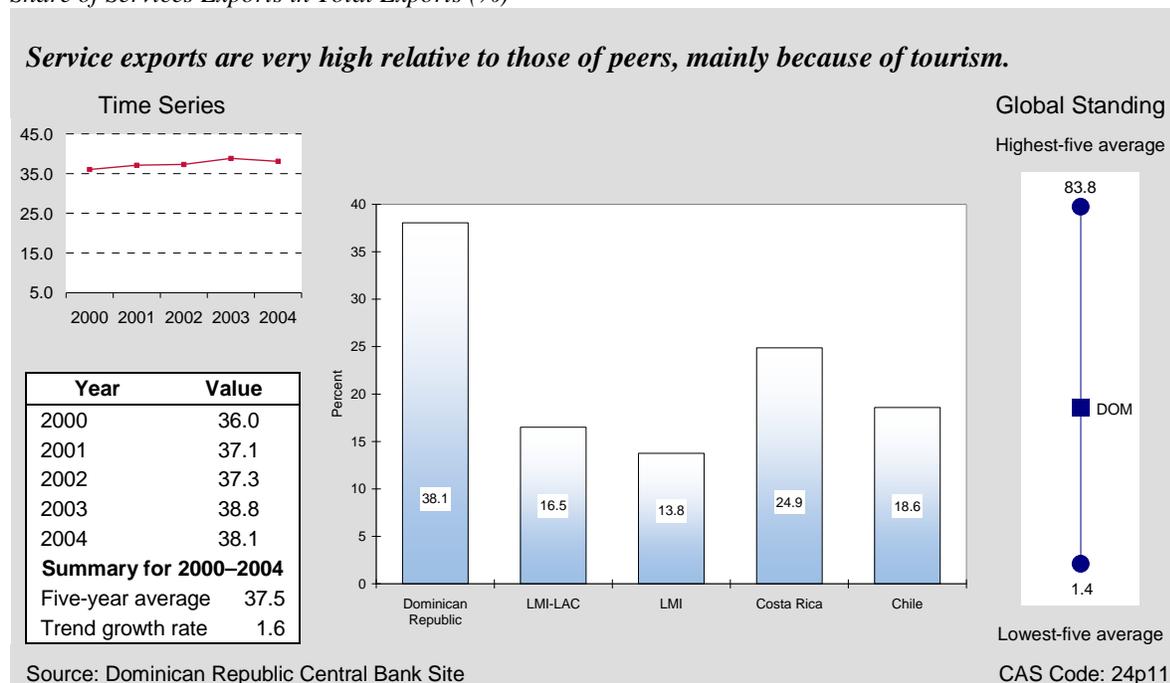
Trade in services shows a positive trend. In the five years to 2004, service exports increased from 36.0 percent to 38.1 percent of total exports (Figure 3-7). Services also made up a larger share of total imports during this period, increasing from 12.7 percent to 13.3 percent. The surplus on services has been growing strongly since the mid-1990s and widened in recent years, helping to improve the overall current account. According to the WTO, 92.2 percent of the Dominican Republic's services exports are travel; transportation accounts for 57.3 percent of services imports.³²

³⁰ The Actual to Expected Trade Size Index ranges in value from 0 (for poor) to 10 (for excellent).

³¹ EIU Country Report, p. 23.

³² WTO Trade Profile, Dominican Republic, September 2005.

Figure 3-7
Share of Services Exports in Total Exports (%)



The overall current account balance shifted from a deficit of 3.7 percent of GDP in 2002 to surplus equivalents of 6.0 percent of GDP in 2003 and 5.8 percent in 2004. This improvement reflects the economic downturn as well as a real depreciation of the peso, which reduced imports and improved the trade balance. Indeed, the real effective exchange rate depreciated from an index value of 101.1 in 2002 to 74.8 in 2003. The current account balance returned to a deficit of 1 percent of GDP in 2005 because of an import surge as the economy recovered and the currency regained most of its lost value (aided by monetary tightening), as well as rising oil import prices.³³

Despite the high level of trade, the Dominican Republic received a score of 3.5 on a scale of 1 (excellent) to 5 (poor) on the Heritage Foundation's trade policy index for 2006 (an MCC eligibility criterion). This indicator has improved from a poor score of 5.0 in 2003 and compares favorably to the LMI-LAC average of 4.0, but the rating still indicates subpar performance in comparison to Costa Rica's 3.0 and Chile's 1.0. The trade policy index is based on the average level of import duties, various nontariff barriers, and the extent of corruption in the customs service. The Heritage Foundation states that a decline in the weighted average tariff rate, from 10.1 percent in 2001 to 8.8 percent in 2004, weighed heavily in the improvement, but that slow and arbitrary customs clearance procedures persisted. This is inconsistent, though, with the World Bank rating on time to trade—the average time required to comply with all import and export procedures—of 17.0 days in 2005, just half the LMI-LAC average (34.7 days) and less than Costa

³³ The EIU reported in August 2005 that in real trade weighted terms, the peso had returned to its peak level (achieved in 2000–2002), which is approximately 5–10 percent stronger than during the period 1995–1999, making the peso appear overvalued. The publication also reported that the government favors a strong peso to curb inflation, lower external debt-service payments, and improve the debt solvency indicators.

Rica's 39.0 days and Chile's 23.5 days. However, the five most efficient countries in the world average 6.2 days, suggesting that huge improvements can and should be made.

Workers' remittances have made an increasingly strong contribution to the current account. Remittance receipts rose from 18.8 percent of exports in 2000 to 23.7 percent in 2004, reflecting a large export of labor services, but also a lack of attractive jobs in the country. Large remittance inflows complicate monetary policy by flooding the economy with liquidity and can also lead to an appreciation of the real effective exchange rate, to the disadvantage of domestic producers. IMF data show that the exchange rate moved in the opposite direction during the crisis period, depreciating by 26 percent in 2003. Since then, the real exchange rate has appreciated by over 50 percent because of rapid inflation in 2004, which has not been matched by a corresponding nominal depreciation.

The analysis suggests that the Dominican Republic could benefit from programs to increase backward linkages from the free zones and facilitate export diversification, especially in light of greater global competition after the lifting of textile quotas in 2005. The increasing importance of services exports underscores the need to upgrade tourism to higher value segments. Effective exchange rate management is also an important element of a strong investment climate. Finally, innovative interventions to enhance the growth and developmental impact of remittances (through reduced fees, efficient payment circuits, and programs to attract more funds to investment) could also be beneficial.

CAFTA Trade

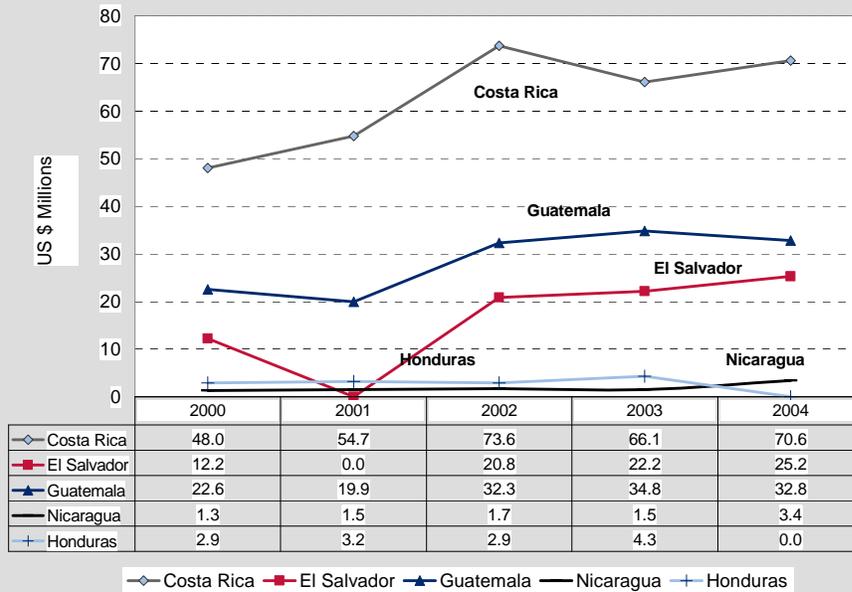
The Dominican Republic's trade in goods with CAFTA partners, including the United States, changed little in the five years to 2004. Dominican Republic merchandise exports to CAFTA countries grew at an average of just 1.4 percent per year, from \$4.5 billion in 2000 to \$4.7 billion in 2004. The lion's share of these exports went to the United States (\$4.6 billion in 2004).

Imports to the Dominican Republic from the CAFTA group declined slightly, by an average of 0.8 percent per year, from \$4.5 billion in 2000 to \$4.4 billion in 2004. As with exports, the Dominican Republic imports most CAFTA merchandise from the United States (\$4.3 billion in 2004).

Trade with CAFTA countries other than the United States did increase, but from a very low base. Most Dominican exports to CAFTA countries other than the United States went to Guatemala; these exports grew from \$3.2 million in 2000 to \$17.1 million in 2004. On the import side, Costa Rica was the main CAFTA trading partner after the United States; these imports grew from \$48.0 million to \$70.6 million during the period (Figures 3-8 and 3-9). With the implementation of the trade agreement, the stage is set for these trade flows to grow much more rapidly, providing substantial benefits to all the countries.

Figure 3-8
Imports from Other CAFTA Countries

Imports from non-US CAFTA countries rose 51% from 2000 to 2004.



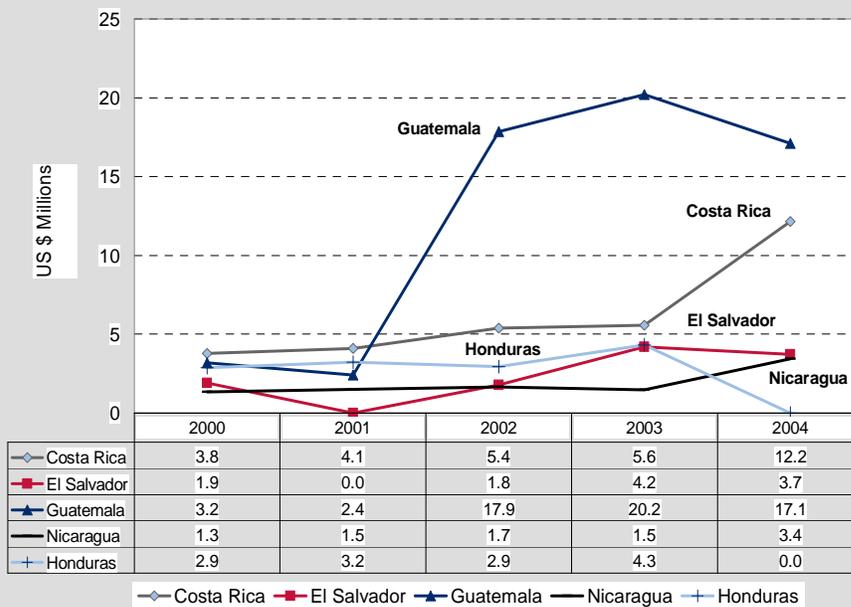
* Blank or 0 figure indicates data not reported that year

Source: UN COMTRADE

CAS Code: 24s7

Figure 3-9
Exports from Other CAFTA Countries

Exports to non-US CAFTA countries nearly tripled from 2000 to 2004.



