

**AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT**



# **ANNUAL BUDGET SUBMISSION**

**FY 83**

**EL SALVADOR**

**JUNE 1981**

**UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
WASHINGTON, D.C. 20523**

ANNUAL BUDGET SUBMISSION

FY 1983

EL SALVADOR

FY 1983 ANNUAL BUDGET SUBMISSION

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FY 1983 ABS

PROGRAM OVERVIEW

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1. OVERVIEW

Since the October 15, 1979, Revolution it has been U.S. policy to support the Revolutionary Government of El Salvador in its struggle to: overcome an externally supported Communist Guerilla movement; end violence; carry out an historic and sweeping Agrarian Reform Program; arrest economic deterioration; ameliorate the effects of violence and economic deterioration on the poorer populations; and bring the country to a point in which free elections can be held and a stable foundation established to permit economic recovery and increased and more equitable economic growth and social development. While this point has not yet been reached, and no one dares predict with any certainty when it will be reached, the basic structure of government has remained intact; implementation of the agrarian reform has moved forward, albeit slowly, the Government seems less vulnerable from the political extremes and has begun to set the stage for a process of free elections beginning in 1982. While progress and increased stability have been achieved in certain areas, the Government faces in the short term overwhelming tasks in others, the major of which are turning the tide against the Guerillas; the reduction of violence; the achievement of a broad-based political consensus; improved implementation of the agrarian reform and the prevention of economic collapse along with the disappearance of the basic structure of the private sector.

Once these major short-term problems are overcome, El Salvador will face different but equally difficult problems over the longer term. This basically involves establishing viable political systems;

establishing the policy, institutional and financial framework necessary to begin the process of transforming equitably its economy from one based primarily on agriculture to one based primarily on labor-intensive industry; and bringing its demographic problem under control. Within this broad context it must also seek and find alternative sources of energy, methods to reverse environmental and natural resource depletion, reversal of the onslaught of coffee rust, and ways to develop further its institutional and human resource bases.

In the short term the conditions of violence, political unrest, economic upheaval and social problems besetting the country at present are likely to continue. Thus, it is difficult in the extreme to predict with any reasonable degree of confidence what will happen in El Salvador in the planning period 1983-1987. It is clear that without continued significant US economic assistance up to and through most of the planning period there will be extremely serious consequences for El Salvador and for US interests here and in the region. The effects of the present levels of violence, a downward-spiraling economy and unmet social demands without the benefit of ameliorating US and other international assistance could quickly combine to create severe economic disintegration, the political and social results of which could not be predicted but most certainly would be a serious setback to Salvadoran, regional and US interests.

II. REVIEW OF FY 1980-FY 1981 ECONOMIC ASSISTANCE

In FY 1980, as a direct response to deteriorating social and economic conditions following the October 1979 coup d'etat, emphasis in US economic assistance shifted from conventional development programs heavily social in character to economic support assistance focused on three main areas: reactivation of the economy; employment generation; and reform support. Because of the emergency character of the program, assistance in these areas has been directed toward short-term goals and provides: balance of payments support for critically needed raw materials, intermediate goods and food for private industry and the populace at large; financing for short-term public sector employment and income generation; fast-disbursing credit for agriculture, agrarian reform and the private sector. PL-480 is meeting food import requirements through Title I and through Title II for emergency feeding programs for displaced persons, nutrition improvement and food-for-work projects for marginal communities. HIG programs are also providing balance-of-payments support, meeting critical housing requirements and generating employment through the reactivation of the private construction industry. Concurrently, the groundwork is being laid for long-term consolidation of the agrarian reform process, probably the single-most sweeping social/economic program in El Salvador's history and one with far-reaching consequences for the government, economy and society as a whole.

III. NECESSITY FOR REVISED FY 1982 PROGRAM LEVELS

The Mission now believes that the FY 1982 AID program levels must be revised considerably upward from those proposed in the FY 1982 Congressional Presentation. Accordingly, we are proposing an FY 1982 program level of \$141 million from development assistance and economic support funds. The major reasons for this are that economic deterioration has continued at a far faster rate than anticipated; and there is a need to halt this decline to prevent the economy in general from deteriorating further and to prevent the basic structure of the private sector in particular from disappearing altogether. These are factors that bear heavily on El Salvador's chances for increased political stability and a free election process in the immediate future.

The most critical need in 1982 in this respect will be balance-of-payments support. Based upon the Mission's most recent analysis of the macro-economic situation projected for 1982, we believe that El Salvador will need at least \$100 million and perhaps considerably more for import financing principally in direct support of the private sector, over and above the foreign exchange derived from El Salvador's own earnings, from other donors and from other proposed AID programs, e.g., Title I, public sector employment, Housing Guaranties and agrarian reform support. With respect to other donors, while we expect some increase in their assistance, we anticipate that it will still be quite limited in 1982.

Employment generation programs in the private and public sectors will partially counteract the continuing high levels of unemployment expected throughout FY 1982. An additional \$15.0 million in Housing Investment Guaranty funds, channeled through the private construction industry, will help to alleviate the low cost housing shortage and will provide additional balance of payments support. Support to small producers will receive its last year of funding. A fast-disbursing project loan will be initiated to support the anticipated GOES municipal reform, to finance the speedy construction of income-generating local facilities, and to generate additional employment in rural and urban areas. The Marginal Community Improvement Project will terminate on schedule, and the Public Sector Employment Project will receive its last dollar funding.

In the agrarian reform, the Mission intends to extend funding for two projects formerly scheduled for completion in FY 1981: Agrarian Reform Organization and Agrarian Reform Credit. These projects will be directed at the implementation and consolidation of the agrarian reform process. The loans will be fast-disbursing and will have desirable balance-of-payments effects on the economy.

PL 480 activities will continue but a higher funding level than shown in the FY 1982 CP, and support to the central government to strengthen its capability to address long-term development problems will be maintained. Other smaller project activities, including support to selected PVOs will continue. One of these includes a proposed population activity to be undertaken by an established Salvadoran PVO

IV. FY 1983 - FY 1987 PLANNING PERIOD AND PROPOSED FY 1983 PROGRAM

The broad outlines of the Mission's basic assumptions and strategy for the Planning Period 1983-1987 are contained in SS 3473. Our basic assumptions are:

a) that the GOES will be successful in reducing the violence to a point that a free and lasting election process can begin in 1982,

b) that this election process will result in sufficient political stability and popular consensus to permit El Salvador to halt its economic decline and begin the process of economic recovery during the period 1983-1984,

c) that economic recovery (defined for the moment as restoration of the economy to 1978 levels) is at least a three to five-year process, and

d) that El Salvador will need substantial external assistance during all of the planning period if it is to stand any chance of achieving the above goals, and that a major part of this external assistance will have to come from the United States.

Assuming that violence subsides to the point that a free election process can begin in 1982, sufficient political stability should occur to permit a halt in the decline of the economy by the end of 1983, thus setting the stage for the beginning of economic recovery programs in 1984 and beyond. Thus under this projection, 1982 and 1983 become critical years for the future of El Salvador and in which its need for concessional external assistance over the next few years will be the highest. Once some measure of political and economic stability can be achieved, it can

be expected that other donor assistance and private investment and credits will increase, but not dramatically at the outset. It may also permit as early as 1983 a limited start at programs aimed at economic recovery and establishment of bases for further development. For these reasons, the character and level of the proposed FY 1983 AID program begins to change to some degree over that proposed for FY 1982. In both years, however, the major emphases are on providing essential balance-of-payments support to reduce and halt economic decline, maintain and strengthen the private sector, further consolidate the agrarian reform process, and maintain as strong a family planning effort as circumstances permit. Beginning in FY 1982, however, the Mission is proposing a new start in support of municipal government reform as a possible means in its early years to contribute to political stabilization, and as a means to increase employment generation and economic activity in rural areas. Beginning in FY 1983, the Mission, in addition to maintaining a substantial level of general balance-of-payments support primarily for the private sector, is proposing a major new and focussed activity for the private sector. This type of activity could provide part of the basis for economic recovery and at the same time begin a focussed approach to increased industrialization. The bulk of the local currency generated from the proposed ESF funds will be directed at private sector credit and other requirements.

We propose to maintain PL 480 Title I and HIG programs at relatively constant levels during FY 1983 and the out years in recognition of El Salvador's expected balance-of-payments needs during a period of economic recovery and the need to provide basic needs, such as meeting the pent-up demand for low cost shelter, which in turn can have favorable multiplier effects on foreign - exchange needs, industrial production and employment generation.

In FY 1983 and throughout the planning period, the Mission proposes to maintain a relatively constant level of support to the agrarian reform programs to help assure that this important long-term process becomes further consolidated and viable. It is anticipated that the bulk of this assistance will be directed at essential foreign exchange costs for agricultural inputs and technical cooperation, with local currency generation derived from PL 480 and ESF-funded programs helping to sustain the production and medium-term domestic credit needs of the agricultural sector.

A new project in the population planning area will begin in FY 1983 and, in combination with a second tranche of FY 1983 funds which is proposed for the Salvadoran family planning PVO, will greatly strengthen the possibilities for reducing the population rate of growth.

Continued support is planned to assist the GOES and the private sector in their efforts to improve their capability to formulate long-term economic development problems and to focus the process of industrialization.

It is anticipated that support for essential social development activities including health, education and employment will be necessary during FY 1983. We are proposing that to the extent possible these needs are met by ESF and PL-480 local currency generations.

