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EL SALVADOR

ACTION PLAN FY 1987-88

BEST AVAILABLE

USAID/EL SALVADOR ACTION PLAN

FY 1987-FY 1988

SAN SALVADOR, EL SALVADOR

FEBRUARY 1986

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PART I BACKGROUND

A. DEVELOPMENT OVERVIEW

El Salvador is in the sixth year of a savage guerrilla insurgency which, until recently, it had been fighting in the midst of a worldwide economic recession that had significantly reduced the country's foreign exchange earnings and contributed to further lowering the standard of living of the majority of the people. The origins of the insurgency are economic, political and social. Historically, El Salvador has exhibited a highly skewed distribution of wealth and political power. Non-democratic political institutions tended to confirm social and economic inequalities and the majority of the country's people were denied the chance for meaningful participation in the political system and the economy.

By 1979, systematic political disenfranchisement and widespread perception of social injustice had brought El Salvador to the brink of anarchy. In response, a reform-minded military junta seized power in 1979, followed in 1980 by a junta of officers and Christian Democrats that quickly initiated sweeping reforms to prevent political collapse and change the historic socio-economic structure by altering land tenure patterns, bank ownership and agricultural export systems. Political violence increased, however, resulting in protracted civil conflict with severe economic consequences including loss of investor confidence, disruption of commerce and public services, destruction of infrastructure and industrial plants and massive numbers of Salvadorans left homeless and jobless. The result of the war, coupled with the effect of the worldwide economic recession, was economic crisis. From 1979-1983, the country experienced a 23% reduction in real GDP and the living standard of already low-income groups fell precipitously. Exports declined 34.3%, unemployment rose substantially, capital was transferred out of the country, and private investment fell by 52%.

El Salvador is making progress in establishing a lasting democratic system of government and in defending itself against leftist guerrillas. On the political side, the assumption of office by a popularly elected president in 1984 and elections of a National Assembly and municipal authorities in 1985 completed the transition from a military to a civilian government. Despite the war, the constitutionally elected President has been able to reinforce this transition by exercising firm control over the civilian government and sustaining the momentum of the democratic growth, gaining military acceptance of his role as commander-in-chief, gaining support in the U.S., Europe and Latin America, mounting a concerted war offensive and arresting the economic decline during the 1984-1985 period. On the military side, a larger, better-led and better-equipped army has seized the initiative, which has forced the guerrillas to shift from large-scale attacks, mainly against military targets, to small-scale acts of sabotage against the economy and terrorism against the populace, particularly in urban areas.
With political and military progress well underway, measureable economic and social progress is now critical to the survival of the new democracy. For the first time in six years, the international economy looks favorable. Coffee prices are forecast to be high and petroleum prices are falling. To reactivate the economy, the Government must stimulate the private sector to restore production of the country's

traditional exports (especially coffee) and develop new exports. It will also require consolidation of the agrarian reform and the return of stability to the agricultural sector. Critical to this effort will be the need to move from the initial stabilization corrective actions in the recently adopted 1986 Economic Program, to follow-on measures to stimulate a reactivation of the economy and provide incentives to the private sector. It is not yet clear whether the stabilization measures can be held in face of social unrest and whether the Government and the private sector can develop an adequate modus vivendi to permit adequate economic recovery. At the same time, the Government must address the country's basic human needs. El Salvador is one of the poorest countries in Latin America with a high natural population growth rate, a high illiteracy rate, and poor health and substandard housing conditions. The new democratic system in El Salvador must show that it can meet the long-neglected basic needs of the population. Finally, the underpinnings of democracy must be strengthened. Continued progress in human rights must be maintained, the judicial system must be reformed, and local governments and the legislative branch need to be strengthened.

B. U.S. INTERESTS AND OBJECTIVES

The principal interest of the U.S. in El Salvador is the attainment of peace and political stability. This will require the nurturing and deepening of the new democratic process and continued military progress. Because of its proximity to our southern border, El Salvador's political and economic problems are of great concern. The spill-over (i.e., refugees) affects the U.S. directly. Even more important, the progress and outcome of the struggle in El Salvador — fundamentally, an ideological conflict between those seeking to impose a communist-dominated system and those believing justice can only be achieved through economic and political freedom — has and will continue to have repercussions on the evolution of democracy in other Central American countries.