* Blank or 0 figure indicates data not reported that year

Source: UN COMTRADE

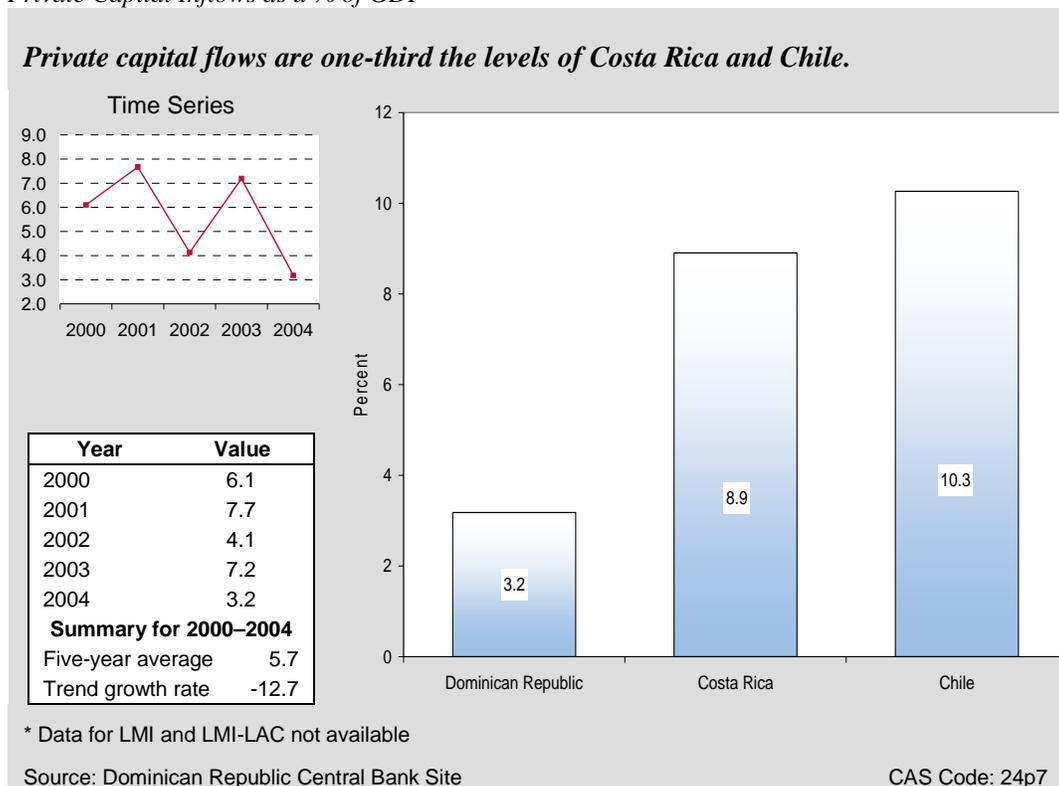
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International Financing and External Debt

Foreign aid has not been a major source of external financing for the Dominican Republic, and its role has declined in recent years. Aid as a percentage of GNI fell from 1.2 percent in 1999 to 0.5 percent in 2003. The more recent figure is half the LMI-LAC benchmark of 1.0 percent.

Foreign direct investment (FDI) inflows for 2002–2005 averaged 4.4 percent of GDP, twice the average for LMI-LAC (2.2 percent); FDI flows into Dominican Republic also compare favorably with flows into Costa Rica (3.3 percent in 2003) and Chile (4.1 percent). This strong performance in attracting FDI is surprising in view of the economic crisis and other evidence suggesting an erosion of confidence in the economy. For example, UNCTAD’s Inward FDI Potential Index measures a country’s attractiveness to foreign investors in terms of 12 factors. On a scale of 0.0 (poor) to 1.0 (excellent), the score for Dominican Republic deteriorated from 0.208 in 1999 to 0.189 in 2003, placing it 65th of 140 countries. Overall net private capital inflows, including direct and portfolio investment, did decline between 2001 and 2004, from 7.7 to 3.2 percent of GDP (Figure 3-10). Even at the 2001 level, the Dominican Republic attracted less private capital relative to GDP than Costa Rica or Chile (8.9 percent and 10.3 percent, respectively, in 2003).

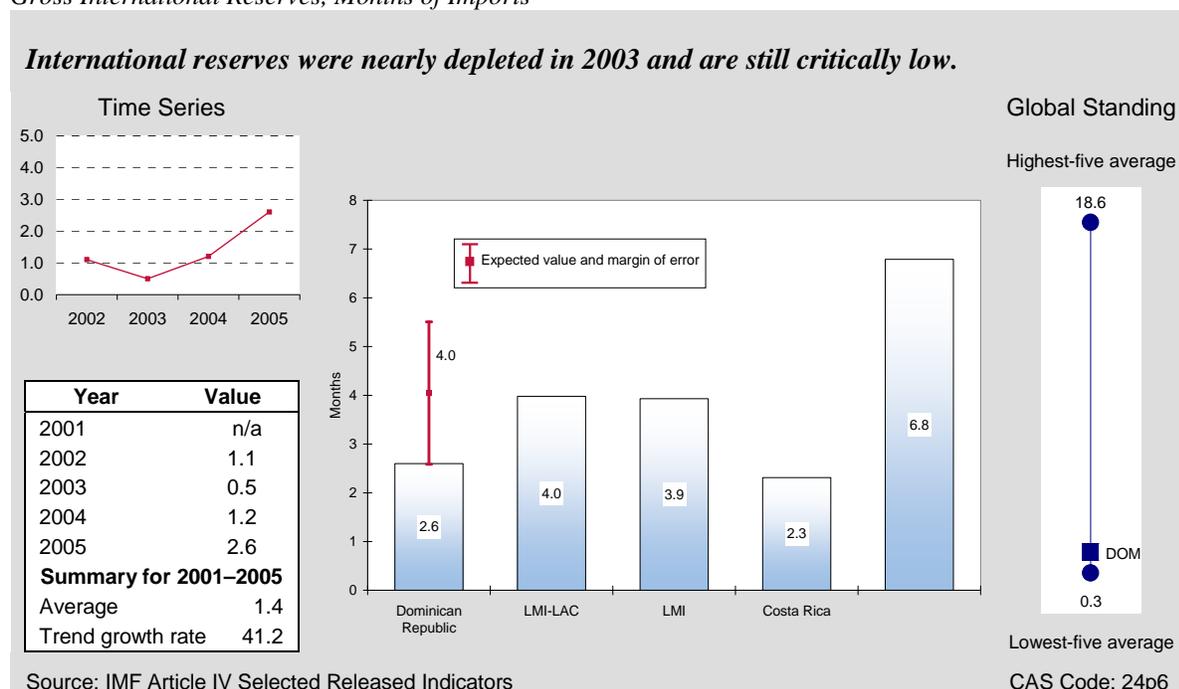
Figure 3-10
Private Capital Inflows as a % of GDP



Any gap between the current account balance and financing obtained through net capital inflows is reflected in foreign exchange reserves. During the crisis, capital flight led to a virtual exhaustion of international reserves in 2003–2004. Reserves have been recovering since, but even

in 2005 they amounted to just 2.6 months of import cover,³⁴ which is below the usual minimum of three months (Figure 3-11).

Figure 3-11
Gross International Reserves, Months of Imports



The near-exhaustion of reserves in 2003–2004 indicates severe liquidity problems that nearly provoked a major debt default, even though the debt burden is not particularly large. The present value of external debt as a percentage of GNI rose from 26.0 percent in 2000 to 33.0 percent in 2003. This is not high by benchmark or absolute standards; the corresponding average for LMI-LAC is 54 percent, and the figures for Chile and Costa Rica are 67 percent and 36 percent, respectively. Between 1999 and 2003, debt service obligations increased from 3.9 percent of exports to 8.2 percent. Again, this is low compared to benchmark standards, though the rising trend merits close attention.

In sum, confidence in the Dominican economy and the ability of the government to implement prudent policies and economic management needs to be restored to reverse capital flight, encourage private capital inflows, reduce risk to investors, and strengthen the balance of payments and the level of international reserves.

ECONOMIC INFRASTRUCTURE

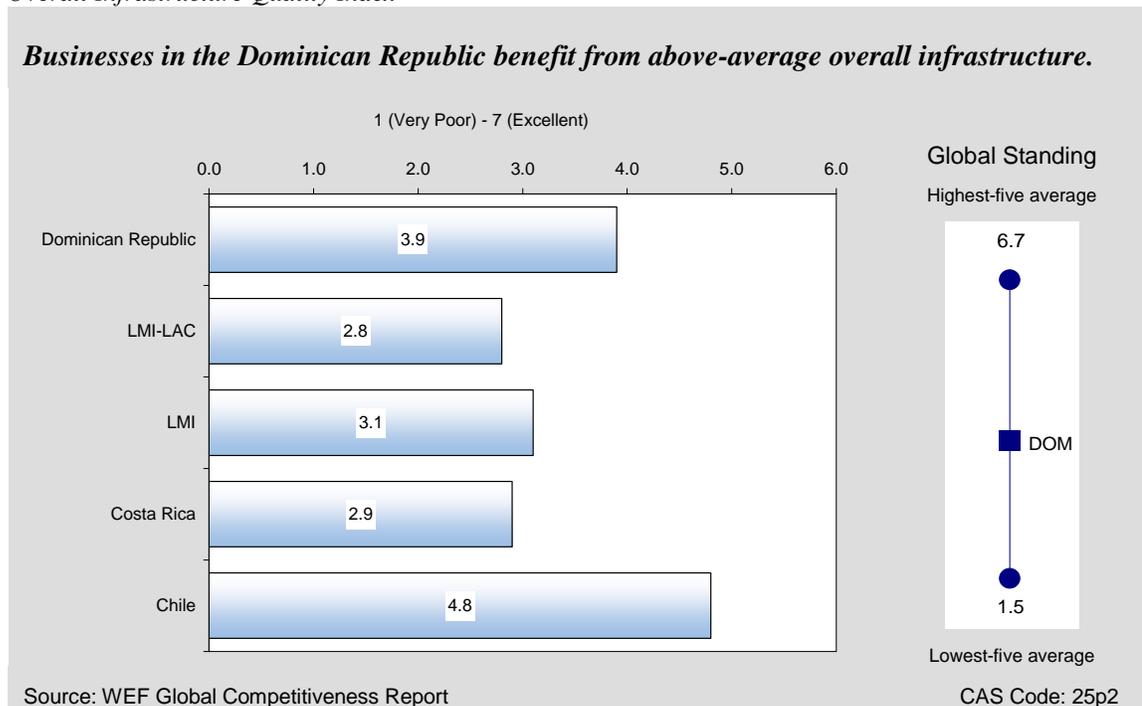
A country's physical infrastructure—for transportation, communications, power, and information technology—is crucial for strengthening competitiveness and expanding productive capacity.³⁵

³⁴ According to IMF Public Information Notice 05/162.

³⁵ This section relies on several 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 broadest indicator of infrastructure quality is a subjective index of executive perceptions compiled by the World Economic Forum (WEF). For 2004, the score for the Dominican Republic is 3.9 out of 7, which is well above the average of 2.8 for LMI-LAC and even Costa Rica's score of 2.9, though not as high as Chile's 4.8 (Figure 3-12). Likewise, the Dominican Republic scores above the LMI-LAC average for the subindices for air transport, railroads, and ports. The weak spot is the subindex for the quality of electricity services, for which the Dominican Republic's score is 2.3, significantly below the LMI-LAC average of 4.0 and not far above the average for the lowest five countries globally (1.4). Indeed, the power sector is riven by high costs, underinvestment, and frequent blackouts and suffers from recurrent payment arrears by the public sector. A system was introduced in 1999 to privatize generation and distribution assets, while leaving transmission in the public domain; this approach does not work efficiently because of a flawed regulatory framework and lack of market pricing mechanisms. Demand for power has outstripped supply in recent years (Figure 3-13).³⁶

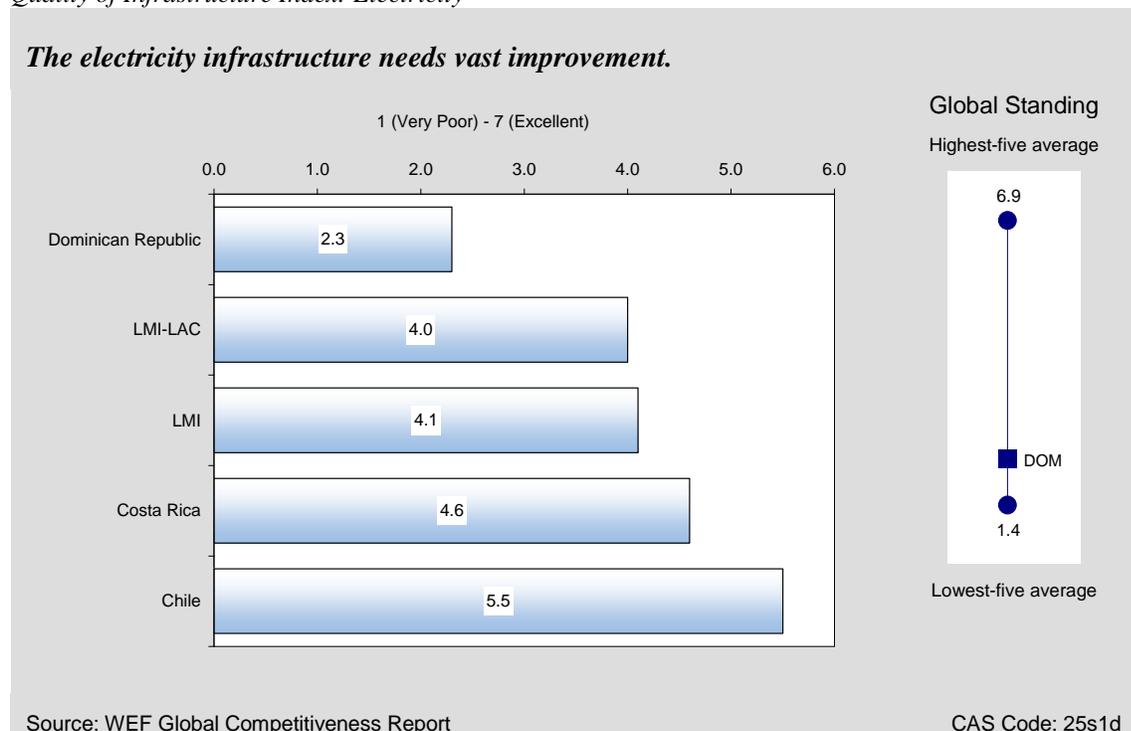
Figure 3-12
Overall Infrastructure Quality Index



length of paved roads does not imply a problem, because unpaved all-weather roads may be more efficient than paving secondary and tertiary roads in lower-income countries.