FY 1983 ANNUAL BUDGET SUBMISSION

TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$ Thousands)

COUNTRY/OFFICE: El Salvador (519)

DEVELOPMENT ASSISTANCE	35		25			25				30		35		35	
	FY 1981 EST.	FY 1982 EST.	FY 1983 REQUEST MIN	FY 1983 REQUEST CURR	FY 1983 REQUEST AAPL	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<u>Agriculture, Rural Development</u>															
<u>  Nutrition.</u>	17,498	21,332	20,525	20,525	20,525	15,250	20,250	20,500	21,500						
Grants	1,048	1,368	750	750	750	250	250	500	500						
Loans	16,450	20,000	19,775	19,775	19,775	15,000	20,000	20,000	21,000						
<u>  Population</u>	1,530	1,770	3,300	3,300	3,300	3,000	3,000	3,000	3,000						
Grants	1,530	1,770	3,300	3,300	3,300	3,000	3,000	3,000	3,000						
Loans	-	-	-	-	-	-	-	-	-						
(of which centrally procured commodities)	( 62)	( 402)	( 488)	( 488)	( 488)	-	-	-	-						
<u>  Health</u>	500	50	-	-	-	200	500	5,500	5,500						
Grants	500	50	-	-	-	200	500	500	500						
Loans	-	-	-	-	-	-	-	5,000	5,000						
<u>  Education</u>	100	-	-	-	-	-	-	-	-						
Grants	100	-	-	-	-	-	-	-	-						
Loans	-	-	-	-	-	-	-	-	-						
<u>  Selected Dev. Activities</u>	13,190	19,558	1,175	1,175	1,175	6,550	6,250	6,000	5,000						
Grants	760	1,911	1,175	1,175	1,175	750	1,250	1,000	500						
Loans	12,430	17,647	-	-	-	5,800	5,000	5,000	4,500						
<u>TOTAL FUNC. ACCOUNTS</u>	32,818	42,916	25,000	25,000	25,000	25,000	30,000	35,000	35,000						
Grants	3,938	5,259	5,225	5,225	5,225	4,200	5,000	5,000	4,500						
Loans	28,880	37,647	19,775	19,775	19,775	20,800	25,000	30,000	30,500						
<u>Other DA ACCTS. (Specify)</u>	303	-	-	-	-	-	-	-	-						
Grants (Disaster Relief)	303	-	-	-	-	-	-	-	-						
Loans	-	-	-	-	-	-	-	-	-						
<u>TOTAL DA ACCTS.</u>	33,121	42,916	25,000	25,000	25,000	25,000	30,000	35,000	35,000						
Grants	4,241	5,259	5,225	5,225	5,225	4,200	5,000	5,000	4,500						
Loans	28,880	37,647	19,775	19,775	19,775	20,800	25,000	30,000	30,500						
<u>Economic Support Fund</u>	44,900	100,000	116,325	116,325	116,325	80,000	70,000	70,000	65,000						
Grants	20,000	3,000	6,725	6,725	6,725	-	-	-	-						
Loans	24,900	97,000	109,600	109,600	109,600	80,000	70,000	70,000	65,000						
<u>TOTAL DA AND ESF</u>	78,021	142,766	141,325	141,325	141,325	105,000	100,000	105,000	100,000						
=====															
480 (non-add)															
Title I	(26,100)	( 30,000)	( 30,000)	( 30,000)	( 30,000)	( 30,000)	( 30,000)	( 30,000)	( 30,000)						
of which Title III)	( 0 )	( 0 )	( 0 )	( 0 )	( 0 )	( 0 )	( 0 )	( 0 )	( 0 )						
Title II	( 4,700)	( 3,069)	( 3,570)	( 3,570)	( 3,570)	( 8,000)	( 9,000)	( 10,000)	( 11,000)						
<u>  using Guaranties (non-add)</u>	(5,500)	( - )	( 15,000)	( 15,000)	( 15,000)	( 15,000)	( 15,000)	( 15,000)	( 15,000)						
<u>TOTAL PERSONNEL</u>															
USDH (workyears)	( 252)	( 252)	( 276)	( 276)	( 276)	( 276)	( 276)	( 276)	( 276)						
FNDH (workyears)	( 528)	( 528)	( 528)	( 528)	( 528)	( 528)	( 528)	( 528)	( 528)						

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 TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT  
 FY 1981 to FY 1983  
 (\$ thousands)

Country/Office: El Salvador

APPROPRIATION ACCOUNT	FY 1981	FY 1982	FISCAL YEAR 1983		
			MINIMUM	CURRENT	AAPL
<u>Agriculture, Rural Development and Nutrition</u>					
519-0167 Program Development and Support. G	260	250	250	250	250
519-0215 Save the Children - OPG G		245			
519-0222 La Leche League - OPG G	138	143			
519-0229 Small Producer Development G	125	125			
519-0220 Small Producer Development L	1,000	3,000			
519-0251 Marginal Community Improvement. L	5,000				
519-0256 Public Sector Employment L	1,000				
519-0262 Agrarian Reform Organization G	525	425	500	500	500
519-0262 Agrarian Reform Organization L	7,850	7,000	7,775	7,775	7,775
519-0263 Agrarian Reform Credit G		200			
519-0263 Agrarian Reform Credit L	1,600	10,000	12,000	12,000	12,000
GRANTS	1,048	1,388	750	750	750
LOANS	16,450	20,000	19,775	19,775	19,775
SUB TOTAL AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION.	17,498	21,388	20,525	20,525	20,525
<hr style="border-top: 1px dashed black;"/>					





TABLE III - PROJECT APPLICATIONS BY APPROPRIATION ACCOUNT  
 FY 1981 to FY 1983  
 (\$ thousands)

Country/Office: El Salvador

APPROPRIATION ACCOUNT	FY 1981	FY 1982	FISCAL YEAR 1983		
			MINIMUM	CURRENT	AAPI
<u>Selected Development Activities</u>					
519-0095 Special Development Activities G	50	100	100	100	100
519-0177 Program Development and Support G	75	75	75	75	75
519-0223 League of Women Voters - OPG G	150	106			
519-0242 Development of Local Government Services G		100			
519-0242 Development of Local Government Services L		7,400			
519-0251 Marginal Community Improvement G	125				
519-0256 Public Sector Employment G		530			
519-0256 Public Sector Employment L	12,430	10,247			
519-0260 Reform and Policy Planning G	360	1,000	1,000	1,000	1,000
<hr/>					
GRANTS	760	1,911	1,175	1,175	1,175
LOANS	12,430	17,647	--	--	--
<hr/>					
SUB-TOTAL SELECTED DEVELOPMENT ACTIVITIES	13,190	19,558	1,175	1,175	1,175

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT  
 FY 1981 to FY 1983  
 (\$ thousands)

Country/Office: El Salvador

APPROPRIATION ACCOUNT	FY 1981	FY 1982	FISCAL YEAR 1983			
			MINIMUM	CURRENT	AAPL	
SUB - TOTAL FUNCTIONAL ACCOUNTS	32,818	42,916	25,000	25,000	25,000	
Other Programs						
Disaster Relief	303 <sup>1/</sup>	--	--	--	--	
TOTAL ALL DA APPROPRIATION ACCOUNTS	33,121	42,766	25,000	25,000	25,000	
<u>Economic Support Fund</u>						
519-0267 Private Sector Development	G 20,000	--	--	--	--	
519-0267 Private Sector Development	L 24,900	97,000	60,000	60,000	60,000	
519-0276 Industrial Recovery Program	L --	--	40,000	40,000	40,000	
519-0262 Agrarian Reform Organization	G --	3,000	4,725	4,725	4,725	
519-0242 Development of Local Government Services	G --	--	2,000	2,000	2,000	
519-0242 Development of Local Government Services	L --	--	9,600	9,600	9,600	
	GRANTS	20,000	3,000	6,725	6,725	6,725
	LOANS	24,900	97,000	109,600	109,600	109,600
TOTAL ECONOMIC SUPPORT FUND		44,900	100,000	116,325	116,325	116,325
<u>TOTAL DA AND ESF</u>		78,021	142,766	141,325	141,325	141,325
1/ An additional \$250 received May 15th						

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TABLE IV PROJECT BUDGET DATA

PROJECT NUMBER	PROJECT TITLE	C/L	OBLIGATION DATE		LIFE OF PROJECT COST	CUM PIPELINE AS OF 9/30/80	FY 1981		FY 1982		ESTIMATED U.S. DOLLAR COST (\$'000)				FY OBLIGATIONS			ITEM #	
			INITIAL	FINAL			AUTH PLAS	OBL	EXP	OBL	EXP	1983 APPL	1984	1985	1986	1987	FUTURE YEAR		
	AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION																		
519-0267	Program Development & Support	G	FY 78	Cont.		66	260	300	250	250	150	150	150	150	150	150	150	Cont.	829
519-0182	Nutrition Improvement	G	FY 78	FY 79	471	246	-	100	-	90	-	-	-	-	-	-	-	-	823
519-0184	Small Farm Irrigation Systems	L	FY 78	FY 78	2300	2300	-	600	-	700	-	-	-	-	-	-	-	-	391
519-0203	CARITAS - OPG	G	FY 78	FY 78	100	100	-	40	-	-	-	-	-	-	-	-	-	-	( )
519-0215	Save The Children - OPG	G	FY 79	FY 82	655	655	-	150	245	407	-	-	-	-	-	-	-	-	818
519-0217	Small Farm Natural Resources Management	G	FY 79	FY 79	160	44	-	-	-	-	-	-	-	-	-	-	-	-	817
519-0222	La Leche League - OPG	G	FY 80	FY 82	481	481	138	160	143	200	-	-	-	-	-	-	-	-	815
519-0229	Small Producer Development	G	FY 80	FY 82	750	750	491	450	125	291	-	-	-	-	-	-	-	-	813
519-0229	Small Producer Development	L	FY 83	FY 83	9000	9000	4,461	5,000	3,000	3,000	-	-	-	-	-	-	-	-	812
519-0250	Urban Food Stores AIFLD - OPG	G	FY 80	FY 80	100	100	-	100	-	-	-	-	-	-	-	-	-	-	809
519-0251	Marginal Community Improvement	G	FY 80	FY 80	350	350	-	350	-	-	-	-	-	-	-	-	-	-	808
519-0251	Marginal Community Improvement	L	FY 80	FY 81	3,000	3,000	1,000	6,000	-	-	-	-	-	-	-	-	-	-	807
519-0253	Health and Nutrition	G	FY 80	FY 80	276	175	-	75	-	75	-	-	-	-	-	-	-	-	804
519-0256	Public Sector Employment	L	FY 80	FY 81	2,000	2,000	1,000	3,190	-	-	-	-	-	-	-	-	-	-	802
519-0262	Agrarian Reform Organization	G	FY 81	FY 83	-	1,950	525	275	425	675	-	-	-	-	-	-	-	-	390
519-0262	Agrarian Reform Organization	L	FY 80	FY 83	750	750	3,900	8,000	7,000	10,000	-	-	-	-	-	-	-	-	389
519-0263	Agrarian Reform Credit	G	FY 80	FY 83	500	700	-	260	200	440	-	-	-	-	-	-	-	-	796
519-0263	Agrarian Reform Credit	L	FY 80	FY 83	3500	3,500	9,500	10,000	10,000	10,000	-	-	-	-	-	-	-	-	795

