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Regional Economic Performance Evaluation: CAFTA-DR Countries



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Regional Economic Performance Evaluation: CAFTA-DR Countries

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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. Reports for the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua have been completed for the USAID LAC Bureau.

Under the CAS Project, Nathan Associates is also to respond to mission or bureau requests for in-depth studies to examine more thoroughly particular issues identified by the data analysis in these country reports. The USAID LAC Bureau asked Nathan Associates to examine the countries listed above from a regional perspective, highlighting the issues pertinent to the recent CAFTA-DR. This report is produced in response to this request.

CAFTA-DR is expected to bring large opportunities for economic development to the region. An expansion and diversification of trade between the countries is likely as a result of the reduction of the barriers to trade, promotion of fair competition, and increase investment opportunities. In addition, macroeconomic implications are expected. This report examines the evidence of the economic conditions ex-ante of the implementation of the CAFTA-DR. It 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 performance of the CAFTA-DR countries in comparison to groups of countries, Costa Rica, and Chile;¹
- An easy-to-read analytic narrative that highlights areas in which countries performance commonalities, differences, or where there is particularly strong or weak performance, thereby assisting in the identification of future programming priorities.

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¹ Costa Rica and Chile were used as comparator countries for the individual country assessment reports discussed above. For this study, Costa Rica is pulled into the analysis, where possible, while Chile is deemphasized in the analysis. The data supplement, however, shows both countries as comparator economies.

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CAFTA-DR COUNTRIES: PERFORMANCE COMPARISONS

Economic Growth	Economic growth is less than 5 percent in most of the CAFTA-DR countries. The Dominican Republic has strong economic growth, albeit recovering from a financial crisis. The Dominican Republic and Costa Rica are the wealthiest countries in the region.
Poverty and Inequality	High levels of poverty persist in many of the CAFTA-DR countries. All of the countries have very high levels of income inequality.
Economic Structure	Low value added in the agricultural sector despite high proportions of labor force dedicated to the sector points to a need for job creation outside of the agricultural sector. While the services sector contributes the most to value added relative to its share of the labor force among the countries of CAFTA-DR.
Demography and Environment	Guatemala, Honduras, and Nicaragua have high population growth rates and high age dependency rates. All countries have seen a decline in their Environmental Sustainability Index scores indicating a deteriorating capacity to manage environmental threats.
Gender	Guatemala and Honduras have the most problematic disparities in gender equity with high comparative ratios of male to female gross enrollment rates for all levels of education.
Fiscal and Monetary Policy	Most of the CAFTA-DR countries face challenges with respect to revenue collection; Guatemala's difficulties are the most pronounced.
Business Environment	All CAFTA-DR countries have areas of their business environment where improvement is needed. Key challenges include: crime, corruption, and weak adherence to the rule of law.
Financial Sector	With the exception of El Salvador, the financial Sectors in the CAFTA-DR countries are relatively weak and inefficient. Nicaragua and the Dominican Republic have recently suffered financial crises, but have recovered well.
External Sector	The CAFTA-DR agreement will be the central opportunity and challenge for the countries in the years ahead. Costa Rica and the Dominican Republic alone have recently seen increases in their total trade as a percentage of GDP. While, Foreign Direct Investment is high in both Nicaragua and the Dominican Republic. El Salvador, Guatemala and Honduras receive large remittance inflows.
Economic Infrastructure	The CAFTA-DR countries have reasonably good airports, decent ports (especially Puerto Cortes), and a wide variations in internet access (high in Costa Rica and low in Nicaragua).
Health	Quality and access to health care in the CAFTA-DR countries varies. Independent of Costa Rica, all CAFTA-DR countries have high maternal mortality rates (although Honduras has made great strides in reducing maternal mortality in recent years).
Education	Primary enrollment is strong across the CAFTA-DR countries, but the trend does not extend to secondary and tertiary education. Few resources are devoted to education in most of the region, except in Costa Rica.
Employment and Workforce	There is very low female labor force participation in the CAFTA-DR countries. Rapid rates of labor force growth increase pressure for new job creation across the region.
Agriculture	The Dominican Republic and Costa Rica have highly diversified agricultural sectors; other DR-CAFTA countries are lagging behind.

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

1. Introduction

The objective of this report is to provide USAID/LAC bureau with (1) an evaluation of regional commonalities, disparities and trends in relative performance among the CAFTA-DR participant countries; and (2) a practical, data-based methodology to monitor progress in the CAFTA-DR countries at different phases of implementation.

This report is a follow on to the economic performance assessments of the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua that Nathan Associates produced for the United States Agency for International Development / Latin America and the Caribbean and the Bureau for Economic Growth, Agriculture and Trade (EGAT). It draws from those individual Country Assessment Reports relying on a variety of international data sources² and uses international benchmarking against reference group averages.³

Although the paper is similar to 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, it differs in that it is a regional study. Furthermore, this regional report is analyzed in the context of the CAFTA-DR agreement and its components (e.g. market access in goods, services, and government procurement, foreign investment protection, protection of intellectual property, the enforcement of core labor standards, and transparency).

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.⁴ 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

² 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.

³ Costa Rica while a participant of the CAFTA-DR is not host to any USAID Economic Growth programs and therefore was not the focus of an individual Country Economic Performance Assessment. The economy did however serve as a comparator economy in the individual country reports described previously. In this report, it is pulled into the analysis, when possible.

⁴ Sometimes, too, the problem is faulty wiring to the indicator—analogous here to faulty data.

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.⁵ 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.

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.⁶ Here, too, many elements are involved, including effective education and health systems; policies facilitating job creation; agricultural development (in countries where the poor depend predominantly on farming); dismantling barriers to micro and small enterprise development; and progress toward gender equity.

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

The remainder of the report discusses the most important results of the diagnostic analysis, in three sections: Overview of the Economy; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topic coverage. The Appendix provides a brief explanation of the criteria used for selecting indicators, the benchmarking methodology, and a table showing the full set of indicators examined for this report.

⁵ In USAID's White Paper on *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century* (January 2004), transformational growth is a central strategic objective, both for its innate importance as a development goal, and because growth is the most powerful engine for poverty reduction.

⁶ 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 since the focus is economic growth programs. In addition, it is difficult to find meaningful and readily available indicators of vulnerability to use in the template

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

2. Overview of the Economy

This section reviews basic information on CAFTA-DR countries' macroeconomic performance, poverty and inequality, economic structure, demographic and environmental conditions, and indicators of gender equity.⁷ Some of the indicators cited here are descriptive rather than analytical and are included to provide context for the performance analysis.

GROWTH PERFORMANCE

Costa Rica and the Dominican Republic are the wealthiest economies among the CAFTA-DR countries in terms of per capita GDP measured in purchasing power parity dollars. Costa Rica has a per capita GDP of \$10,434.40 and the Dominican Republic a per capita GDP of \$7,202.90 (2005) (Figure 2-1). Regional disparities in per capita income are not likely to change substantially in the near future because the poorer countries have been able to achieve economic growth only in the low single digits in recent years. The Dominican Republic, however, although it suffered a downturn during 2003, is capable of impressive economic growth, reaching 9 percent during 2005. Its growth is linked to strong performance in the tourism and *maquiladora* sectors, fixed investment, and labor productivity (Figure 2-2).

Investment productivity, measured by the incremental capital output ratio (ICOR),⁸ is low throughout the region. The Dominican Republic and Costa Rica are the best recent performers with scores of 6.9 and 6.2 respectively in 2004. In general, the ICOR is exhibiting a worsening trend across the board.

In 2004, gross fixed investment varied widely throughout the region. El Salvador (15.6 percent of GDP) performs poorly, while Nicaragua (28.4 percent of GDP) has the highest rates, better than the LMI-LAC (average of 18.5 percent) and Costa Rica (18.1 percent). The five-year growth trend in fixed investment declined for El Salvador, Guatemala, Honduras, and Nicaragua. These countries will need to correct this trend because CAFTA-DR will bring more competition for foreign investment and rationalization of production.

⁷ The separate Data Supplement provides a full tabulation of the data for the CAFTA-DR countries and the international benchmarks, including indicators not discussed in the text, as well as technical notes for each indicator.

⁸ The ICOR shows the amount of capital investment incurred per extra unit of output. A high value represents low investment productivity (because it indicates that a large amount of capital is needed per unit of extra output). The ICOR is calculated here as the ratio of the investment share of GRP to the growth rate of GRP, using five-year averages for both the numerator and the denominator. Countries with efficient investment typically have ICOR values below 4.0.

Figure 2-1

Per Capita GDP in USAID-Supported CAFTA-DR Countries, PPP Dollars, 2001–2005

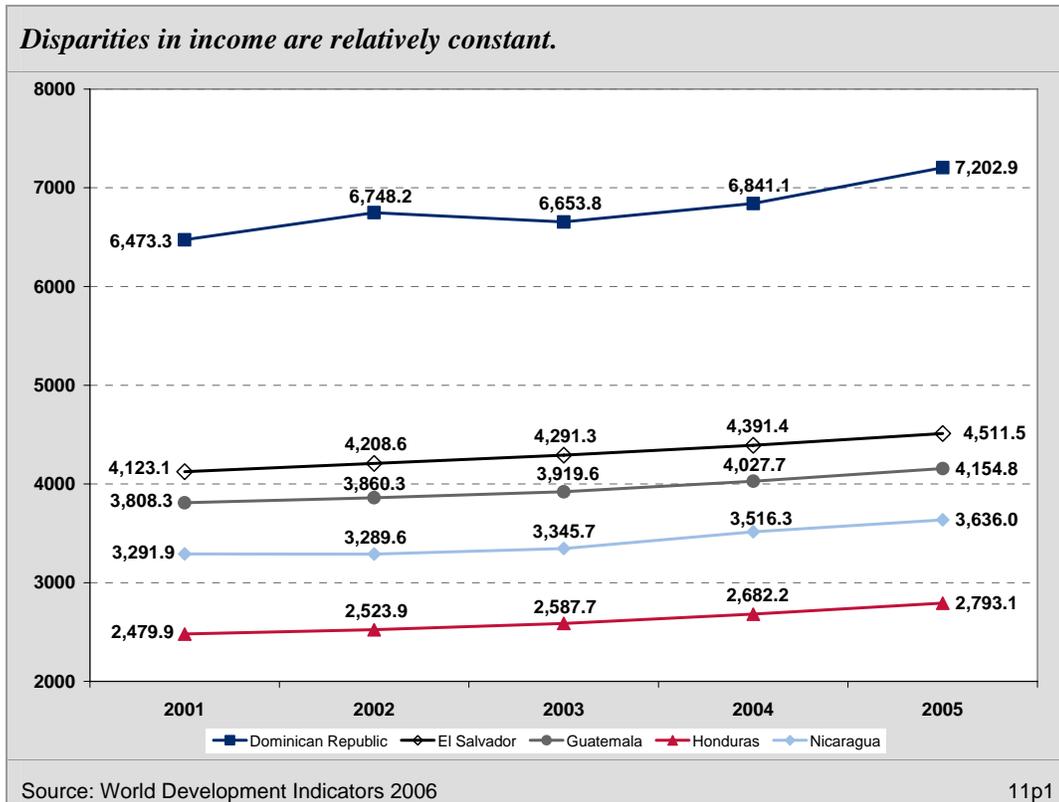
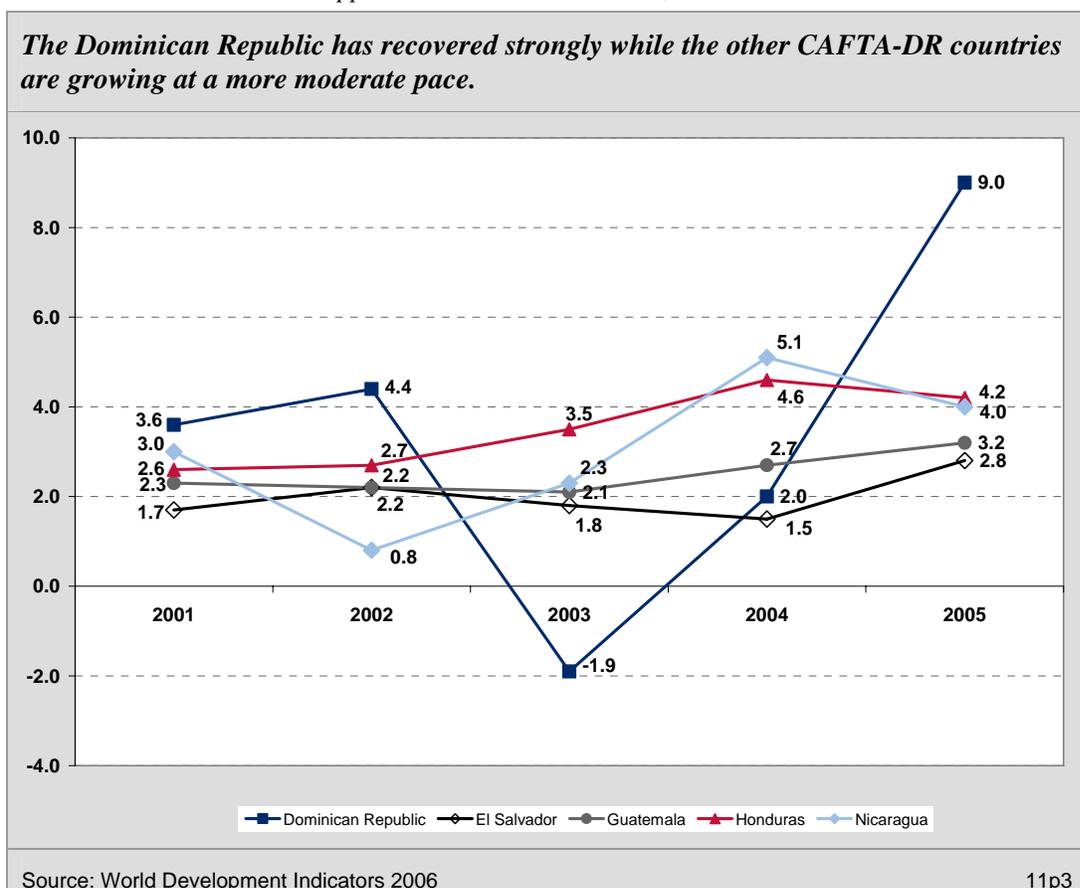


Figure 2-2
Real GDP Growth in USAID-Supported CAFTA-DR Countries, 2001–2005



The latest five-year average growth in labor productivity for Dominican Republic is 1.4, which is lower than Costa Rica’s rate of 3.7 for 2003. However, these are much higher than the five-year average growth in labor productivity for El Salvador, Guatemala, Honduras, and Nicaragua, which are negative. Improving the quality of the labor force by investing in health, education, and training (see Section 4); and closing gender disparities in opportunities to work are factors that could improve growth and labor productivity performance.

POVERTY AND INEQUALITY

The CAFTA-DR countries’ performance varies widely with respect to poverty and inequality. In fact, the six countries range from some of the richest and most equal to some of the poorest and most unequal countries in Latin America. National performance with respect to poverty and inequality is driven by factors ranging from education quality to access to health care and divergent opportunities for social mobility by various ethnic groups.

The poverty headcount for each CAFTA-DR country shows how far many countries in the region have to go in raising significant percentages of their populations out of poverty. Some 64.0 percent of Hondurans, 56.2 percent of Guatemalans, and 51.9 percent of Nicaraguans live below their national poverty lines. In contrast, in the Dominican Republic, 28.6 percent of the

population is below the national poverty line, demonstrating where the Central American countries could be. Data were not available for El Salvador and Costa Rica.

Another common poverty indicator is the percentage of the population living on less than \$1.00 PPP per day. Unsurprisingly, the country with the best score in this ignoble category is Costa Rica, which has only 0.8 percent of its population living on less than \$1.00 day. The situation actually appears to be worsening in Guatemala and Nicaragua (although the data are not up to date). In 1997, only 7.9 percent of Guatemalans were living on less than \$1 per day, yet by 2002 had grown to 13.5 percent of the population. Far worse in absolute terms but with a smaller percentage increase, the number of Nicaraguans subsisting on less than \$1.00 per day grew from 44.7 percent in 1999 to 45.1 percent in 2002. In El Salvador and Honduras, some 20 percent of the population is surviving on less than \$1.00 per day.⁹

The United Nations Development Program's Human Poverty Index (HPI), which ranges from 0 (zero deprivation) to 100 (maximum deprivation), provides a broader gauge of poverty that takes into account deprivation in health and education as well as income. All CAFTA-DR countries, except Guatemala, exhibited steady declines in deprivation levels during the years 2001–2003.¹⁰ Guatemala remained stagnant at about 22.9, the highest in the region. By contrast, the score for the Dominican Republic fell from 13.9 in 2001 to 11.8 in 2003, while the score for Nicaragua fell from 24.3 to 17.7 during the same period. The country with the lowest deprivation score in the region is Costa Rica at 4.0.

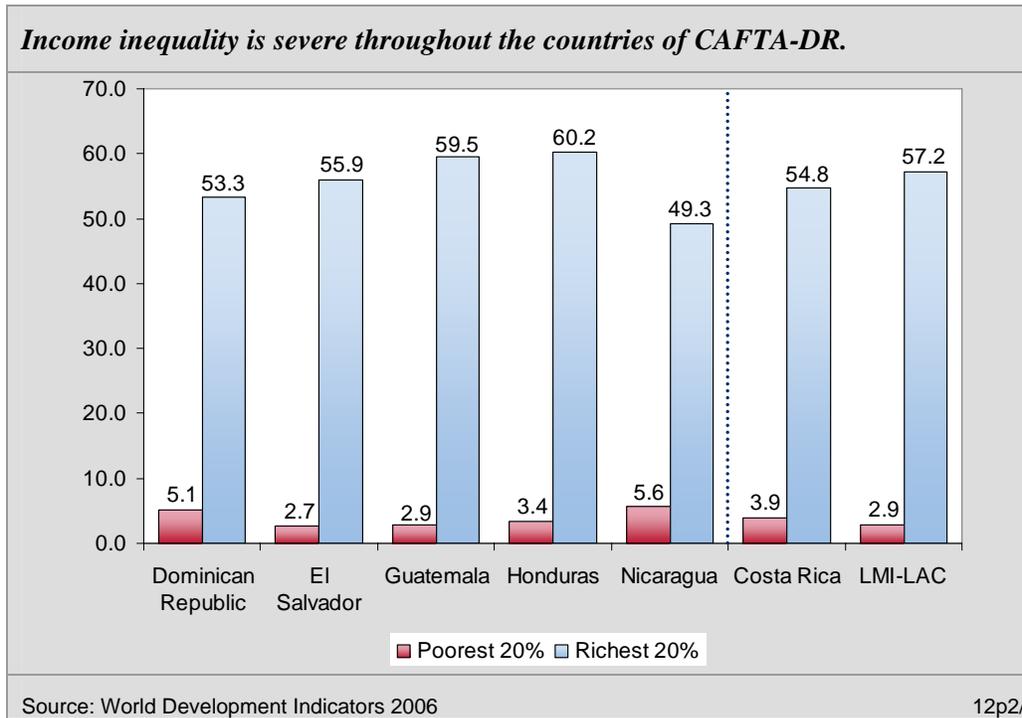
Latin America has one of the most unequal distributions of income of any region in the world as evidenced by the LMI-LAC average showing that the richest 20 percent of the population accrue 57.2 percent of income while the poorest 20 percent receive only 2.9 percent of income. Among the CAFTA-DR countries, Nicaragua has the best income distribution with the richest 20 percent receiving 49.3 percent of income and the poorest 20 percent receiving 5.6 percent of income. Costa Rica is in the middle of the pack in terms of income distribution, with 54.8 percent of income accruing to the richest 20 percent and only 3.9 percent of income accruing to the poorest 20 percent. Guatemala and Honduras are clustered at the bottom of the income distribution scale in the region. Guatemala has 59.5 percent of income accruing to the richest 20 percent and only 2.9 accruing to the poorest 20 percent, while Honduras has 60.2 percent of income accruing to the richest 20 percent and only 2.4 percent of income accruing to the poorest 20 percent (Figure 2-3).

⁹ No data for the Dominican Republic are included in our data set.

¹⁰ Data were available for Honduras only for 2003–2005.