³⁶EIU Country Profile, p. 12

Figure 3-13

Quality of Infrastructure Index: Electricity

In terms of telecommunications infrastructure, Dominican Republic indicators show strong development in comparison to the LMI-LAC average. In 2003, telephone density in the Dominican Republic reached 386 lines per 1,000 people (including mobile phones), exceeding the LMI-LAC average of 320 lines and even Costa Rica's 362 lines; Chile has 732 lines per 1,000 people. Internet use is also growing rapidly in the Dominican Republic.³⁷ From 18 users per 1,000 people in 2000, the number reached 91 users in 2004, nearly 10 percent of the population.³⁸ This compares favorably with the LMI-LAC average of 74, but it remains far below the levels achieved in Costa Rica and Chile (235 and 279 users, respectively).

The overall picture, then, is clear. With the important exception of electricity, the Dominican Republic has developed above-average infrastructure compared to that of its lower-middle-income peers in Latin America. There is certainly scope for improvement, but basic infrastructure problems (again, excepting electricity) do not appear to be a critical constraint on private sector development.

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-middle-income countries such as the Dominican Republic, transformational development increasingly depends on acquiring and adapting technology from the global economy and applying it in ways

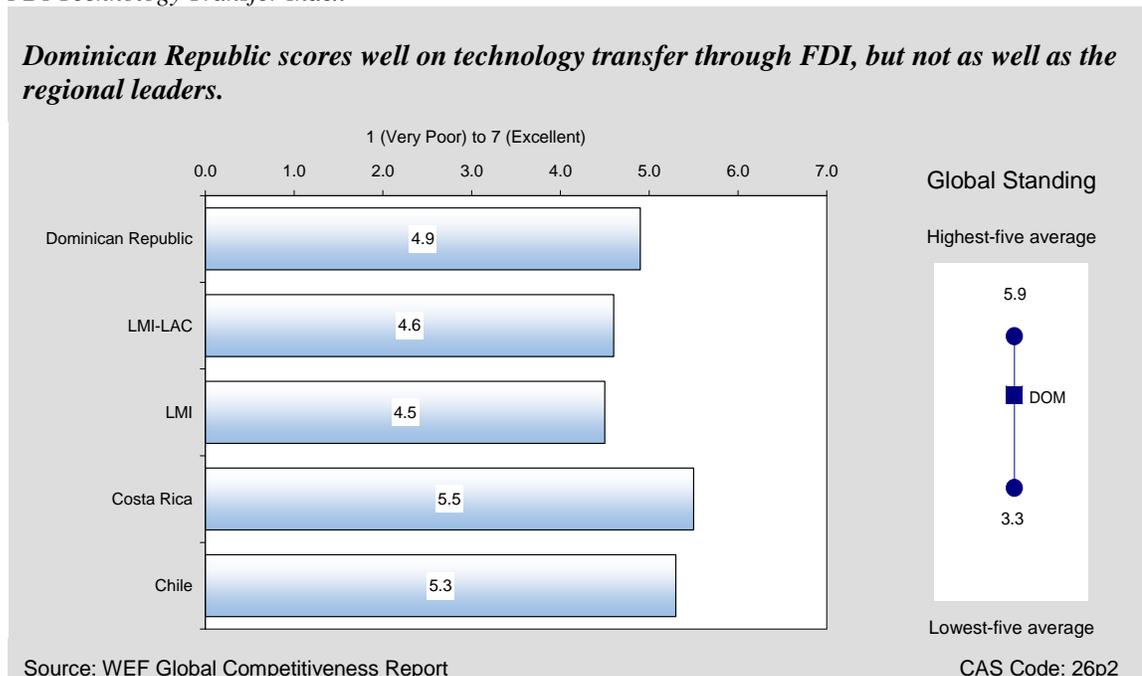
³⁷ Telephone density is an MDG indicator.

³⁸ Internet users per 1,000 people is an MDG indicator.

appropriate to the country's 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 the Dominican Republic. Of the standard indicators used for this series of reports, Dominican Republic data are available only for the FDI Technology Transfer Index. This index measures business 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). The Dominican Republic's score of 4.9 for 2004 is above the LMI-LAC average of 4.6 but below other benchmarks. Chile and Costa Rica had scores of 5.3 and 5.5, respectively, and the regression benchmark for the Dominican Republic is 5.2. As with many indicators discussed in previous sections, the technology transfer score for Dominican Republic declined from the previous year (5.2 in 2003). These figures show that the Dominican Republic could do a better job of acquiring technology through FDI (Figure 3-14).

Figure 3-14
FDI Technology Transfer Index



Turning to scientific development, none of the standard indicators is available for the Dominican Republic. Looking at other data, the Dominican Republic scores below both Chile and Costa Rica on the Networked Readiness Index. The country ranked 78th out of 104, while Chile ranks 35th and Costa Rica 61st.³⁹

Technology is so important to modern economic growth that the Dominican Republic needs to be much more aware of technology transfer when promoting investment and evaluating projects.

³⁹ The Networked Readiness Index is from the WEF Global Information Technology Report 2004–2005. This is not a standard indicator for this series but is considered here because of the lack of other data.

The lack of reliable data, in itself, points to the need for government to improve intellectual capacity and human capital through research and development, education, and training. For the Dominican Republic, foreign investment geared toward more sophisticated free-zone industries would likely bring about increased technology adoption, greater process improvement, and higher added value.

4. Pro-Poor Growth Environment

Rapid growth is the most powerful and dependable instrument for poverty reduction, yet there is not a mechanical link from growth to poverty reduction. In some cases, income growth for poor households exceeds the overall rise in per capita income; 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 the poor's vulnerability. 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.⁴⁰ This section focuses on four of these issues: health, education, employment and the workforce, and agricultural development.

HEALTH

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

Indicators for the Dominican Republic show that overall health care is poor—the country falls short of the benchmarks in key areas. The situation was exacerbated by the recent economic crisis, as inflation drove up food and medicine prices, putting these things out of the reach of large segments of the population.⁴¹

Life expectancy at birth, the most common indicator of overall health conditions, was 67.1 years in 2003. This is below the LMI-LAC average (70.2 years) and exceedingly low by comparator country standards: in Chile, life expectancy was 76.4 years, and in Costa Rica, 78.6 years. One factor contributing to lower life expectancy is a relatively high rate of HIV infection by regional standards. For the Dominican Republic, the infection rate in 2004 was 1.4 percent,⁴² compared to the LMI-LAC average of 0.7 percent and rates in Chile and Costa Rica of 0.3 percent and 0.6 percent, respectively.

⁴⁰ This report focuses on economic growth performance; it does not cover emergency relief.

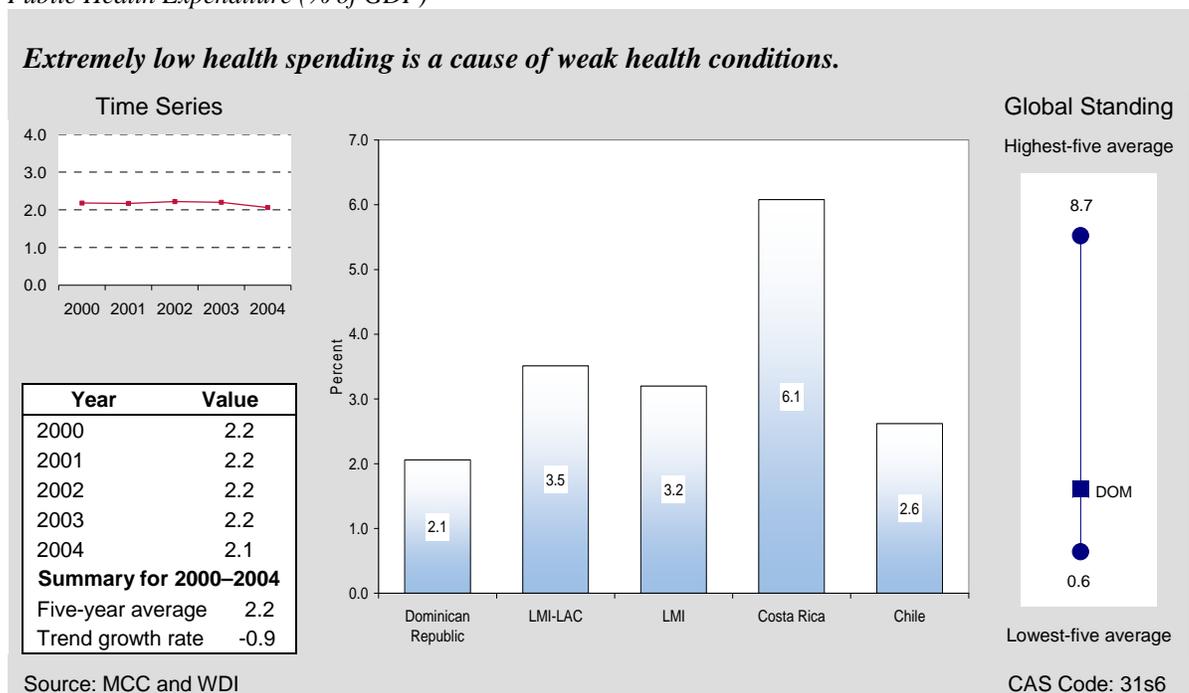
⁴¹ Country Assistance Strategy, p. 10

⁴² UNAIDS/WHO “AIDS Epidemic Update: December 2005,” based on overall HIV prevalence among pregnant women measured in the 2004 round of sentinel surveillance.

Another troubling sign is the maternal mortality rate (MMR) (an MDG indicator)—an estimated 150 deaths per 100,000 live births in 2000 (latest data). Even though this equals the LMI-LAC average, it is nearly four times higher than the MMR in Costa Rica (43) and five times higher than the rate in Chile (31).

Spending on health (as a percentage of GDP) has been flat and lags behind the benchmarks. Latest Millennium Challenge Corporation estimates (from the fiscal 2006 report) show that the public health expenditure equaled 2.1 percent of GDP, considerably lower than the LMI-LAC average of 3.5 percent and only one-third of Costa Rica's 6.1 percent (Figure 4-1). The World Bank reports that the low level of health spending is aggravated by a lack of transparency and inefficiency.⁴³

Figure 4-1
Public Health Expenditure (% of GDP)



Bright spots include the number of births attended by skilled health professionals⁴⁴ and access to improved water sources.⁴⁵ Both indicators match or exceed most benchmarks. An estimated 98 percent of all births in the Dominican Republic are attended by a skilled health professional. The LMI-LAC average is just 80 percent, and the regression benchmark is 74.8. Indeed, the Dominican Republic figure compares well with rates in Costa Rica and Chile, 98 percent and 100 percent, respectively. However, the Dominican Republic's high MMR clearly indicates serious problems with the quality of care. As for water supply, 93 percent of the population has

⁴³Country Assistance Strategy, p.10

⁴⁴ An MDG indicator.