C. AID DEVELOPMENT STRATEGY

The AID role is to strengthen the economy and to promote the social and political development of El Salvador. The goals of U.S. economic assistance are to: (1) stabilize the economy and a badly deteriorated social situation, (2) achieve economic recovery and growth, (3) broaden the benefits of growth to increase opportunities for the majority of the populace, and (4) strengthen those democratic institutions which underpin the democratic process. The goals are responsive to the recommendations of the National Bipartisan Commission on Central America (NBCCA), the Jackson Plan Objectives, and President Reagan's Democratic Initiatives. The AID Strategy for each of these goals has been fully described in the FY 1986-1987 Action Plan (June 1985). Refinements to the objective categories under each of the four goals, as appropriate to address El Salvador's volatile and complex situation, are delineated in this document.

D. POLICY DIALOGUE PROCESS

Policy dialogue in El Salvador is a process. It involves mobilizing the host country's own efforts to define policy issues and to identify and analyze alternative responses. It requires organizing and mobilizing those individuals and groups who believe in change, the carrying out of an awareness campaign and, finally, the leveraging of AID resources. This process is achieved through: (1) supporting the formation of professional policy analysis groups within the country (e.g., Economic Advisory Group within the Ministry of Planning, Agrarian Reform Study Group within the Ministry of Agriculture, FUSADES Policy Group), (2) organizing the Mission to systematically and actively engage the Government and host country institutions to promote policy dialogue goals and objectives, and (3) funding seminars, trips, and publicity efforts.

The outcome is a process by which a critical number of key Salvadorans are sensitized about the nature of the problems that the country faces along with the feasible range of policy options. Ideally, this is a sufficient number around which a consensus can be built. There has been considerable success to date on the policy dialogue, although it has been an ongoing, difficult process. The list of serious problems facing the country seems endless. Historical and deep suspicions and hostilities exist between the private sector and the governing party. The war drags on, draining badly needed resources. Labor unrest is building. The Government administrative apparatus is weak. Finally, the President strongly resents the principal of conditionality and having to move faster than he would perhaps like.

At the same time, the Country Team has a wide ranging set of policy interests from Congress, the Administration and special interests groups that are being pursued with the Government of El Salvador (GOES) at any one time. This means that AID's policy interests must be consistant with and reinforce overall U.S. Government concerns and priorities in the country. The U.S. Government's first priorities include policy changes essential to restoring economic and social stability, improving human rights and winning the war.

There are currently four priority and six secondary areas in the AID policy dialogue. The four priority areas are the need for the GOES to: (1) maintain a comprehensive, consistent economic program aimed at stabilizing and reorienting the economy, (2) implement an overall civilian and military strategy for winning the war (National Plan), (3) consolidate the agrarian reform, and (4) improve private sector-governmental relations as the key to economic recovery. The six secondary areas are the need for the GOES to: (1) assume the responsibility for the overall design and provision of assistance to displaced persons, (2) reform the judicial system, (3) adopt and implement a comprehensive, effective effort involving the private sector to meet middle and lower-income housing needs, (4) make its basic health care systems operate at an acceptable and sustainable level, (5) rehabilitate the primary school system, and (6) develop a program to strengthen local government to buttress the country's democratic process.

Specific policy dialogue actions, objectives, objective indicator targets and benchmarks for the planning period are defined in II.A-D, while progress on prior Action Plan benchmarks is included in IV.C.4.

E. KEY ASSUMPTIONS

The key assumptions relating to the overall FY 1987-FY 1988 Action Plan period are:

— That the war will continue throughout the period with the guerrillas gradually being forced into the isolated northern portion of the country and into urban areas.

— That the insurgency will continue to adversely affect both foreign and domestic private sector investment.

— That while the overall level of violence will decrease, the guerrillas will continue to maintain and exercise the capability to sabotage the economy and conduct terrorist attacks against selected targets at will.

— That President Duarte will not be removed from office outside the constitutional framework and will finish his term.

— That U.S. Government presence (including AID.) will be maintained in the face of the terrorism threat.

— That the displaced population will begin to diminish.

— That the GOES will continue to adopt and implement comprehensive and consistent policies and plans to establish an appropriate stabilization and recovery framework.

— That greater growth and generation of more jobs are necessary above those that can be created in the traditional agricultural sector or through industrial import substitution activities in order to make significant advances in economic and social development.

— That greater economic and social development will depend on the reactivation of coffee, non-traditional agro-industrial development and export oriented industrial development.

PART II IMPLEMENTATION

A. ECONOMIC AND SOCIAL STABILIZATION

The first goal of the AID strategy is to continue to help El Salvador maintain, within the context of armed conflict, social and economic stability. Significant progress towards stabilization has been made. The steep decline in real GDP which began in 1979 was arrested in 1983. Growth of aggregate real GDP was 1.5% in 1984 and an estimated 1.6% in 1985. In per capita terms, however, this aggregate rate of growth implies a further decline of about 1.2% during 1985, assuming a natural population growth rate of 2.8%. In 1986, the GOES will still be fighting the battle against balance of payments and budget deficits as well as inflation. The displaced population has stabilized and a safety net of food, health services and temporary jobs has been established. Essential public services, although under continuous attack, have been maintained.