I/ To be deobligated





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TABLE IV PROJECT BUDGET DATA

PROJECT NUMBER	PROJECT TITLE	C/L	OBLIGATION DATE		LIFE OF PROJECT COST	CUM PIPELINE AS OF 9/30/80	FY 1981		FY 1982		FY OBLIGATIONS					ITEM #		
			INITIAL	FINAL			AUDI PLAN	EXP	OBL	EXP	OBL	1983 AAPT.	1984	1985	1986		1987	FUTURE YEAR
	EDUCATION AND HUMAN RESOURCES																	
519-0168	Program Development & Support	G	FY 74	Cont.	-	2	-	2	-	-	-	-	-	-	-	-	-	828
519-0172	Basic and Occupational Skills Training	G	FY 78	FY 79	500-332	1/268	-	75	-	25	-	-	-	-	-	-	-	827
519-0172	Basic and Occupational Skills Training	L	FY 78	FY 78	3350	80	-	-	-	-	-	-	-	-	-	-	-	385
519-0190	Rural Primary Education	G	FY 79	FY 79	350	200	-	-	-	200	-	-	-	-	-	-	-	822
519-0190	Rural Primary Education	L	FY 79	FY 79	4200	4200	-	2,000	-	2,200	-	-	-	-	-	-	-	821
519-0260	Reform and Policy Planning	G	FY 80	FY 81	500	500	100	200	-	150	-	-	-	-	-	-	-	798
	APPROPRIATION TOTAL				8900	5312	100	2,277	-	2,575	-	-	-	-	-	-	-	
	GRANT				1350	1032	100	277	-	375	-	-	-	-	-	-	-	
	LOAN				7550	4280	-	2,000	-	2,200	-	-	-	-	-	-	-	

1/ To be deobligated, except \$100,000 Grant funds.

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TABLE IV PROJECT BUDGET DATA

ESTIMATED U.S. DOLLAR COST (\$000)

NUMBER	PROJECT TITLE	G/L	OBLIGATION DATE		LIFE OF PROJECT COST	CUR PIPELINE AS OF 9/30/80	FY 1981		FY 1982		FY OBLIGATIONS				ITEM #				
			INITIAL	FINAL			AUTH PLAN	OBL.	EXP.	OBL.	EXP.	1983 APL	1984	1985		1986	1987	FUTURE YEAR	
	SELECTED DEVELOPMENT ACTIVITIES																		
	TIES																		
519-0094	Special Development Activities	G	FY 70	Cont'	-	-	50	100	100	100	100	100	100	100	100	100	Cont	831	
519-0171	National Cadaster	G	FY 76	FY 78	473	410	-	-	-	-	-	-	-	-	-	-	-	-	384
519-0177	Program Development & Support	G	FY 76	Cont'	-	-	75	100	75	81	150	150	150	150	150	150	Cont	826	
519-0197	Technoserve - OPG	G	FY 78	FY 80	500	500	-	-	-	106	-	-	-	-	-	-	-	-	( )
519-0202	CODECAVOL - OPG	G	FY 78	FY 78	47	47	-	-	-	-	-	-	-	-	-	-	-	-	( )
519-0216	FENAPES - OPG	G	FY 79	FY 79	75	55	-	-	-	-	-	-	-	-	-	-	-	-	( )
519-0223	League of Women Voters - OPG	G	FY 79	FY 82	454	454	150	200	106	185	-	-	-	-	-	-	-	-	( )
519-0242	Development of Local Government Services.	G	FY 82	FY 82	-	100	-	-	100	100	-	-	-	-	-	-	-	-	811
519-0242	Development of Local Government Services.	L	FY 82	FY 82	-	7,400	-	-	7,400	7,400	-	-	-	-	-	-	-	-	810
519-0251	Marginal Community Improvement	G	FY 80	FY 81	600	600	125	593	-	-	-	-	-	-	-	-	-	-	806
519-0251	Marginal Community Improvement	L	FY 80	FY 80	4,000	4,000	-	2,000	-	521	-	-	-	-	-	-	-	-	805
519-0256	Public Sector Employment	G	FY 80	FY 82	125	655	-	125	530	530	-	-	-	-	-	-	-	-	801
519-0256	Public Sector Employment	L	FY 80	FY 82	800	7,171	12,430	10,842	10,247	10,247	-	-	-	-	-	-	-	-	800
	I/ To be deobligated																		

FY 1983 ANNUAL BUDGET SUBMISSION

TABLE IV PROJECT BUDGET DATA												Country/Office						
												El Salvador						
NUMBER	PROJECT TITLE	G/L	OBLIGATION DATE		LIFE OF PROJECT COST	CUM PIPELINE AS OF 9/30/80	FY 1981		FY 1982		FY OBLIGATIONS					ITEM		
			INITIAL	FINAL			EXP	OBL	EXP	OBL	1983 AAPL	1984	1985	1986	1987		FUTURE YEAR	
519-0260	Reform and Policy Planning	G	FY 80	FY 82	850 1866	480	360	500	1,000	940	1,000	250	250	250	250	250	-	-
	APPROPRIATION TOTAL				15,114 42,158	6,971	13,190	14,526	19,558	20,210	1,175	250	250	250	250	250	-	-
	GRANT				3,174 4,681	1,538	760	1,684	1,911	2,042	1,175	250	250	250	250	250	-	-
	LOAN				12,000 37,577	5,433	12,430	12,842	17,647	18,168	-	-	-	-	-	-	-	-
	SUB-TOTAL DEVELOPMENT ASSISTANCE ACCOUNTS.				8102 13305	43,842	32,818	53,245	42,766	51,309	25,000	2,150	2,150	2,150	2,150	2,150	-	-
	GRANT				16,345 2100	7,676	3,938	5,613	5,119	7,241	5,225	650	650	650	650	650	-	-
	LOAN				65 1000 1170	36,166	28,880	47,632	37,647	44,068	19,775	-	-	-	-	-	-	-

FY 1983 ANNUAL BUDGET SUBMISSION

Country/Office  
El Salvador

TABLE IV PROJECT BUDGET DATA

NUMBER	PROJECT TITLE	C/L	OBLIGATION DATE		LIFE OF PROJECT COST	CUM. PIPELINE AS OF 9/30/80	FY 1981		FY 1982		ESTIMATED U.S. DOLLAR COST (\$000)				ITEM #		
			INITIAL	FINAL			OBL	EXP	OBL	EXP	1983 APPL	1984	1985	1986		1987	FIGURE YEAR
	<u>ECONOMIC SUPPORT FUND</u>																
519-0242	Dev. of Local Govt. Services	G	FY 83	FY 83	2600	-	-	-	-	-	2,000	-	-	-	-	-	
519-0242	Dev. of Local Govt. Services	L	FY 83	FY 83	9400	-	-	-	-	-	9,600	-	-	-	-	-	
519-0259	Agrarian Reform Support	G	FY 80	FY 80	5000	4,085	-	3,300	785	-	-	-	-	-	-	799	
519-0262	Agrarian Reform Organization	G	FY 80	FY 83	2600	2,600	-	1,000	4,600	3,000	4,725	-	-	-	-	383	
519-0266	Transportation Restoration	G	FY 80	FY 80	1500	1,500	-	1,500	-	-	-	-	-	-	-	382	
519-0267	Private Sector Development	G	FY 81	FY 81	20000	-	20,000	20,000	-	-	-	-	-	-	-	381	
519-0267	Private Sector Development	L	FY 81	FY 83	18190	-	24,900	24,900	97,000	60,000	-	-	-	-	-	22	
519-0276	Industrial Recovery Program	L	FY 83	FY 83	4000	-	-	-	-	-	40,000	-	-	-	-	-	
	APPROPRIATION TOTAL				29400	8,185	44,900	50,700	102,385	116,325	-	-	-	-	-	-	
	GRANT				29100	8,185	20,000	25,800	5,385	6,725	-	-	-	-	-	-	
	LOAN				-	-	24,900	24,900	97,000	109,600	-	-	-	-	-	-	

FY 1983 ANNUAL BUDGET SUBMISSION

Country/Office  
El Salvador

TABLE IV PROJECT BUDGET DATA

NUMBER	PROJECT TITLE	G/L	OBLIGATION DATE		LIFE OF PROJECT COST	CUR PIPELINE AS OF 9/30/80	ESTIMATED U.S. DOLLAR COST (\$000)				FY OBLIGATIONS			ITEM #			
			INITIAL	FINAL			FY 1981		FY 1982		1983 AAPL	1984	1985		1986	1987	FUTURE YEAR
							OBL	EXP	OBL	EXP							
	OTHER DA ACCOUNTS:																
	Grant (Disaster Relief)	G	-	-	-	-	303	303	-	-	-	-	-	-	-		
	Loan	L	-	-	-	-	-	-	-	-	-	-	-	-	-		
	TOTAL DA AND ESP				52,027	78,021	104,246	142,766	153,694	141,325	2,150	2,150	650	650	-		

PROJECT NUMBER: 519-0262  
PROJECT TITLE: Agrarian Reform Organization  
PROPOSED FUNDING: (\$000) FY 82 L 7,000 G 3,425  
FY 83 L 7,775 G 5,225  
LOP L 26,525 G 11,775  
FUNCTIONAL ACCOUNT: ESF and ARDN

PROJECT BACKGROUND - On March 6, 1980, the Junta Revolucionara de Gobierno (JRG) proclaimed the Basic Law of Agrarian Reform which established the basis for a major structural transformation of the agricultural sector. In the first phase of this process, properties in excess of 500 hectares were intervened and campesinos organized to operate these large estates as cooperative farming enterprises with technical assistance provided by ISTA (The Salvadoran Institute for Agrarian Transformation) and other Ministry of Agriculture offices. Two hundred and eighty-three farms totalling over 200,000 hectares and representing 15% of all farm land in El Salvador were thus acquired in the initial ten months of the reform. On April 28, 1980, the Government moved to broaden the reform by declaring a Land-To-The-Tiller type of reform (Phase III) whereby all tenants, sharecroppers and farmers of other non-owner tenurial status could become owners of the land they were farming as of 1979. The effect was to initiate the creation of secure private tenure (ownership) rights for an estimated 125,000 small farmers who cultivated approximately 180,000 hectares. As of April, 1981, approximately 10,000 applications for land titles had been filed and the provisional titling process initiated.