⁴⁵ An MDG indicator.

access to improved sources; this is better than the LMI-LAC average (89.5 percent), close to the figure for Chile (95 percent), and not far behind Costa Rica's figure (97 percent).

Despite these favorable signs, poor health conditions compound the effects of poor nutrition, impeding growth and contributing to persistent poverty. Multilateral and bilateral donors have introduced numerous health initiatives, but the problems cannot be addressed in a sustainable way without increased efficiency on the part of the government.

EDUCATION

The education system in the Dominican Republic is strong at the primary level, but improvements are needed at the secondary, vocational, and tertiary levels.

The net primary enrollment rate⁴⁶ shows the percentage of children of primary school age who are enrolled in school. For the Dominican Republic, net enrollment was 96.4 percent for 2002 (latest year), which is better 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, only 69 percent of the students persist to grade 5.⁴⁷ This is well below the persistence rates for Chile (99.9 percent) and Costa Rica (91.6 percent) (Figure 4-2). The secondary school enrollment rate is estimated to be 35.5 percent, while the rate for tertiary education is 34.5 percent.⁴⁸

The quality of education, however, is difficult to gauge. One rough proxy is the pupil-teacher ratio in primary schools.⁴⁹ The Dominican Republic's ratio of 39:1 is much higher than the average of 24:1 for LMI-LAC and the ratios for Costa Rica (23:1) and Chile (33:1).

Another quality indicator is government's expenditure per student, as a percentage of per capita GDP. At the primary level, the Dominican Republic lags behind the benchmarks, at 9.0 percent, compared to 12.7 percent in the average LMI-LAC country. At the secondary level, spending is woefully inadequate. In 2002, the Dominican Republic spent just 3.5 percent of per capita GDP per secondary student, one of the lowest figures in the world. Indeed, the average for the lowest five countries in the world is 6.0 percent. The figure for the Dominican Republic is far behind Costa Rica's 22.9 percent and Chile's 15.6 percent, and nearly two-thirds lower than the LMI-LAC average of 11.1 percent. (Comparable data for the Dominican Republic are not available at the tertiary level.)

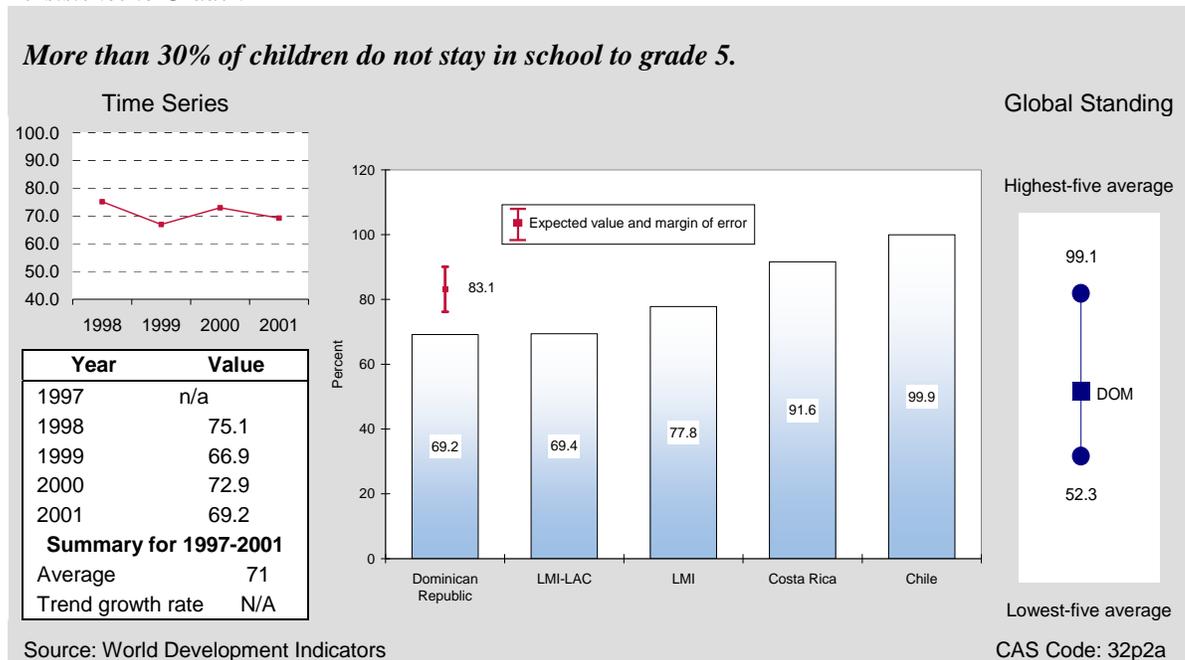
⁴⁶ An MDG indicator.

⁴⁷ Persistence to grade 5 is an MDG indicator.

⁴⁸ UNESCO Education Statistical Tables 2006. This is not a standard indicator for this series of reports but is included here because of the importance of higher education for middle-income countries. The survey year is 2002/03. The secondary figure is for net enrollment while the tertiary figure is for gross enrollment.

⁴⁹ Evidence of the link between class size and quality of education is far from conclusive. However, there is a presumption that small class size enables teachers to offer more individualized attention, thereby facilitating learning and retention. In this regard, the pupil-teacher ratio is widely used as a rough indicator of education quality and a measure of commitment to primary education.

Figure 4-2
Persistence to Grade 5



Education is a cornerstone of development. Hence, the government, with donor support, must do a better job in addressing the country's education needs. Programs to retain children past primary school, increase enrollment in secondary and tertiary school, and improve the quality of the education programs should be considered high priorities.

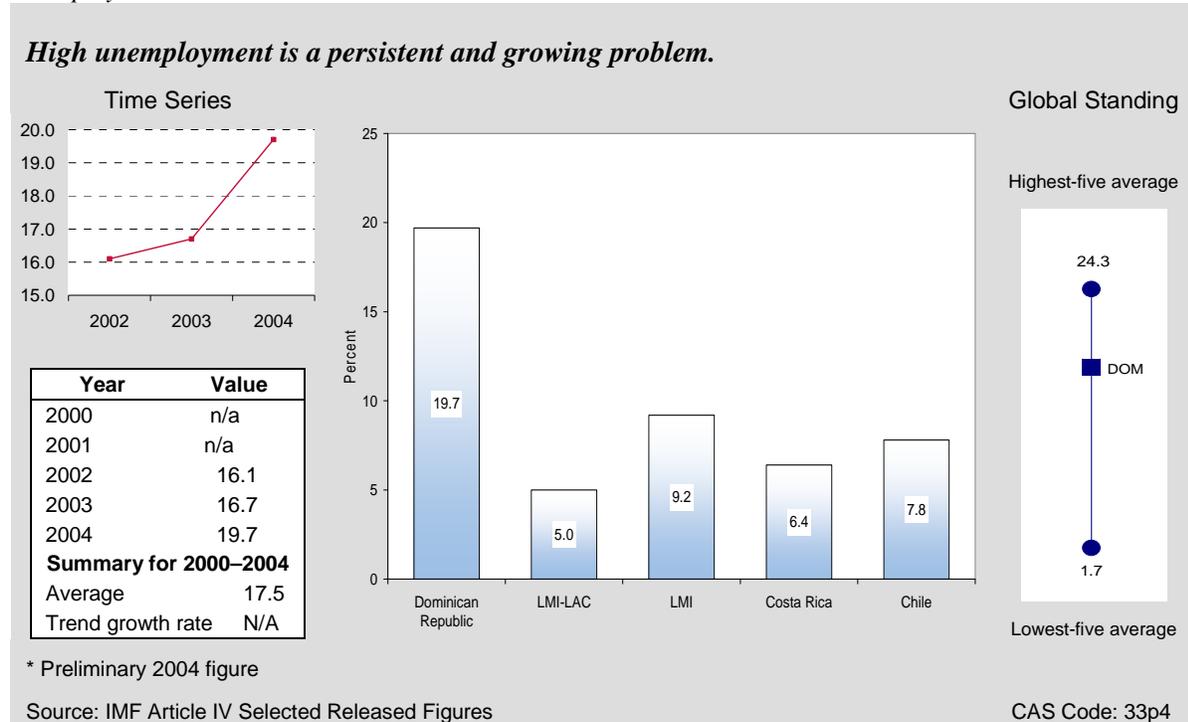
EMPLOYMENT AND WORKFORCE

The Dominican Republic needs to create productive jobs and income-generating opportunities for a growing population. The workforce is estimated to be increasing by 2.5 percent per year. Although this is comparable to the average rate for LMI-LAC of 2.3 percent, the economy still needs to create jobs for roughly 95,000 new workers each year and address the serious problem of structural unemployment. Even in 1999, before the banking crisis, 13.8 percent of the workforce was unemployed. The 2003 contraction worsened the situation, and unemployment reached 19.7 percent in 2004. This is extremely high compared to the 5 percent average for LMI-LAC (Figure 4-3). Women and young workers have been especially affected.⁵⁰ Furthermore, these figures are probably understated because people who have never held a job and are not seeking work are not counted—and these are disproportionately the young. Reducing unemployment is thus a high priority and can be accomplished only by creating an environment to foster private investment, business expansion, and productive opportunities for self-employment, as well to improve education and training. Labor laws and regulations are also a problem, though not a critical impediment to job creation.⁵¹

⁵⁰ EIU Country Profile, p. 19.

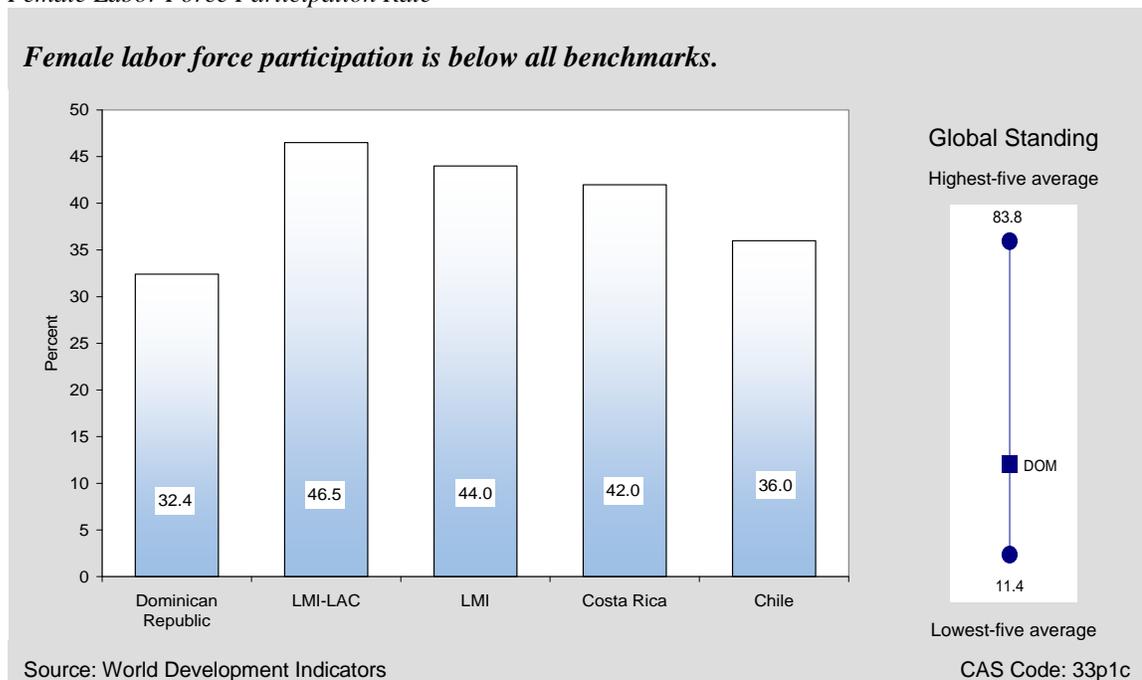
⁵¹ The World Bank's index of Rigidity of Employment, which measures difficulty in hiring and firing workers on a scale of 0 to 100 (with higher values indicating greater rigidity), gives the Dominican Republic a score of 44, identical to the LMI-LAC score and only marginally higher than Costa Rica's score of 39.