The beginning of, but not yet adequate, progress under the National Plan is underway. Optimistic goals for 1986 and 1987 are rates of per capita growth of -1.1% and 0.7%, respectively. Stabilization has and will continue to be addressed by AID through five programs: (1) economic stabilization including appropriate policies combined with balance of payments support, (2) restoration of essential public services, (3) establishment of a safety net for displaced persons, (4) creation of permanent employment opportunities to replace emergency employment programs, and (5) restoration of former areas of conflict under a coherent National Plan.

1. Objective Category: Economic Stabilization

The short to medium term objectives are to: accelerate real GDP growth to surpass the 2.8% natural population growth rate; help the GOES reduce fiscal and balance of payments deficits to levels consistent with sustainable growth and development while maintaining stable, moderate levels of inflation and higher levels of employment; and strengthen GOES procedures for making sound macro-economic policy choices. Toward this end and in view of the country's relatively large current account deficit, AID will continue to provide compensatory financing (balance of payments support) throughout the planning period. In addition, limited assistance will be provided to assist the GOES undertake a comprehensive fiscal reform effort as a means of increasing its revenues and promoting economic growth. AID's long-term objective is to eliminate the need for compensatory balance of payments financing.

AID's strategy is to: provide balance of payments support to finance essential imports by the private sector of raw materials, equipment and agricultural inputs; assure adequate credit levels to stimulate private sector production; and encourage the GOES to establish a policy framework that will reduce internal and external financial disequilibrium and stimulate a private sector-led economic recovery fueled by diversified export growth.

Note: The time period for the objectives in this document are defined as follows: short-term (1985-1987), medium-term (1988-1989) and long-term (1989 and beyond).

Key Assumptions:

— That the present armed conflict will be reduced to manageable proportions at current levels of spending/GDP and to the point where it will no longer be as significant a factor in investment decisions.

— That the GOES' actions will improve the investment climate for both domestic and foreign investors.

— That regular, predictable flow of external assistance at Jackson Plan levels will be forthcoming.

— That the Terms of Trade will not deteriorate beyond 1984 levels.

— That steady growth will take place in industrialized countries.

— That access to markets in industrialized countries will improve or at a minimum not be further restricted.

Policy Dialogue:

— The establishment by the GOES of a continous, coherent economic program aimed at stabilizing and reorienting the economy.

— The establishment by the GOES of a functioning ongoing system for monitoring and adjusting its CY 1986 Economic Program.

— The reduction by the GOES of the current account deficit of the non-financial public sector and the limitation of net expansion of credit to the public sector by the banking system.

— The improvement of governmental-private sector relations.

— The establishment by the GOES of limits on the indebtedness of the public sector, as a whole, and of public sector entities with independent borrowing authority.

— The flexible management of the exchange rate to fully re-establish and maintain El Salvador's competitiveness.

— The phasing out by the GOES of subsidies, import restrictions, prior import deposits, rationing of foreign exchange by priorities, negative real interest rates, and price controls addressed, in part, in the 1986 Economic Program.

— The preparation by the GOES of a CY 1987 Economic Program which includes a financial program consistent with diminishing internal and external deficits and a budget which incorporates tax reform.

Performance Indicators:

Targets:

	1980-84 AVERAGE	1985 ESTIMATE	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
REAL GDP GROWTH (%) 1/	-4.1	1.6	2.0	2.3	3.5	4.5	5.5	6.5
INFLATION RATE (%) 1/	13.7	22.1	10-12	20.0	18.0	15.0	13.0	11.2
CENTRAL GOV'T CURRENT DEFICIT (MIL. COL.) 3/	189.1	-136.0	0.0	114.5	200.0	300.0	300.0	400.0
CENTRAL GOV'T DEFICIT AS % OF GDP 3/								
BEFORE GRANTS	-7.6	-5.0	--	-5.3	-3.9	-3.0	-2.5	-2.2
AFTER GRANTS	-5.6	-4.0	--	-4.6	-2.4	-1.9	-1.8	-1.8
CURRENT ACCOUNT DEFICIT AS % OF GDP 1/4/								
BEFORE GRANTS	-6.0	-7.4	--	-8.2	-8.1	-7.4	-8.1	-9.2
AFTER GRANTS	-3.3	-3.7	--	.7	-.5	-.5	-2.5	-3.4
EXTERNAL DEBT AS % OF GDP 1/2/4/5/7/	36.4	30.1	--	47.7	45.3	43.5	42.7	42.6
EXT. DEBT SERVICE AS % OF EXPORTS 1/2/4/6/	19.0	41.2	--	39.7	34.3	31.0	30.1	31.0
PAYMENT ARREARS ($) 1/8/	53.3	79.9	0.0	45.0	0.0	0.0	0.0	0.0