In response to support the Government's agrarian reform initiatives, the Mission moved swiftly by programming assistance in areas deemed most critical to the success of the Phase I and Phase III reform and authorized on September 30, 1980, a two-year Agrarian Reform Organization Project with a total funding LOP of \$13,275,000. This project focused on agrarian reform implementation and consisted specifically of providing institutional support for implementing the reform, and training, planning and evaluation, and technical assistance in a variety of critical areas as well as a line of credit for Decree 207 beneficiaries. As of April 1981, 66 percent of all available funds had been disbursed with the expectation that the balance would be disbursed prior to October 1, 1981. The Mission proposes to extend the PACD of this project for one additional year with an increase of \$23,425,000 for a new LOP of \$38,300,000 to enable the GOES to continue to focus on implementation of the agrarian reform program.

#### PROJECT PURPOSE AND PROBLEMS ADDRESSED

This proposed extension to the project will continue AID's broad-based institutional support for El Salvador's agrarian reform program. It will provide critical technical and managerial support required to increase El Salvador's agricultural production and insure continued effective implementation of the agrarian reform process by the GOES. This extension provides for continuity in the institutional assistance provided to date in support of the agrarian reform. Credit needs of small farmers benefiting from Phase I and Phase III (the Land-To-The-Tiller program), will continue to be met under Project N° 519-0263 by

capitalizing and institutionally strengthening the BFA to serve its new clientele, through individual, group and cooperative lending. Assistance to ISTA and FINATA in the titling process and in campesino farm management and public sector technician training initiated in FY 82 will continue and be extended to fully serve the broadened reform sector. Extension services available from CENTA (the agricultural research and extension institution) will be included and extended to reach land reform beneficiaries in both the cooperative farming and small farmers sub-sectors. Both long and short-term technical assistance in a variety of areas will be continued including planning, policy and evaluation, farm management, accounting, data processing, marketing, training and credit.

Under this project, AIFLD will continue to receive assistance to support their agrarian reform efforts, by strengthening the democratic campesino movement in their support to union activities such as legal services, accounting, organizational and promotional improvement and other measures to upgrade their administrative capacity.

#### HOST COUNTRY ENTITIES

Salvadoran Institute for Agrarian Transformation (ISTA), National Financing Institute of Agricultural Lands (FINATA), National Center for Agricultural Training (CENCAP), Agricultural Research and Extension Institution (CENTA), Office of Agricultural Planning (OSPA), and the Ministry of Agriculture (MAG).

MAJOR ISSUES:

Credit for campesino and cooperative associations will be transferred from this project to the Agrarian Reform Credit Project No. 519-0263 CENITA's extension and research activity in the reform sector will be added to Project No. 519-0262 as an additional component.

TARGET GROUP

Project beneficiaries are the estimated 70,000 families of landless participants in cooperative farming enterprises on land acquired in Phase I of the reform and the approximately 125,000 tenant families who will receive land under the land-to-the-Tiller Decree. Virtually all of these rural families fall in the AID target population defined as having an annual per-capita income of less than \$250 in 1976 dollars.

PROJECT No.: 519-0263  
PROJECT TITLE: Agrarian Reform Credit  
PROPOSED FUNDING: FY 82 L - 10,000 G - 200  
(\$000) FY 83 L - 12,000 G - -  
LOP - 33,800: L - 33,100  
G - 700  
FUNCTIONAL ACCOUNT: ARDN and ESF

PROJECT BACKGROUND

The Agrarian Reform Credit Project was designed to respond to an immediate requirement for agricultural credit and longer-term financial institution objectives after the Junta Revolucionaria de Gobierno (JRG) proclaimed the March 6, 1980 Basic Law of Agrarian Reform which established the basis for a major structural transformation of the agricultural sector. The Project was authorized in July 1980 with total LOP funding of \$11,600,000. In order to enable the GOES to continue its high priority efforts in the agrarian reform program, the Mission proposes to extend the PACD of this project for one additional year with an increase of \$22,200,000 for a new LOP of \$33,800,000.

PROJECT PURPOSE AND PROBLEMS ADDRESSED

The purpose of the project is to increase both the availability of credit to the agrarian reform sector and the capacity of the Agricultural Development Bank (BFA) to provide such credit. The proposed extension will continue two major activities of the project plus consolidate all agrarian credit in one project.

The three major activities are:

- a) The operation of special cooperative association lines of credit.
- b) The operation of Decree 207/Small Farmer Line of Credit, and
- c) Provision of technical assistance to the BFA to improve organization efficiency and the capability of the bank to meet the credit needs of the agrarian reform sector.

Specifically, the special lines of credit will be used for:

- 1) annual crop production expenses that cannot be provided under the production credit lines established by the Central Bank for that purpose;
- 2) medium and long-term credit for maintenance and development requirements, machinery replacement and repair, livestock purchase, planting and replacement of permanent and semi-permanent crops, improvement and maintenance of agro-processing facilities;
- 3) general farm administrative expenses not covered by other credit sources, and
- 4) short-term production credit loans for small individual farmers.

Finally, the technical assistance provided under this project assists the BFA to institutionalize a system of financial planning in the cooperative associations and improve the banks's procedures in managing and providing credit to both association and individual lenders.

#### HOST COUNTRY AND OTHER DONORS

The Inter-American Development Bank (IDB) recently approved a \$45 million Agricultural Inputs Loan to BFA which will be directed at the agrarian reform sector for purchase of machinery, fertilizer and

pesticides. The GOES contribution to the LOP is estimated at \$3,900,000.

#### HOST COUNTRY ENTITIES

The Ministry of Planning, Ministry of Agriculture and Livestock, and the Agricultural Development Bank.

#### MAJOR ISSUES

The credit lines for campesino and cooperative associations will be terminated in project No. 519-0262 and added to 519-0263. Due to the continued national economics crisis, ESF grant support is essential to agrarian reform support activities. Also, Phase I and Phase III farmers are unable at this time to afford the additional indebtedness of technical assistance for infrastructure support and training activities via loan financing.

#### TARGET GROUP

Project beneficiaries are small farmers belonging to agricultural cooperatives, peasant community associations and other organizations of agricultural workers.

NOTE ON PROPOSED POPULATION PROJECTS

Since 1966, the USAID population program has been carried out under what has developed into one cumbersome, multi-component project, Population and Family Planning (No. 519-0149). The Project Paper Amendment currently being reviewed in AID/W provides for an extension in the PACD to December 31, 1982. It is anticipated that all funds under the Salvadoran Demographic Association component will have been disbursed by May 31, 1982, and the remaining funds for the Ministry of Health component by the PACD.

As follow-on projects, the Mission is presenting narratives for two new projects--an FY 82 OPG to the Salvadoran Demographic Association and an FY 83 Population Dynamics project--as the best present conceptualization of FY 82-83 program intent. In the absence of a Mission population officer, FY 82-83 Program plans will be further developed and refined through technical assistance provided by AID/W and rather LAC missions. It is highly conceivable that, as a result of more in-depth analysis, the project descriptions could change significantly. However, the funding levels represent the order of magnitude of USAID population programs for Fiscal Year 82 and 83.

The Mission's intent is to support continuation and expansion of SDA activities as well as SDA technical assistance to the GOES institutions involved in population planning activities. Later, having received this technical assistance and other institutions-building

support provided through the Population Dynamics Project planned to begin in FY 83, the GOES entities would undertake increasing responsibility for the planning and implementation of the country's population programs. (The recent APHA evaluation of El Salvador's population programs supports movement in this direction).

PROJECT No.: 519-0275  
PROJECT TITLE: Salvadoran Demographic Association (OPG)  
PROPOSED FUNDING: (\$000) FY 82 L -o- G 1,730  
FY 83 L -o- G 1,800  
LOP L -o- G 3,530  
FUNCTIONAL ACCOUNT: POP

PURPOSE - To increase access to a variety of family planning methods through continuation and expansion of ongoing Community Based Distribution, Commercial Retail Sales, and Mass Media Education/Information Programs and through the provision of technical assistance in evaluation and training to the GOES, as it assumes a greater role in distribution, education, training and evaluation activities.

PROBLEMS ADDRESSED - Population growth continues to be El Salvador's most fundamental long-run problem. The country's 1978 population was about 4.4 million, growing at over three percent yearly. While the average birth rate declined from 48 to 49 per 1,000 in the early 60's to approximately 40 in recent years, with 21% of women in fertile age for the country as a whole using modern means of contraception, birth rates of 46 to 47 have continued in rural areas, with less than 10% of fertile age women contracepting. Even under the most favorable assumptions regarding fertility declines, El Salvador's population is expected to be at least 1.6 times its present size by the year 2,000. A population of this magnitude will place severe pressures on agricultural land, water resources, and public services, and greatly increase the demand for urban jobs.

To date, the area in which AID has placed its emphasis is that of services and supporting training. Services have been most effective in the urban area where contraceptive prevalence is estimated at nearly 30% compared to 9-10% in rural areas; although services are available in rural areas, they have not been widely accepted. Reasons for this include first, the fact that the rural male is a key element in the decision of a rural woman to use modern means of contraception, and second, rumors of side effects. Under the leadership of the Salvadoran Demographic Association, carefully designed and focused mass media and educational campaigns have attempted to address both of these problems. The Salvadoran Demographic Association has had a good deal of success in their programs; however, the enormous needs of the country require participation of the Government of El Salvador. To expand into these critical areas, the GOES requires training and technical assistance which the Salvadoran Demographic Association can provide.

PROPOSED MEANS TO ADDRESS THE PROBLEMS - The Salvadoran Demographic Association has been active in El Salvador since the mid 60's and has always been included in AID projects in the population sector. The private sector organization has played a major role in training, evaluation, initiation of a Community Based Distribution Program, development of a mass media program, and expansion of a Commercial Retail Sales Program, initiated by Development Associates. This project will support continuation and expansion of these activities. It will also support the transfer of SDA's experience in all of these areas to the GOES agencies (Ministry of Planning, Ministry of Health, Ministry of Education,

and Social Security Institute) involved in the national Population Planning Program.