Figure 4-3
Unemployment Rate



The labor force participation rate of 63.5 percent is in line with the LMI-LAC average of 62.9 percent, as well as the rates observed in Chile and Costa Rica (65.7 percent and 64.4 percent, respectively.) However, women’s participation is low by all benchmarks, at 32.4 percent (Figure 4-4). As educated young women seek to join the labor force, the need for job creation will be even greater, highlighting the need for programs targeted at improving opportunities for women.

Figure 4-4
Female Labor Force Participation Rate



AGRICULTURE

As mentioned in the Economic Structure section, agriculture has accounted steadily for about 11 percent of GDP in recent years, yet employment in the sector exhibits a declining trend. This combination is a sign of healthy gains in labor productivity. Indeed, the underlying growth trend in agriculture has been reasonably strong, with value added rising at an average rate of 4.0 percent from 1999 to 2003 (in spite of a decline of 3.0 percent in 2003); this is double the LMI-LAC average of 2.0 percent. Agriculture value added per worker rose by 5.4 percent per year, reaching US\$4,142; this is almost twice the regional benchmark of US\$2,102 for LMI-LAC and well above the regression benchmark of US\$2,560. But the Dominican Republic is slightly behind Costa Rica, with \$4,472 per worker, and far from the standard set by Chile, at US\$6,431 (Figure 4-5).⁵² Similarly, cereal yields improved 4.7 percent annually, reaching 4,855.1 kg per ha—more than double the LMI-LAC average of 2,413 kg.

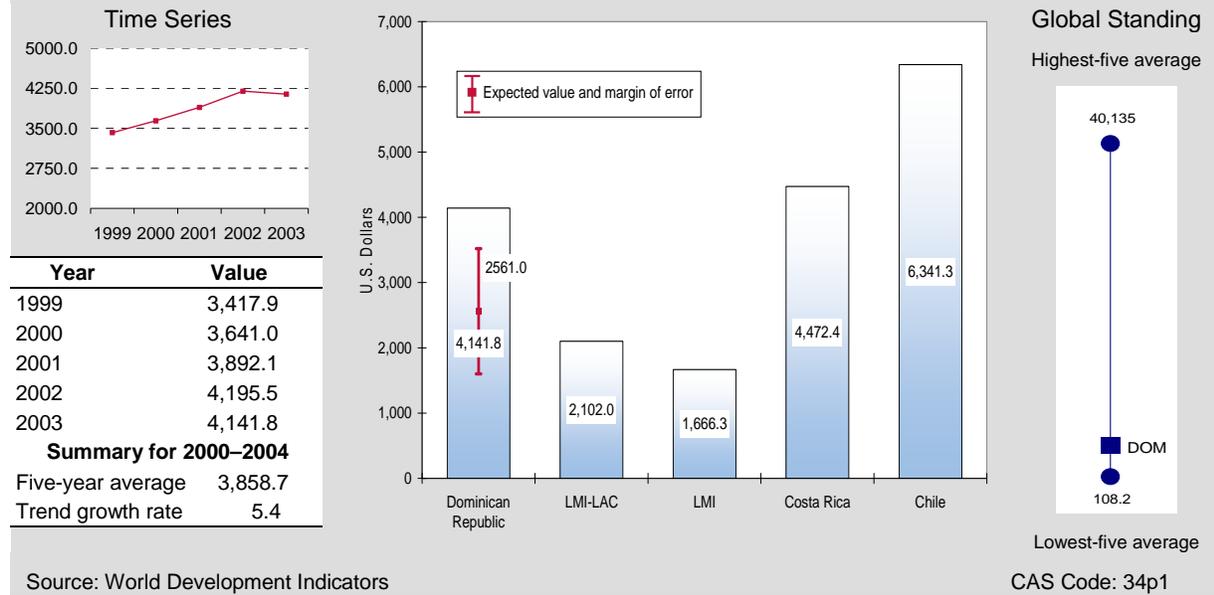
The sector's good performance is due largely to a boost from diversification into crops such as pineapples, bananas, oranges, vegetables, and flowers since the 1990s, together with development of more efficient agroindustry. The production of organic crops for the U.S. and European markets has also grown strongly in recent years.⁵³

⁵² Data measured in constant 2000 US\$.

⁵³ EIU Country Profile, p. 20.

Figure 4-5
Agriculture Value Added Per Worker

Value added per worker in agriculture is almost double the regional benchmark.



5. Conclusion: Key Findings

In 2005, GDP growth in the Dominican Republic rebounded from the 2003–2004 crisis, reaching 9 percent; the projected growth rate for 2006 is about 5.4 percent. Although lower than the rates achieved in the mid- to late 1990s, this is strong performance compared to the benchmarks. Fixed investment has remained high, averaging 23.5 percent between 2002 and 2004, though effects of the crisis have been evident in labor and capital productivity. Some of the drivers of more rapid growth are improvements in the quality of the labor force, through investment in education, training, and health; measures to reduce the large gender gap in job opportunities (female labor force participation was just 32.4 percent in 2004, compared to 86 percent for males); improvements in the business climate; strengthening of the financial system; and promotion of more technology-intensive investment.

The latest poverty and inequality indicators for the Dominican Republic date from before the financial crisis, which pushed an estimated 15 percent of the population (about 1.3 million people) into poverty and worsened living conditions across most income groups. Even before the crisis, 25 percent of the population was unable to obtain a minimum level of dietary energy consumption. Undernourishment seriously affects labor productivity and earning capacity and should be a priority for the government and donors. The remedy may involve interventions to improve rural development, the distribution infrastructure, and basic education and health, as well as transfer payments to assist the most vulnerable groups.

The Dominican Republic's score on the Economic Sustainability Index indicates that the environment is suffering serious degradation, exacerbated by the rapid growth of tourism. The country lags behind in areas such as biodiversity, land, water quality, quantity, and water stress. Improvements are needed in environmental governance, along with initiatives to shift tourism from the mass market to higher-value ecotourism.

The government has done an excellent job of restoring macroeconomic stability in the wake of the crisis, but programs to strengthen fiscal management, budget planning, and tax administration remain a high priority if this stability is to be sustained. In recent years, government expenditures have risen while revenues have fallen (relative to GDP). Benchmark comparisons indicate that there is room to improve the revenue yield, which averaged 18.5 percent of GDP from 2000 to 2004; this would increase the resources available for delivering public services to promote growth and equity. Immediate reforms are needed to compensate for an anticipated revenue loss of nearly 3 percent of GDP from the elimination of taxes on international trade following Dominican Republic-CAFTA implementation.

The international benchmarks show that the Dominican Republic is still a difficult place to do business. Corruption is a central concern, but other regulatory constraints also impair private

sector development. The country ranked 103rd out of 155 on the World Bank's overall Ease of Doing Business ranking. Consequently, the government and donors should focus on programs to combat corruption and promote institutional reform.

The Dominican Republic's financial sector does not provide the quality of services needed to promote economic and business growth. The main indicators—domestic credit to the private sector and intermediation costs—worsened as a result of the financial collapse of 2003. In addition, the Dominican Republic is far behind its peers in developing capital markets and creating competitive sources of finance to broaden and deepen the financial sector. The development of programs to deepen and strengthen the financial sector clearly should be a high priority for the Dominican Republic and donor agencies.

The Dominican Republic is a highly open economy, with trade in services, primarily tourism, especially strong. Domestic merchandise exports (distinct from free-zone exports) account for less than half of earnings from the export of goods and services (net of free-zone inputs). The free-zone sector itself has been struggling since the beginning of the decade, with a gradual loss of U.S. market share, particularly in the garment sector, which accounts for 50 percent of free-zone exports. The DR's trade with CAFTA partners has remained practically unchanged over the five years to 2004, with the United States absorbing 99 percent of exports to CAFTA partners. Trade with other partners did increase, but from an extremely low base. The Agreement should give a substantial boost to trade with other partners, but the United States will continue to be the dominant trading partner. Dominican Republic could benefit from programs to increase backward linkages from the free zones and facilitate export diversification, especially in light of greater global competition after the lifting of textile quotas in 2005.

Workers' remittances also contribute greatly to the current account. Innovative interventions to enhance the growth and developmental impact of remittances (through reduced fees, efficient payment circuits, and programs to attract more funds into investment) could also be beneficial.

Foreign aid has not been a major source of external financing for the DR, and its role has been declining. At the same time, FDI inflows have been fairly strong, compared to regional benchmarks. However, capital flight during the financial crisis led to a virtual exhaustion of international reserves, which remain critically low. This underscores the need for export promotion measures and measures to attract more private capital.

Overall healthcare provision is weak. Life expectancy at birth was 67.1 years in 2003, lagging behind all benchmarks, and the maternal mortality rate was four to five times higher than in Costa Rica and Chile. The situation was exacerbated by the crisis, as inflation drove up prices for food and medicine, putting them out of reach for large segments of the population. Public spending on health has been flat at the very low level of 2.1 percent of GDP, aggravated by inefficiency and lack of transparency. Poor health conditions impede growth and contribute to persistent poverty. Multilateral and bilateral donors have introduced numerous health initiatives, but efficiency in the health sector needs to improve for the problems to be addressed in a sustainable way.

The Dominican Republic's education system is strong at the primary level but has clear deficiencies at the secondary, vocational, and tertiary levels. Although primary enrollment rates are high, just 69 percent of students persist to grade 5. Secondary school enrollment is estimated

to be just 35.5 percent, while the rate for tertiary education is 34.5 percent. Programs are needed to retain children through primary school and beyond and to improve the quality of education.

The Dominican Republic needs to create productive jobs and income-generating opportunities—for roughly 95,000 new workers each year—and even more, to reduce structural unemployment. With the unemployment rate reaching 19.7 percent in 2004, reducing unemployment is a top priority. This can be accomplished only by improving education and training and by creating an environment that fosters private investment, business expansion, and productive opportunities for self-employment.

Appendix.

CRITERIA FOR SELECTING INDICATORS

This economic performance evaluation is designed to balance the need for broad coverage and diagnostic value, on the one hand, and the requirement of brevity and clarity, on the other. The analysis covers 15 economic growth–related topics and just over 100 variables. For the sake of brevity, the write-up in the text highlights issues for which the “dashboard lights” appear to be signaling problems, which suggest possible priorities for USAID intervention. The accompanying table (below) provides a full list of the indicators examined for this report. A separate Data Supplement contains the complete data set for Dominican Republic, including data for the benchmark comparisons, and technical notes for every indicator.

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

In the areas where level I indicators suggest weak performance, the analysis proceeds to review a limited set of diagnostic supporting indicators. These “level II” indicators provide additional details, or shed light on why the primary indicators may be weak. For example, if economic growth is poor, one can examine data on investment and productivity as diagnostic indicators. If a country performs poorly on educational achievement, as measured by the youth literacy rate, one can examine determinants such as expenditure on primary education, and the pupil-teacher ratio.⁵⁴

The standard 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

⁵⁴ Deeper analysis of the topic using more detailed data (Level III) is beyond the scope of this series.

understand, or most widely used. For example, both the Gini coefficient and the share of income accruing to the poorest 20 percent of households can be used to gauge income inequality. We use the income share because it is simpler, and more sensitive to changes.

BENCHMARKING METHODOLOGY

Comparative benchmarking is the main tool used to evaluate each indicator. The analysis draws on several criteria, rather than a single mechanical rule. The starting point is a comparison of performance in Dominican Republic relative to the average for countries in the same income group and region—in this case, Latin America and Caribbean countries with lower middle incomes.⁵⁵ For added perspective, three other comparisons are examined: (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 countries with the five highest and five lowest indicator values globally. Most comparisons are framed in terms of values for the latest year of data from available sources. Five-year trends are also taken into account where this information sheds light on the performance assessment.⁵⁶

For selected variables, a second source of benchmark values uses statistical regression analysis to establish an expected value for the indicator, controlling for income and regional effects.⁵⁷ This approach has three advantages. First, the benchmark is customized to the country's specific level of income. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology allows one to quantify the margin of error and establish a “normal band” for a country with Dominican Republic's characteristics. An observed value falling outside this band on the side of poor performance signals a serious problem.⁵⁸

Finally, where relevant, Dominican Republic'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.