1/ CENTRAL RESERVE BANK ESTIMATES FOR 1985 AND ACTUAL FIGURES FOR 1980-84.
2/ IMF
3/ MINISTRY OF FINANCE
4/ FOR 1980-85, C2.5 TO $1.00 WAS USED; FOR 1986-90, C5 TO $1.00 IS USED.
5/ EXTERNAL PUBLIC DEBT OF MORE THAN ONE YEAR, OUTSTANDING AT END OF PERIOD.
6/ DEBT SERVICE INCLUDES INTEREST AND AMORTIZATION PAYMENTS, ALSO DEBT SERVICE ON NEW BORROWING RELATED TO THE FINANCE GAP.
7/ IF C5 TO $1.00 IS USED, THEN DEBT/GDP FOR 1985 = 60.1%.
8/ FOREIGN EXCHANGE REQUESTS HELD BY THE BCR FOREIGN DEPT. ALREADY APPROVED BY EXCHANGE CONTROL DEPT., PENDING FOREIGN EXCHANGE REQUEST HELD BY EXCHANGE CONTROL DEPT. FOR EXTERNAL PRIVATE DEBT SERVICE AND IMPORTS FROM OUTSIDE C.A.
NB: TARGETS EXCLUDE DEBT

Benchmarks:

— The introduction of higher reserve requirements for bank deposits.	1Q CY86
— The adoption of a consistant financial program for CY 1986 including quarterly targets for Net International Reserves, Net Domestic Assets of the BCR, Net Credit to the Public Sector and International Payment Arrears.	1Q CY86
— The adoption of a tax package that raises coffee and selective consumption taxes, and rescinds the tax-exempt status of autonomous institutions.	1Q CY86
— The compliance with the April 30, 1986, targets for Net International Reserves Net Domestic Assets of the BCR, Net Credit to the Public Sector and International Payment Arrears.	2Q CY86
— Devaluations of not less than ¢0.30 for each U.S. $1.00 by April 30, 1986, and an additional ¢0.30 by June 30, 1986.	2Q CY86

— The completion of a tax reform plan, which would serve as the basis for the CY 1987 budget.	2Q CY86
— Accumulated devaluation(s) of ¢1.05 for U.S. $1.00 by September 30, 1986.	3Q CY86
— The adoption by the GOES of a comprehensive 1987 Economic Program prior to submitting its CY 1987 budget to the National Assembly.	3Q CY86
— Accumulated devaluation(s) of ¢1.50 for U.S. $1.00 by December 30, 1986.	4Q CY86
— The elimination of import prohibitions.	4Q CY86
— The upward adjustment of utility rate structures in order to reflect higher operating and financial costs.	2Q CY86
— The adjustment by the GOES of interest rates in light of expected inflation.	1Q CY 87
— The phasing out of administered foreign exchange allocations on the basis of non-market priorities.	1Q CY87
— The negotiation by the GOES of an IMF-sponsored adjustment program.	1Q CY87
— The resumption of IBRD lending operations.	2Q CY87

Narrative:

El Salvador's economy began to recover in 1984, ending a 5-year slide whereby the nation's real GDP declined to only 77% of its 1978 value. Although 1985 real economic growth occurred, the recovery pace increased slightly to 1.6%. The modest acceleration of economic growth forecasted early in 1985 did not occur, and time ran out on the temporizing measures the GOES had taken to maintain some semblance of balance over the last two years. Fueled by an easy monetary policy intended to accomodate large public sector deficits and to reactivate the private sector, inflation increased and seriously destabilized the country's fragile economy. In late 1985, the GOES finally became alarmed by the continued lackluster growth and by the possibility that surging inflation would push the economy back into recession. To forestall this possibility, in January 1986 the President introduced a comprehensive program for the stabilization and reactivation of the economy.