HOST COUNTRY ENTITIES INVOLVED - The Salvadoran Demographic Association (SDA).

MAJOR ISSUES TO BE ADDRESSED - None

TARGET GROUP - The Project will benefit men and women of reproductive age, particularly in rural areas. It is expected that the information and education campaigns launched through the mass media will reach the entire adolescent and adult populations of El Salvador. In addition, GOES personnel working in family planning projects who will be working in Family Planning programs will benefit from SDA assistance in training.

PROJECT No. 519-0210  
PROJECT TITLE: Population Dynamics  
PROPOSED FUNDING: (\$000) FY 82 L -o- G -o-  
FY 83 L -o- G 1,500  
LOP L -o- G 4,500

APPROPRIATION

ACCOUNT: Population Planning

PURPOSE - To assist the GOES in reducing the country's annual rate of population growth from the present 3.1 percent to 2.4 percent by 1986 through development of the institutional capability to plan and implement population planning activities and through financial support to carry out those activities which would provide urban and rural families with effective methods of contraception.

PROBLEMS ADDRESSED <sup>1/</sup> - Population growth continues to be El Salvador's most fundamental long-run problem. The country's 1978 population was about 4.4 million, growing at over three percent yearly. While the average birth rate declined from 48 to 49 per 1,000 in the early 60's to approximately 40 in recent years, with 21% of women in fertile age for the country as a whole using modern means of contraception, birth rates of 46 to 47 have continued in rural areas, with less than 10% of

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<sup>1/</sup> The description of El Salvador population problems has been paraphrased from the October 1979 IBRD paper entitled: "El Salvador Demographic Issues and Prospects".

fertile age women contracepting. Even under the most favorable assumptions regarding fertility declines, El Salvador's population is expected to be at least 1.6 times its present size by the year 2,000. A population of this magnitude will place severe pressures on agricultural land, water resources, and public services, and greatly increase the demand for rural and urban jobs.

While the country has reached the stage where both birth and death rates have begun to decline, the legacies of decades of rapid population growth are a younger and progressively more dependent population and a potential, given the distribution of the population, for significant further additions to the number of people. In a high fertility economy, the proportion of persons of working age will be substantially lower with consequences for per capita income growth, patterns of resource use, the level of savings and investment attained, and income distribution.

Larger sized families incur higher consumption demands than smaller families, and in a stable income framework, this depresses savings and ultimately investment in the economy. Furthermore, low income families and rural families have higher fertilities and larger than average families. The diminution of potential savings is thus especially marked among the poor, who, precisely because their savings potential is reduced, cannot afford the complementary factors of capital which would enhance their productivity and incomes. This strengthens the expectation that household income distribution in the country will worsen as larger families continue to be concentrated among the poor.

Higher fertility rates will also effect government savings as greater proportions of scarce resources are required to educate, maintain health standards and house and feed the population. For example, a strongly declining fertility makes a striking difference to the educational outlays required to satisfy the targeted enrollment figures. The World Bank estimates that assuming only a 2.4% population growth rate, the country could experience a savings of \$60 million per annum in the year 2,000. Unemployment is also exacerbated by high fertility rates. An increasing proportion of investment will be required to maintain the average stock of capital per worker to allow labor to produce its current average output. Although some of the expenditures, e.g., health and education, may be regarded as productive investment rather than consumption, increased numbers would represent a greater diversion of public resources away from a more direct and quick yielding augmentation of the conomy's capital resources.

To date, the area in which AID has placed its emphasis is that of services and supporting training. Services have been most effective in the urban area where contraceptive prevalence is estimated at nearly 30% compared to 9-10% in rural areas. Although services are available in rural areas, they have not been widely accepted. Reasons for this include first, the fact that the rural male is a key element in the decision of a rural woman to use modern means of contraception and second, rumors of side effects. A carefully designed and focused mass media campaign has attempted to address both of these problems under the leadership of the private sector entity, the Salvadoran Demographic Association.

The least strong elements of the GOES population program are those of demography and policy. El Salvador has a lack of sound demographic data and demographic analytic skills making it difficult to aim programs specifically to target areas. Policy has been limited to making services available and to strengthening demand through the use of mass media. But the effect of programs in other sectors such as education, urbanization, and adolescent fertility has been largely ignored.

PROPOSED MEANS TO ADDRESS THE PROBLEMS - The Population Dynamics Project will take a tri-focal approach to the population problem involving:

- 1) an expansion of existing family planning services and access to them;
- 2) stronger efforts to motivate the hard-to-reach rural sector to adopt family planning; and
- 3) improved planning, coordination, and evaluation of activities directed toward reduction of fertility rates.

Project assistance will strengthen the existing Population Technical Committee (PTC) within the Ministry of Planning (MINPLAN) by improving its data base and analysis capacity and establishing a functioning management information system. This will result in policy guidance which will include more realistic targets and increase program coordination. A newly formed unit within the Ministry of Health (MOH) responsible for implementing and administering the country's family planning program will be assisted in developing staff, training promoters, and the establishment of functioning evaluation, supervision, delivery, and marketing systems drawing upon the experience and assistance provided by the Salvadoran Demographic Association. As a result, the GOES will take on a greater burden of the responsibility for expansion of the

country's Community Based Distribution Program, and population, education, evaluation, and training activities. Linked with the PTC through the management information system, the population activities of the MOH and the Social Security Institute will be monitored to determine the impact of current population programs by quantifying socio-economic benefits.

HOST COUNTRY ENTITIES INVOLVED - The GOES Ministry of Health, Ministry of Planning, and the Salvadoran Institute of Social Security.

MAJOR ISSUES TO BE ADDRESSED - None.

TARGET GROUP - The project is directed towards men and women of reproductive age, particularly in rural areas. An estimated 350,000 families will benefit from contraceptive services by the end of the project in 1986. It is expected that the information and education campaigns launched through the mass media will reach the entire adolescent and adult population of El Salvador.

PROJECT No.: 519-0242

PROJECT TITLE: Development of Local Government Services

FUNDING: (\$000) FY 82 L - 7,400 G - 100  
FY 83 L - 9,600 G 2,000  
LOP L -17,000 G 2,100

APPROPRIATION ACCOUNT: SDA and ESF

PROJECT PURPOSE: To assist the GOES to implement its municipal reform program by strengthening the institutional capacity of El Salvador's municipal governments and the relevant central government agencies and by financing labor-intensive, employment-generating municipal construction projects.

PROBLEMS TO BE ADDRESSED: Throughout El Salvador's history, the country's 261 municipalities have possessed few resources and have exercised little, if any, authority or autonomy. The central government's traditional control of the country's entire development process has not resulted in the substantial or speedy improvement of living conditions in rural and urban communities. In short, most Salvadoran municipalities have not been able to provide even a minimum of basic community facilities or services to their residents.

In recognition of these problems, the Junta is expected to adopt a sweeping municipal reform which will inject new authority and resources into weak municipal governments at a critical point in the economic and political history of El Salvador. As an additional benefit, the announcement and implementation of this reform may stimulate an

increase in the momentum towards the democratic, free elections which the Junta has announced for 1982.

The anticipated GOES municipal reform will shift from the central government to local communities authority and resources for their own development. The reform will provide municipalities with greater autonomy, increased financial resources, and wider community participation. The reform also will create a national municipal development institution that will finance locally designed and administered development projects and will provide technical assistance to help improve the institutional capacity of the country's municipal governments. Unless municipal officials are provided with adequate technical assistance and training to carry out their new responsibilities, the reform will not be a success. In the long run, this reform will permit local communities to become the engines of their own development.

PROPOSED MEANS TO ADDRESS PROBLEMS: The main goal of this new project will be to support the implementation of the anticipated municipal reform through the initiation of a fast-disbursing, high-impact program which will finance labor-intensive, employment-generating construction projects that will provide income-generating municipal facilities or fulfill basic community infrastructure needs in rural and urban municipalities.

The Project will have three purposes: a) To provide partial financing for an accelerated municipal infrastructure construction program which

will be promoted, financed, supported and coordinated by a new municipal development institution; b) To support the introduction and refinement of new reforms in the administrative, financial, and technical functions of municipal governments; c) To supply partial financing for a technical assistance program which will include a major training program for municipal leaders and employees aimed at improving their capabilities to manage and administer municipal governments and programs.

More specifically, this Project will support the GOES's municipal reform by channeling funds to a new national municipal development institution for the financing of community improvement construction projects in rural and urban municipalities. The municipal institution will lend funds to the more financially-solvent municipalities for revenue-raising projects such as markets, slaughterhouses, bus terminals and water or electrical systems and will make outright grants to poorer municipalities for basic community infrastructure projects such as streets, sewers, sidewalks, gutters, curbs, and water systems.

In FY 1982, \$7.4 million of Project Loan Funds will help establish the initial construction fund of the new municipal development institution. Using both A.I.D. and GOES funds, this institution will finance, support, and coordinate an accelerated construction program which will contain projects that will be proposed, administered and completed by rural and urban municipalities in FY 1982. An addition-

al \$9.6 million will finance the continuation of this municipal construction program in FY 1983.

Project Grant Funds will finance the consolidation of the municipal reform by funding a technical assistance program to refine reform policies and programs and to train municipal leaders and employees in their new and expanded functions. In FY 1982, \$100,000 of Grant Funds will assist the new municipal institution to initiate its operations, to support and coordinate the accelerated construction program, to review and refine reform policies which encounter immediate difficulties, and to prepare the training program which will be financed with FY 1983 funds. In FY 1983, \$2.0 million will finance technical assistance activities which will include a major training program aimed at improving the capability of municipalities and the new municipal development institution to fulfill their new administrative, financial and technical functions.

HOST COUNTRY ENTITIES: The new municipal development institution and the 261 municipalities are the primary institutions which will participate in this Project. The Ministries of Planning, Interior and Finance also will be involved.

MAJOR ISSUES: The initiation of this Project is dependent upon the Junta's adoption of a sweeping municipal reform program and its establishment of a municipal development institution.

TARGET GROUP: The residents of the 261 municipalities in El Salvador will benefit from this Project.