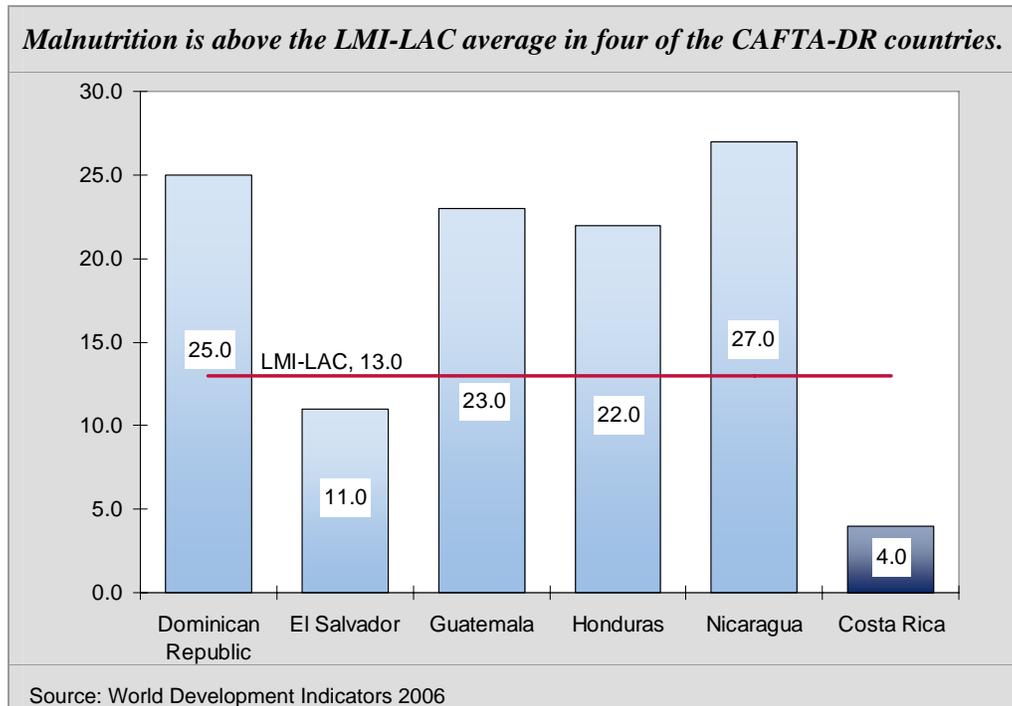
Figure 2-3

Income Accruing to the Lowest 20 Percent and Highest 20 percent of the Population, CAFTA-DR Countries, Most Recent Year



Undernourishment is often a manifestation of poverty. In Costa Rica, 4 percent of the population was below the minimum dietary energy consumption rate during 2003, followed by El Salvador at 11 percent during 2001. Other CAFTA-DR countries are in the mid- to upper-20 percent range (Figure 2-4).

Figure 2-4
Population Below Minimum Dietary Energy Consumption, CAFTA-DR Countries, Most Recent Year



ECONOMIC STRUCTURE

A common thread among the Central American countries of the CAFTA-DR is that their agricultural sectors contribute little added value to GDP but employ a high proportion of the total labor force.¹¹ This mismatch is a serious development concern because low productivity in agriculture translates into poor incomes for agricultural workers. Low agricultural productivity therefore is a driver of malnutrition and hunger through the channels of income and supply. This is particularly evident in Nicaragua, Guatemala, and Honduras, which have both large proportions of their populations living in rural areas and high rates of rural poverty—60 to 80 percent.¹² The LMI-LAC average demonstrates the regional propensity to low agricultural productivity, with 24.2 percent of the population employed in agriculture but only 12.2 percent of value added attributable to the sector (Figure 2-5).

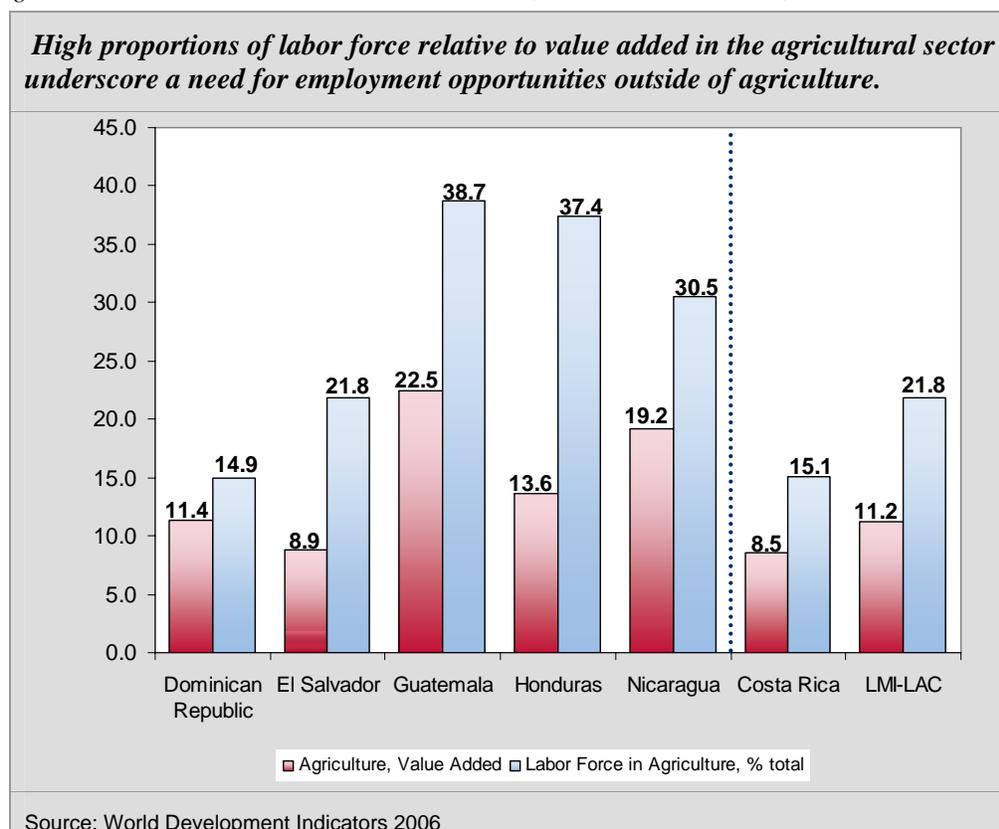
Improving productivity in the agricultural sector will therefore be fundamental to economic development throughout the region. Donor assistance that focuses on increasing agricultural productivity and enabling farmers to climb the value-added ladder by diversifying into higher-value horticultural crops such as flowers and off-season fruits and vegetables may be an effective

¹¹ The Dominican Republic has small disparity between value added and labor, a sign of remarkably flexible and efficient labor markets.

¹² Central America Program Fact Sheet, International Food Policy Research Institute, 2006.

solution to low agricultural productivity. Moreover, high employment in agriculture underscores the urgent need for creating jobs—and more-productive jobs—outside the agricultural sector. Shifting jobs into sectors with greater productivity is important for transformational growth.

Figure 2-5
Agricultural Labor Force and Sector Value Added, CAFTA-DR Countries, Most Recent Year



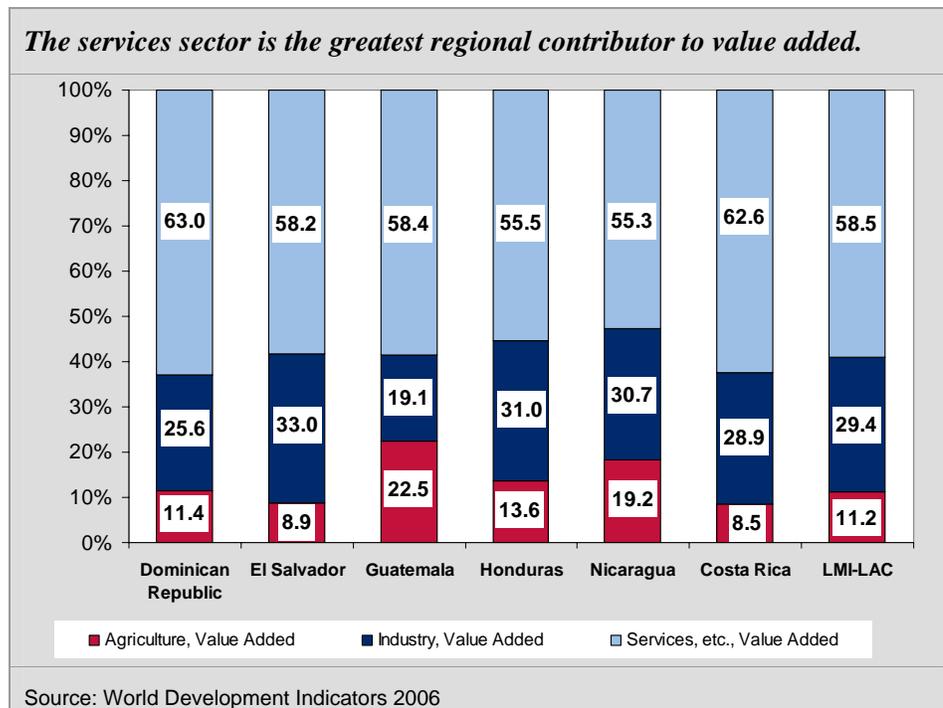
The industrial sector in the CAFTA-DR countries has maintained fairly constant levels of output relative to employment in recent years. The one exception is El Salvador where the percentage of output has increased while employment has remained roughly constant.¹³

With the exception of the Dominican Republic, the services sector contributes a greater proportion of value added relative to employment in USAID supported CAFTA-DR countries. In Nicaragua, Honduras, and Guatemala, value added as a percentage of GDP in services outpaces the share of employment in services by an average of 15 to 20 percentage points. El Salvador has a more proportional margin of 4 percentage points. In the Dominican Republic, employment and output in services are roughly equal, as is the case in Costa Rica. Similarly, the LMI-LAC average of the share of labor force dedicated to services compared to the share of value added in services as a percent of GDP is 59.2 percent and 58.3 percent respectively (Figure 2-6).

¹³ Our database does not include time series data for Costa Rica on this indicator.

Where agriculture, industry and services have roughly equal proportions of employment and output, highly flexible and efficient labor markets exist. This is the case for both the Dominican Republic and Costa Rica. Creation of responsive labor markets will be essential to correcting disparities between employment and value added.

Figure 2-6
Output Structure, CAFTA-DR Countries, Most Recent Year



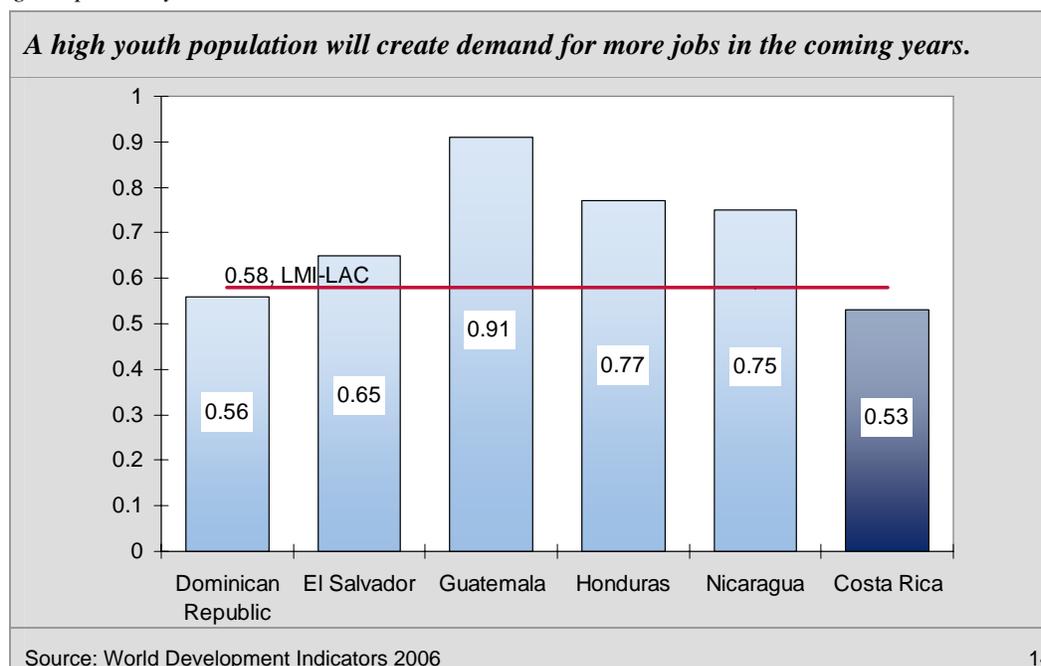
DEMOGRAPHY AND ENVIRONMENT

By global standards, the CAFTA-DR countries are small in terms of population but are not microstates. In 2004, population size ranged from 12.3 million in Guatemala to 4.3 million in Costa Rica. In between these two, the Dominican Republic was the second-largest of the CAFTA-DR countries, at 8.9 million, followed by Honduras (7.0 million), El Salvador (6.7 million), and Nicaragua (5.4 million).

Guatemala also has the most rapid population growth in the region, at 2.4 percent in 2004. The Dominican Republic had the lowest rate of population growth at 1.4 percent. Costa Rica and El Salvador also had relatively low rates—1.8 and 1.9 percent, respectively. High population growth is the result of factors specific to the poverty cycle such as low educational attainment, limited access to public health services, lack of social security systems, and high levels of gender inequality. It is unsurprising that the three poorest countries in the region—Guatemala, Honduras, and Nicaragua—have the highest rates of population growth.

High population growth goes hand-in-hand with a high age dependency rate. Again, Guatemala has the highest rate, at 0.91, meaning that for every working individual, 0.91 persons depend on their income. The second- and third-highest age dependency rates among CAFTA-DR countries, those of Honduras (0.77) and Nicaragua (0.75), fall well below Guatemala's level. Costa Rica and the Dominican Republic have the lowest age dependency rates, at 0.53 and 0.56, respectively. The high age dependency rates in Guatemala, Honduras, and Nicaragua are a consequence of many young dependents rather than a large elderly population. A young population puts pressure on public services, especially education, and translates into an increasing need for job creation in the coming years as this younger generation enters the labor force (Figure 2-7).

Figure 2-7
Age Dependency Rate, CAFTA-DR Countries, Most Recent Year



Other important structural characteristics of the population include urbanization rate and adult literacy rate. Both Nicaragua and Costa Rica are highly urbanized countries with 57.7 percent and 61.2 percent of the population residing in urban areas, respectively. Guatemala (46.8) and Honduras (46.0) exhibit low levels of urbanization. Adult literacy rates vary between highs of 94.9 percent and 87.7 percent in Costa Rica and the Dominican Republic, respectively, to a low of 71.2 percent in Guatemala. Costa Rica's excellent performance is explained by a long tradition of high-quality public education. Guatemala's low score is explained by less public policy emphasis on education. Nevertheless, it is hoped that Guatemalans' recent strides on the education front will improve the country's result over the medium term.

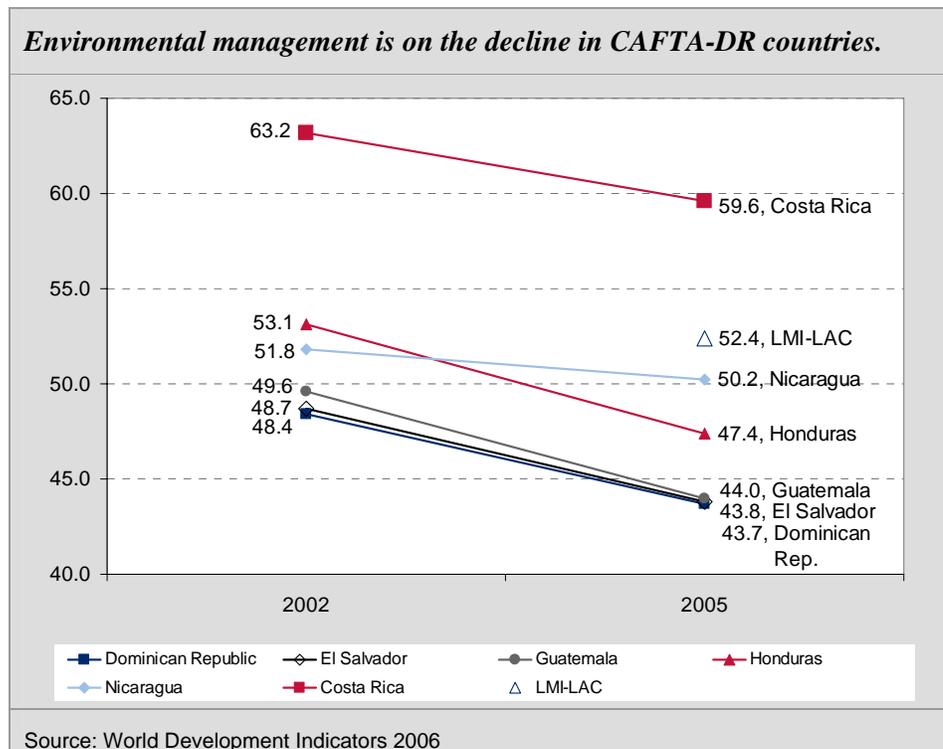
Population pressures often cause environmental stress. All CAFTA-DR countries have seen a decline in their scores on the Environmental Sustainability Index (ESI), which ranges from 0 (poor) to 100 (excellent). Costa Rica had the best ESI score in 2005, with 59.6. Although down from its 2002 score of 63.2, it is still well above Nicaragua, which had the second-best ESI score in the region in 2005 at 50.2, down from 51.8 in 2002. In 2005, Dominican Republic had the

lowest ESI score at 43.7, down from 48.4 in 2002. This was followed closely by El Salvador, with a 2005 ESI score of 43.8, down from 48.7 in 2002. A key environmental problem in Central America is deforestation. In Honduras and Guatemala especially, forests are being denuded rapidly as valuable wood products are harvested illegally and often smuggled out of the country. Pollution of coastal waters is also an important problem in a number of the countries. Costa Rica's environmental stewardship is much better than that of the other CAFTA-DR countries in large part because it sees its diverse ecosystem as an important component of its economic development strategy. This can be seen in its approach to marketing its national parks as tourist destinations. In addition, Costa Rica has used green spaces intelligently to preserve a degree of biodiversity in and around its urban areas. Although Costa Rica still faces environmental challenges, the country's approach to such issues gives it a leg up in addressing these issues.

Chapter 17 of CAFTA-DR, on the environment, aims to ensure improvement in environmental cooperation and environmental stewardship in the region. It provides a robust mechanism for citizens to express concerns about the enforcement of domestic environmental laws and a consultation mechanism designed to address these and other environmental issues that arise in the context of the Agreement. The United States and other CAFTA-DR countries also negotiated an Environmental Cooperation Agreement (ECA) that will facilitate long-term cooperation and capacity building in the environmental area.

Figure 2-8

Environmental Sustainability Index, CAFTA-DR Countries, 2002 and 2005



Donors have an important role to play in assisting countries in addressing their environmental challenges, and the ECA will help them do this. Outside of the context of the ECA, donors can

assist countries with customs cooperation initiatives to strengthen the countries' capacity to thwart trade in environmentally sensitive products, such as timber, and to enforce international obligations, such as trade in endangered species.

GENDER

Gender equity is an important component to creating an environment conducive to pro-poor growth. Women who are able to fulfill their productive potential in the paid economy pass those gains down to their children in the form of better education, health care, and overall welfare, contributing to a virtuous cycle of human development. Countries with high levels of gender equity tend to exhibit high levels of human development in addition to greater productivity and growth. CAFTA-DR countries have mixed performance on indicators of gender equity. Guatemala and Honduras have the largest disparities. Both have high male-to-female gross enrollment ratios, and Guatemala also has a high male-to-female literacy ratio. Conversely, in the Dominican Republic and Nicaragua more women than men attend school—in the Dominican Republic, the ratio of male-to-female gross enrollment is 0.88. In other words, 1.12 females attend school for every male attending school. This disparity is driven by greater employment opportunities for men before they reach graduation and therefore underscores the need for commensurate employment opportunities for women. El Salvador has roughly even male-to-female enrollment ratios but a high male-to-female literacy ratio. Male-to-female life expectancy in the region is between 0.90 and 0.94, indicating that women tend to live a little longer than men (Figures 2-9 and 2-10).

The LMI-LAC averages, by comparison, point to greater gender equity: the average male-to-female literacy ratio is 1.02, while the male-to-female gross enrollment rate is 0.98. Costa Rica's numbers are similar to the LMI-LAC average, with 1.0 and 0.97 for literacy and enrollments, respectively. As the global economy continues to reward knowledge-based work, an educated workforce will become increasingly important and equality in education therefore will be important for any pro-poor growth strategy.