The program, which is described in the FY 1986 PAAD, calls for policy initiatives in four areas: fiscal policy, exchange and payments policy, monetary policy and credit policy. On the fiscal front, the program's centerpiece is a Coffee Windfall Tax which is accompanied by other measures in income tax withholding procedures, changes in the base of the Stamp Tax, and the elimination of the tax-exempt status enjoyed by autonomous institutions. The program also calls for an overhaul of the

tax system in 1986. On the exchange and payments policy front, the program unifies the exchange rate, prohibits certain luxury imports, and calls for stiff penalities for contraband and dealings in the foreign exchange black market. In the monetary policy area, the program aims at decreasing the money supply by raising interest rates for lending and borrowing, raising legal reserve requirements on a selective basis, reducing projected Central Reserve Bank (BCR) credit expansion, and adopting credit limits in the BCR's overall monetary program. In order to cushion the impact of the program on the poor, the GOES introduced temporary price freezes on popular consumption products (e.g., basic grains). The GOES also raised the minimum wage and moderately increased salaries of public sector employees.

Overall, AID supports the 1986 GOES Economic Program and regards it as an important step towards stabilization and recovery. The Program will be closely monitored and the GOES will be encouraged to correct existing deficiencies, such as the level at which the exchange rate was unified, which the Mission regards as too low, and the absence of a plan to adjust the rate when deemed necessary in the future. Another potential deficiency which requires attention is the uncertain fiscal impact of subsidies implicit in the price freeze. AID's Balance of Payments Support (519-0310) will continue to finance imports essential to the private sector. In addition, P.L. 480 Title I will finance essential wheat, edible oils and tallow imports. Lastly, the new FY 1987 Tax Administration (519-0326) will provide resources to assist the GOES increase its revenues and improve the administration of its tax system.

With the judicious blend of U.S. economic assistance, sound GOES economic management, and high coffee prices, economic prospects through 1987 are encouraging, making the objective of reducing Salvadoran dependence on U.S. economic assistance by the end of the decade more achievable.

Projects:

Continuing:		LOP ($000)
Balance of Payments Support (FY 1985-FY 1988) (new Agreement in FY 1986)	519-0310	778,000
PL-480 Title I (FY 1985-FY 1988)		190,000
Reform and Policy Planning	519-0260	8,155
PD&S SDA	519-0177	Ongoing
New:		
Tax Administration (FY 1987)	519-0326	3,000

Budgetary Impact (FY 1987): $255,000

2. Objective Category: Restoration of Public Services

The short-term objective is to maintain the operational status of vital public services and reduce service outages to a minimum. AID's long-term objective is to begin to permanently restore the damage caused by guerrillas until such time as other donors begin to operate at full capacity in El Salvador. Assistance will be expanded to begin rehabilitation of selected vital infrastructure where stop-gap restoration activities are no longer sufficient and to include maintenance and expansion of key systems that have suffered deterioration due to insufficient GOES resources.

AID's strategy is to develop within the GOES agencies managing vital public services the capacity to react quickly when damage occurs to infrastructure. This includes the training of personnel, the acquisition of special equipment and the stockpiling of replacement parts and supplies.

Key Assumptions:

— That if vital public services are kept operational, then industry can continue to function and consolidate gains in productivity and employment.

— That if the negative impact of terrorist destruction of key infrastructure is minimized, then the guerrilla objectives of economic destabilization and dramatization of leftist causes will be stymied and confidence in the Government will increase.

— That if guerrilla attacks and sabotage exceed prior year levels, then GOES public service institutions must have additional trained personnel and operational budgets to permit efficient utilization of project-funded goods, as well as an increased rapid response capability to restore damaged vital public services.

Policy Dialogue:

— The upward adjustment by the GOES of utility rate structures as required to ensure the financial viability (with minimum subsidies) of key utilities (e.g., water, electricity) (see II.A.1 benchmark).

Performance Indicators:

Targets:

	1983	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
ELECTRIC ENERGY DEMAND (GWH)	1,560	1,613	1,653	1,729	1,757	1,862	1,974	2,093	2,218
STANDBY GENERATOR POWER (AS % OF TOTAL) 1/	4.3	4.0	6.7	--	--	--	--	--	--
TOTAL WATER PUMPING STATIONS (ANDA)	271	271	265	271	271	286	286	286	286
PERCENT OF STATIONS OPERATING 2/	NA	NA	98.0	--	--	--	--	--	--
TOTAL PUMPING EQUIPMENT (ANDA)	521	521	407	521	529	529	529	529	529
PERCENT OF EQUIPMENT OPERATING 2/	NA	NA	78.0	--	--	--	--	--	--
URBAN AREAS SERVED BY ANDA	176	176	155	176	176	191	191	191	191
PERCENT ATTENDED 2/	NA	NA	88.0	--	--	--	--	--	--
MOP/CAMINOS HIGHWAYS (KM) 3/	1,710	1,710	1,087	1,730	1,740	1,740	1,740	1,740	1,740
PERCENT OPEN 2/	NA	NA	63.0	--	--	--	--	--	--
MOP/CAMINOS RURAL & TERTIARY ROADS (KM)	7,750	7,750	1,550	7,750	7,800	7,800	7,800	7,800	7,800
PERCENT OPEN 2/	NA	NA	20.0	--	--	--	--	--	--