⁵⁵ Income groups as defined by the World Bank for 2005. For this study, the average is defined in terms of the median, rather than the mean, because the values are not distorted by outliers.

⁵⁶ The five-year trends are computed by fitting a log-linear regression line through the data points. The alternative of computing average growth from the end points produces aberrant results when one or both of those points diverges from the underlying trend.

⁵⁷ 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. After estimates are obtained for the parameters a , b , and c , the predicted value for the Dominican Republic is computed by plugging in Dominican Republic-specific values for PCI and Region. Where applicable, the regression also controls for population size and petroleum exports (as a percentage of GDP).

⁵⁸ 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

Indicator	Level ^a	MDG, MCA, or EcGov ^b	CAS Code
PRIVATE SECTOR ENABLING ENVIRONMENT			
Fiscal and Monetary Policy			
Govt. expenditure, % GDP	I	EcGov	21P1
Govt. revenue, % GDP	I	EcGov	21P2
Growth in the money supply	I	EcGov	21P3
Inflation rate	I	MCA	21P4
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

Indicator	Level ^a	MDG, MCA, or EcGov ^b	CAS Code
Gross Private capital inflows, % GDP	I		24P7
Present value of debt, % GNI	I		24P8
Remittance receipts, % exports	I		24P9
Trade, % GDP	I		24P10
Exports of services, % total exports	I		24P11
Imports of services, % total exports	I		24P12
Actual and expected trade size, index	I		24P13
Time to trade, days	I		24P14
Merchandise exports from CAFTA countries, US\$ million (current)	I		24P15
Merchandise imports to CAFTA countries, US\$ million (current)	I		24P16
Concentration of exports	II		24S1
Inward FDI Potential Index	II		24S2
Net barter terms of trade	II		24S3
Real effective exchange rate (REER)	II	EcGov	24S4
Structure of merchandise exports	II		24S5
Trade policy index	II	MCA, EcGov	24S6
Composition of merchandise exports from CAFTA countries, by country, US\$ million (current)	II		24S7
Composition of merchandise imports to CAFTA countries, by country, US\$ million (current)	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

Indicator	Level ^a	MDG, MCA, or EcGov ^b	CAS Code
Access to improved water source	II	MDG	31S2
Births attended by skilled health personnel	II	MDG	31S3
Child immunization rate	II		31S4
Prevalence of child malnutrition (weight for age)	II		31S5
Public health expenditure, % GDP	II	EcGov	31S6
Education			
Net primary enrollment rate	I	MDG	32P1
Persistence in school to grade 5	I	MDG	32P2
Youth literacy rate	I		32P3
Education expenditure, primary, % GDP	II	MCA/ EcGov	32S1
Expenditure per student, % GDP per capita—primary, secondary, and tertiary	II	EcGov	32S2
Pupil-teacher ratio, primary school	II		32S3
Employment and Workforce			
Labor force participation rate—female, male, 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

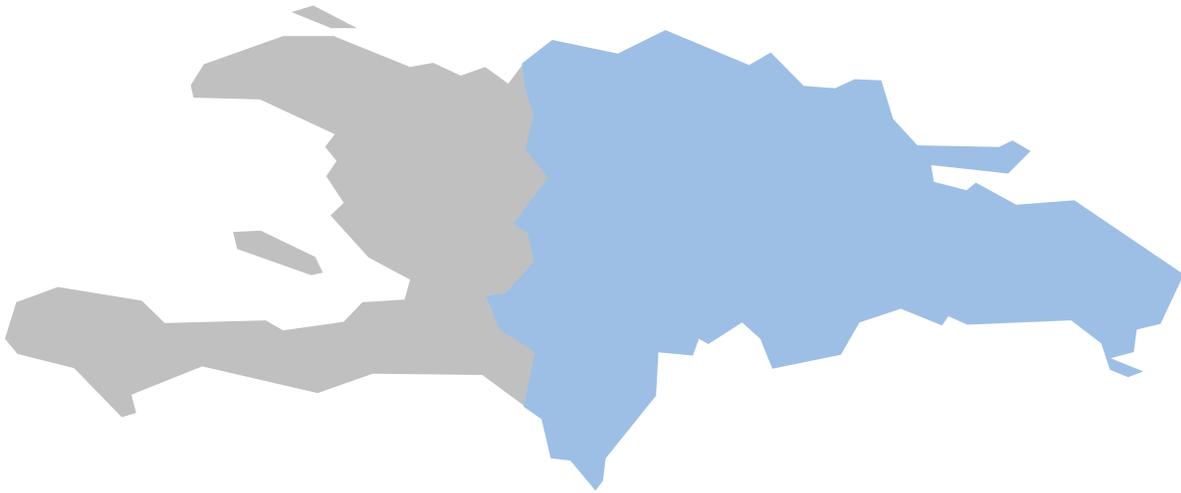
EcGov—Major indicators of economic governance, which is defined in USAID’s Strategic Management Interim Guidance as including “microeconomic and macroeconomic policy and institutional frameworks and operations for economic stability, efficiency, and growth.” The term therefore encompasses indicators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



USAID
FROM THE AMERICAN PEOPLE

Dominican Republic Economic Performance Assessment

Data Supplement



May 2006

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

Dominican Republic 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:

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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
Dominican Republic Data							
<i>Latest Year (T)</i>	2005	2005	2005	2004	2004	2004	2004
Value Year T	7,203	3,235	9.0	-0.2	6.9	24.3	23.1
Value Year T-1	6,841	2,078	2.0	-2.6	5.2	23.3	21.7
Value Year T-2	6,654	1,888	-1.9	2.1	3.7	22.8	20.4
Value Year T-3	6,748	2,526	4.4	1.6	3.2	.	.
Value Year T-4	6,473	2,609	3.6	5.9	2.8	.	.
Average Value, 5 year	6,784	2,467	3.4	1.4	4.3	23.5	21.7
Growth Trend	2.3	2.4	.	.	.	.	.
Benchmark Data							
Regression Benchmark	.	.	3.6	.	.	24.9	.
Lower Bound	.	.	2.3	.	.	22.4	.
Upper Bound	.	.	4.9	.	.	27.5	.
<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	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									
Indicator Number	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 (%), below 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
	12P1	12P2	12P3	12P4	12P5	12P6	12P7	12S1	12S2
Dominican Republic Data									
Latest Year (T)	2003	1998	.	2002	.	1998	..	2001	.
Value Year T	11.8	5.1	.	28.6	See Text	53.3	10.4	25.0	.
Value Year T-1	13.7	.	.	.	.	..	..	.	.
Value Year T-2	13.9	.	.	.	.	..	..	.	.
Value Year T-3	.	.	.	.	.	..	..	.	.
Value Year T-4	.	.	.	.	.	..	..	.	.
Average Value, 5 year	.	.	.	.	.	..	..	.	.
Growth Trend	.	.	.	.	.	.	.	.	.
Benchmark Data									
Regression Benchmark	12.6	3.2	14.4	32.4	.	.	.	14.4	.
Lower Bound	6.9	2.3	7.0	24.3	.	.	.	6.4	.
Upper Bound	18.3	4.1	21.8	40.6	.	.	.	22.3	.
Latest Year Costa Rica	2003	2000	2000	.	.	2000	2000	2001	2000
Costa Rica Value Latest Year	4.0	4.2	2.0	.	.	51.5	12.3	6.0	0.7
Latest Year Chile	2003	2000	2000	.	.	2000	2000	2001	2000
Chile Value Latest Year	3.7	3.3	2.0	.	.	62.2	18.7	4.0	0.5
LMI-LAC Avg.	11.4	2.9	17.0	37.5	.	57.2	17.7	13.0	6.9
Lower Middle Income	16.3	8.1	4.2	49.0	.	48.0	8.1	11.0	1.2
High Five Avg.	60.6	8.7	.	.	.	62.7	25.2	66.0	11.8
Low Five Avg.	4.1	5.9	.	.	.	36.2	3.8	3.0	0.5

Economic Structure						
Indicator Number	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)
	13P1a	13P1b	13P1c	13P2a	13P2b	13P2c
Dominican Republic Data						
<i>Latest Year (T)</i>	2001	2001	2001	2004	2004	2004
Value Year T	14.9	23.0	62.1	11.4	25.6	63.0
Value Year T-1	15.9	23.8	60.2	11.2	30.6	58.1
Value Year T-2	17.5	25.3	57.2	11.5	32.1	56.3
Value Year T-3	17.1	26.1	56.9	11.4	33.0	55.7
Value Year T-4	19.7	25.8	54.4	11.1	34.0	54.8
Average Value, 5 year	17.0	24.8	58.2	11.3	31.1	57.6
Growth Trend	-6.1	-3.2	3.3	0.4	-6.2	3.2
Benchmark Data						
Regression Benchmark	.	.	.	9.2	28.8	.
Lower Bound	.	.	.	3.2	22.8	.
Upper Bound	.	.	.	15.2	34.7	.
<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	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
Dominican Republic Data									
Latest Year (T)	2003	2004	2005	2004	2004	2004	2003	2003	2003
Value Year T	87.7	0.56	43.7	8.9	1.4	59.7	1.01	0.88	0.90
Value Year T-1	.	0.57	.	8.7	1.5	59.4	1.00	0.90	0.93
Value Year T-2	.	0.59	.	8.6	1.5	59.0	.	.	.
Value Year T-3	.	0.60	48.4	8.5	1.6	58.6	.	.	.
Value Year T-4	.	0.61	.	8.4	1.6	58.2	.	.	.
Average Value, 5 year	87.7	0.59	.	8.6	1.5	59.0	.	.	.
Growth Trend	.	-2.20	.	1.5	-3.5	0.6	.	.	.
Benchmark Data									
Regression Benchmark	85.2	0.6	47.4	.	1.4	57.3	.	.	.
Lower Bound	76.6	0.5	43.7	.	1.0	48.0	.	.	.
Upper Bound	93.9	0.6	51.1	.	1.8	66.5	.	.	.
Latest Year Costa Rica	2002	2003	2005	2003	2003	2003	2003	2003	2003
Costa Rica Value Latest Year	95.8	0.55	59.6	4.0	1.6	60.6	1.00	0.97	0.94
Latest Year Chile	2002	2003	2005	2003	2003	2003	2003	2003	2003
Chile Value Latest Year	95.7	0.52	53.6	15.8	1.2	86.6	1.00	1.01	0.92
LMI-LAC Avg.	85.0	0.58	52.4	8.8	1.5	64.2	1.02	0.98	0.92
Lower Middle Income	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										
Indicator Number	Government expense, % GDP	Government revenue, % GDP	Growth in the broad money supply	Inflation rate	Cash Surplus/Deficit (% of GDP)	Composition of government expenditure (wages and salaries)	Composition of government expenditure (goods and services)	Composition of government expenditure (interest payments)	Composition of government expenditure (subsidies and other current transfers)	Composition of government expenditure (other expense)
	21P1	21P2	21P3	21P4	21P5	21S1a	21S1b	21S1c	21S1d	21S1e
Dominican Republic Data										
<i>Latest Year (T)</i>	2004	2004	2005	2005	2004	2004	2004	2004	2004	2004
Value Year T	20.9	17.4	15.4	4.2	-3.5	18.3	4.8	8.4	31.4	0.0
Value Year T-1	18.1	19.2	9.3	51.5	1.2	28.7	5.8	9.2	15.4	0.0
Value Year T-2	19.1	19.1	64.7	27.4	0.1	32.5	5.9	4.4	13.9	0.9
Value Year T-3	18.4	18.2	11.6	5.2	-0.2	32.0	6.0	3.7	18.1	1.0
Value Year T-4	.	.	29.7	8.9	.	50.6	9.8	4.1	27.0	3.2
Average Value, 5 year	19.1	18.5	26.1	19.4	-0.6	32.4	6.5	5.9	21.2	1.0
Growth Trend	3.4	-1.3	.	5.5	.	5.5	-13.6	26.4	1.4	-74.5
Benchmark Data										
Regression Benchmark	22.1	21.5	15.2	5.1	-2.5	.	.	.	.	.
Lower Bound	18.1	17.2	6.7	1.8	-4.1	.	.	.	.	.
Upper Bound	26.2	25.8	23.8	8.4	-0.8	.	.	.	.	.
<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	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	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)											
Indicator Number	21S2a	21S2b	21S2c	21S2d	21S2e	21S2f	21S3a	21S3b	21S3c	21S3d	21S3e
<i>Dominican Republic Data</i>											
<i>Latest Year (T)</i>	2004	2004	2004	2004	2004	2004	.	.	.	.	.
Value Year T	18.0	39.5	27.5	0.1	0.1	6.9	.	.	.	.	.
Value Year T-1	21.0	35.5	18.1	0.1	0.4	17.9	.	.	.	.	.
Value Year T-2	20.9	41.0	19.2	0.1	0.8	13.7	.	.	.	.	.
Value Year T-3	23.0	42.0	20.1	0.1	0.9	10.5	.	.	.	.	.
Value Year T-4	20.1	35.3	33.2	0.1	0.9	4.5	.	.	.	.	.
Average Value, 5 year	20.6	38.7	23.6	0.1	0.6	10.7	.	.	.	.	.
Growth Trend	-3.1	0.6	-4.7	0.0	-40.6	14.9	.	.	.	.	.
<i>Benchmark Data</i>											
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	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											
Indicator Number	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
	22P1	22P2	22P3	22P4	22S1	22S2	22S3	22S4	22S5	22S6	22S7
Dominican Republic Data											
Latest Year (T)	2005	2005	2004	2004	2005	2005	2005	2005	2005	2005	2005
Value Year T	3.0	103.0	-0.54	-0.28	31	29.0	7.0	10.0	580	107	75
Value Year T-1	2.9	..	..	..	25	29.0	7.0	10.0	580	107	78
Value Year T-2	3.3	..	-0.42	-0.13	..	..	..	..	..	..	..
Value Year T-3	3.5	..	..	..	..	..	..	..	..	..	..
Value Year T-4	3.1	..	-0.20	0.52	..	..	..	..	..	..	..
Average Value, 5 year	3.2	..	..	..	..	..	..	..	..	..	..
Growth Trend	-2.5	..	..	..	..	..	..	..	..	..	..
Benchmark Data											
Regression Benchmark	3.7	..	-0.2	..	..	..	..	..	..	..	..
Lower Bound	3.2	..	-0.5	..	..	..	..	..	..	..	..
Upper Bound	4.2	..	0.0	..	..	..	..	..	..	..	..
Latest Year Costa Rica	2005	2005	2004	2004	2005	2005	2005	2005	2005	2005	2005
Costa Rica Value Latest Year	4.2	89.0	0.57	0.67	24	34.0	6.0	11.0	550	21	77
Latest Year Chile	2005	2005	2004	2004	2005	2005	2005	2005	2005	2005	2005
Chile Value Latest Year	7.3	25.0	1.16	1.62	10	28.0	6.0	9.0	305	31	27
LMI-LAC Avg.	3.1	96.2	-0.58	-0.13	48	37.0	7.0	12.5	457	48	56
Lower Middle Income	2.9	85.6	-0.56	-0.34	25	30.0	7.0	10.5	409	52	45
High Five Avg.	9.6	153.0	1.98	1.88	778	65.2	15.8	17.2	1,166	557	180
Low Five Avg.	1.8	3.0	-1.92	-2.29	0	13.4	1.6	2.0	51	2	4