Figure 2-9
 Male-to-Female Gross Enrollment Rates in CAFTA-DR Countries, Most Recent Year

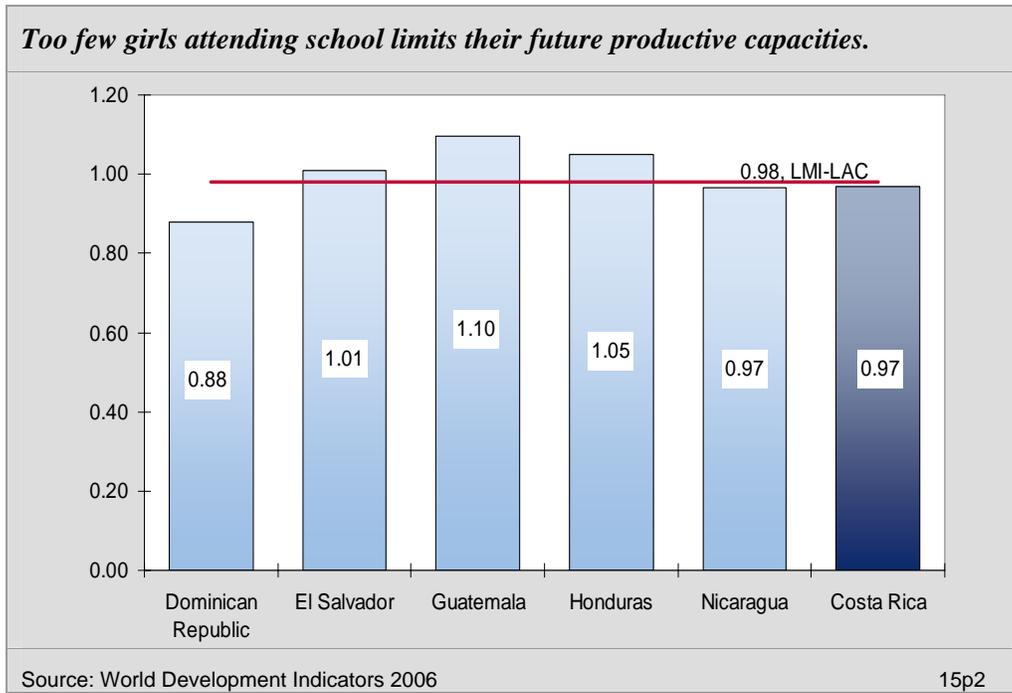
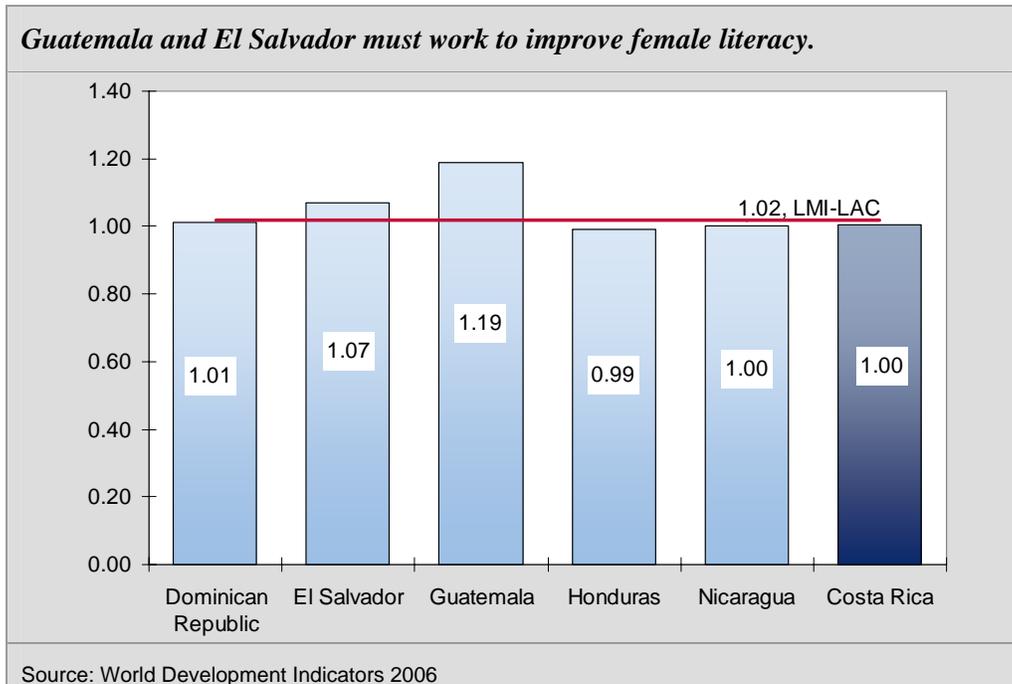


Figure 2-10
 Male-to-Female Literacy Rates in CAFTA-DR Countries, Most Recent Year



3. Private Sector Enabling Environment

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

FISCAL AND MONETARY POLICY

Price stability is an important factor contributing to a healthy environment for both sustainable growth and poverty alleviation. CAFTA-DR countries' macroeconomic indicators show overall good performance.¹⁴

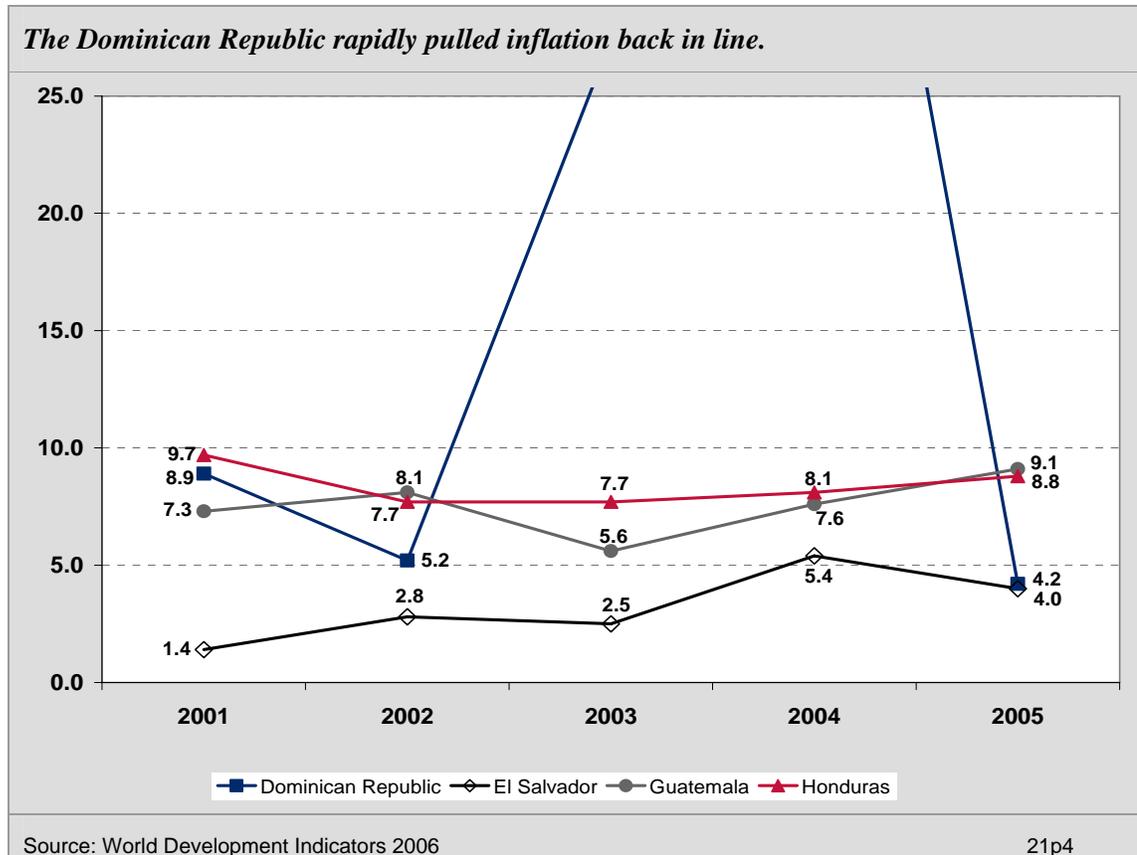
National inflation rates (in terms of the consumer price index) were in single digits throughout the 2000–2005 period, with two notable exceptions. First, in 2004, the Dominican Republic had an inflation rate of 51.5 percent in the wake of a severe banking crisis. Dominican authorities, however, undertook a stabilization program and managed to lower inflation to 4.2 percent for 2005. Second, in 2005 Costa Rica had an inflation rate of 13.6 percent (Figure 3-1). Inflation is

¹⁴In 2005, the World Development Indicators (WDI) database adopted a new system for classifying fiscal data, although most developing countries still use the old classification. The WDI database therefore has fiscal data for very few developing countries; because of the limited sample size, most of the group averages derived from WDI are not meaningful. In this section, comparisons are based on absolute standards, or benchmarks derived from 2004 WDI data.

expected to decrease in Costa Rica in the next year or two because the government is collaborating with the IMF and receiving assistance targeting inflation.¹⁵

Figure 3-1

USAID-Supported CAFTA-DR Countries' Inflation Rates, 2001–2005



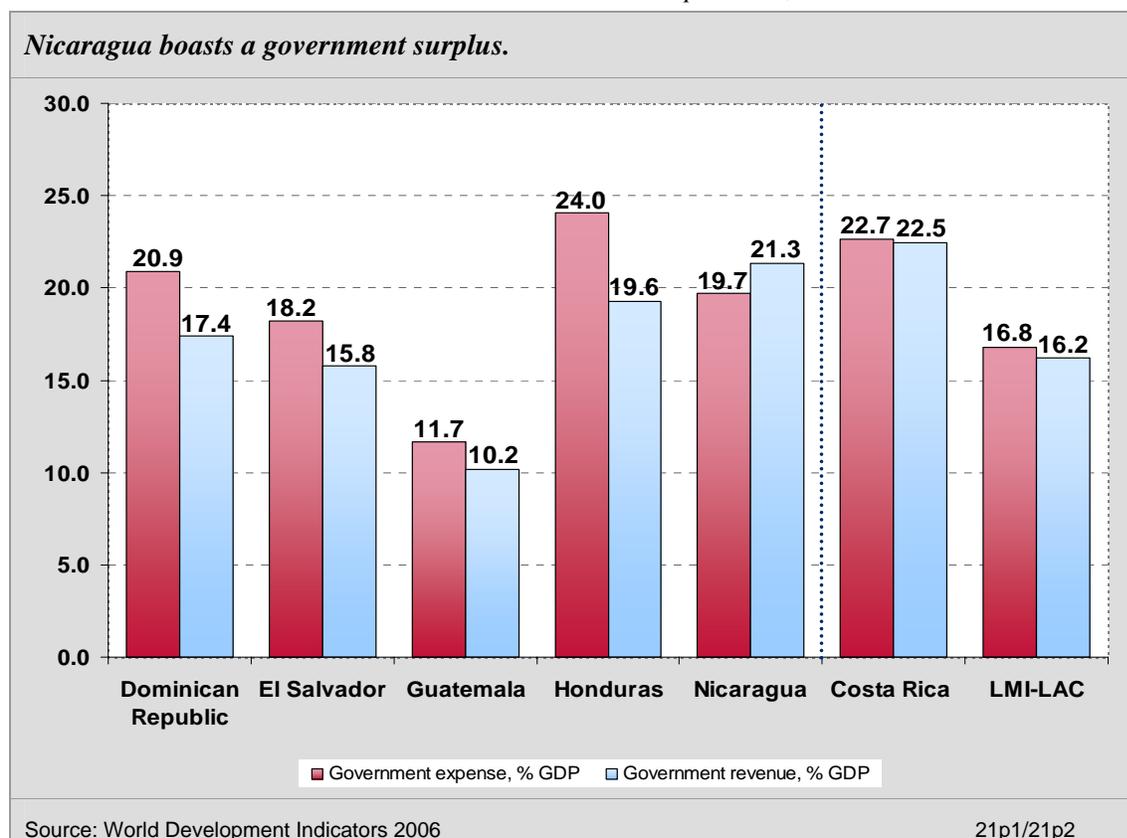
Inflation rates are increasing in the majority of CAFTA-DR countries. This is of regional concern because inflation differentials with the United States can erode price competitiveness and lead to financial instability. In addition, because inflation creates uncertainty and a loss of value in domestic currencies, it can stimulate further growth of dollar-denominated currency deposits (dollarization), which diminishes the effectiveness of national monetary policies.

Revenue mobilization and expenditure management in the region have improved in the past few years, but capacity to generate revenue varies widely. Guatemala's government revenue for 2005 was 10.2 percent of GDP, in contrast with Honduras's revenue of 19.3 percent of GDP. The disparities in this capacity affect the degree to which the government can mobilize resources for social services and poverty alleviation, as evidenced by government expenditure figures. Expenditures reached 24.1 percent of GDP in 2005 for Honduras, and only 11.7 percent in Guatemala. The data show similar constraints across the region (Figure 3-2).

¹⁵ International Monetary Fund, "Inflation Targeting and the IMF," March 16, 2006. p. 27.

Figure 3-2

CAFTA-DR Countries' Government Revenue vs. Government Expenditure, Most Recent Year



Monetary policies in CAFTA-DR countries vary widely. El Salvador relinquished its monetary policy by adopting the U.S. dollar as legal tender, and its broad money supply growth was negative for 2000 through 2004. By contrast, the Dominican Republic increased money supply by 64.7 percent in 2003, because the central bank faced major bank failures, requiring a large injection of money to prevent a systemic collapse. By 2004, the growth had slowed to only 9.3 percent and in 2005 was 15.4 percent. Exchange rate systems also cover the spectrum. Costa Rica, Honduras, and Guatemala have crawling peg exchange rates, and Nicaragua and the Dominican Republic function with independent floating exchange rate regimes.¹⁶ If CAFTA-DR synchronizes and lengthens business cycles, as is expected, CAFTA-DR countries will benefit from coordinating monetary and exchange rate policies. Total monetary integration with a common currency or adoption of the U.S. dollar for legal tender in the entire region is unlikely.¹⁷

BUSINESS ENVIRONMENT

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

¹⁶ Exchange rate regimes are not a usual indicator. Source, IMF, Finance and Development, "Building on CAFTA: How the free trade pact can help foster Central America's economic integration. December 2005, Vol 42, No.4. p.7.

¹⁷ Ibid.

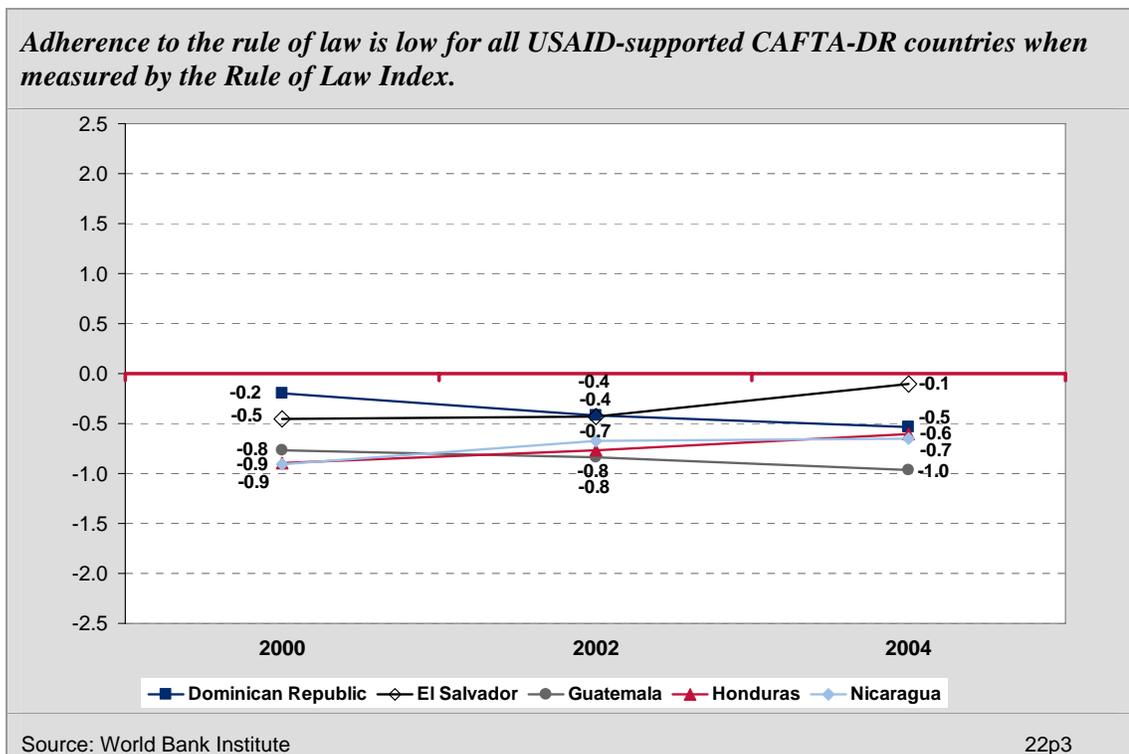
performances of the CAFTA-DR countries on these measures run the gamut between reasonably good and poor.

Crime and violence and the rule of law are related aspects of a business climate. In El Salvador, Honduras, and Guatemala especially, violent crime, often perpetuated by internationalized youth gangs (known as *maras*), is endemic. Although obtaining reliable data on violent crime is complicated, particularly on a cross-country basis, there is country specific evidence that it is a substantial impediment to doing business. In Guatemala, for example, large firms report that providing security, including the security of shipments, adds as much as 25 percent to the cost of doing business.¹⁸ Material losses associated with violent acts and their prevention, both to families and businesses, amount to close to 6.8 percent of GNP.¹⁹

CAFTA-DR countries' performance on the World Bank Institute's Rule of Law index, which ranges from -2.5 (poor) to +2.5 (excellent) vary. Costa Rica scores the best at +0.6, followed by El Salvador, which despite problems with the *maras*, scores -0.1. Guatemala scores the worst at -1.0 (Figure 3-3).

Figure 3-3

USAID-Supported CAFTA-DR Countries' Rule of Law Index Scores



¹⁸ 2006 Investment Climate Statement–Guatemala. U.S. State Department. <http://www.state.gov/e/eb/afd/2006/61984.htm>.

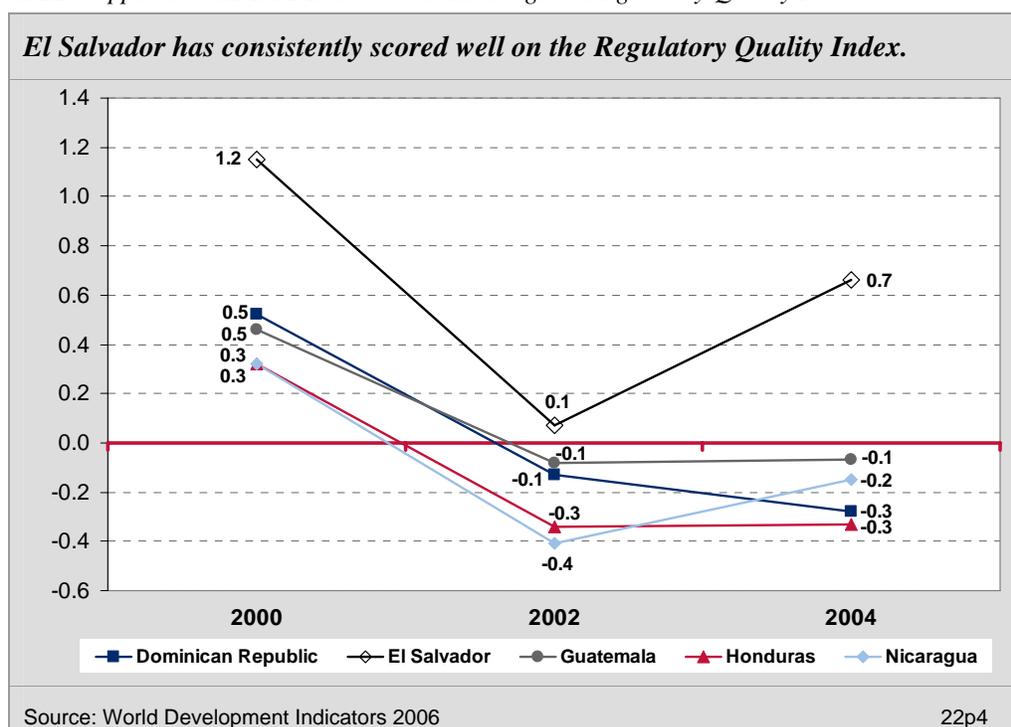
¹⁹ Guatemala Country Economic Memorandum: Challenges to Higher Economic Growth. World Bank, March 2005, p. 84.

Another challenge facing CAFTA-DR countries is corruption. In the 2005 Transparency International Corruption Perceptions index,²⁰ the worst performers were Guatemala (2.5), Nicaragua (2.6), and Honduras (2.6). Transparency International views any score below 3.0 as indicative of “rampant corruption.” The top performers were Costa Rica and El Salvador, each with 4.2. Quantitative and anecdotal evidence suggests that Costa Rica’s score may be too low—the survey took place amid the backdrop of a high-level corruption scandal that resulted in the disgracing and jailing of senior officials.

Another key indicator of a country’s business climate is the quality of its regulation. Costa Rica and El Salvador score the best on the Regulatory Quality index²¹, with +0.70 and +0.66, respectively. Honduras and Dominican Republic score the worst, -0.3 and -0.28 respectively. Businesspeople and foreign investors look for efficiency and predictability of application when dealing with a regulatory system.

Figure 3-4

USAID-Supported CAFTA-DR Countries’ Rankings on Regulatory Quality Index



The ease of doing business in a country is an important indicator of the health of its business climate, as measured by the World Bank’s Doing Business index, which ranks countries from 1 to 155 on the basis of 10 indicators. Among CAFTA-DR countries, Nicaragua finishes first,

²⁰ The Corruption Perceptions Index is based on a scale of 1 (high levels of corruption) to 10 (low levels of corruption).

²¹ The Regulatory Quality index ranges from -2.5 (poor) to +2.5 (excellent).

ranking 59th, followed by El Salvador, in 76th, and Costa Rica, in 89th. The remaining countries are clustered between 103rd and 112th position.