PROJECT No.: 519-0274  
PROJECT TITLE: Private Sector Support  
FUNDING: (\$000) FY 1982 L 97,000 G -o-  
FY 1983 L 60,000 G -o-  
LOP L 157,000 G -o-

APPROPRIATION

ACCOUNT: ESF

PROJECT PURPOSE: To continue balance of payments support to the Salvadoran economy and its private sector by providing foreign exchange to be used in the importation of raw materials, intermediate goods and machinery and transport equipment. Designed, as were its predecessors, as a quick disbursing, high impact program, Private Sector Support III will also contribute to longer run economic and political stabilization efforts in El Salvador by providing local currency credit and institutional support to private sector and public institutions involved in economic planning and development.

Background/Problem to be Addressed: Growing alarm over the rapidly deteriorating economic situation in El Salvador resulted in the preparation of a detailed economic assessment by an AID/W/ROCAP team in early 1981. The main conclusions of the assessment were that the Government of El Salvador (GOES) should be supported in its efforts to arrest the rate of decline in the Salvadoran Gross Domestic Product (GDP), which dropped by 16% between 1978 and 1980. Assuming no change in this trend, the GDP could drop by as much as 22% between 1978 and the end of 1981. The intent of the GOES is

to bring the rate of economic decline to zero bearing in mind that even a net change of zero would result in a 3% reduction in the real per capita GDP, given the population growth rate.

Achievement of the GDP target is closely related to El Salvador's ability to import the goods and materials used in agriculture and industrial production. The importation of those goods and materials is, in turn, a function of foreign exchange usage and, at least, partial alleviation of the 1981 projected (as of February) \$260 million balance of payments shortfall by some form of fast disbursing external assistance.

The deteriorating macro-economic situation has had repercussions in both the domestic credit situation and the institutions that market and use that credit. Long term investment credit is in short supply because of the uncertainties faced by the Salvadoran economy, while the financial institutions which might best assist in the planning and use of credit - and economic development in general - will require increased financial and human resources to support the increased economic development activities to be generated by this project.

The Program: The Program as presently envisioned will consist of a simple cash transfer to the BCR as soon as possible in FY 1982. The BCR will then arrange for the use of Program funds in importing goods vital to the productive sectors of the economy. Local currencies generated by the sale of the imported goods to the private sector will be used to help meet long-term investment credit needs and to support institutions that play important roles in private sector development among them, the BCR, FIGAPE and INSAFI. A portion of the local currency generated will be allocated to INSAFI and/or other financial intermediaries in order to strengthen the institutional base for the first in a series of industrial recovery programs to begin in FY 1983.

Major Issues: Final design of this Program will be contingent upon the findings and recommendations of an assesment of the private sector to be carried out in the summer of 1981.

PROJECT N°: 519-0276  
PROJECT TITLE: Industrial Recovery Program I  
FUNDING: (\$000) FY 82 L G -0-  
FY 83 L 40,000 G -0-  
LOP L 40,000 G -0-

APPROPRIATION

ACCOUNT: ESF

PROJECT PURPOSE: The purpose of this Project is to reactivate, rehabilitate and expand the industrial sector of El Salvador.

Background and Problems to be Addressed: The year 1979 was a decisive turning point in the history of Salvadoran economic development. Economic growth as recorded by the Gross Domestic Product (GDP) halted its rate of increase and began a downhill slide (a 16% decrease over the period 1978-1980) that has yet to stop. Production activities in the areas of agriculture, construction and industry all dropped sharply. Obviously, as production drops, the effects make themselves felt elsewhere; in this case, in skyrocketing unemployment rates (discussed in other sections of this submission), and factory closings.

According to the latest statistics from the Salvadoran Social Security Institute, the number of reporting employers dropped from 11,367 in January 1980 to 10,355 in November 1980, i.e., by 9% during the period after a decade of continuous increases. The decline was particularly pronounced in the industrial, transport/communication, and service

sectors of the economy. Data from a survey of industry on factory closings for the period of June 1979 to November 1980 show that 56 factories ceased operations with the total loss of 10,875 jobs. However, because only 25% of this total are small or medium size companies, it is probable that this is an underestimation of the extent of the problem. Of further interest is the fact that 75% of these factories were manufacturers of either clothing or metal products, both relatively labor intensive operations. More recent figures from a follow-up survey show that 163 business establishments had closed as of March 1981 with a total of 19,136 jobs lost.

As a particularly vivid example of the above situation, the textile/clothing industry exporting to the U.S. has practically ceased operation as a result of the political violence. As of the end of June, 1979, the total value of such exports had risen over the previous year by 31.2%. However, four months later, exports had dropped to the 1978 level. As of July 1980 only 15 of the 35 companies in this industry which were in operation in June of 1979 were still functioning, and two of these were working at only half their normal capacity. The challenge confronting the Salvadoran people and its government is to develop both short and long term strategies for resuscitating a sector currently in deep economic shock and rehabilitating it to the point where long-term industrial growth is possible without substantial external concessional (i.e. bilateral or multilateral) assistance.

The Project: The Project will capitalize on work begun in FY 1982 with local currency generated by the Private Sector Support III Program and by technical assistance provided by Program Development and Support Funds (PD & S). The PD & S funds will be used to strengthen and expand the planning and development capabilities of the Salvadoran Institute for Industrial Development (INSAFI) or its successor, so that it will form the principal development resource base for industrial recovery and rehabilitation efforts. INSAFI will work together with A.I.D. to develop this Project, the first in a series, which will provide or acquire the financial, technical and human resources necessary for the reopening and/or rehabilitation of a selected number of industries in El Salvador.

Project implementation will consist of the establishment of an industrial recovery fund; the identification of a small number of businesses which have closed in and around San Salvador; preparation of relevant investment feasibility studies; and assuming the results of those studies are favorable, the use of recovery resources for credit, technical assistance or training, in getting the companies back into production.

The Industrial Recovery Program I is the first in a series of loan and grant projects designed to carry out the GOES strategy of long-term growth to be achieved through increased production and export of goods outside of Central America. For example, a principal focus of this effort will be to assist the textile and metal working sub-sectors because of their relative importance to the employment and export potential of the Salvadoran economy. The first two recovery projects will

probably be financed by A.I.D. Thereafter, it is envisaged that INSAFI will develop recovery projects to be financed by multilateral institutions or commercial banks.

Major Issues: Final design of this Program will be contingent upon the findings and recommendations of an assessment of the private sector to be carried out the summer of 1981.

TABLE V - FY 1983 PROPOSED PROGRAM RANKING		Country/Office El Salvador								
RANK	DECISION PACKAGES/PROGRAM ACTIVITY DESCRIPTION	ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)		WORKFORCE (Number of Workmonths)			
					INCR	CUM	INCR	CUM	FNDH CUM	
	Decision Package (Augmented) AAPL					( 52,027)				
	<u>Pipeline Projects</u>									
	<u>New and Continuing Projects</u>									
1.	519-0267 Private Sector Development	O	L	ESF	60,000	60,000				
2.	519-0274 Industrial Recovery Program	N	L	ESF	40,000	100,000				
3.	PL-480, Title I				(30,000)	100,000				
4.	HIG Low Income Housing Guaranty				(15,000)	100,000				
5.	519-0262 Agrarian Reform Organization	O	G	ESF	4,725	104,725				
	519-0262 Agrarian Reform Organization	O	G	ARDN	500	105,225				
	519-0262 Agrarian Reform Organization	O	L	ARDN	7,775	113,000				
6.	519-0263 Agrarian Reform Credit	O	L	ARDN	12,000	125,000				
7.	519-0242 Development of Local Govt. Services	O	G	ESF	2,000	127,000				
	519-0242 Development of Local Govt. Services	O	L	ESF	9,600	136,600				
8.	519-0260 Reform and Policy Planning	O	G	SDA	1,000	137,600				
9.	519-0275 Salvadoran Demographic Assoc. (PVO)	O	G	POP	1,800	139,400				
10.	519-0210 Population Dynamics	N	G	POP	1,500	140,900				
11.	519-0167 ARDN PD & S	O	G	ARDN	250	141,150				
12.	519-0177 SDA PD & S	O	G	SDA	75	141,225				
13.	PL-480, Title II (CRS/CARITAS)				(3,565)	141,225				
14.	519-0095 Special Development Activities	O	G	SDA	100	141,325				
	Basic Workforce								276	528

FY 1983 ANNUAL BUDGET SUBMISSION

Table V Narrative

Program Level

USAID/El Salvador is requesting total DA and ESF funding in the amount of \$141,325,000 for FY 1983. That amount represents an increase of \$51,325,000 in ESF funding above the AAPL (second increment) suggested by AID/W. It has been determined here that the situation in El Salvador continues to require extraordinary amounts of assistance to prevent further economic and political deterioration and to provide an opportunity for the country to recover from its steep, politically dangerous, and, as yet, unchecked economic decline. We believe that to see the situation in any other light would be an exercise in self-deception, and therefore, we urge approval of the funding levels requested. Thus, our augmented AAPL level serves also as the minimum funding level required to accomplish USG program goals in El Salvador.

Project Ranking

Project rankings on Table V reflect the Mission's economic assistance strategy and priorities. There are, at present, three principal areas of program concentration that will carry over into FY 1983: (1) reactivation of the economy; (2) employment generation; and (3) reforms support. A fourth area, population planning, will begin to receive greater emphasis beginning in FY 1983. Projects are ranked to fit within these areas of concentration.

### Economic Reactivation/Employment Generation

The first four activities listed in Table V address the most urgent national problems: a rapidly declining economy and the related problem of under and unemployment. Until the decline in the economy is reversed, equitable development is not feasible. Two projects, Private Sector Development and the Industrial Recovery Program totalling \$100 million, will assist the private sector and provide balance of payments support. The Industrial Recovery Program would also begin an effort to move employment generation away from the public sector to the private sector. Because PL-480, Title I, provides badly needed foreign exchange, it fits well within this area of program emphasis; it also helps to meet food import requirements. A \$15 million Housing Investment Guaranty has a high ranking, because of the need to alleviate chronic low-cost housing shortages and for its balance of payments and employment generation effects.