1/ TARGETS ARE TO REDUCE UTILIZATION FROM PRIOR YEAR ACTUAL.
2/ TARGETS ARE TO INCREASE OPERATIONS FROM PRIOR YEAR ACTUAL.
3/ INCLUDES DIVIDED, PRIMARY, AND SECONDARY HIGHWAYS.

Benchmarks:

- Strategic stockpiles of key materials (e.g., replacement utility poles, power line hardware, Bailey Bridge components) to meet emergency demands in replacing damaged infrastructure. — 4Q CY87
- Special assets (e.g., helicopter flying service, cranes and other heavy machinery, tools) and trained field crews to reduce response time and, consequently, periods of service outages. — 4Q CY87
- Reductions in electric line repair time to result in cost savings of foreign exchange for petroleum fuels used in providing standby power. — 4Q CY87
- Data and methodologies established under a FY 1986 Damage Assessment to enable GOES agencies to have increased ability to analyze and document damages and to define funding requirements rapidly and accurately. — 4Q CY87

Narrative:

Guerrillas have destroyed over 1,000 high-tension electrical towers, nearly paralyzed the National Railroad, damaged or destroyed 78 major bridge structures, destroyed costly light and heavy equipment and machinery, and disrupted water, electric, and telephone services. As of December 1985, $64.6 million have provided scarce foreign exchange to fund imported replacement parts and equipment to maintain vital public services and to technically and financially assist GOES agencies to

respond quickly when damage occurs. Key activities include: the erection of temporary replacement bridge structures, construction of a 22 MW standby generator plant, electrical transmission line repair, and water, rail and telecommunications equipment repairs. FY 1986 activities include: emphasis on electrical system repair and additional procurement of heavy construction equipment for restoration of bridges and highways; and completion of a Public Services Restoration (519-0279) Damage Assessment to provide cost/benefit ratios, the social implications for establishing reconstruction priorities and allocating resources, and the direction of infrastructure rehabilitation by GOES implementing agencies. In FY 1988, Public Services Restoration/Infrastructure Rehabilitation (519-0320) will expand activities to begin to rehabilitate selected vital infrastructure where stop-gap restoration activities are no longer sufficient, including the maintenance and expansion of key systems which have suffered deterioration due to insufficient GOES operational resources.

Projects:

Continuing:		LOP ($000)
Public Services Restoration	519-0279	79,600
New:		
Public Services Restoration/ Infrastructure Rehabilitation (FY 1988)	519-0320	60,000

Budgetary Impact (FY 1987): $15,000

3. Objective Category: Displaced Persons

The short-term objective is to establish a basic safety net for the displaced including the provision of: income-earning opportunities for the displaced while upgrading the host communities and settlements and improving living conditions; preventive and curative health services to reduce significantly life-threatening deficiencies in health and nutrition among displaced persons, improve the general level of health of the displaced population, and provide a basic food basket of 1600 calories and supplementary feeding to displaced families; and support services such as working capital loans, shelter, infrastructure, basic tools and equipment. AID's medium to long-term objective is to help El Salvador reintegrate its displaced population into the economy. Assistance will be expanded to begin a concerted effort in assisting the GOES in the re-establishment of displaced families in their traditional roles and locations, or their resettlement in locations and circumstances in which they can live normal productive lives, thus eliminating the need for emergency humanitarian assistance.

AID's strategy is to assist the GOES to develop a coordinated approach for reintegrating the displaced population into the economically productive population.

Key Assumptions:

— That a satisfactory level of security must exist in those areas where displaced persons are to be voluntarily relocated, either in new areas or returned to their original homes.

— That much higher levels of economic growth must occur in the private sector if unemployed displaced persons are to be incorporated into the economy.

— That if permanent solutions for displaced persons are to occur, then the GOES must assume responsibility for the overall design and implementation of assistance, including the strengthening of its coordination function with national and international participating agencies.

Policy Dialogue:

— The establishment of a functioning GOES Interministerial Committee for Displaced Persons and Refugees responsible for: defining operational policies of relevant GOES entities, supervising the displaced persons program, developing a plan for the return of refugees from neighboring countries, tightening displaced persons program policies (e.g., size and composition of rations, beneficiary eligibility, organization of distribution systems), and coordinating international, national and private assistance.