Individual Doing Business indicators reveal areas of exceptional performance or deficiencies which need to be addressed. Nicaragua, for example, requires the fewest procedures for starting a business (9 procedures, compared with the CAFTA-DR high of 15 in Guatemala), the fewest procedures for enforcing a contract (20, compared to the high of 41 procedures in El Salvador), and least time required to enforce a contract (155 days, compared to the high of 1,459 days in Guatemala).²² Nicaragua also has among the shortest times required to start a business—42 days, compared with 39 days in Guatemala, 40 days in El Salvador, and 77 days in Costa Rica. In terms of procedures to register property all CAFTA-DR countries have five to seven steps. Nicaragua performed poorly on time to register property (65 days, compared to a low of 39 days in Honduras) and performed the worst of CAFTA-DR countries on the cost of starting a business (measured by percent of GNI per capita) with a score of 139.1, compared to 23.8 in Costa Rica.

Improving the business climate in CAFTA-DR countries should be a high priority for donors. Given the range of scores on the individual indicators among the countries, national strategies should be formed to address specific deficiencies. However, important areas of regional cooperation could address the challenges of transnational gangs and violent crime and enforcement of labor laws- the governments in the region and the U.S. Congress have identified labor law enforcement as critical for facilitating CAFTA-DR. Addressing the various impediments to doing business within CAFTA-DR countries will create an enabling environment for business.

FINANCIAL SECTOR

A sound and efficient financial sector is important for mobilizing savings, fostering productive investment, and improving risk management. In general, the indicators for the CAFTA-DR countries tell a story of weak, inefficient, and underdeveloped financial sectors, with the exception of those in El Salvador. The Dominican Republic's financial collapse in 2004 and Nicaragua's collapse in 2001–2002 are reflected in the poor performance of their financial indicators. But after these crises, some indicators for both countries compare favorably with the LMI-LAC average. This benchmark, however, does not exemplify a vigorous financial sector, which is needed to promote rapid economic and business growth.

The region shows a wide variation in financial development, as measured by the degree of monetization, the ratio of broad money (currency plus bank deposits) to GDP. In 2005, Honduras's money supply amounted to 53.8 percent of GDP. By contrast, in 2004, the Dominican Republic's and Guatemala's money supplies amounted to only 32.1 percent and 30.8 percent of GDP, respectively. The trend in most countries is to increase the degree of monetization,²³ with

²² The Guatemala Mission has expressed concerns that the Doing Business figures may not be wholly representative of the real situation. Limited sample size was cited as the key reason for concern.

²³ Costa Rica is excluded from the analysis because the data set does not contain time series data for the country.

the exception of El Salvador, which is functioning under full dollarization and has shown a 3.7 percent decrease during 2000–2004.

In the fallout from the banking crises, domestic credit to the private sector fell precipitously in Nicaragua, during 2001 from 33.2 percent to 29.2 percent of GDP and in the Dominican Republic during 2004, from 41.1 to 27.9 percent of GDP. Here too there is a great deal of diversity; Guatemala's domestic credit to the private sector was only 20 percent of GDP during 2004, less than half the 42 percent of GDP of the best performer, El Salvador.

The real interest rate in the region (bank lending rate, adjusted for inflation) again varies greatly. In 2004, the Dominican Republic had a real interest rate of -12.3 because of the very high inflation rate linked to the banking crisis. By contrast, Honduras had a rate of +8.1 percent in the same year. Normally, high real interest rates can be expected to reduce lending yet in Honduras domestic credit to the private sector grew from 38.7 percent of GDP to 40.0 percent of GDP during the 2004–2005 period. This growth in lending may be occurring without proper risk assessment and may be motivated by other than normal market considerations. If so, the country may be vulnerable to a financial crisis in the short term.

As could be expected, the banking crises raised intermediation costs. The spread between lending and borrowing rates increased from 9.2 percentage points in 2000 to 11.5 percentage points in 2004 in the Dominican Republic. Similarly in Nicaragua, the spread jumped from 7.0 percentage points to 10.5 percentage points from 2000–2001. By 2004, Nicaragua's interest rate spread dropped to 8.8 percentage points. Costa Rica is the worst performer in the region, with an interest rate gap of 13.9 percentage points in 2004. The country showing the lowest intermediation costs is El Salvador, with 3.0 percentage points for 2004, reflecting its use of the U.S. dollar as legal tender and efficiency in the banking system.²⁴ This low interest rate spread, low real interest rate, and low inflation rate are powerful ingredients for stimulating investment and fostering business growth (Figure 3-5).

Looking beyond the banking system, there is little evidence on stock market capitalization rates. The Dominican Republic's 0.8 percent capitalization rate for 1999 and Guatemala's 1.1 percent for 2001 (both the latest year of data) are extremely low compared to the LMI-LAC average of 22.1 percent and the global LMI average of 18.1 percent. Although stock market capitalization may not be an immediate priority given the banking crises, and other banking sector issues in the region, Guatemala has managed to excel regionally with a market capitalization rate of 16.7 percent for 2004, with Costa Rica in second place at 10.4 percent.

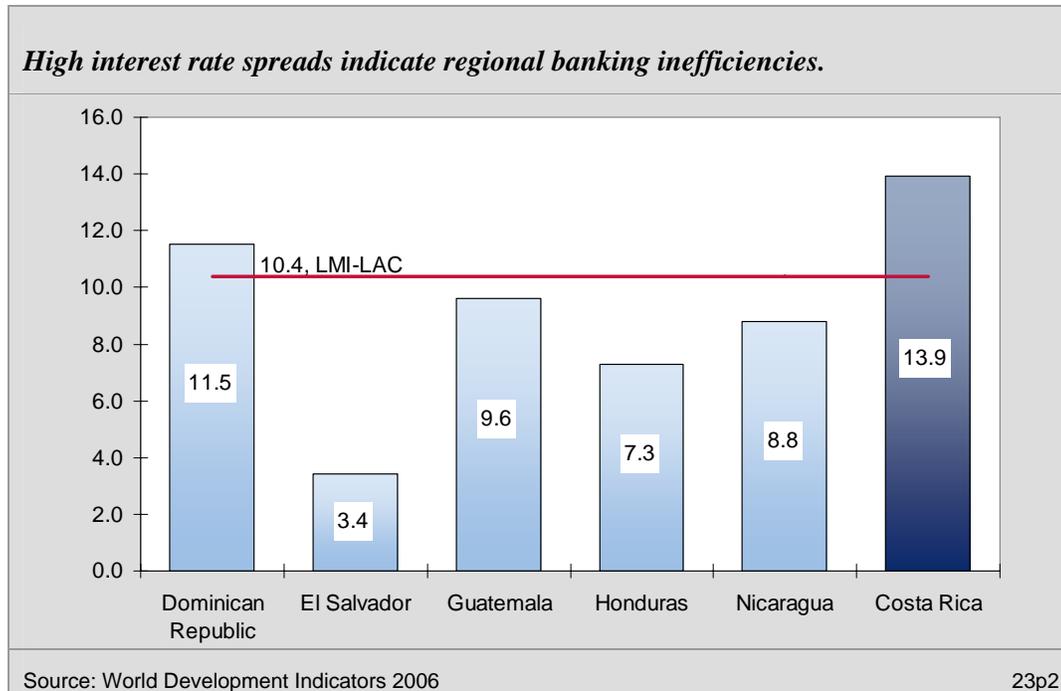
These data suggest that El Salvador has a relatively well-developed financial sector. Nicaragua and the Dominican Republic have financial sectors strong enough to recover quickly from crises, while exhibiting some deficiencies. The remaining CAFTA-DR countries have shown weak performance. Given the diversity of the financial systems, CAFTA-DR countries will need to guard against institutions exploiting the differences and loopholes in regulations across the

²⁴ Interest rate differentials in dollar-denominated accounts are lower than national currency-denominated accounts in Latin America. See Garcia, Rose Mary "Dollarization in Post-Stabilization Economies," Georgetown University, Ph.D. dissertation, 2001.

region. An increase in policy coordination is called for to improve access to financial services and reduce transaction costs.

Figure 3-5

Interest Rate Spread, CAFTA-DR Countries, Most Recent Year



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 CAFTA-DR countries to boost growth and reduce poverty by stimulating investment, productivity, and efficiency; providing access to broader markets and new ideas; and expanding the range of consumer choice. Globalization also requires that countries adopt institutions, policies, and regulations that take full advantage of international markets while developing effective approaches to cope with adjustment costs and establish systems for monitoring and mitigating associated risks.

CAFTA-DR

The CAFTA-DR guarantees El Salvador, Costa Rica, Guatemala, Honduras, Nicaragua and the Dominican Republic tariff- and quota-free trade with the largest consumer market in the world, the United States. In exchange, these countries agree to reduce barriers to imports of goods and services on an agreed schedule. The United States and its CAFTA-DR partners also commit to common rules governing the treatment of foreign investment and the protection of intellectual property rights as well as to rules for determining country of origin. CAFTA-DR also serves as a tool for regime building by establishing common anticorruption commitments akin to the those in the Foreign Corrupt Practices Act and by establishing a methodology for enhancing labor rights

in Central America and the Dominican Republic. In short, CAFTA-DR is a multifaceted agreement that establishes a comprehensive regime that will govern most aspects of commerce among its six signatory countries.²⁵

The entry into force of CAFTA-DR²⁶ and by extension the reduction of barriers to trade and investment globally pose tremendous challenges to participating countries. CAFTA-DR will not only result in increased imports of goods and services from the United States but also greater competition among Central American countries for trade and attracting investment. International firms are likely to consolidate their presence in the region and will place a premium on the domestic investment climate.

An important innovation in the CAFTA-DR agreement is the inclusion of a trade capacity building process (TCB). Before negotiations, each of the CAFTA countries developed a national trade capacity building strategy specifying their needs for negotiating, implementing, and adjusting to the agreement. The United States Trade Representative (USTR) and USAID led the mobilization of assistance to meet these needs. Donors included U.S. government agencies and departments, international financial institutions, nongovernmental organizations, and private sector firms and organizations.²⁷ Chapter 19 of CAFTA-DR mandates that the trade capacity building process continue throughout the life of the agreement. Donors should continue to use the TCB channel to assist countries in implementing and adjusting to the CAFTA-DR.²⁸

International Trade and the Current Account

The most common indicator for determining a country's openness to international trade is the ratio of exports plus imports to GDP. Small, relatively prosperous countries tend to have relatively high trade-to-GDP ratios. It is therefore unsurprising that the two richest CAFTA-DR countries, Costa Rica and Dominican Republic, have the highest trade-to-GDP ratios—Costa Rica at 95.8 percent, and the Dominican Republic at 94.3 percent (2004 figures). Nevertheless, the correlation between a high trade-to-GDP ratio and high income is not automatic. For example,

²⁵ The full text and more complete summaries of CAFTA-DR are available at: http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/Section_Index.html.

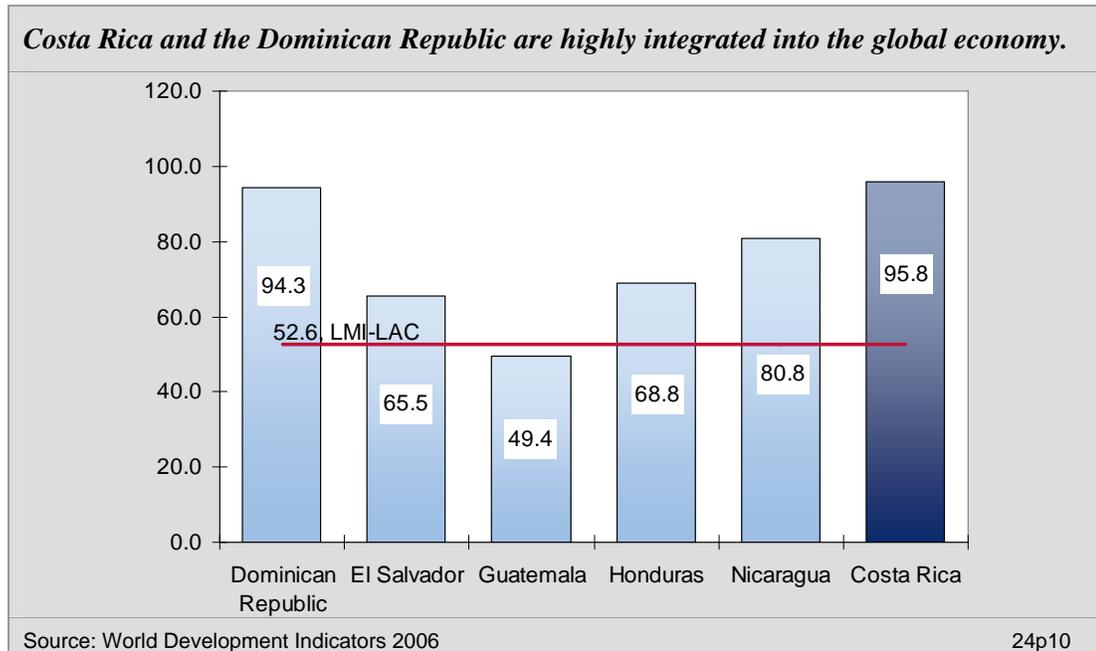
²⁶ When referring to the negotiating period, it is more accurate to refer to the agreement as simply CAFTA. The agreement was originally negotiated by the five Central American Common Market countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) with the United States between January and December 2003 (through January 2004 in the case of Costa Rica). In August 2003, the United States agreed to a request by the Dominican Republic that the two countries negotiate a “docking agreement” that would allow the Dominican Republic to become a party to the CAFTA agreement. The US-DR agreement was negotiated in early 2004 and was integrated into the final CAFTA-DR, which was announced by the seven countries in August 2004.

²⁷ For a detailed description of the CAFTA trade capacity building process, see Eric T. Miller. *Achievements and Challenges of Trade Capacity Building: A Practitioner's Analysis of the CAFTA Process and its Lessons for the Multilateral System*. ITD-INTAL Occasional Paper 32. Inter-American Development Bank, October 2005. http://www.iadb.org/intal/aplicaciones/uploads/publicaciones/i_INTALITD_OP_32_2005_Miller.pdf.

²⁸ CAFTA-DR entered into force for El Salvador on March 1, 2006 and in Nicaragua and Honduras on April 1, 2006. Costa Rica has yet to ratify the agreement, and legislative and regulatory work is continuing with Guatemala and Dominican Republic to permit its entry into force in the near future.

Nicaragua, the lowest income CAFTA-DR country has a trade-to-GDP ratio of 80.8 percent (in 2005), significantly higher than the ratio of Guatemala, with a rate of 49.4 percent (in 2004) (Figure 3-6).

Figure 3-6
Trade as Percent of GDP, CAFTA-DR Countries, Most Recent Year



CAFTA-DR countries' performance varies widely on the Actual and Expected Trade Size index,²⁹ which ranges from 0 (poor) to 10 (excellent). The top performers in 2003 were the Dominican Republic (6.7) and Honduras (5.8)—both countries with large free zone-based apparel industries. Costa Rica, with its high-technology assembly operations, was next, at 5.5. The country with the lowest score was Guatemala, at 1.8.

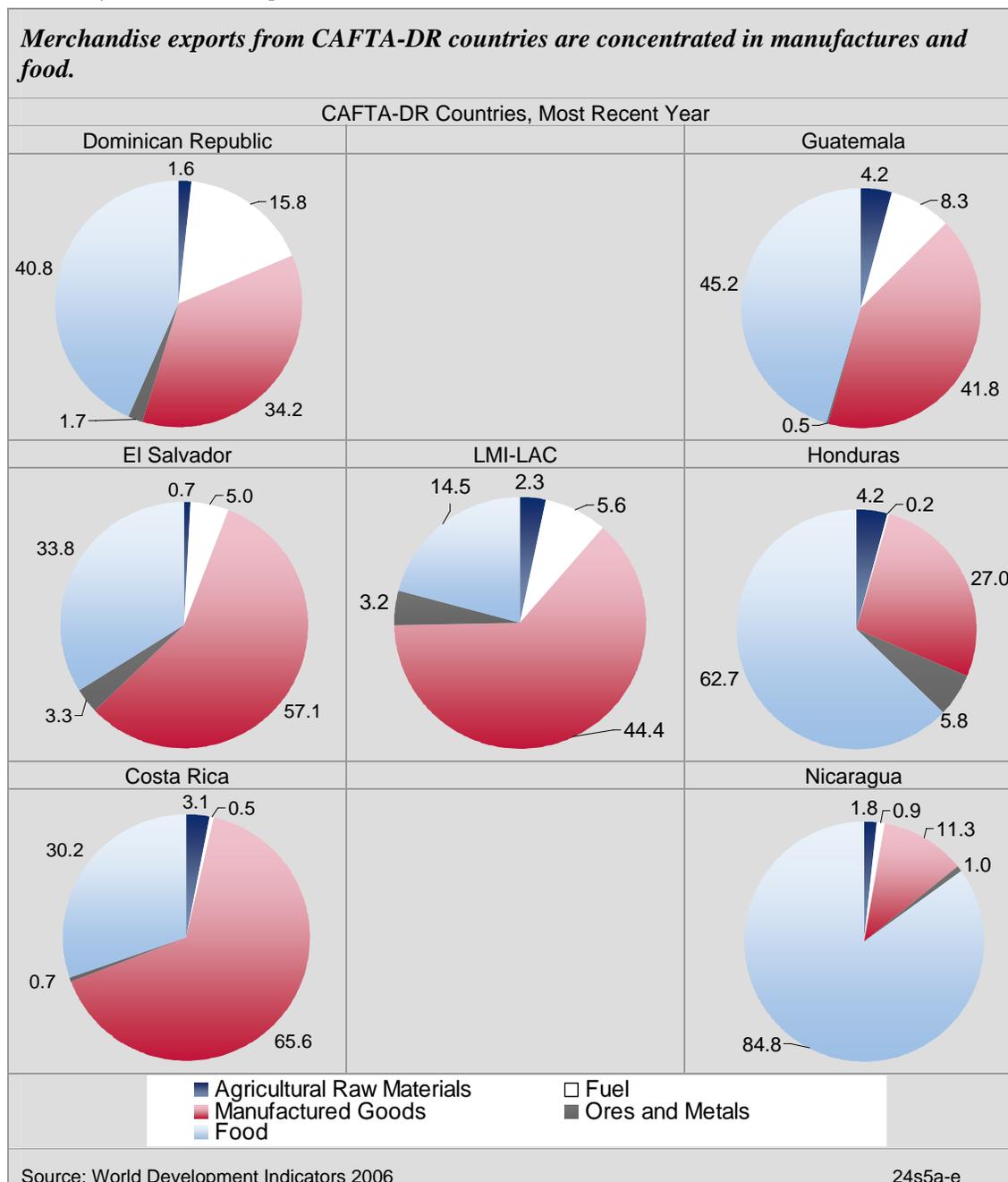
In most developed and many developing countries, services exports make up a large proportion of total exports. This is the case for the Dominican Republic, with a large tourism sector, and a share of total exports in services, at 38.1 percent in 2004. The CAFTA-DR country with the next-highest share is Guatemala, with 25.8 percent of total exports in services in 2003. Nicaragua has the lowest share at 19.2 percent in 2003.

The structure of merchandise exports describes the composition of exports among five broad categories: agricultural raw materials, fuel, manufactured goods, ores and metals, and food. In the case of Costa Rica, 62.8 percent of its merchandise exports (in 2004) are in manufactured products. The countries with the next-highest shares of manufactured goods to total merchandise exports are El Salvador (57.1 percent in 2004) and Guatemala (41.8 percent in 2005). The

²⁹ The Index, prepared by The Fraser Institute, estimates the degree to which an economies actual share of trade (in percent of GDP) deviates from its expected trade share assessed with the aid of a number of variables.

Dominican Republic lags behind with 34.2 percent of merchandise exports (in 2001, the latest year available). This can undoubtedly be explained by the overwhelming importance of services products in the country’s export basket (Figure 3-7).