Financial Sector								
	Domestic credit to private sector, % GDP	Interest rate spread, lending rate minus deposit rate	Money supply (M2), % GDP	Stock market capitalization rate, % GDP	Cost to create collateral	Country credit rating	Legal rights of borrowers and lenders index (0 for poor to 10 for excellent)	Real interest rate
Indicator Number	23P1	23P2	23P3	23P4	23S1	23S2	23S3	23S4
Dominican Republic Data								
Latest Year (T)	2004	2004	2004	1999	2004	.	2005	2004
Value Year T	27.9	11.5	32.1	0.8	38.4	.	4.0	-12.3
Value Year T-1	41.1	10.9	38.2	.	.	.	4.0	3.1
Value Year T-2	39.9	9.5	35.1	0.9	.	.	.	19.8
Value Year T-3	37.3	8.7	32.8	.	.	.	.	14.1
Value Year T-4	34.8	9.2	30.3	.	.	.	.	17.9
Average Value, 5 year	36.2	9.9	33.7	.	.	.	.	8.5
Growth Trend	-3.4	7.1	2.7	.	.	.	.	-20.2
Benchmark Data								
Regression Benchmark	44.8	9.1	46.0	48.9	.	.	.	.
Lower Bound	29.9	6.6	31.9	25.7	.	.	.	.
Upper Bound	59.7	11.7	60.1	72.1	.	.	.	.
Latest Year Costa Rica	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
Latest Year Chile	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	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>Dominican Republic Data</i>										
<i>Latest Year (T)</i>	2003	2005	2003	2005	2005	2004	2004	2003	2004	2004
Value Year T	0.5	-1.0	8.2	1.0	4.0	2.6	3.2	33.3	23.7	94.3
Value Year T-1	0.7	5.8	6.4	30.7	3.3	1.2	7.2	30.0	23.0	110.5
Value Year T-2	0.5	6.0	5.9	.	6.1	0.5	4.1	26.1	23.8	85.2
Value Year T-3	0.3	-3.7	4.8	.	4.3	1.1	7.7	26.0	21.6	84.1
Value Year T-4	1.2	-3.4	3.9	.	.	.	6.1	.	18.8	.
Average Value, 5 year	0.6	0.7	5.8	.	4.4	1.4	5.7	28.9	22.2	93.5
Growth Trend	-11.2	.	19.5	.	-6.8	41.2	-12.7	9.2	5.40	6.2
<i>Benchmark Data</i>										
Regression Benchmark	-1.4	-2.8	13.3	6.0	3.2	4.0	.	45.5	.	77.4
Lower Bound	-7.9	-7.6	8.2	-0.6	1.3	2.6	.	21.8	.	58.6
Upper Bound	5.1	2.0	18.5	12.7	5.1	5.5	.	69.3	.	96.2
<i>Latest Year Costa Rica</i>	2003	2003	2003	2003	2003	2003	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	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)										
Indicator Number	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 (2000=100)	Real effective exchange rate index (2000=100)
	24P11	24P12	24P13	24P14	24P15	24P16	24S1	24S2	24S3	24S4
<i>Dominican Republic Data</i>										
<i>Latest Year (T)</i>	2004	2004	2003	2005	2004	2004	.	2003	2002	2004
Value Year T	38.1	13.3	6.7	17.0	4,477.4	4,674.4	.	0.189	101.0	79.3
Value Year T-1	38.8	13.8	3.5	..	4,345.6	4,593.7	.	0.198	101.0	74.8
Value Year T-2	37.3	12.9	3.1	..	4,397.4	4,300.8	.	0.203	100.0	101.1
Value Year T-3	37.1	12.8	4.1	..	4,517.6	4,297.6	.	0.210	102.0	106.3
Value Year T-4	36.0	12.7	..	..	4,530.6	4,499.5	.	0.208	101.0	100.0
Average Value, 5 year	37.5	13.1	4.3	17.0	4,453.7	4,473.2	.	0.202	101.0	92.3
Growth Trend	1.6	1.8	17.2	.	-0.6	1.4	.	-2.470	.	-7.8
<i>Benchmark Data</i>										
Regression Benchmark	.	.	.	.	.	.	.	0.182	.	.
Lower Bound	.	.	.	.	.	.	.	0.163	.	.
Upper Bound	.	.	.	.	.	.	.	0.201	.	.
<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	.	0.179	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	.	0.231	93.0	.
LMI-LAC Avg.	16.5	21.9	5.1	34.7	.	.	.	0.147	97.0	.
Lower Middle Income	13.8	17.2	5.8	36.1	.	.	.	0.165	98.5	.
High Five Avg.	83.8	50.4	10.0	120.8	.	.	.	0.497	149.8	.
Low Five Avg.	1.4	5.4	0.1	6.2	.	.	.	0.051	71.8	.

External Sector (cont'd)						
Indicator Number	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)
	24S5a	24S5b	24S5c	24S5d	24S5e	24S6
Dominican Republic Data						
<i>Latest Year (T)</i>	2001	2001	2001	2001	2001	2006
Value Year T	1.6	15.8	34.2	1.7	40.8	3.5
Value Year T-1	1.6	18.6	40.7	1.6	37.5	4.0
Value Year T-2	1.8	21.2	33.1	1.4	42.5	5.0
Value Year T-3	1.5	14.7	28.3	1.2	54.3	5.0
Value Year T-4	0.2	0.0	8.0	0.1	10.9	4.0
Average Value, 5 year	1.4	14.1	28.8	1.2	37.2	4.3
Growth Trend	47.3	289.0	38.7	73.0	25.6	.
Benchmark Data						
Regression Benchmark	1.7	.	.	.	.	.
Lower Bound	-4.7	.	.	.	.	.
Upper Bound	8.1	.	.	.	.	.
<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	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)							
Indicator Number	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)
	24S7a	24S7b	24S7c	24S7d	24S7e	24S7f	24S7g
Dominican Republic Data							
Latest Year (T)	2004	2004	2004	2004	2004	2004	2004
Value Year T	70.6	.	25.2	32.8	.	5.9	4,342.9
Value Year T-1	66.1	.	22.2	34.8	3.1	6.2	4,213.3
Value Year T-2	73.6	.	20.8	32.3	5.8	3.2	4,261.6
Value Year T-3	54.7	.	.	19.9	4.7	2.6	4,435.7
Value Year T-4	48.0	.	12.2	22.6	1.3	3.1	4,443.4
Average Value, 5 year	62.6	.	28.5	28.5	2.6	4.2	4,339.4
Growth Trend	.	.	.	.	.	.	.
Benchmark Data							
Regression Benchmark	.	.	.	.	.	.	.
Lower Bound	.	.	.	.	.	.	.
Upper Bound	.	.	.	.	.	.	.
Latest Year Costa Rica	2004	2004	2004	2004	2004	2004	2004
Costa Rica Value Latest Year	.	12.2	88.4	158.7	36.0	50.8	3,596.3
Latest Year Chile	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	.	.	.	.	.	.	.
High Five Avg.	.	.	.	.	.	.	.
Low Five Avg.	.	.	.	.	.	.	.