— The adoption by the GOES of an organizational and management strengthening program for CONADES.

— The development of medium to long-term plans and programs by the GOES for reintegrating the displaced persons into the social and economic structure of the country.

Performance Indicators:

Targets:

	1983	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
TOTAL NUMBER DISPLACED ('000)	320	390	325	--	475	375	325	250	--
TOTAL JOBS PER MONTH ('000)	8	10	12	16	18	18	15	10	--
ADDITIONAL DPS PROVIDED CURATIVE HEALTH SERVICES ('000)	12	12	50	35	50	50	30	15	--
DPS RECEIVING DAILY FOOD BASKETS OF 1,600 CALORIES ('000)	200	225	350	350	325	325	250	200	--
DP CHILDREN RECEIVING SUPPLEMENTAL FOOD (000)	--	1.2	3.25	10	15	15	10	5	--
NO. WORKS PROJECTS COMPLETED	350	458	708	625	750	650	--	--	--

Benchmarks:

— 15% of registered DP families participating in the jobs component activities of the Emergency Program for Displaced Families (519-0281).	4Q FY87
— 75% of registered DP families having access to safe refuse disposal.	4Q FY87
—Children under age 5 with any degree of malnutrition (Grade I, II, or III) decreased to less than 50% of registered DP families.	4Q FY87
— 85% of registered DP families receiving food aid.	4Q FY86
— 90% of registered DP families receiving food aid are in receipt of monthly deliveries.	4Q FY86
— 25% of registered DP families receiving supplementary food aid for children under five.	1Q FY87
— Crude mortality rate for registered DP families reduced to less than 20 per 1000.	4Q FY87

Narrative:

The total number of displaced persons rose from 25,000 in 1980 to about 525,000 in 1985 (11% of the population) as people fled the war zones. As the GOES lacks the resources to meet the needs of these people, AID is assisting the GOES, PVOs and private sector groups in providing emergency humanitarian assistance. During FY 1985, the Health and Jobs for Displaced Families (519-0281) financed: a work program that provided 12,000 income-earning temporary jobs per month through 10 credit unions (in 10 departments) contracted to administer work projects in local communities; a preventative and curative health program that financed vaccinations for over 200,000 persons; curative health services for an additional 50,000 displaced under a cooperative agreement with Project HOPE, and a CONADES "outreach" program of approximately 12,000 home visits per month; and two pilot relocation efforts to reintegrate displaced persons under cooperative agreements with World Relief Corporation and the Overseas Education Fund. Also during FY 1985, PL 480 Title II commodities were utilized in the World Food Program (WFP) complemented by locally procured food financed by Title I local currency generations to provide: a 1600 calorie basic food basket to registered displaced persons, supplementary and intensive feeding provided by the Salvadoran Evangelical Committee for Assistance (CFSAD) for selected beneficiaries, and nutritional feeding consisting of a 1600 calories basic food basket for 350,000 displaced families. During FY 1986, AID will continue to finance emergency humanitarian assistance and an increased pilot resettlement effort, as well as assist the GOES in establishing the policy and operational mechanisms necessary to initiate efforts to reintegrate displaced families into the national economy. The

proposed FY 1987 Reintegration of Displaced Families (519-0325), building on the findings of a FY 1986 Assessment of Displaced Persons, will serve to support the GOES' newly adopted policies and more permanent efforts to deal with the displaced population.

Projects:

Continuing:		LOP ($000)
Health and Jobs for Displaced Families	519-0281	72,525
PL 480 Title II (FY 1985-FY 1987)		24,373
New:		
Reintegration of Displaced Families (FY 1987)	519-0325	45,000

Budgetary Impact (FY 1987): $25,900

4. Objective Category: Employment

AID's immediate objective was to quickly create temporary employment opportunities for idle workers through labor intensive public sector work programs. Although the 1980-1985 stop-gap public sector work programs successfully addressed the serious unemployment problem resulting from the war, they have now been incorporated into the National Plan (see II.A.5). This activity shift will serve to strengthen the National Plan, as well as enable it to more effectively carry out projects that address existing infrastructure and basic social services needs. As such, the National Plan will concentrate on projects that can: generate additional, subsequent employment such as farm-to-market road improvements and irrigation works, support exports or attract new industry, or support priorities such as reintegration of displaced persons, consolidation of the agrarian reform, and provision of shelter solutions. AID's short to long-term employment objective is to support a private sector economy that eventually can begin to effectively absorb workforce entrants (see II.B.1).