Figure 3-7
Structure of Merchandise Exports

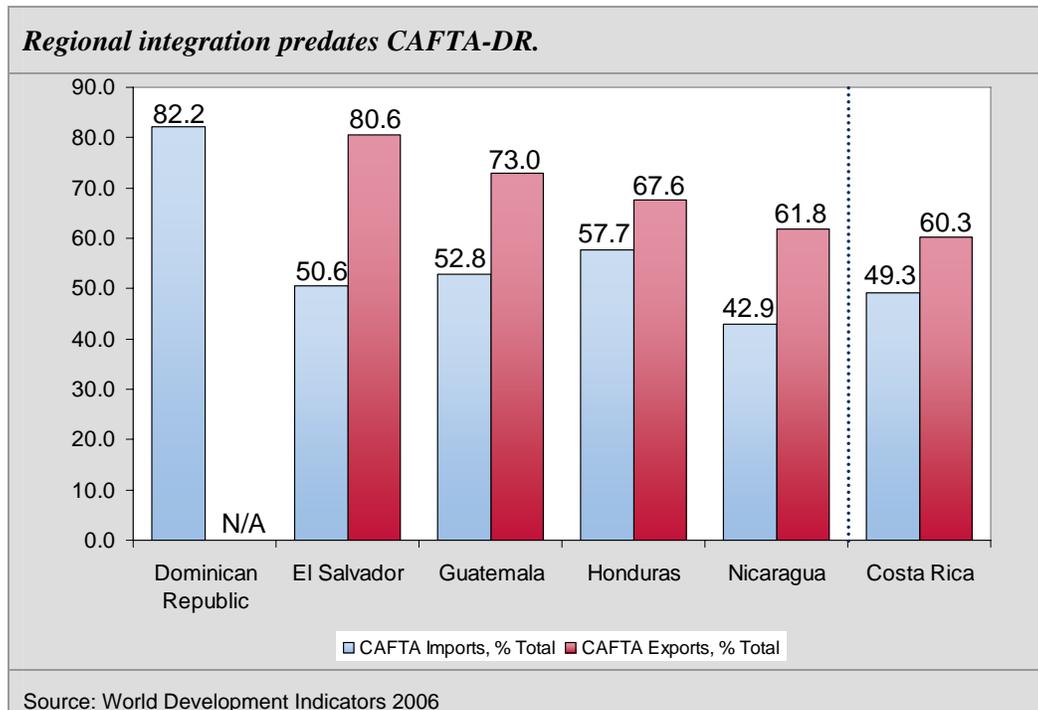


The data on merchandise trade among CAFTA-DR countries indicates three basic phenomena: (1) All of the six countries have a strong trading relationship with the United States; (2) the Dominican Republic has a relatively weak trading relationship with Central America; and (3) the

Central American countries (particularly El Salvador, Honduras, and Guatemala) trade extensively among themselves. (Figure 3-8).³⁰

Figure 3-8

CAFTA Exports and Imports as a Percent of Total Exports and Imports, CAFTA-DR Countries, Most Recent Year



Given the structure of contemporary world trade, the speed with which countries carry out import and export processes is an important factor in competitiveness. All the CAFTA-DR countries, except the Dominican Republic need to reduce transaction times significantly. In 2005, the average time to trade in El Salvador was 48.5 days and 39 days in Costa Rica, while in the Dominican Republic, the average time was just 17 days.³¹

CAFTA-DR provides its members with tremendous opportunities for expanding their exports, growing their economies, and reducing poverty. In addition to trade and investment, the agreement also forms the cornerstone for a new political and economic partnership between the United States and participating countries in Latin America. It will also make economic integration, elusively pursued for four-and-a-half decades through the Central American Common Market, a reality. Donors have an important role to play in helping the CAFTA-DR countries implement and adjust to the free trade agreement. Key activities could include:

³⁰ See Appendix B for mirror data sourced from United Nations COMTRADE database.

³¹ This is an average measure and does not reflect special arrangements that countries have made with firms operating in free trade zones. For example, a condition of Intel's successful investment in Costa Rica is that its inputs must be cleared by customs within 24 hours.

- Assisting the countries in understanding and meeting their obligations under CAFTA-DR, especially in rules of origin, technical barriers to trade, intellectual property, and certain aspects of trade in services, including financial services.
- Disseminating information on these technical areas and other aspects of the agreement to the trading community.
- Helping the CAFTA-DR countries identify the remaining barriers to trade within Central America and between Central America and the Dominican Republic.
- Addressing trade facilitation challenges, especially customs, divergent technical standards, lack of mutual recognition agreements, and logistics challenges.
- Working to expand the availability of financing for trade and enterprise development, possibly in the context of a broader financial sector strengthening program.
- Partnering with other donors and the private sector to solve the infrastructure problems that impede trade.

International Financing and External Debt

Foreign aid has not been a major source of external financing for most of the CAFTA-DR countries. Costa Rica, the Dominican Republic, and Guatemala, received only 0.1 percent of aid as percentage of GNI (in 2004), 0.5 (in 2003), and 0.8 percent (in 2004) respectively. Nicaragua, by contrast received 28.3 percent of aid as percentage of GNI during 2004. The reliance on foreign aid is decreasing in low recipient countries, while in Nicaragua, aid as a percent of GNI rose 11.9 percentage points during the 2000–2004 period.

Debt figures vary widely across the region. The CAFTA-DR country with the highest present value of external debt as a percentage of GNI is El Salvador, at 53.5 percent. This is not high by benchmark standards; the corresponding average for LMI-LAC is 54 percent. Both Honduras and Nicaragua have benefited from significant debt relief in the past year (Figure 3-9).

Foreign direct investment (FDI) inflows are high in the Dominican Republic and Nicaragua. For the Dominican Republic the 2002–2005 average was 4.4 percent of GDP—twice the average for LMI-LAC (2.2 percent). Nicaragua surpassed this with an average of 5.2 percent for 2000–2004. This strong performance in attracting FDI is surprising in view of the economic crises both countries suffered and other weaknesses in their financial sectors. Of particular concern is the low level of gross international reserves, measured in months of imports. In the Dominican Republic,

IMF Debt Relief

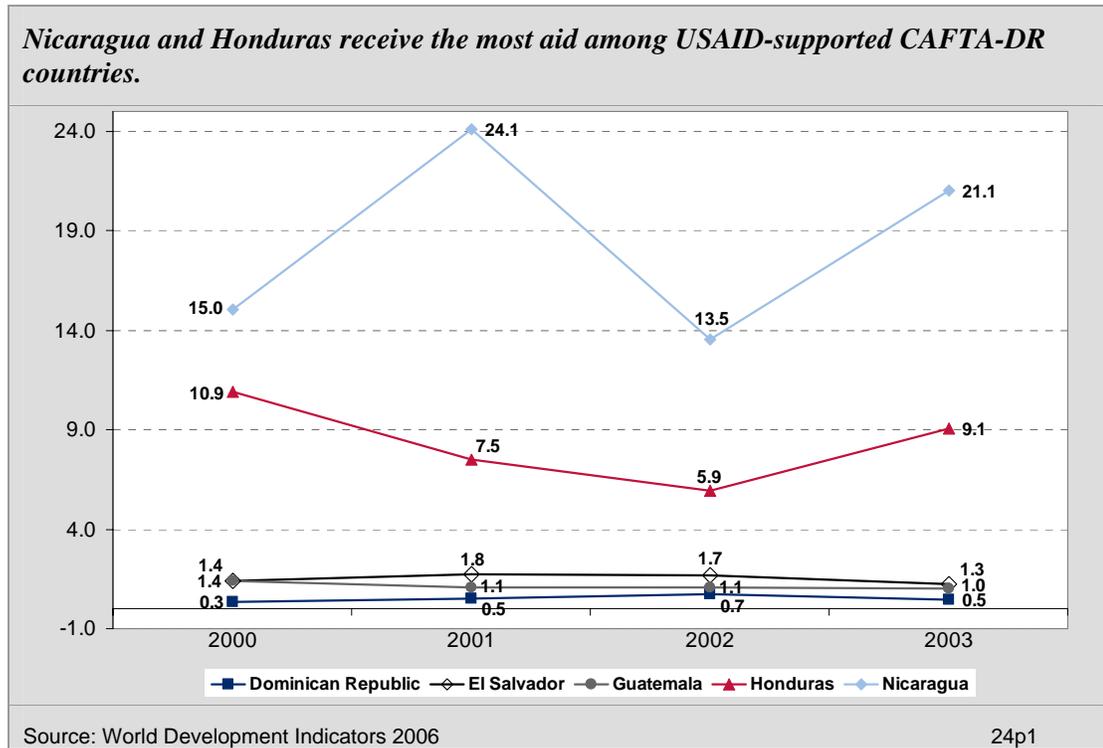
In December 2005, the International Monetary Fund announced an extension of 100 percent debt relief to Nicaragua and Honduras under the Multilateral Debt Relief Initiative, applied to all outstanding debt incurred before January 1, 2005. This amounted to approximately US\$201 million for Nicaragua and US\$154 million for Honduras.³²

³²IMF Press Releases 05/299 and 05/295, December 23, 2005.

this measure was 2.6 months for 2004, and in Nicaragua, 3.0 months for 2005. The Dominican Republic's 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.

Figure 3-9

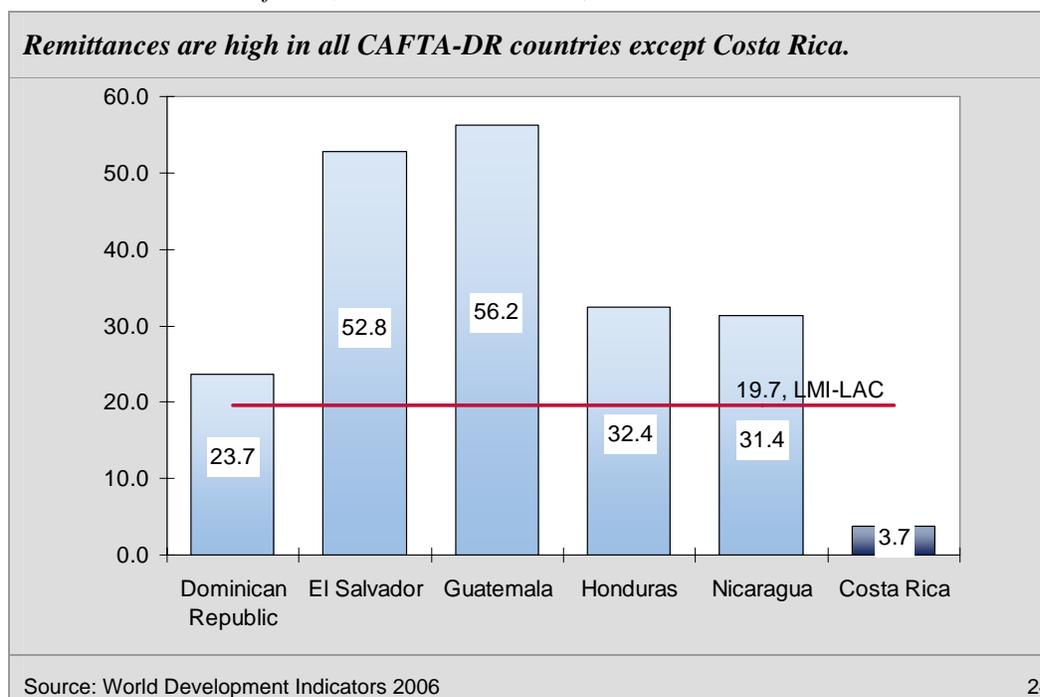
Aid in USAID-Supported CAFTA-DR Countries, Percent GNI, 2000–2003



Countries benefit from remittance flows as an economic stabilizer because remittances tend to increase during economic downturns. Unfortunately, they reveal a lack of attractive job opportunities and possibly a loss of skilled workers. Large remittance inflows complicate monetary policy by flooding the economy with liquidity; they can also lead to an appreciation of the real effective exchange rate, to the disadvantage of domestic producers. Workers' remittance receipts as a percent of exports are high in Guatemala and El Salvador. In both countries, they are the principal source of financing for the trade deficit and a vital source of family income. In El Salvador, remittance receipts increased from 44.2 percent of export earnings in 2000 to 52.8 percent in 2004. In the same period, Guatemala's remittances jumped from 15.4 percent of exports to 56.2 percent. Honduras remittances are also increasing; for 2003 they were at an all-time high of 32.4 percent (Figure 3-10).

Figure 3-10

Remittances as Percent of GDP, CAFTA-DR Countries, Most Recent Year



CAFTA-DR countries could benefit from programs to increase backward linkages from the free zones and facilitate export diversification, especially in light of greater global competition. 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.

ECONOMIC INFRASTRUCTURE

A country's physical infrastructure—for transportation, communications, energy, and information technology—is the backbone for expanding trade, productive capacity, and competitiveness. Central America is characterized by a rugged geographic setting, including mountains and thick tropical forests, which makes infrastructure development more costly and complicated, all other things being equal, than similar projects in temperate countries with gentle landscapes. Nonetheless, the quality of infrastructure varies widely among countries.

Using the World Economic Forum's Quality of Infrastructure index (ranging from 1 [poor] to 7 [excellent]), the 2004 indicators reveal that El Salvador has the best infrastructure among CAFTA-DR countries, with a score of 4.6.³³ The Dominican Republic has second-best infrastructure quality, with a score of 3.9. Costa Rica, Guatemala, and Honduras are next with scores of 2.9, 2.8, and 2.5, respectively. Finally, Nicaragua has the low score of 1.9.

³³ El Salvador data are from 2005, while the data from the other countries are from 2004.

According to the disaggregated Quality of Infrastructure data, railroads are the main weak spot for all CAFTA-DR countries. Scores in this category, which range from 1.1 to 1.6, drag down the overall averages. It has been many years since the CAFTA-DR countries emphasized railroads.

On the whole, Central America's best infrastructure element is its air transport infrastructure. El Salvador (5.6), Dominican Republic (4.6), and Costa Rica (4.1) perform the best, while Honduras, despite being in the process of upgrading its infrastructure, scores the worst (2.9).

The second ranking infrastructure category for the region is ports. El Salvador again has the highest score, at 3.9, followed by the Dominican Republic and Honduras, with scores of 3.4. Although El Salvador ranks higher in the aggregate, arguably the most important port among those in CAFTA-DR countries is Puerto Cortes in Honduras. Its status was enhanced in March 2006 when it became the first port in Central America to join the Container Security Initiative.³⁴ This joint initiative between U.S. Customs and Border Protection and cooperating governments aims to secure the supply chain by screening U.S.-bound containers at their port of embarkation. With the Container Security Initiative seal of approval, Honduran (and CAFTA-DR) trade originating at Puerto Cortes will be handled faster when it arrives in the United States.

With respect to electricity, there are significant gaps between the CAFTA-DR countries, which score between 3.0 and 4.8, and the Dominican Republic, which scores a 2.3. Central America has worked hard in recent years to upgrade its infrastructure with a view to establishing a regional energy grid. By contrast, the Dominican Republic has had intermittent energy crises (driven by both policy and infrastructure factors).

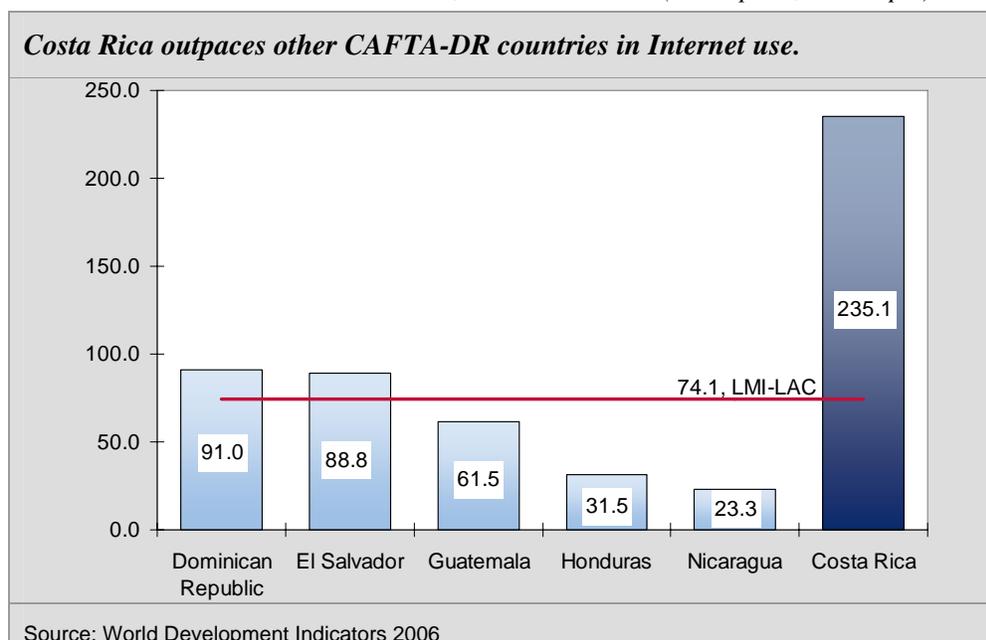
Finally, with respect to ICT, one sees a number of general trends in CAFTA-DR countries. The average telephone density has risen significantly in all the countries in the past few years, driven by increased mobile phone penetration. Second, the average cost of a local call has fallen slightly. In all the countries, rates are now between \$0.06 and \$0.08 per minute (2003), compared to \$0.06 to \$0.10 a few years ago (late 1990s). Third, the number of Internet users has grown substantially in recent years although there are significant differences in levels of Internet accessibility. According to 2004 data, in Costa Rica there are 235.1 Internet users per 1,000 people, while in Nicaragua there are only 23.3 users per 1,000 people (Figure 3-11).

Infrastructure, whether air transport, ports, roads, or information technology, is the vehicle by which goods and services move. If the CAFTA-DR countries are to succeed in expanding their international trade, they need to invest significantly in upgrading their infrastructure. Donors can play an important role in assisting countries in upgrading their infrastructure. Donors should consider undertaking an impact assessment of the region's infrastructure with a view to identifying current or imminent bottlenecks that limit international trade. Other activities could include financing the design of master plans and co-financing the construction of infrastructure improvements.

³⁴ See http://www.cbp.gov/xp/cgov/newsroom/news_releases/032006/03252006.xml.

Figure 3-11

Internet Use Rate in CAFTA-DR Countries, Most Recent Year (Users per 1,000 People)



Donors and countries should foster intraregional cooperation to address common infrastructure shortcomings.

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 small developing countries such as the CAFTA-DR countries, transformational development increasingly depends on acquiring and adapting technology from the global economy and applying it in ways appropriate to their level of development. A lack of capacity to access and utilize technology prevents an economy from leveraging the benefits of globalization.

The lack of data on science and technology in the CAFTA-DR countries indicates that the region is lacking an effective innovation system. This indicates that the CAFTA-DR countries may not be a location where innovators (local or foreign) feel that they can create or protect the value of their inventions. The first step in increasing the innovative capacity of the region is ensuring that there is a system for protecting intellectual property rights (IPR), one that is accessible to would-be innovators. Innovators tend to register their intellectual property in countries that have the capacity to protect the value in their innovations. Complying with the CAFTA-DR obligations concerning intellectual property rights protection will substantially improve each Central American country's intellectual property rights regime. However, laws must be enforced within countries as well as at the border. This is an area where Central American countries must collaborate. Currently Costa Rica, the Dominican Republic, and Guatemala are on the United States Trade Representative's Special 301 Watch List, which identifies countries with particularly weak intellectual property rights protection. These countries in particular need assistance improving their IPR protection and enforcement regimes.

Foreign direct investment (FDI) can also be an effective conduit for infusing new technology into a developing economy. The FDI Technology Transfer Index ranks how much technology FDI is likely to infuse into an economy.³⁵ On this ranking the CAFTA-DR countries do well, with scores ranging from 4.2 to 4.9 (Costa Rica outperforms the group with a score of 5.5), indicating that the CAFTA-DR countries may be able to leapfrog to better technology through foreign firms that invest locally. To do this, the sub-region must ensure adequate protection of foreign firms' intellectual property rights as well as sponsor other pro-FDI policies. Donor support in creating an enabling environment for FDI will serve the goals of greater overall growth and development as well as expansion of technological capacity.

³⁵ The index scale goes from 1 (Brings little new technology) to 7 (Is an important source of new technology).

4. Pro-Poor Growth Environment

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

HEALTH

The provision of basic health service is a 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 governance interventions.

Access to quality health care in the CAFTA-DR countries varies by country. This is reflected in a series of core indicators. Life expectancy at birth ranges from 67.1 in the Dominican Republic (in 2003) to 78.7 in Costa Rica (in 2004). Maternal mortality rates are a good indication of the varying quality of health care. The Dominican Republic and El Salvador have rates near the LMI-LAC average of 150, whereas rates are unacceptably high in Guatemala (240) and Nicaragua (230). Honduras has achieved a comparatively low maternal mortality rate of 110 through a concerted effort to provide expectant mothers (both rural and urban) with access to prenatal care and a medically assisted delivery (Figure 4-1).

The varying levels of child malnutrition in the CAFTA-DR countries highlight the differences in health conditions among the countries. The Dominican Republic has very low prevalence of child malnutrition, at 5.3 percent, while in Guatemala approximately one-fifth of children are malnourished (Figure 4-2).

The CAFTA-DR countries generally suffer from poor access to improved sanitation. Access to improved sanitation in the Dominican Republic, El Salvador, Guatemala and Honduras ranges from 57.0 percent to 68.0 percent. These rates are low compared to the LMI-LAC average of 71.0 percent, and very low to Costa Rica's rate of 98.0 percent. Nicaragua has made recent

improvements and now has a rate of 87.1 percent. HIV/AIDS does not currently pose a great public health threat, although prevalence rates in the Dominican Republic (1.4 percent) and Honduras (1.8 percent) are high for the region.