External Sector (cont'd)							
Indicator Number	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)
	24S8a	24S8b	24S8c	24S8d	24S8e	24S8f	24S8g
Dominican Republic Data							
<i>Latest Year (T)</i>	2004	2004	2004	2004	2004	2004	2004
Value Year T	12.2	.	3.7	17.1	.	3.4	4,638
Value Year T-1	5.6	.	4.2	20.2	4.3	1.5	4,558
Value Year T-2	5.4	.	1.8	17.9	2.9	1.7	4,271
Value Year T-3	4.1	.	.	2.4	3.2	1.5	4,286
Value Year T-4	3.8	.	1.9	3.2	2.9	1.3	4,486
Average Value, 5 year	6.2	.	2.9	12.2	2.9	1.9	4,448.0
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	.	70.6	195.9	272.8	185.6	219.9	2,646
<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
LMI-LAC Avg.	.	.	.	.	.	.	.
Lower Middle Income	.	.	.	.	.	.	.
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
Dominican Republic Data								
Latest Year (T)	2004	2004	2003	2004	2004	2004	2004	2002
Value Year T	91	3.9	387	4.6	3.4	1.6	2.30	0.06
Value Year T-1	64	.	317	.	.	.	.	0.08
Value Year T-2	21	.	257	.	.	.	.	0.07
Value Year T-3	21	.	187	.	.	.	.	.
Value Year T-4	19	.	150	.	.	.	.	.
Average Value, 5 year	43	.	259	.	.	.	.	.
Growth Trend	53.3	.	27.4	.	.	.	.	.
Benchmark Data								
Regression Benchmark	117	3.4	371	.	.	.	.	.
Lower Bound	79	2.9	215	.	.	.	.	.
Upper Bound	155	3.8	526	.	.	.	.	.
Latest Year Costa Rica	2004	2004	2002	2004	2004	2004	2004	2003
Costa Rica Value Latest Year	235	2.9	362	4.1	2.1	1.2	4.60	0.02
Latest Year Chile	2004	2004	2003	2004	2004	2004	2004	2003
Chile Value Latest Year	279	4.8	732	5.4	4.6	2.2	5.50	0.10
LMI-LAC Avg.	74	2.8	321	3.7	2.6	1.4	4.00	0.06
Lower Middle Income	53	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
Dominican Republic Data								
Latest Year (T)	.	2004	.	2004	2003	2000	2002	2002
Value Year T	.	4.9	.	1.4	67.1	150.0	57.0	93.0
Value Year T-1	.	5.2	.	.	67.2	.	.	.
Value Year T-2	.	.	.	.	.	.	.	.
Value Year T-3	.	.	.	.	.	.	.	.
Value Year T-4	.	.	.	.	.	.	.	.
Average Value, 5 year	.	.	.	.	.	.	.	.
Growth Trend	.	.	.	.	.	.	.	.
Benchmark Data								
Regression Benchmark	.	5.2	.	.	70.5	143.2	.	.
Lower Bound	.	4.8	.	.	66.8	-1.0	.	.
Upper Bound	.	5.6	.	.	74.3	287.5	.	.
Latest Year Costa Rica	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
Latest Year Chile	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	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

Indicator Number	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
	31S3	31S4	31S5	31S6	32P1a	32P1b	32P1c	32P2a	32P2b	32P2c	32P3
Dominican Republic Data											
Latest Year (T)	2002	2003	2002	2004	2002	2002	2002	2001	2001	2001	2003
Value Year T	97.8	72.0	5.3	2.1	96.4	94.1	98.7	69.2	74.0	64.80	94.00
Value Year T-1	.	72.5	.	2.2	97.1	95.1	99.1	72.9	83.8	63.12	.
Value Year T-2	97.6	80.0	4.6	2.2	94.8	91.7	97.7	66.9	77.3	58.09	.
Value Year T-3	.	78.0	.	2.2	90.8	91.6	90.0	75.1	79.1	71.39	.
Value Year T-4	.	84.5	.	2.2	88.3	89.2	87.5	.	.	.	.
Average Value, 5 year	.	77.4	.	2.2	93.5	92.3	94.6	.	.	.	.
Growth Trend	.	-3.9	.	-0.9	2.5	1.4	3.4	.	.	.	.
Benchmark Data											
Regression Benchmark	74.9	.	.	.	94.5	.	.	83.1	.	.	92.4
Lower Bound	64.1	.	.	.	88.0	.	.	76.2	.	.	84.0
Upper Bound	85.7	.	.	.	101.0	.	.	90.1	.	.	100.7
Latest Year Costa Rica	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	98.41
Latest Year Chile	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	98.99
LMI-LAC Avg.	80.0	87.3	14.0	3.5	95.1	94.4	94.6	69.4	74.0	67.09	94.48
Lower Middle Income	69.0	92.5	7.0	3.2	92.4	92.6	92.9	77.8	77.7	79.54	96.81
High Five Avg.	.	99.0	36.3	8.7	100.0	100.0	100.0	99.2	99.8	99.30	99.82
Low Five Avg.	20.8	39.0	7.3	0.6	42.3	36.9	47.6	52.3	51.5	51.78	46.44

Indicator Number	Education (cont'd)					Employment and Workforce			
	Education expenditure as a %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
Dominican Republic Data									
Latest Year (T)	2002	2002	2002	.	2001	2003	2003	2004	2005
Value Year T	2.30	9.0	3.5	.	39.0	69.9	93.7	45.5	44.0
Value Year T-1	.	6.5	4.9	.	38.7	69.9	94.1	44.9	40.0
Value Year T-2	.	.	.	.	39.0	69.8	94.5	44.3	.
Value Year T-3	.	.	.	.	39.0	69.7	94.8	43.7	.
Value Year T-4	.	.	.	.	.	69.6	95.2	43.1	.
Average Value, 5 year	.	.	.	.	.	69.8	94.5	44.3	.
Growth Trend	.	.	.	.	.	0.1	-0.4	1.3	.
Benchmark Data									
Regression Benchmark	.	.	.	.	.	69.6	.	.	38.1
Lower Bound	.	.	.	.	.	64.4	.	.	26.8
Upper Bound	.	.	.	.	.	74.8	.	.	49.4
Latest Year Costa Rica	.	2002	2002	2002	2002	2003	2002	2002	2005
Costa Rica Value Latest Year	.	16.2	23	50.6	23	63.8	86.6	41.3	35.0
Latest Year Chile	.	2002	2002	2002	2002	2003	2002	2002	2005
Chile Value Latest Year	.	15.8	16	17.7	33	64.1	83.5	44.8	19.0
LMI-LAC Avg.	2.93	12.7	11	37.2	24	69.3	88.7	46.0	51.0
Lower Middle Income	2.29	11.5	15	35.5	21	69.7	85.0	53.8	40.0
High Five Avg.	5.54	31.3	47	344.3	66	102.4	112.6	97.0	84.6
Low Five Avg.	0.17	6.2	6	9.8	12	50.4	70.9	21.5	1.2

Indicator Number	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)
	33P3a	33P3b	33P4	34P1	34P2	34P3	34S1	34S2	34S3
Dominican Republic Data									
Latest Year (T)	2004	2004	2004	2003	2004	2003	2004	2004	2004
Value Year T	3,959,456	2.2	20	4,142	4,855	-3.0	3.3	107.8	100.4
Value Year T-1	3,874,188	2.3	17	4,195	4,968	5.8	.	109.7	107.1
Value Year T-2	3,788,452	2.3	16	3,892	4,343	5.1	.	112.9	106.5
Value Year T-3	3,702,358	2.4	.	3,641	4,305	5.0	.	106.8	104.5
Value Year T-4	3,616,014	2.6	.	3,418	4,139	6.9	.	96.4	101.6
Average Value, 5 year	3,788,094	2.4	18	3,858	4,522	4.0	.	106.7	104.0
Growth Trend	2.3	.	.	5.4	4.7	.	.	2.5	0.0
Benchmark Data									
Regression Benchmark	.	2.2	.	2,561.0	.	-0.9	.	.	.
Lower Bound	.	1.7	.	1,601.7	.	-5.2	.	.	.
Upper Bound	.	2.6	.	3,520.2	.	3.4	.	.	.
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	3,803	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	5,313	3.3	4.6	107.0	107.7
LMI-LAC Avg.	3,762,947	2.5	5	2,102	2,413	2.0	3.4	106.5	102.6
Lower Middle Income	4,061,858	2.3	9	1,666	2,441	2.8	3.5	106.3	103.4
High Five Avg.	316,912,650	5.7	24	40,135	7,775	22.0	5.3	134.9	145.5
Low Five Avg.	125,147	-0.3	2	108	312	-13.4	2.4	69.5	78.3

Technical Notes

The following technical notes (updated as of February 13, 2006) identify the source for each indicator, provide a concise definition, indicate the coverage of USAID countries, and comment on data quality where pertinent. For reference purposes, a CAS code is also given for each indicator. These technical notes include information on the additional indicators that are only used for LAC studies. In many cases, the descriptive information is taken directly from the original sources, as cited.

GROWTH PERFORMANCE

Per capita GDP, purchasing power parity dollars

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P1

Per capita GDP, current US dollars

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P2

Real GDP growth

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

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

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

Coverage: Data are available for about 85 USAID countries.

CAS Code #11P3

Growth of labor productivity

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

Definition: Labor productivity is defined here as the ratio of GDP (in constant prices) to the size of the working age population (ages 15 to 64 years). The more familiar

calculation, based on employment, labor force, or work hours, is not used here because low participation or employment rates are themselves structural productivity problems; also, many low-income countries do not report data needed to compute these alternative measures of labor productivity.

Coverage: Data are available for about 85 USAID countries.

CAS Code # 11S1

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

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

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

Coverage: Data are available for about 81 USAID countries.

CAS Code #11S2

Gross fixed investment, percentage of GDP

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

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

Coverage: Data are available for about 84 USAID countries.

CAS Code # 11S3

Gross fixed private investment, percentage of GDP

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

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

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

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

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

CAS Code #11S4

POVERTY AND INEQUALITY

Human poverty index

Source: UNDP, Human Development Report.

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

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

Coverage: Data are available for about 60 USAID countries.

CAS Code #12P1

Income share held by lowest 20%

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

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

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

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

CAS Code # 12P2

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

Source: World Development Indicators 2005 series SI.POV.DDAY, original data from National Surveys.

Alternate source for target countries: the country's Poverty Reduction Strategy Paper:

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

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

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

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

CAS Code #12P3

Poverty headcount, national poverty line

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

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

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

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

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

CAS Code #12P4

PRSP Status

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

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

Coverage: All countries having PRSPs are so indicated.

CAS Code #12P5

Income share held by highest 20%

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

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

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

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

CAS Code # 12P6

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

Source: World Development Indicators 2005; calculated from series 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: Net private capital inflows are the sum of the of direct and portfolio investment inflows recorded in the balance of payments financial account. The indicator is calculated as a ratio to GDP in U.S. dollars.

Coverage: Information on coverage is not easily accessible.

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

CAS Code #24P7

Present value of debt, percent of GNI

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

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

Coverage: Data are available for about 80 USAID countries.

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

CAS Code # 24P8

Remittances receipts, percent of exports

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 24P9

Trade in goods and services, as a percentage of GDP

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

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

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

Coverage: Data available for about 84 USAID countries.

CAS Code # 24P10

Exports of services, as a percent of total exports

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

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

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

Coverage: Data are available for about 71 USAID countries.

CAS Code # 24P11

Imports of services, as a percent of total imports

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

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

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

Coverage: Data are available for about 69 USAID countries.

CAS Code # 24P12

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

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

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

Coverage: Data are available for about 60 USAID countries.

Data Quality: The Fraser Institute does not report the regression estimates for the expected trader share, nor the standard errors. Consequently, it is impossible to judge whether the expected trade share is statistically different from

the actual trade share for a given country. Furthermore, the regression model used by the Fraser Institute does not control for petroleum exports.

CAS Code # 24P13

Time to trade, days

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

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

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

Coverage: Data are available for about 74 USAID countries.

CAS Code # 24P14

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

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

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

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 24P15

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

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

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

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 24P16

Concentration of exports

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

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

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 24S1

Inward FDI Potential Index

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

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

Coverage: Data are available for about 77 USAID countries.

CAS Code # 24S2

Net barter terms of trade

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

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

Coverage: Data are available for about 51 USAID countries.

CAS Code # 24S3

Real effective exchange rate (REER)

Source: IMF Article IV Reviews:

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

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

Coverage: Information on coverage is not easily accessible.

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

CAS Code # 24S4

Structure of merchandise exports

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

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

Coverage: Data are available for about 78 USAID countries.

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

CAS Code # 24S5

Trade Policy Index

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

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

Coverage: Data are available for about 83 USAID countries.

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

CAS Code # 24S6

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

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

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

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 24S7

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

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

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

Coverage: Data are available for about 74 USAID countries.

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

CAS Code # 24S8

ECONOMIC INFRASTRUCTURE

Internet users per 1,000 people

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code # 25P1

Overall Infrastructure Quality

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

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 25P2

Telephone density, fixed line and mobile

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

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

Coverage: Data are available for about 88 USAID countries.

CAS Code #25P3

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

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

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code #25S1

Telephone cost, average local call

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

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

Coverage: Data are available for about 82 USAID countries.

CAS Code #25S2

SCIENCE AND TECHNOLOGY

Expenditure in Research and Development, percent of GDP

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

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

Coverage: Data are available for about 26 USAID countries.

CAS Code #26P1

FDI technology transfer index

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

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

Coverage: Data are available for about 52 USAID countries.

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

CAS Code # 26P2

Patent applications filed, by residents

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

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

Coverage: Data are available for about 63 USAID countries.

CAS Code #26P3

HEALTH

HIV prevalence rate

Source: UNAIDS for most recent country data:

<http://www.unaids.org/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