### Reforms Support

The next four activities (items 5 through 8) are geared to reforms support, the Mission's third area of program concentration. Agrarian Reform Support remains one of the most important activities undertaken by the Mission. The projects proposed for continuation of funding are designed to assist the GOES to implement and consolidate the agrarian reform process. The loans will be fast disbursing and provide balance of payments support. The Mission also proposed continuation of support in the municipal reform area to assist the GOES to implement its governmental decentralization policy, which, in addition to the scheduled 1982

elections, will provide the groundwork for the establishment of a democratic form of government. The \$1.0 million Reform and Policy Planning Project will continue to help strengthen the GOES capacity to address short and long-term economic problems.

#### Population

Two projects, one ongoing and one new, are proposed for FY 1983 funding (items 9 and 10) that will greatly strengthen GOES' capability to reduce the population rate of growth. This is a major factor in the economic, political and social distress being experienced by the country.

#### Other

Two of the last four projects in the program ranking, i.e. P.D. & S (items 11 through 14) are designed to provide support to the attainment of goals in projects cited above, or to support small humanitarian and self-help programs, i.e. the CRS/CARITAS PL-480, Title II feeding program, and the Special Development Activities project.

TABLE VIII  
OPERATING EXPENSE SUMMARY

	FY 1980		FY 1981		FY 1982				
	(\$000's)	Related Workyear	Unit Cost	(\$000's)	Related Workyear	Unit Cost	(\$000's)	Related Workyear	Unit Cost
<u>COST SUMMARIES</u>									
US Direct Hire	795	13	61	864	17	51	152	21	55
FN Direct Hire	347	35	10	457	40	11	547	42	13
US Contract Pers.									
FN Contract Pers.	27	3	9	42	3	14	48	3	16
Housing Expense	130	14	9	185	18	10	252	24	10
Office Operations	403	XX	XX	383	XX	XX	487	XX	XX
Total Budget	1,702	XXX	XXX	1,931	XX	XX	2,486	XX	XX
Mission Allotment	1,027	XXX	XXX	1,038	XX	XX	1,294	XX	XX
FAAS	93	XXX	XXX	110	XX	XX	125	XX	XX
Trust Fund		XXX	XXX		XX	XX		XX	XX

TABLE VIII

COST SUMMARIES	FY 1983			FY 1983			FY 1983		
	(\$000's)	Related Workyear	Unit Cost	(000's)	Related Workyear	Unit Cost	(\$000's)	Related Workyear	Unit Cost
US Direct Hire	1,295	23	56						
FN Direct Hire	556	42	13						
US Contract Pers.									
FN Contract Pers.	8	2	4						
Housing Expense	240	25	10						
Office Operations	349	XX	XX		XX	XX		XX	XX
Total Budget	2,448	XX	XX		XX	XX		XX	XX
Mission Allotment	1,135	XX	XX		XX	XX		XX	XX
FAAS	150	XX	XX		XX	XX		XX	XX
Trust Fund		XX	XX		XX	XX		XX	XX

AGENCY FOR INTERNATIONAL DEVELOPMENT  
OVERSEAS WORKFORCE REQUIREMENTS  
IN WORKMONTHS

04/15/81

BUREAU: BUREAU FOR LATIN AMERICA AND CARIBBEAN

Table IX

DECISION UNIT: EL SALVADOR

04/15/81

-----FY 1983-----

ITEM	US/ FN	FUNC TION	SKILL	POSITION NUMBER AND TITLE	LEVEL	CAT	PERS WORK	FY	81	FY	82	AT	MIN	AT	CURR	AT	ABOVE PLAN	LEVEL	FY	84	FY	85
44	U	10	011	91010 DIRECTOR	S	-	10	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
51	U	10	013	91019 ASSISTANT DIRECTOR	S	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
52	U	10	050	91036 SECRETARY	E	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
4467	F	10	050	SECRETARY	N	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
	F	10		CHAUFFEUR	N	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
60	U	20	023	94010 PROGRAM OFFICER	M	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
63	U	20	023	94025 ASST PROGRAM OFFICER	M	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
70	U	20	023	94015 DEPUTY PROGRAM OFFICER	M	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
1969	F	20	020	PROGRAM ECONOMIST	P	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
	F	20	020	PROGRAM SPECIALIST	P	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
1971	F	20	021	ECONOMIC SPECIALIST	P	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
1972	F	20	050	SECRETARY	N	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
4468	F	20	050	SECRETARY	N	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
1970	F	20	91	PARTICIPANT TRAINING ASSISTANT	P	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
95	U	34	091	92005 GENERAL DEVELOPMENT OFFICER	M	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
	U	34	091	ASST. GENERAL DEVELOPMENT OFFICER	H	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
1167	U	34	092	96027 PROJECT MANAGER	H	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
73	U	34	100	96032 PROJECT MANAGER	M	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
101	U	34	100	96030 PROJECT MANAGER	M	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
85	U	34	101	96022 AGRICULTURAL ECONOMIST	M	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12
	U	34	103	AGRICULTURAL DEVELOPMENT OFFICER	H	-	40	12	12	12	12	12	12	12	12	12	-	-	12	12	12	12

OVERSEAS WORKFORCE REQUIREMENTS  
IN MONTHS

BUREAU FOR LATIN AMERICA AND CARIBBEAN

04/15/81

Table IX

DECISION UNIT: EL SALVADOR

04/15/81

ITEM	US/ FUNC	FN	TION	SKILL	POSITION NUMBER AND TITLE	LEVEL	PERS CAT	WORK SHC	FY 81	FY 82	FY 1983			FY 84	FY 85
											AT MIN	AT CURR	AT APL		
74	U	34	103	96015	ASST AGRICULTURAL DEVELOPMENT OFFICER	H	-	40	12	12	12	12	12	12	12
879	U	34	500	98012	HEALTH AND FAMILY PLANNING DEV OFFICER	H	-	40	12	12	12	12	12	12	12
76	U	34	940	95022	ASST CAP PROJECT DEV OFFICER	H	-	40	12	12	12	12	12	12	12
97	U	34	200	95012	PRIVATE ENTERPRISE ADVISOR	H	-	40	12	12	12	12	12	12	12
1980	F	34	940		CAP RESOURCES DEV OFFICER	H	-	40	12	12	12	12	12	12	12
1982	F	34	550		SECRETARY	N	-	40	12	12	12	12	12	12	12
1984	F	34	550		PROGRAM SPECIALIST (GENERALIST)	N	-	40	12	12	12	12	12	12	12
1973	F	34	150		PROGRAM ASSISTANT (GENERALIST)	P	-	40	12	12	12	12	12	12	12
1978	F	34	504		PROGRAM ASSISTANT	N	-	40	12	12	12	12	12	12	12
1973	F	34	050		SECRETARY	N	-	40	12	12	12	12	12	12	12
1983	F	34	050		SECRETARY	N	-	40	12	12	12	12	12	12	12
1978	F	34	092		PROGRAM SPECIALIST (GENERAL)	N	-	40	12	12	12	12	12	12	12
1978	F	34	100		AGRICULTURAL SPECIALIST	P	-	32	12	12	12	12	12	12	12
1979	F	34	100		AGRICULTURAL SPECIALIST	P	-	40	12	12	12	12	12	12	12
1981	F	34	101		AGRICULTURAL ECONOMIC SPECIALIST	P	-	40	12	12	12	12	12	12	12
1975	F	34	250		SECRETARY	N	-	32	12	12	12	12	12	12	12
1976	F	34	251		PROGRAM SPECIALIST (FOOD FOR PEACE)	N	-	40	12	12	12	12	12	12	12
1985	F	34	050		PROGRAM SPECIALIST	P	-	40	12	12	12	12	12	12	12
1986	F	34	090		PROGRAM SPECIALIST	P	-	40	12	12	12	12	12	12	12
1975	F	34	250		ENGINEERING INSPECTOR	P	-	40	12	12	12	12	12	12	12
1976	F	34	251		ENGINEER (GENERAL)	P	-	40	12	12	12	12	12	12	12
1985	F	34	050		SECRETARY	N	-	40	12	12	12	12	12	12	12
1986	F	34	050		PROGRAM SPECIALIST	P	-	40	12	12	12	12	12	12	12
1977	F	34	600		PROGRAM ASSISTANT (EDUC.)	P	-	40	12	12	12	12	12	12	12
1986	F	34	050		SECRETARY	N	-	40	12	12	12	12	12	12	12
1977	F	34	050		DEVELOPMENT LOAN SPECIALIST	P	-	40	12	12	12	12	12	12	12
1986	F	34	050		SECRETARY	N	-	40	12	12	12	12	12	12	12
1986	F	34	050		SECRETARY	N	-	40	12	12	12	12	12	12	12
1986	F	34	050		SECRETARY	N	-	40	12	12	12	12	12	12	12
198	U	50	047	93011	COMPTROLLER	H	-	40	12	12	12	12	12	12	12
198	U	50	047		FINANCIAL ANALYST	H	-	40	12	12	12	12	12	12	12

AGENCY FOR INTERNATIONAL DEVELOPMENT  
OVERSEAS WORKFORCE REQUIREMENTS  
IN WORKMONTHS

BUREAU; BUREAU FOR LATIN AMERICA AND CARIBBEAN

DECISION UNIT: EL SALVADOR

Table IX

-----FY 1983-----

ITEM	US/ FN	FUNC TION	SKILL	POSITION NUMBER AND TITLE	LEVEL	PERS CAT	WORK SHC	FY 81	FY 82	FY 1983				FY 84	FY 85
										AT MIN	AT CURR	AT AAPL	AT PLAN		
										ABOVE LEVEL					
1987	F	50	041	FINANCIAL PROGRAM SPECIALIST	P	-	40	12	12	12	12	12	12	12	12
	F	50	041	ACCOUNTING TECHNICIAN	N	-	40	12	12	12	12	12	12	12	12
1989	F	50	041	ACCOUNTING TECHNICIAN	N	-	40	12	12	12	12	12	12	12	12
1990	F	50	041	ACCOUNTS MAINTENANCE CLERK	N	-	40	12	12	12	12	12	12	12	12
1988	F	50	043	BUDGET ANALYST	P	-	40	12	12	12	12	12	12	12	12
1991	F	50	050	SECRETARY	N	-	40	12	12	12	12	12	12	12	12
1166	U	60	032	91044 MANAGEMENT OFFICER	H	-	40	12	12	12	12	12	12	12	12
1992	F	60	032	MANAGEMENT SUPPORT SPECIALIST	P	-	40	12	12	12	12	12	12	12	12
1993	F	60	050	SECRETARY	N	-	40	12	12	12	12	12	12	12	12
4465	F	60	072	COMMUNICATION/RECORDS SUPERVISOR	N	-	40	12	12	12	12	12	12	12	12
4466	F	60	072	COMMUNICATION/RECORDS CLERK	N	-	40	12	12	12	12	12	12	12	12
	F	60		CHAUFFEUR	N	-	40	12	12	12	12	12	12	12	12
								TOTAL FOR DECUNIT		804	804	804	804	804	804

FY 1983 ABS NARRATIVE

PL 480

The Ongoing Program

PL 480 Title I and Title II programs have been playing an integral role in the U.S. emergency assistance to El Salvador since FY 1980.