Figure 4-1

CAFTA-DR Countries' Maternal Mortality Rate, Most Recent Year

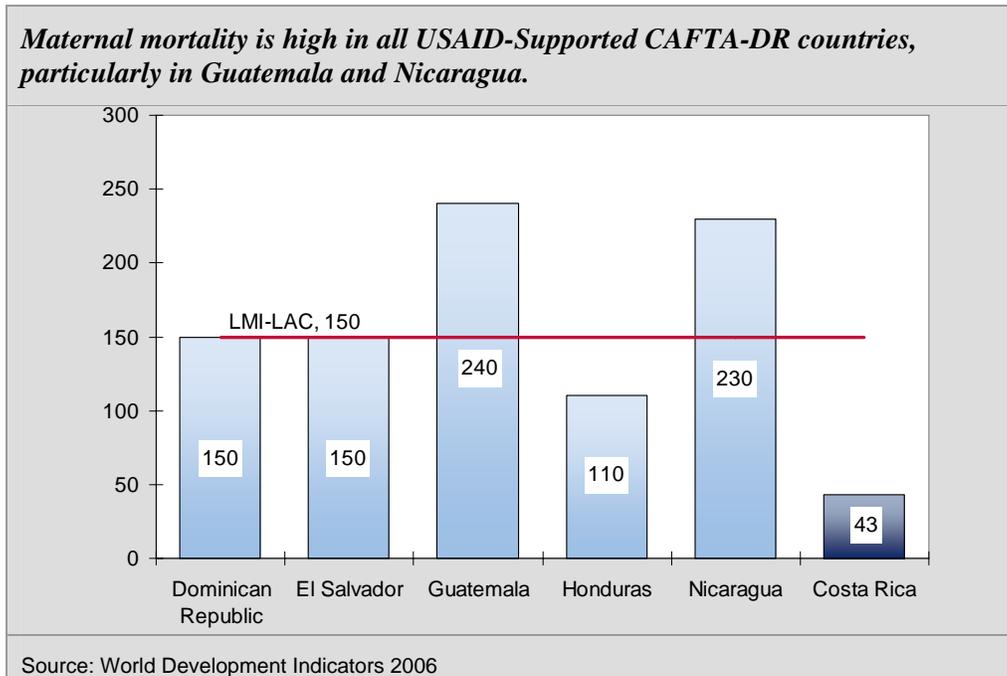
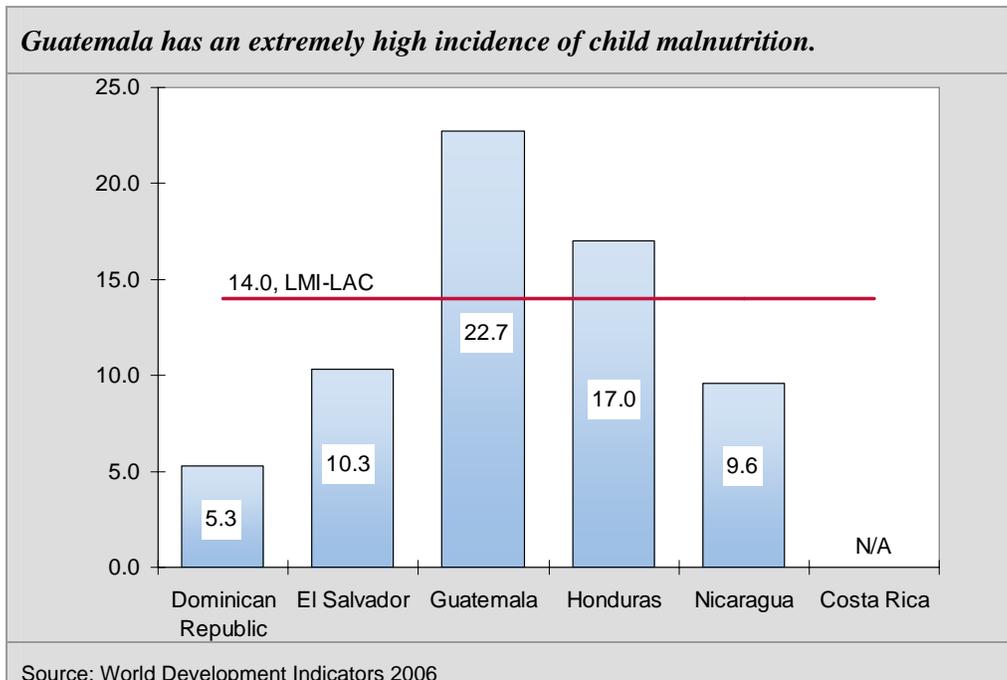


Figure 4-2

CAFTA-DR Countries' Prevalence of Child Malnutrition, Most Recent Year



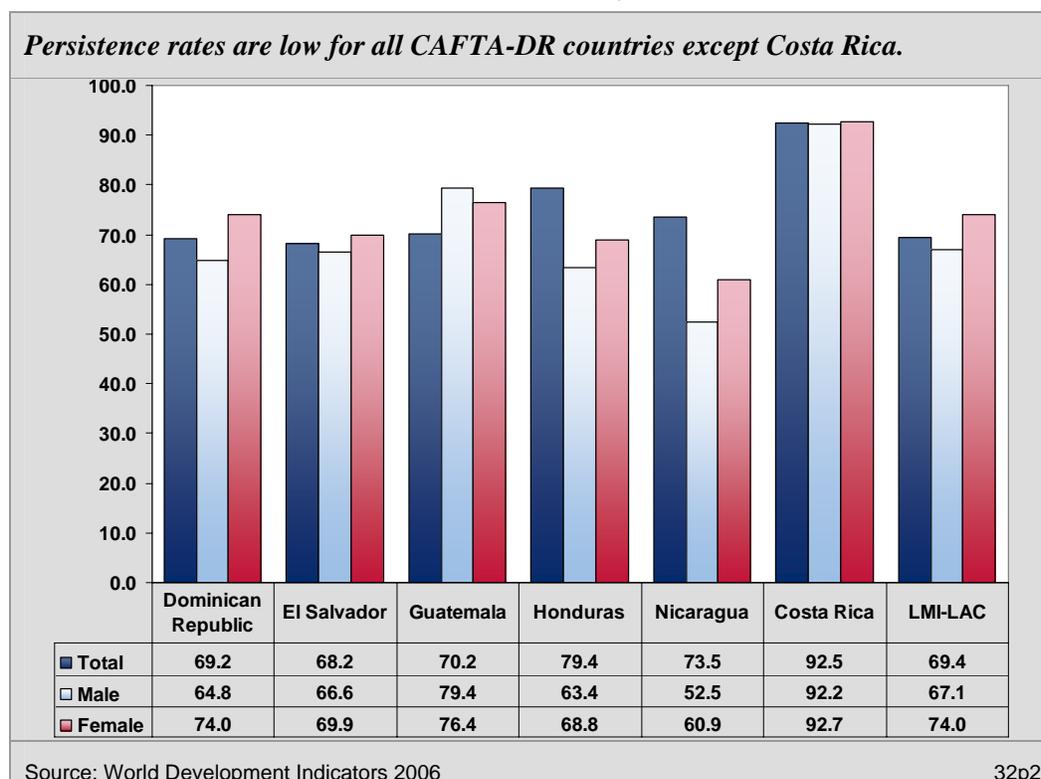
Populations need good, dependable health care if they are to be expected to be productive and thrive in the global economy. Donors, governments, and international organizations such as the Pan-American Health Organization should collaborate more closely in addressing basic health care needs of the CAFTA-DR countries.

EDUCATION

The education system in CAFTA-DR countries is strong at the primary level, but improvements are needed at the secondary, vocational, and tertiary levels.

The net primary enrollment rate³⁶ shows the percentage of children of primary school age who are enrolled in school. Net enrollment in the CAFTA-DR countries ranges from 88 percent for Nicaragua in 2004 to 96.4 percent for 2002 (latest year) for the Dominican Republic. The LMI-LAC average is 95.1 percent. Although enrollment rates are high, persistence to grade 5 is low in all CAFTA-DR countries except Costa Rica (91.6 percent) (Figure 4-3).³⁷

Figure 4-3
Persistence in School to Grade 5 in CAFTA-DR Countries, Most Recent Year



³⁶ A Millennium Development Goal (MDG) indicator.

³⁷ Persistence to grade 5 is an MDG indicator.

The quality of education, however, is difficult to gauge. One rough proxy is the pupil–teacher ratio in primary schools.³⁸ Costa Rica (21:1) and El Salvador (26:1) (latest data) are the best performers among CAFTA-DR countries. The LMI-LAC average is 24:1.

Another quality indicator is government expenditure per student as a percentage of per capita GDP. At the primary level, Costa Rica’s expenditure ratio of 17.1 percent for 2004 is higher than the LMI-LAC average of 12.7 percent. The remaining CAFTA-DR countries have single-digit values. At the secondary level, spending is woefully inadequate in all the countries. 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. Guatemala similarly spent only 3.7 percent during 2004.

Only Nicaragua, Costa Rica, and El Salvador have data on expenditure per student as percent of GDP per capita, for tertiary education. Remarkably, Nicaragua’s 62.4 percent is much higher than the LMI-LAC average, at 37.2 percent. It is difficult to see the benefits of such disproportional funding, given the lack of resources at the primary and secondary level.

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

EMPLOYMENT AND WORKFORCE

The most striking labor market characteristic of the CAFTA-DR countries is very low female participation rates (Figure 4-4). Low employment for women is a serious problem because underutilization of half the population translates into lower overall productivity. Low female labor force participation rates usually mean that women are limiting their productive activities to work in the household or to carry out subsistence activities. Female wage earners are more likely than male wage earners to redistribute income gains throughout the household, improving overall household welfare. The underemployment of women is therefore a serious development concern.

CAFTA-DR countries also face the formidable challenge of rapid labor force growth, with growth rates ranging from 2.2 percent to 2.9 percent. High unemployment rates can lead to civil unrest, crime, and the dissolution of the social fabric. Job creation will therefore be a top priority in the coming years to meet increased demand and bolster social cohesion. Exploiting the opportunities afforded through CAFTA-DR will undoubtedly be an important part of the solution.

³⁸ 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 4-4

Male-to-Female Labor Force Participation Rate, CAFTA-DR Countries, Most Recent Year

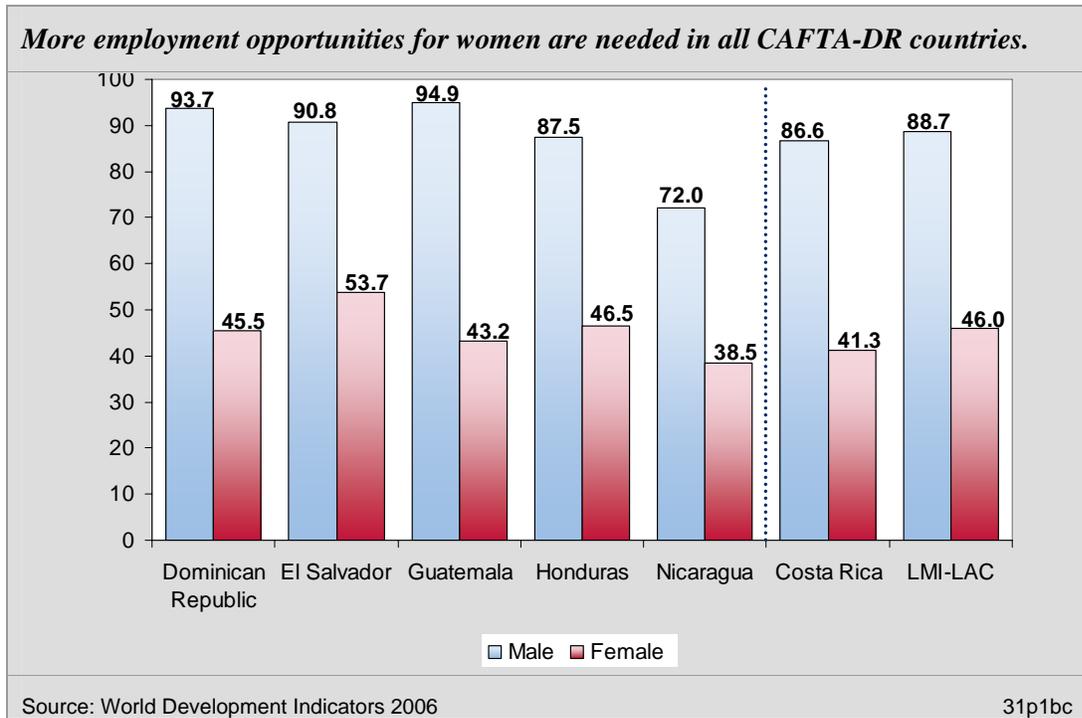
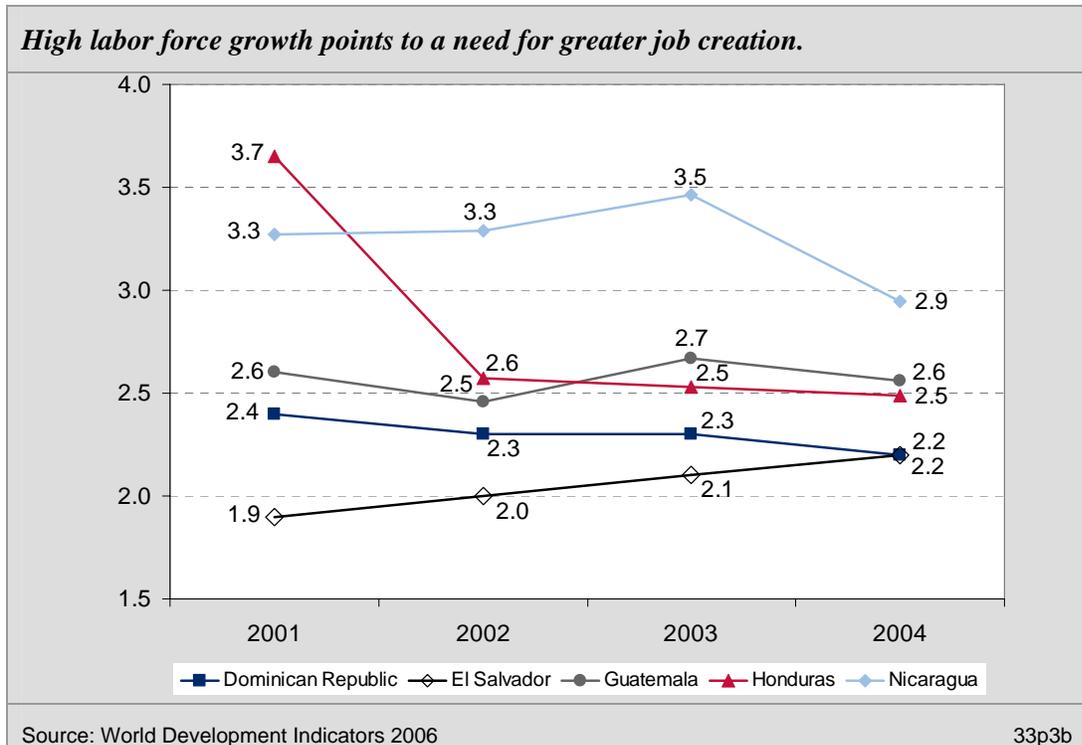


Figure 4-5

Labor Force Growth in USAID-Supported CAFTA-DR Countries, 2001–2004



AGRICULTURE

The agricultural sectors in the CAFTA-DR countries are heterogeneous. The Dominican Republic and Costa Rica are the top producers, with agricultural value added per worker of US\$4,141 and US\$4,472 in 2003, respectively; this is almost double the LMI-LAC average value of US\$2,102. By contrast, Honduras the worst performer in the region had an agricultural value added per worker of only US\$1,209 during 2003. There is evidence that the sector performance is improving in some countries. In the Dominican Republic, Honduras and Nicaragua, the five-year average growth rates for agricultural value added per worker were strong at 5.4 percent, 4.6 percent, and 3.7 percent, respectively, for 2000–2004. This is not occurring across the board, because El Salvador and Guatemala showed -1.5 percent and -0.1 percent growth rate for the same indicator during that period.

Growth in agricultural value added also varies widely ranging from 9.0 percent for Honduras during 2003 to -3.0 percent for the Dominican Republic in 2003, with the LMI-LAC average at 2.0 percent. Similarly, cereal yields are wide-ranging, from 1,488.2 kg per ha for Honduras during 2005, to 4,855.1 kg per ha for the Dominican Republic during 2004; the LMI-LAC average during 2005 is 2,413 kg per ha.

Agriculture remains an important source of livelihood in all CAFTA-DR countries, employing a large percentage of the labor force and providing a large portion of merchandise export earnings. Hence, countries showing low productivity and growth could enhance their sectors by stimulating diversification in production into higher value crops, instituting programs to help poor farmers to find opportunities outside of agriculture, and establishing programs to improve agricultural productivity.

5. Conclusions: Key Findings

This study provides *ex ante* evidence of the relative strengths, challenges, common trends, and disparities in the CAFTA-DR region within the context of the agreement. The report is intended as a baseline for monitoring progress in the coming years. It also provides a broad view to encourage regional cooperation and coordination that may result in more prosperous and equitable societies.

Key regional findings of this study include:

- **High Income inequality.** Countries in the CAFTA-DR countries, like the rest of Latin America, have unequal income distributions.
- **Relatively stable Inflation.** Although inflation is increasing slightly for most countries, there has been relative stability in the region, and inflation by and large has remained in single digits with the exception of the Dominican Republic (during 2004) and Cost Rica (during 2004 and 2005).
- **Weak financial sectors.** The CAFTA-DR countries have relatively underdeveloped financial sectors, except for El Salvador, the best performer in the region. .
- **Environmental management diminishes.** All CAFTA-DR countries exhibited a decline in the Environmental Sustainability Index indicating a diminished capacity to manage or mitigate threats to environmental quality.
- **High remittances.** Workers' remittances are increasing in El Salvador, Guatemala, and Honduras. Remittances are growing and may present some challenges to CAFTA-DR financial systems.
- **Business-enabling environments.** Business-enabling environments of the CAFTA-DR countries are heterogeneous. El Salvador, Guatemala, and Honduras score poorly on indicators pertaining to crime, corruption, and rule-of-law issues.
- **Under-funded education and low persistence rates.** About one-third of pupils in USAID supported CAFTA-DR countries do not continue in school to fifth grade.
- **Poor performance on social indicators.** CAFTA-DR countries score particularly poor on health and nutrition indicators.
- **Gender inequality.** Female participation in the labor force is low, although generally there is equity in enrollment and literacy rates.

We have identified the following areas where governments and donors can collaborate:

- ***Improving social spending.*** With the generally good fiscal management of the countries of CAFTA-DR, these governments could benefit substantially from renewed support that augments and mobilizes social spending, particularly in education and health.
- ***Trade capacity building.*** CAFTA-DR has recognized the importance of trade capacity building in making trade arrangements work for the poor. Areas to explore include intellectual property rights protection and enforcement, improving the enabling environment, port reform, trade facilitation, increasing export sector competitiveness, training and labor force augmentation, and formalization of the informal sector.
- ***Financial sector efficiency.*** CAFTA-DR countries will need to improve banking sector efficiency and deepen financial markets if they are to hold on to the value derived from growth. Furthermore, international integration through CAFTA-DR puts a greater burden of risk on neighboring countries' financial systems. Prudential reform, increased monitoring, and technical assistance from donors should improve the increasingly interconnected financial systems of the region.
- ***Science and technology.*** The CAFTA-DR countries need to enhance cooperation among their research institutions with a view to building a regional science, technology, and innovation system. This system should be supported by cohesive intellectual property rights, protection and enforcement regime.
- ***Rural adjustment.*** The importance of the agricultural sector, coupled with declining environmental indicators, underscores the need for an integral rural adjustment strategy. This strategy should address the major economic challenges of CAFTA-DR in addition to population and resource pressures.
- ***Strengthening infrastructure.*** Donors and countries should seek to foster intraregional approaches to enhancing the economic infrastructure of CAFTA-DR countries.

Appendix A. Indicators

CRITERIA FOR SELECTING INDICATORS

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

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

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.³⁹

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

³⁹ Deeper analysis of the topic using more detailed data (level III) is beyond the scope of this series.

BENCHMARKING METHODOLOGY

Like the individual country reports, 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 among the CAFTA-DR countries, relative to the average for countries in the same income group and broader region—in this case, Latin America and Caribbean countries in the lower-middle income range.⁴⁰ 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 five best and five worst performing countries globally. Most comparisons are framed in terms of values for the latest year of data from available sources. Five-year trends are also taken into account where this information sheds light on the performance assessment.⁴¹

LIST OF INDICATORS

Indicator	Level ^a	MDG, MCA, or EcGov ^b	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, percent GDP	II		11S3
Gross fixed private investment, percent GDP	II		11S4
Poverty and Inequality			
Human poverty index	I		12P1
Income-share, poorest 20 percent	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 percent	I		12P5
Ratio of income shares, richest 20 percent to poorest 20 percent	I		12P6
PRSP Status	I	EcGov	12P5
Population below minimum dietary energy consumption	II	MDG	12S1

⁴⁰ Income groups as defined by the World Bank for 2005. For this study, the average is defined in terms of the mean. Note that unlike the other CAFTA-DR countries, Nicaragua belongs to the low-income group.

⁴¹ The five-year trends are computed by fitting a log-linear regression line through the data points. The alternative of computing average growth from the end points produces aberrant results when one or both of those points diverge from the underlying trend.

Indicator	Level ^a	MDG, MCA, or EcGov ^b	Code
Poverty gap at \$1 PPP a day	II		12S2
Economic Structure			
Labor force structure	I		13P1
Output structure	I		13P2
Demography and Environment			
Adult literacy rate	I		14P1
Age dependency rate	I		14P2
Environmental sustainable index	I		14P3
Population size and growth	I		14P4
Urbanization rate	I		14P5
Gender			
Adult literacy rate, ratio of male to female	I	MDG	15P1
Gross enrollment rate, all levels, ratio of male to female,	I	MDG	15P2
Life expectancy at birth, ratio of male to female	I		15P3
PRIVATE SECTOR ENABLING ENVIRONMENT			
Fiscal and Monetary Policy			
Govt. expenditure, percent GDP	I	EcGov	21P1
Govt. revenue, percent GDP	I	EcGov	21P2
Growth in the money supply	I	EcGov	21P3
Inflation rate	I	MCA	21P4
Overall govt. budget balance, including grants, percent 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, percent 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

Indicator	Level ^a	MDG, MCA, or EcGov ^b	Code
Time to start a business	II	EcGov	22S7
Financial Sector			
Domestic credit to private sector, percent GDP	I		23P1
Interest rate spread	I		23P2
Money supply, percent GDP	I		23P3
Stock market capitalization rate, percent 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 , percent GNI	I		24P1
Current account balance, percent GDP	I		24P2
Debt service ratio, percent exports	I	MDG	24P3
Export growth of goods and services	I		24P4
Foreign direct investment, percent GDP	I		24P5
Gross international reserves, months of imports	I	EcGov	24P6
Gross Private capital inflows, percent GDP	I		24P7
Present value of debt, percent GNI	I		24P8
Remittance receipts, percent exports	I		24P9
Trade, percent GDP	I		24P10
Exports of services, percent total exports	I		24P11
Imports of services, percent total exports	I		24P12
Actual and expected trade size, index	I		24P13
Time to trade, days	I		24P14
Merchandise imports from CAFTA countries, millions of current USD	I		24P15
Merchandise exports to CAFTA countries, millions of current USD	I		24P16
Concentration of exports	II		24S1
Inward FDI Potential Index	II		24S2
Net barter terms of trade	II		24S3
Real effective exchange rate (REER)	II	EcGov	24S4
Structure of merchandise exports	II		24S5
Trade policy index	II	MCA, EcGov	24S6

Indicator	Level ^a	MDG, MCA, or EcGov ^b	Code
Composition of merchandise imports from CAFTA countries, by country, millions of current USD	II		24S7
Composition of merchandise exports to CAFTA countries, by country, millions of current USD	II		24S8
Economic Infrastructure			
Internet users per 1000 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, percent GNI	I		26P1
FDI and technology transfer index	I		26P2
Patent applications filed by residents	I		26P3
PRO-POOR GROWTH ENVIRONMENT			
Health			
HIV prevalence	I		31P1
Life expectancy at birth	I		31P2
Maternal mortality rate	I	MDG	31P3
Access to improved sanitation	II	MDG	31S1
Access to improved water source	II	MDG	31S2
Births attended by skilled health personnel	II	MDG	31S3
Child immunization rate	II		31S4
Prevalence of child malnutrition (weight for age)	II		31S5
Public health expenditure, percent 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, percent GDP	II	MCA, EcGov	32S1
Expenditure per student, percent GDP per capita – primary, secondary, and tertiary	II	EcGov	32S2
Pupil-teacher ratio, primary school	II		32S3

Indicator	Level ^a	MDG, MCA, or EcGov ^b	Code
Employment and Workforce			
Labor force participation rate, females, males, total	I		33P1
Rigidity of employment index	I	EcGov	33P2
Size and growth of the labor force	I		33P3
Unemployment rate	I		33P4
Agriculture			
Agriculture value added per worker	I		34P1
Cereal yield	I		34P2
Growth in agricultural value-added	I		34P3
Agricultural policy costs index	II	EcGov	34S1
Crop production index	II		34S2
Livestock production index	II		34S3

a Level I—primary performance indicators, Level II—supporting diagnostic indicators

b MDG—Millennium Development Goal indicator

MCA—Millennium Challenge Account indicator

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

Appendix B. CAFTA-DR Mirror Trade Data

Costa Rica: Mirror Data for CAFTA-DR Merchandise Trade

Exports to Dominican Republic

Reporter:	Costa Rica	Dominican Republic	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Dominican Republic	Costa Rica	
Year	1999	\$29,888,638	\$29,888,638
	2000	\$48,046,796	\$48,046,796
	2001	\$54,742,180	\$54,742,180
	2002	\$73,644,320	\$73,644,320
	2003	\$66,111,040	\$66,111,040
	2004	\$70,611,135	\$70,611,135

Imports from Dominican Republic

Reporter:	Costa Rica	Dominican Republic	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Dominican Republic	Costa Rica	
Year	1999	\$3,422,641	\$3,422,641
	2000	\$3,783,215	\$3,783,215
	2001	\$4,105,628	\$4,105,628
	2002	\$5,388,718	\$5,388,718
	2003	\$5,589,151	\$5,589,151
	2004	\$12,165,221	\$12,165,221

Exports to El Salvador

Reporter:	Costa Rica	El Salvador	Reporting
Flow:	Exports	Imports	Disparity
Destination:	El Salvador	Costa Rica	
Year	1999	\$115,739,801	\$116,219,072 (\$479,271)
	2000	\$134,817,888	\$143,199,328 (\$8,381,440)
	2001	\$153,974,800	\$163,407,280 (\$9,432,480)
	2002	\$138,931,808	\$148,933,920 (\$10,002,112)
	2003	\$170,571,344	\$157,307,698 \$13,263,646
	2004	\$195,911,108	\$174,408,450 \$21,502,658

Imports from El Salvador

Reporter:	Costa Rica	El Salvador	Reporting
Flow:	Imports	Exports	Disparity
Destination:	El Salvador	Costa Rica	
Year	1999	\$99,765,484	\$91,898,901 \$7,866,583
	2000	\$88,414,448	\$85,543,392 \$2,871,056
	2001	\$88,895,488	\$94,603,640 (\$5,708,152)
	2002	\$101,903,856	\$106,599,944 (\$4,696,088)
	2003	\$97,887,312	\$102,009,778 (\$4,122,466)
	2004	\$88,431,145	\$100,347,311 (\$11,916,166)

Exports to Guatemala

Reporter:	Costa Rica	Guatemala	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Guatemala	Costa Rica	
Year	1999	\$178,827,711	\$141,354,582 \$37,473,129
	2000	\$192,960,256	\$200,809,600 (\$7,849,344)
	2001	\$214,931,488	\$232,152,272 (\$17,220,784)
	2002	\$233,261,744	\$286,719,968 (\$53,458,224)
	2003	\$253,429,328	\$302,035,872 (\$48,606,544)
	2004	\$272,774,494	\$319,775,872 (\$47,001,378)

Imports from Guatemala

Reporter:	Costa Rica	Guatemala	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Guatemala	Costa Rica	
Year	1999	\$142,143,185	\$121,179,398 \$20,963,787
	2000	\$139,784,432	\$126,747,152 \$13,037,280
	2001	\$140,676,528	\$156,297,600 (\$15,621,072)
	2002	\$147,268,672	\$94,472,144 \$52,796,528
	2003	\$153,897,408	\$152,502,400 \$1,395,008
	2004	\$158,683,140	\$181,153,186 (\$22,470,046)

Exports to Honduras

Reporter:	Costa Rica	Honduras	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Honduras	Costa Rica	
Year	1999	\$103,331,473	\$55,135,272 \$48,196,201
	2000	\$115,224,848	\$51,852,240 \$63,372,608
	2001	\$125,301,712	\$64,394,208 \$60,907,504
	2002	\$149,917,904	\$76,589,200 \$73,328,704
	2003	\$155,398,736	\$142,276,722 \$13,122,014
	2004	\$185,596,042	\$185,596,042 \$0

Imports from Honduras

Reporter:	Costa Rica	Honduras	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Honduras	Costa Rica	
Year	1999	\$30,396,009	\$10,008,103 \$20,387,906
	2000	\$48,778,348	\$8,234,521 \$40,543,827
	2001	\$38,509,088	\$5,392,230 \$33,116,858
	2002	\$34,003,588	\$19,419,946 \$14,583,642
	2003	\$42,245,108	\$26,208,751 \$16,036,357
	2004	\$36,002,546	\$36,002,546 \$0

Exports to Nicaragua

Reporter:	Costa Rica	Nicaragua	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Nicaragua	Costa Rica	
Year	1999	\$178,595,583	\$207,622,436 (\$29,026,853)
	2000	\$179,301,632	\$198,713,104 (\$19,411,472)
	2001	\$167,122,512	\$188,018,736 (\$20,896,224)
	2002	\$164,157,520	\$170,396,544 (\$6,239,024)
	2003	\$186,206,016	\$164,895,989 \$21,310,027
	2004	\$219,852,482	\$189,117,210 \$30,735,272

Imports from Nicaragua

Reporter:	Costa Rica	Nicaragua	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Nicaragua	Costa Rica	
Year	1999	\$28,218,889	\$27,464,719 \$754,170
	2000	\$33,918,944	\$37,725,392 (\$3,806,448)
	2001	\$38,339,848	\$36,594,940 \$1,744,908
	2002	\$48,862,612	\$67,749,472 (\$18,886,860)
	2003	\$50,956,872	\$49,246,126 \$1,710,746
	2004	\$50,842,216	\$50,546,193 \$296,023

Exports to USA

Reporter:	Costa Rica	USA	Reporting
Flow:	Exports	Imports	Disparity
Destination:	USA	Costa Rica	
Year	1999	\$3,263,639,293	\$4,167,905,400 (\$904,266,107)
	2000	\$2,854,425,856	\$3,763,833,564 (\$909,407,708)
	2001	\$2,342,480,128	\$3,091,277,128 (\$748,797,000)
	2002	\$2,509,801,728	\$3,339,329,426 (\$829,527,698)
	2003	\$2,733,147,392	\$3,581,704,885 (\$848,557,493)
	2004	\$2,645,918,037	\$3,504,058,036 (\$858,139,999)

Imports from USA

Reporter:	Costa Rica	USA	Reporting
Flow:	Imports	Exports	Disparity
Destination:	USA	Costa Rica	
Year	1999	\$3,278,034,129	\$2,379,659,697 \$898,374,432
	2000	\$3,095,549,696	\$2,445,425,889 \$650,123,807
	2001	\$3,280,160,512	\$2,496,240,337 \$783,920,175
	2002	\$3,590,102,784	\$3,131,597,490 \$458,505,294
	2003	\$3,679,532,288	\$3,413,816,678 \$265,715,610
	2004	\$3,596,319,578	\$3,303,720,087 \$292,599,491

Dominican Republic: Mirror Data for CAFTA-DR Merchandise Trade

Exports to Costa Rica

Reporter:	Dominican Republic	Costa Rica	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Costa Rica	Dominican Republic	
Year			
1999		\$3,422,641	(\$3,422,641)
2000		\$3,783,215	(\$3,783,215)
2001		\$4,105,628	(\$4,105,628)
2002		\$5,388,718	(\$5,388,718)
2003		\$5,589,151	(\$5,589,151)
2004		\$12,165,221	(\$12,165,221)

Imports from Costa Rica

Reporter:	Dominican Republic	Costa Rica	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Costa Rica	Dominican Republic	
Year			
1999		\$29,888,638	(\$29,888,638)
2000		\$48,046,796	(\$48,046,796)
2001		\$54,742,180	(\$54,742,180)
2002		\$73,644,320	(\$73,644,320)
2003		\$66,111,040	(\$66,111,040)
2004		\$70,611,135	(\$70,611,135)

Exports to El Salvador

Reporter:	Dominican Republic	El Salvador	Reporting
Flow:	Exports	Imports	Disparity
Destination:	El Salvador	Dominican Republic	
Year			
1999		\$3,212,231	(\$3,212,231)
2000		\$1,908,460	(\$1,908,460)
2001		\$0	\$0
2002		\$1,771,817	(\$1,771,817)
2003		\$4,197,388	(\$4,197,388)
2004		\$3,726,088	(\$3,726,088)

Imports from El Salvador

Reporter:	Dominican Republic	El Salvador	Reporting
Flow:	Imports	Exports	Disparity
Destination:	El Salvador	Dominican Republic	
Year			
1999		\$14,179,103	(\$14,179,103)
2000		\$12,242,066	(\$12,242,066)
2001		\$0	\$0
2002		\$20,820,764	(\$20,820,764)
2003		\$22,153,969	(\$22,153,969)
2004		\$25,225,393	(\$25,225,393)

Exports to Guatemala

Reporter:	Dominican Republic	Guatemala	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Guatemala	Dominican Republic	
Year			
1999		\$1,366,899	(\$1,366,899)
2000		\$3,196,909	(\$3,196,909)
2001		\$2,413,956	(\$2,413,956)
2002		\$17,859,220	(\$17,859,220)
2003		\$20,210,528	(\$20,210,528)
2004		\$17,100,509	(\$17,100,509)

Imports from Guatemala

Reporter:	Dominican Republic	Guatemala	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Guatemala	Dominican Republic	
Year			
1999		\$28,926,970	(\$28,926,970)
2000		\$22,568,610	(\$22,568,610)
2001		\$19,922,068	(\$19,922,068)
2002		\$32,324,464	(\$32,324,464)
2003		\$34,758,216	(\$34,758,216)
2004		\$32,794,708	(\$32,794,708)

Exports to Honduras

Reporter:	Dominican Republic	Honduras	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Honduras	Dominican Republic	
Year			
1999		\$6,338,619	(\$6,338,619)
2000		\$2,879,548	(\$2,879,548)
2001		\$3,211,233	(\$3,211,233)
2002		\$2,936,147	(\$2,936,147)
2003		\$4,330,692	(\$4,330,692)
2004		\$0	\$0

Imports from Honduras

Reporter:	Dominican Republic	Honduras	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Honduras	Dominican Republic	
Year			
1999		\$4,299,582	(\$4,299,582)
2000		\$1,291,333	(\$1,291,333)
2001		\$4,694,471	(\$4,694,471)
2002		\$5,843,622	(\$5,843,622)
2003		\$3,054,989	(\$3,054,989)
2004		\$0	\$0

Exports to Nicaragua

Reporter:	Dominican Republic	Nicaragua	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Nicaragua	Dominican Republic	
Year			
1999		\$1,400,500	(\$1,400,500)
2000		\$1,338,621	(\$1,338,621)
2001		\$1,507,012	(\$1,507,012)
2002		\$1,675,989	(\$1,675,989)
2003		\$1,473,621	(\$1,473,621)
2004		\$3,442,471	(\$3,442,471)

Imports from Nicaragua

Reporter:	Dominican Republic	Nicaragua	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Nicaragua	Dominican Republic	
Year			
1999		\$3,952,567	(\$3,952,567)
2000		\$3,064,269	(\$3,064,269)
2001		\$2,553,103	(\$2,553,103)
2002		\$3,235,044	(\$3,235,044)
2003		\$6,201,192	(\$6,201,192)
2004		\$5,864,139	(\$5,864,139)

Exports to USA

Reporter:	Dominican Republic	USA	Reporting
Flow:	Exports	Imports	Disparity
Destination:	USA	Dominican Republic	
Year			
1999		\$4,377,541,096	(\$4,377,541,096)
2000		\$4,486,435,611	(\$4,486,435,611)
2001		\$4,286,322,814	(\$4,286,322,814)
2002		\$4,271,160,450	(\$4,271,160,450)
2003		\$4,557,885,228	(\$4,557,885,228)
2004		\$4,638,006,541	(\$4,638,006,541)

Imports from USA

Reporter:	Dominican Republic	USA	Reporting
Flow:	Imports	Exports	Disparity
Destination:	USA	Dominican Republic	
Year			
1999		\$4,085,637,997	(\$4,085,637,997)
2000		\$4,443,397,786	(\$4,443,397,786)
2001		\$4,435,712,829	(\$4,435,712,829)
2002		\$4,261,554,108	(\$4,261,554,108)
2003		\$4,213,300,069	(\$4,213,300,069)
2004		\$4,342,865,819	(\$4,342,865,819)

El Salvador: Mirror Data for CAFTA-DR Merchandise Trade

Exports to Costa Rica

Reporter:	El Salvador	Costa Rica	Reporting	
Flow:	Exports	Imports	Disparity	
Destination:	Costa Rica	El Salvador		
Year	1999	\$91,898,901	\$99,765,484	(\$7,866,583)
	2000	\$85,543,392	\$88,414,448	(\$2,871,056)
	2001	\$94,603,640	\$88,895,488	\$5,708,152
	2002	\$106,599,944	\$101,903,856	\$4,696,088
	2003	\$102,009,778	\$97,887,312	\$4,122,466
	2004	\$100,347,311	\$88,431,145	\$11,916,166

Imports from Costa Rica

Reporter:	El Salvador	Costa Rica	Reporting	
Flow:	Imports	Exports	Disparity	
Destination:	Costa Rica	El Salvador		
Year	1999	\$116,219,072	\$115,739,801	\$479,271
	2000	\$143,199,328	\$134,817,888	\$8,381,440
	2001	\$163,407,280	\$153,974,800	\$9,432,480
	2002	\$148,933,920	\$138,931,808	\$10,002,112
	2003	\$157,307,698	\$170,571,344	(\$13,263,646)
	2004	\$174,408,450	\$195,911,108	(\$21,502,658)

Exports to Dominican Republic

Reporter:	El Salvador	Dominican Republic	Reporting	
Flow:	Exports	Imports	Disparity	
Destination:	Dominican Republic	El Salvador		
Year	1999	\$14,179,103		\$14,179,103
	2000	\$12,242,066		\$12,242,066
	2001			\$0
	2002	\$20,820,764		\$20,820,764
	2003	\$22,153,969		\$22,153,969
	2004	\$25,225,393		\$25,225,393

Imports from Dominican Republic

Reporter:	El Salvador	Dominican Republic	Reporting	
Flow:	Imports	Exports	Disparity	
Destination:	Dominican Republic	El Salvador		
Year	1999	\$3,212,231		\$3,212,231
	2000	\$1,908,460		\$1,908,460
	2001			\$0
	2002	\$1,771,817		\$1,771,817
	2003	\$4,197,388		\$4,197,388
	2004	\$3,726,088		\$3,726,088

Exports to Guatemala

Reporter:	El Salvador	Guatemala	Reporting	
Flow:	Exports	Imports	Disparity	
Destination:	Guatemala	El Salvador		
Year	1999	\$272,241,028	\$256,944,003	\$15,297,025
	2000	\$322,481,600	\$313,459,808	\$9,021,792
	2001	\$323,327,136	\$384,962,624	(\$61,635,488)
	2002	\$343,911,776	\$382,935,104	(\$39,023,328)
	2003	\$361,176,169	\$398,845,536	(\$37,669,367)
	2004	\$387,103,876	\$434,830,539	(\$47,726,663)

Imports from Guatemala

Reporter:	El Salvador	Guatemala	Reporting	
Flow:	Imports	Exports	Disparity	
Destination:	Guatemala	El Salvador		
Year	1999	\$368,842,368	\$356,263,342	\$12,579,026
	2000	\$488,127,328	\$341,017,312	\$147,110,016
	2001	\$435,106,656	\$477,058,240	(\$41,951,584)
	2002	\$418,565,600	\$325,062,304	\$93,503,296
	2003	\$463,522,273	\$501,639,104	(\$38,116,831)
	2004	\$506,423,284	\$544,764,970	(\$38,341,686)

Exports to Honduras

Reporter:	El Salvador	Honduras	Reporting	
Flow:	Exports	Imports	Disparity	
Destination:	Honduras	El Salvador		
Year	1999	\$171,591,790	\$166,083,072	\$5,508,718
	2000	\$225,028,976	\$189,006,352	\$36,022,624
	2001	\$184,422,816	\$152,212,976	\$32,209,840
	2002	\$176,568,400	\$200,402,720	(\$23,834,320)
	2003	\$184,838,882	\$154,715,268	\$30,123,614
	2004	\$205,954,211		\$205,954,211

Imports from Honduras

Reporter:	El Salvador	Honduras	Reporting	
Flow:	Imports	Exports	Disparity	
Destination:	Honduras	El Salvador		
Year	1999	\$87,731,802	\$184,142,944	(\$96,411,142)
	2000	\$119,826,720	\$166,755,248	(\$46,928,528)
	2001	\$133,795,384	\$242,644,784	(\$108,849,400)
	2002	\$155,119,200	\$296,080,768	(\$140,961,568)
	2003	\$134,896,920	\$120,486,174	\$14,410,746
	2004	\$153,550,237		\$153,550,237