One of the major concerns of the program has been helping the country meet its food import requirements in the face of a rapidly deteriorating economy. By the end of FY 1981, the Title I program will have provided some 134,100 M.T. of critically needed commodities as well as providing an estimated \$29.2 million in balance-of-payments assistance, local currency generations have supported agrarian reform and employment generation efforts which are cornerstones of the economic assistance program.

The U.S. assistance effort is also concerned with the humanitarian aspects of the current crisis. Some 160,000 persons have been driven from their homes as a result of violence. The USG helped meet their food needs both bilaterally and through other agencies such as CRS. In March 1981, the World Food Program became the sole channel for U.S. relief, food aid to these displaced persons. Another result of the country's violence is massive unemployment and increased food costs exacerbating day-to-day survival problems for the residents of EL Salvador's marginal communities; in line with the March 1980 Transfer Authorization for 5503 M.T. of Title II commodities, the U.S. and

the GOES are carrying out food-for-work-oriented emergency feeding programs in the communities three departments of El Salvador (San Salvador, Santa Ana, and San Miguel), which reaches some 48,800 beneficiaries. The program is fostering a spirit of self-help in the communities and is promoting health and nutrition, family-planning, education, and micro-enterprise development activities. Finally, the Title II program has also provided resources for the CRS/CARITAS maternal/child feeding program, reaching approximately 110,000 beneficiaries and for assistance to some 5,000 displaced persons.

#### Proposed Programs

With the exception of slightly increased levels, no major exceptions to the present programs are planned for FY 1982 and 1983.

#### PL 480 Title I

The Mission is proposing an increase in Title I assistance from \$26.2 million in 1981 to a level of \$30 million in FY 82 and \$30.2 million in FY 83. This proposed food aid is a substantial and vital part of the total assistance proposed for these years. El Salvador has undertaken a set of progressive reforms intended to restructure the economy in favor of a more equitable distribution of income and wealth. Agrarian reform is the centerpiece of these reforms. Implementation has been initiated and will eventually benefit directly approximately one-half of the target population of tenant farmers and the rural landless by altering the land tenure patterns of over 27 per cent of all farm lands.

The cost of carrying out these reforms is substantial and involves not only land transfers but provides individual and cooperative beneficiaries with adequate access to credit, inputs, and technical assistance. Additionally, new programs will be directed at improving the quality of life through investments in housing, education, and health. Low agricultural export prices, capital flight and a general contraction in business activities have resulted in a foreign exchange crisis and a budget crunch.

In the face of scarce resources, both domestic and foreign, the proposed PL 480 assistance program offers the GOES and opportunity to save foreign exchange and assist El Salvador in averting food shortages. In addition, local currency generations will support the agrarian reform by financing agricultural credit, policy, training, extension and community development activities in the reform sector.

The commodities and levels proposed for FY 82 and FY 83 have been established to avoid negative repercussions in terms of domestic production, marketing and consumption patterns. Although proposed assistance in wheat imports is large (115,200 M.T. and 106,600 M.T. respectively out of an estimated total demand of 125,000 to 140,000 M.T.) no disruptive impact is anticipated. There is no domestic wheat production, and PL-480 financed commodities will flow through normal shipping, handling, storage, processing and marketing channels upon reaching Salvadoran ports. Proposed edible oil assistance, while substantial, will supplement and not displace domestic oil production. El Salvador historically imports roughly 50% of its domestic oil and fats require-

ments. With domestic cotton seed production (the only domestic source of oil) falling due to the uncertain political environment and other reasons, PL-480 imports will help offset declining domestic oil production and contribute to maintaining imports levels, thus minimizing the risk of adverse impact of consumption and nutrition of the factors described above. Here too, the commodity will move through commercial storage, handling and processing channels thus avoiding the possibility of dislocation caused by this assistance.

PL 480 Title II

The Mission is proposing Title II assistance through CRS/CARITAS at a level of \$3.07 million in FY 1982 and \$3.57 million in FY 1983. The first element of the program is a continuation of the maternal/child feeding program which is targeted to reach 110,000 and 115,000 beneficiaries in FY 1982 and 1983, respectively. The beneficiaries are those most vulnerable to the adverse effects of food and income shortages, i.e. mothers and young children. The second element of the proposed CRS/CARITAS program will provide food to orphans and abandoned children who are being cared for by private institutions. The numbers of these children are increasing rapidly as a result of the current violence. In accordance with the CRS recommendation, we are proposing to assist 5,000 children in FY 1982 and 10,000 in FY 1983. No U.S. food assistance to displaced persons will be channeled through CRS/CARITAS in FY 1982 and FY 1983, since the World Food Program will continue to be our channel for the assistance as long as it is required.

It should be noted that the major portion of the Title II program the Mission foresees as being required in FY 1983 is not included in this ABS because the guidance does not provide for inclusion of emergency programs. As indicated in the strategy frontispiece of this document, it is assumed that violence will continue into FY 1983, although at a reduced level and that the country will continue to require some emergency feeding assistance, both through the World Food Program and through the GOES emergency feeding program for marginal communities.

## FY 1983 ANNUAL BUDGET SUBMISSION

TABLE XI

P.L. 480 TITLE I/III REQUIREMENTS  
(Dollars in Millions, Tonnage in Thousands)

COMMODITIES	FY 1981			Estimated FY 1982			Projected FY 1983		
	Agreement \$ MT	Shipments \$ MT	Carry into FY 1982 \$ MT	Agreement \$ MT	Shipments \$ MT	Carry into FY 1983 \$ MT	Agreement \$ MT	Shipments \$ MT	Carry into FY 1984 \$ MT
<u>Title I</u>									
Wheat	19.8	106.5	*	22.7	115	22.7	115	22.8	107
Oil (bulk)	6.4	9.6	-	7.3	10	7.3	10	7.5	10
Total	26.2	116.1	-	30.0	125	30.0	125	30.3	117
Of which <u>Title III</u>									
Total									

COMMENT: \* At date of submission of this ABS, GOES was attempting to resolve problems of importing all wheat by Sept. 30, 1981 deadline. It is not yet possible to determine how much, if any, wheat will be carried over into FY 1982.

## FY 1983 ANNUAL BUDGET SUBMISSION

TABLE XII

## PL 480 TITLE I/III

Supply and Distribution  
(000 Metric Ton)

<u>STOCK SITUATION</u>	<u>FY 1981</u>	<u>Estimated FY 1982</u>
Commodity - <u>Wheat</u>		
Beginning Stocks	16,474	19,474
Production	-	-
Imports	125,000	130,500
Concessional	104,368	-
Non-Concessional	20,632	-
Consumption	122,000	125,000
Ending Stocks	19,474	24,974
<hr/>		
Commodity - <u>Edible Oil</u>		
Beginning Stocks	3,996	4,851
Production	10,700	13,700
Imports	9,700	5,949
Concessional	9,700	-
Non-Concessional	-	-
Consumption	19,545	20,000
Ending Stocks	4,851	4,500
<hr/>		
Commodity - _____		
Beginning Stocks		
Production		
Imports		
Concessional		
Non-Concessional		
Consumption		
Ending Stocks		

Comment:

TITLE II

For FY 1981-1982, CRS has prepared, and the USAID had approved, an Operation Plan for a maternal/child feeding program to reach some 115,000 beneficiaries. For FY 1983, CRS/CARITAS, intends to continue the program as close to the Operation Plan as the situation here permits. They have not, however, presented a new plan because of recent personnel changes. The Mission will follow up on getting the new plan as soon as possible.

CRS has provided written justification for their request for expansion into a new area, i.e., assistance to orphans and abandoned children who are being cared for by private institutions. They indicate that, because the political situation has resulted in such an increase in the numbers of children in this situation, institutions will need assistance in caring for them. CRS/CARITAS plans to help by providing food rations, on request, for the children being cared for by these institutions. While CRS feels the demand will undoubtedly be greater than the proposed 10,000 rations per month, they acknowledge they do not have the capacity to handle more than that number in addition to the other programs they are presently carrying out. The Mission feels the type of assistance proposed by CRS is appropriate in the country's present emergency and feels CRS/CARITAS has the capability to carry out this additional feeding assistance.

CRS has been operating effectively, especially in light of adverse conditions are working under. Moreover, their storage facilities are adequate for the size of the requested program. The appointment of two full-time A.I.D. Salvadoran employees to PL-480 Title II programs is tightening program monitoring.

Since El Salvador's food requirements are great, the proposed program will be no means serve as a food-production disincentive.

FY 1983 ANNUAL BUDGET SUBMISSION

TABLE XIII

PL 480 Title II

I. Country El Salvador  
Sponsor Name Catholic Relief Services/CARITAS

A. Maternal and Child Health - Total Recipients 115,000  
(000)

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>Kgs.</u>	<u>Dollars</u>
115,000	W.S.B.	2,484	1,237.0
115,000	BULGUR	621	194.4
115,000	OIL	621	681.2
115,000	NFDM	1,256	526.3
115,000	RICE	1,256	640.6
TOTAL MCH			3,279.5

B. School Feeding None

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>Kgs.</u>	<u>Dollars</u>

Total School Feeding

C. Other Child Feeding - Total Recipients 10,000

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>(Thousands)</u>	
		<u>Kgs.</u>	<u>Dollars</u>
10,000	W.S.B.	216	107.6
10,000	BULGUR	54	16.9
10,000	OIL	54	59.2
10,000	NFDM	109	45.7
10,000	RICE	109	55.6
			285.0

D. Food for Work None

E. Other (Specify) None