Exports to Nicaragua

Reporter:	El Salvador	Nicaragua	Reporting	
Flow:	Exports	Imports	Disparity	
Destination:	Nicaragua	El Salvador		
Year	1999	\$91,064,715	\$99,833,295	(\$8,768,580)
	2000	\$107,440,192	\$122,796,440	(\$15,356,248)
	2001	\$120,242,400	\$110,905,200	\$9,337,200
	2002	\$113,187,496	\$113,352,752	(\$165,256)
	2003	\$98,017,448	\$83,706,038	\$14,311,410
	2004	\$128,582,132	\$108,675,097	\$19,907,035

Imports from Nicaragua

Reporter:	El Salvador	Nicaragua	Reporting	
Flow:	Imports	Exports	Disparity	
Destination:	Nicaragua	El Salvador		
Year	1999	\$64,596,714	\$68,150,750	(\$3,554,036)
	2000	\$69,758,040	\$70,747,704	(\$989,664)
	2001	\$87,912,504	\$75,826,968	\$12,085,536
	2002	\$97,468,072	\$109,573,400	(\$12,105,328)
	2003	\$111,539,697	\$104,255,161	\$7,284,536
	2004	\$111,456,008	\$109,001,565	\$2,454,443

Exports to USA

Reporter:	El Salvador	USA	Reporting	
Flow:	Exports	Imports	Disparity	
Destination:	USA	El Salvador		
Year	1999	\$247,844,423	\$1,648,178,424	(\$1,400,334,001)
	2000	\$322,758,016	\$1,989,059,004	(\$1,666,300,988)
	2001	\$227,195,728	\$1,934,493,170	(\$1,707,297,442)
	2002	\$252,396,112	\$2,038,496,234	(\$1,786,100,122)
	2003	\$243,746,528	\$2,076,642,075	(\$1,832,895,547)
	2004	\$340,733,123	\$2,111,979,320	(\$1,771,246,197)

Imports from USA

Reporter:	El Salvador	USA	Reporting	
Flow:	Imports	Exports	Disparity	
Destination:	USA	El Salvador		
Year	1999	\$1,172,998,176	\$1,520,206,571	(\$347,208,395)
	2000	\$1,321,888,128	\$1,774,863,384	(\$452,975,256)
	2001	\$1,324,384,512	\$1,771,113,942	(\$446,729,430)
	2002	\$1,316,301,184	\$1,662,832,317	(\$346,531,133)
	2003	\$1,499,959,622	\$1,822,288,663	(\$322,329,041)
	2004	\$1,526,751,266	\$1,866,497,005	(\$339,745,739)

Guatemala: Mirror Data for CAFTA-DR Merchandise Trade

Exports to Costa Rica

Reporter:	Guatemala	Costa Rica	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Costa Rica	Guatemala	
Year	1999	\$121,179,398	142143185 (\$20,963,787)
	2000	\$126,747,152	139784432 (\$13,037,280)
	2001	\$156,297,600	\$140,676,528 \$15,621,072
	2002	\$94,472,144	147268672 (\$52,796,528)
	2003	\$152,502,400	153897408 (\$1,395,008)
	2004	\$181,153,186	158683140 \$22,470,046

Imports from Costa Rica

Reporter:	Guatemala	Costa Rica	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Costa Rica	Guatemala	
Year	1999	\$141,354,582	178827711 (\$37,473,129)
	2000	\$200,809,600	192960256 \$7,849,344
	2001	\$232,152,272	214931488 \$17,220,784
	2002	\$286,719,968	233261744 \$53,458,224
	2003	\$302,035,872	253429328 \$48,606,544
	2004	\$319,775,872	272774494 \$47,001,378

Exports to Dominican Republic

Reporter:	Guatemala	Dominican Republic	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Dominican Republic	Guatemala	
Year	1999	\$28,926,970	\$28,926,970
	2000	\$22,568,610	\$22,568,610
	2001	\$19,922,068	\$19,922,068
	2002	\$32,324,464	\$32,324,464
	2003	\$34,758,216	\$34,758,216
	2004	\$32,794,708	\$32,794,708

Imports from Dominican Republic

Reporter:	Guatemala	Dominican Republic	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Dominican Republic	Guatemala	
Year	1999	\$1,366,899	\$1,366,899
	2000	\$3,196,909	\$3,196,909
	2001	\$2,413,956	\$2,413,956
	2002	\$17,859,220	\$17,859,220
	2003	\$20,210,528	\$20,210,528
	2004	\$17,100,509	\$17,100,509

Exports to El Salvador

Reporter:	Guatemala	El Salvador	Reporting
Flow:	Exports	Imports	Disparity
Destination:	El Salvador	Guatemala	
Year	1999	\$356,263,342	\$368,842,368 (\$12,579,026)
	2000	\$341,017,312	\$488,127,328 (\$147,110,016)
	2001	\$477,058,240	\$435,106,656 \$41,951,584
	2002	\$325,062,300	\$418,565,600 (\$93,503,296)
	2003	\$501,639,104	\$463,522,273 \$38,116,831
	2004	\$544,764,970	\$506,423,284 \$38,341,686

Imports from El Salvador

Reporter:	Guatemala	El Salvador	Reporting
Flow:	Imports	Exports	Disparity
Destination:	El Salvador	Guatemala	
Year	1999	\$256,944,003	\$272,241,028 (\$15,297,025)
	2000	\$313,459,808	\$322,481,600 (\$9,021,792)
	2001	\$384,962,624	\$323,327,136 \$61,635,488
	2002	\$382,935,104	\$343,911,776 \$39,023,328
	2003	\$398,845,536	\$361,176,169 \$37,669,367
	2004	\$434,830,539	\$387,103,876 \$47,726,663

Exports to Honduras

Reporter:	Guatemala	Honduras	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Honduras	Guatemala	
Year	1999	\$208,528,966	\$213,919,024 (\$5,390,058)
	2000	\$233,065,392	\$226,301,104 \$6,764,288
	2001	\$295,231,008	\$236,924,144 \$58,306,864
	2002	\$186,661,200	\$274,007,232 (\$87,346,032)
	2003	\$281,093,440	\$244,373,035 \$36,720,405
	2004	\$347,474,275	\$347,474,275

Imports from Honduras

Reporter:	Guatemala	Honduras	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Honduras	Guatemala	
Year	1999	\$79,154,662	\$91,716,352 (\$12,561,690)
	2000	\$83,506,312	\$86,085,912 (\$2,579,600)
	2001	\$129,279,848	\$131,412,152 (\$2,132,304)
	2002	\$100,886,168	\$122,566,016 (\$21,679,848)
	2003	\$101,472,352	\$75,519,840 \$25,952,512
	2004	\$119,125,828	\$119,125,828

Exports to Nicaragua

Reporter:	Guatemala	Nicaragua	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Nicaragua	Guatemala	
Year	1999	\$103,703,603	\$133,483,459 (\$29,779,856)
	2000	\$114,268,576	\$141,960,144 (\$27,691,568)
	2001	\$130,558,048	\$142,840,848 (\$12,282,800)
	2002	\$93,337,872	\$149,637,856 (\$56,299,984)
	2003	\$153,828,176	\$132,083,841 \$21,744,335
	2004	\$174,433,489	\$151,844,829 \$22,588,660

Imports from Nicaragua

Reporter:	Guatemala	Nicaragua	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Nicaragua	Guatemala	
Year	1999	\$7,270,167	\$14,915,729 (\$7,645,562)
	2000	\$16,864,976	\$19,529,106 (\$2,664,130)
	2001	\$30,372,060	\$22,806,238 \$7,565,822
	2002	\$27,242,320	\$33,154,288 (\$5,911,968)
	2003	\$28,879,612	\$25,830,335 \$3,049,277
	2004	\$34,517,370	\$32,223,217 \$2,294,153

Exports to USA

Reporter:	Guatemala	USA	Reporting
Flow:	Exports	Imports	Disparity
Destination:	USA	Guatemala	
Year	1999	\$843,505,734	\$2,407,007,745 (\$1,563,502,011)
	2000	\$974,733,056	\$2,765,684,405 (\$1,790,951,349)
	2001	\$645,058,624	\$2,746,696,097 (\$2,101,637,473)
	2002	\$712,214,144	\$2,976,052,262 (\$2,263,838,118)
	2003	\$790,886,528	\$3,150,988,533 (\$2,360,102,005)
	2004	\$860,669,418	\$3,360,081,825 (\$2,499,412,407)

Imports from USA

Reporter:	Guatemala	USA	Reporting
Flow:	Imports	Exports	Disparity
Destination:	USA	Guatemala	
Year	1999	\$1,892,792,648	\$1,811,529,678 \$81,262,970
	2000	\$1,939,390,464	\$1,868,207,356 \$71,183,108
	2001	\$1,969,734,400	\$1,874,551,921 \$95,182,479
	2002	\$2,810,430,976	\$2,039,865,879 \$770,565,097
	2003	\$2,944,075,264	\$2,273,180,942 \$670,894,322
	2004	\$3,198,685,021	\$2,548,250,309 \$650,434,712

Honduras: Mirror Data for CAFTA-DR Merchandise Trade

Exports to Costa Rica

Reporter:	Honduras	Costa Rica	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Costa Rica	Honduras	
Year			
1999	\$10,008,103	\$30,396,009	(\$20,387,906)
2000	\$8,234,521	\$48,778,348	(\$40,543,827)
2001	\$5,392,230	\$38,509,088	(\$33,116,858)
2002	\$19,419,946	\$34,003,588	(\$14,583,642)
2003	\$26,208,751	\$42,245,108	(\$16,036,357)
2004		\$36,002,546	(\$36,002,546)

Imports from Costa Rica

Reporter:	Honduras	Costa Rica	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Costa Rica	Honduras	
Year			
1999	\$55,135,272	\$103,331,473	(\$48,196,201)
2000	\$51,852,240	\$115,224,848	(\$63,372,608)
2001	\$64,394,208	\$125,301,712	(\$60,907,504)
2002	\$76,589,200	\$149,917,904	(\$73,328,704)
2003	\$142,276,722	\$155,398,736	(\$13,122,014)
2004		\$185,596,042	(\$185,596,042)

Exports to Dominican Republic

Reporter:	Honduras	Dominican Republic	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Dominican Republic	Honduras	
Year			
1999	\$4,299,582		\$4,299,582
2000	\$1,291,333		\$1,291,333
2001	\$4,694,471		\$4,694,471
2002	\$5,843,622		\$5,843,622
2003	\$3,054,989		\$3,054,989
2004			\$0

Imports from Dominican Republic

Reporter:	Honduras	Dominican Republic	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Dominican Republic	Honduras	
Year			
1999	\$6,338,619		\$6,338,619
2000	\$2,879,548		\$2,879,548
2001	\$3,211,233		\$3,211,233
2002	\$2,936,147		\$2,936,147
2003	\$4,330,692		\$4,330,692
2004			\$0

Exports to El Salvador

Reporter:	Honduras	El Salvador	Reporting
Flow:	Exports	Imports	Disparity
Destination:	El Salvador	Honduras	
Year			
1999	\$184,142,944	\$87,731,802	\$96,411,142
2000	\$166,755,248	\$119,826,720	\$46,928,528
2001	\$242,644,784	\$133,795,384	\$108,849,400
2002	\$296,080,768	\$155,119,200	\$140,961,568
2003	\$120,486,174	\$134,896,920	(\$14,410,746)
2004		\$153,550,237	(\$153,550,237)

Imports from El Salvador

Reporter:	Honduras	El Salvador	Reporting
Flow:	Imports	Exports	Disparity
Destination:	El Salvador	Honduras	
Year			
1999	\$166,083,072	\$171,591,790	(\$5,508,718)
2000	\$189,006,352	\$225,028,976	(\$36,022,624)
2001	\$152,212,976	\$184,422,816	(\$32,209,840)
2002	\$200,402,720	\$176,568,400	\$23,834,320
2003	\$154,715,268	\$184,838,882	(\$30,123,614)
2004		\$205,954,211	(\$205,954,211)

Exports to Guatemala

Reporter:	Honduras	Guatemala	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Guatemala	Honduras	
Year			
1999	\$91,716,352	\$79,154,662	\$12,561,690
2000	\$86,085,912	\$83,506,312	\$2,579,600
2001	\$131,412,152	\$129,279,848	\$2,132,304
2002	\$122,566,016	\$100,886,168	\$21,679,848
2003	\$75,519,840	\$101,472,352	(\$25,952,512)
2004		\$119,125,828	(\$119,125,828)

Imports from Guatemala

Reporter:	Honduras	Guatemala	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Guatemala	Honduras	
Year			
1999	\$213,919,024	\$208,528,966	\$5,390,058
2000	\$226,301,104	\$233,065,392	(\$6,764,288)
2001	\$236,924,144	\$295,231,008	(\$58,306,864)
2002	\$274,007,232	\$186,661,200	\$87,346,032
2003	\$244,373,035	\$281,093,440	(\$36,720,405)
2004		\$347,474,275	(\$347,474,275)

Exports to Nicaragua

Reporter:	Honduras	Nicaragua	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Nicaragua	Honduras	
Year			
1999	\$13,065,667	\$78,055,080	(\$64,989,413)
2000	\$34,831,636	\$26,988,940	\$7,842,696
2001	\$19,174,734	\$23,331,076	(\$4,156,342)
2002	\$28,125,052	\$14,855,491	\$13,269,561
2003	\$29,919,069	\$32,732,919	(\$2,813,850)
2004			\$0

Imports from Nicaragua

Reporter:	Honduras	Nicaragua	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Nicaragua	Honduras	
Year			
1999	\$14,331,855	\$34,452,680	(\$20,120,825)
2000	\$35,312,000	\$36,149,596	(\$837,596)
2001	\$49,807,204	\$38,587,272	\$11,219,932
2002	\$61,385,776	\$59,514,260	\$1,871,516
2003	\$42,685,634	\$43,335,408	(\$649,774)
2004			\$0

Exports to USA

Reporter:	Honduras	USA	Reporting
Flow:	Exports	Imports	Disparity
Destination:	USA	Honduras	
Year			
1999	\$659,839,296	\$2,805,540,352	(\$2,145,701,056)
2000	\$533,280,928	\$3,202,917,361	(\$2,669,636,433)
2001	\$483,466,304	\$3,248,735,393	(\$2,765,269,089)
2002	\$645,413,056	\$3,396,311,211	(\$2,750,898,155)
2003	\$415,306,781	\$3,453,738,958	(\$3,038,432,177)
2004		\$3,804,368,332	(\$3,804,368,332)

Imports from USA

Reporter:	Honduras	USA	Reporting
Flow:	Imports	Exports	Disparity
Destination:	USA	Honduras	
Year			
1999	\$1,290,789,888	\$2,369,296,398	(\$1,078,506,510)
2000	\$1,151,590,144	\$2,574,552,064	(\$1,422,961,920)
2001	\$962,864,128	\$2,436,973,770	(\$1,474,109,642)
2002	\$1,251,715,200	\$2,564,533,918	(\$1,312,818,718)
2003	\$1,326,570,366	\$2,844,891,704	(\$1,518,321,338)
2004		\$3,076,510,748	(\$3,076,510,748)

Nicaragua: Mirror Data for CAFTA-DR Merchandise Trade

Exports to Costa Rica

Reporter:	Nicaragua	Costa Rica	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Costa Rica	Nicaragua	
Year			
1999	\$27,464,719	28218889	(\$754,170)
2000	\$37,725,392	33918944	\$3,806,448
2001	\$36,594,940	\$38,339,848	(\$1,744,908)
2002	\$67,749,472	48862612	\$18,886,860
2003	\$49,246,126	50956872	(\$1,710,746)
2004	\$50,546,193	50842216	(\$296,023)

Imports from Costa Rica

Reporter:	Nicaragua	Costa Rica	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Costa Rica	Nicaragua	
Year			
1999	\$207,622,436	178595583	\$29,026,853
2000	\$198,713,104	179301632	\$19,411,472
2001	\$188,018,736	167122512	\$20,896,224
2002	\$170,396,544	164157520	\$6,239,024
2003	\$164,895,989	186206016	(\$21,310,027)
2004	\$189,117,210	219852482	(\$30,735,272)

Exports to Dominican Republic

Reporter:	Nicaragua	Dominican Republic	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Dominican Republic	Nicaragua	
Year			
1999	\$3,952,567		\$3,952,567
2000	\$3,064,269		\$3,064,269
2001	\$2,553,103		\$2,553,103
2002	\$3,235,044		\$3,235,044
2003	\$6,201,192		\$6,201,192
2004	\$5,864,139		\$5,864,139

Imports from Dominican Republic

Reporter:	Nicaragua	Dominican Republic	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Dominican Republic	Nicaragua	
Year			
1999	\$1,400,500		\$1,400,500
2000	\$1,338,621		\$1,338,621
2001	\$1,507,012		\$1,507,012
2002	\$1,675,989		\$1,675,989
2003	\$1,473,621		\$1,473,621
2004	\$3,442,471		\$3,442,471

Exports to El Salvador

Reporter:	Nicaragua	El Salvador	Reporting
Flow:	Exports	Imports	Disparity
Destination:	El Salvador	Nicaragua	
Year			
1999	\$68,150,750	\$64,596,714	\$3,554,036
2000	\$70,747,704	\$69,758,040	\$989,664
2001	\$75,826,968	\$87,912,504	(\$12,085,536)
2002	\$109,573,400	\$97,468,072	\$12,105,328
2003	\$104,255,161	\$111,539,697	(\$7,284,536)
2004	\$109,001,565	\$111,456,008	(\$2,454,443)

Imports from El Salvador

Reporter:	Nicaragua	El Salvador	Reporting
Flow:	Imports	Exports	Disparity
Destination:	El Salvador	Nicaragua	
Year			
1999	\$99,833,295	\$91,064,715	\$8,768,580
2000	\$122,796,440	\$107,440,192	\$15,356,248
2001	\$110,905,200	\$120,242,400	(\$9,337,200)
2002	\$113,352,752	\$113,187,496	\$165,256
2003	\$83,706,038	\$98,017,448	(\$14,311,410)
2004	\$108,675,097	\$128,582,132	(\$19,907,035)

Exports to Guatemala

Reporter:	Nicaragua	Guatemala	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Guatemala	Nicaragua	
Year			
1999	\$14,915,729	\$7,270,167	\$7,645,562
2000	\$19,529,106	\$16,864,976	\$2,664,130
2001	\$22,806,238	\$30,372,060	(\$7,565,822)
2002	\$33,154,288	\$27,242,320	\$5,911,968
2003	\$25,830,335	\$28,879,612	(\$3,049,277)
2004	\$32,223,217	\$34,517,370	(\$2,294,153)

Imports from Guatemala

Reporter:	Nicaragua	Guatemala	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Guatemala	Nicaragua	
Year			
1999	\$133,483,459	\$103,703,603	\$29,779,856
2000	\$141,960,144	\$114,268,576	\$27,691,568
2001	\$142,840,848	\$130,558,048	\$12,282,800
2002	\$149,637,856	\$93,337,872	\$56,299,984
2003	\$132,083,841	\$153,828,176	(\$21,744,335)
2004	\$151,844,829	\$174,433,489	(\$22,588,660)

Exports to Honduras

Reporter:	Nicaragua	Honduras	Reporting
Flow:	Exports	Imports	Disparity
Destination:	Honduras	Nicaragua	
Year			
1999	\$34,452,680	\$14,331,855	\$20,120,825
2000	\$36,149,596	\$35,312,000	\$837,596
2001	\$38,587,272	\$49,807,204	(\$11,219,932)
2002	\$59,514,260	\$61,385,776	(\$1,871,516)
2003	\$43,335,408	\$42,685,634	\$649,774
2004			\$0

Imports from Honduras

Reporter:	Nicaragua	Honduras	Reporting
Flow:	Imports	Exports	Disparity
Destination:	Honduras	Nicaragua	
Year			
1999	\$78,055,080	\$13,065,667	\$64,989,413
2000	\$26,988,940	\$34,831,636	(\$7,842,696)
2001	\$23,331,076	\$19,174,734	\$4,156,342
2002	\$14,855,491	\$28,125,052	(\$13,269,561)
2003	\$32,732,919	\$29,919,069	\$2,813,850
2004			\$0

Exports to USA

Reporter:	Nicaragua	USA	Reporting
Flow:	Exports	Imports	Disparity
Destination:	USA	Nicaragua	
Year			
1999	\$184,514,055	\$511,071,063	(\$326,557,008)
2000	\$247,065,280	\$612,661,650	(\$365,596,370)
2001	\$156,093,680	\$631,342,930	(\$475,249,250)
2002	\$184,594,112	\$706,820,641	(\$522,226,529)
2003	\$220,875,181	\$801,104,036	(\$580,228,855)
2004	\$262,832,416	\$1,030,290,182	(\$767,457,766)

Imports from USA

Reporter:	Nicaragua	USA	Reporting
Flow:	Imports	Exports	Disparity
Destination:	USA	Nicaragua	
Year			
1999	\$571,325,404	\$373,954,276	\$197,371,128
2000	\$418,239,872	\$379,122,469	\$39,117,403
2001	\$477,413,312	\$443,110,003	\$34,303,309
2002	\$496,610,272	\$437,632,763	\$58,977,509
2003	\$507,329,608	\$502,759,046	\$4,570,562
2004	\$492,277,671	\$591,700,688	(\$99,423,017)