AID's strategy is twofold: to encourage the GOES to identify and give highest priority to those infrastructure investments that have a direct and certain impact on the economy (see II.A.5), and support private sector activities that will directly/indirectly generate increased full-time employment opportunities (see II.B.1 and III.C.7).

Key Assumptions:

— See II.A.5, II.B.1 and III.C.7.

Policy Dialogue:

— See II.A.5, II.B.1 and III.C.7.

Performance Indicators:

Targets:

	1980-84	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
EMPLOYMENT (MIL. PERSON DAYS)	10.8	1.0	1.0	--	--	--	--	--
NUMBER OF PROJECTS	1,900	104	104	--	--	--	--	--

Benchmarks:

— See II.A.5, II.B.1 and III.C.7.

Narrative:

About 40%-50% of the total labor force was unemployed or underemployed during the early years of the war. With AID assistance, in 1980 the GOES initiated an emergency employment program to absorb some of the nation's idle manpower in infrastructure construction. Over the past five years AID dollars and generated local currency have contributed to economic stabilization and recovery by supporting emergency employment programs.

Key activities to date have included the generation of 11.8 million person days of employment and the completion of 2,004 infrastructure projects. Typical projects consisted of road construction or improvements, bridges, schools, health posts, irrigation works, soil conservation efforts and urban street repairs. These local currency funded employment generation programs have served as a principal GOES effort in responding to war-related problems in the conflictive areas. The program has also served to link employment generation efforts with infrastructure requirements in the housing sector to complement marginal community development activities. In FY 1986, planned activities include the absorption of emergency employment program activities by the National Plan and the initiation of efforts to increase the number of permanent employment opportunities generated by the private sector. In addition, a special Employment Assessment will evaluate El Salvador's current employment situation, as well as measure the impact of the Mission's ongoing employment programs.

Projects:

None.

Budgetary Impact (FY 1987): None.

5. Objective Category: National Plan

In the short-term, AID will continue to assist GOES efforts to re-establish civil government, implement small to medium infrastructure and basic social service projects, and train local authorities to facilitate the provision of development related economic and social services. AID's medium to long-term objective is to help the GOES re-establish peace and restore and strengthen local government authority in former conflict areas, while encouraging a gradual transfer of leadership from military to civilian authorities.

AID's strategy is to give increased priority to the GOES' National Plan efforts to carry out development activities in newly secured areas. AID actions to strengthen the National Plan include: the transfer of the Mission's 1980-1985 emergency employment program to the National Plan's implementing agency; the implementation of ongoing DA, Title II and local currency activities in National Plan priority areas, inasmuch as possible; the improvement of the National Plan's leadership and planning capability; and the incorporation of the GOES' Office of Special Resources into the National Plan to enable it to coordinate/implement both small and medium infrastructure projects.

Key Assumptions:

— That if the guerrilla war, aimed at destroying local authority, is to be won, then the GOES must effectively carry out a strategy that involves a coordinated military and civilian effort.

— That if the GOES strategy is based on the expansion of the secured and partially secured areas, then it must maintain a concerted effort to expand and strengthen civil defense and other mechanisms that assure the existence and maintenance of law and order.

— That if the National Plan implementing agency remains apolitical, then there will be continued support from the military. Military coordination and support is fundamental to the success of the National Plan.

— That if the President overtly and fully supports the National Plan, then coordinated efforts of civilian agencies focusing on restoration needs will occur.

— That if the GOES' National Plan implements labor intensive projects, then idle workers will respond to employment opportunities.

Policy Dialogue:

— A strengthened Presidential commitment to give the required continual priority and attention to the civilian-military National Plan.

— The refinement by the GOES of the National Plan strategy for deciding where civil defense units and civilian agencies should be working as well as the adoption of an implementation plan with clearly defined objectives and execution and timing actions for expanding the secure areas into currently conflictive portions of the country.

— The strengthening of the National Plan coordinating organization (CONARA/ORE) as well as the increased cooperation among the principal GOES public (civilian) ministries.

— The expansion and strengthening of civil defense, including training and support organization equipping, maintenance and reaction assistance.

Performance Indicators:

Targets:

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NO. CONARA CIVIL ACTION ACTIVITIES/YR	10	54	48	180	180	140	120	80
NO. MAJOR ORE INFRASTRUCTURE PROJECTS/YR 1/	--	--	--	117	--	--	--	--
ORE PROJECTS EMPLOYMENT (MIL. PERSON DAYS) 1/	--	--	--	2.4	--	--	--	--
NO. CIVIL DEFENSE UNITS TRAINED (CUMULATIVE)	15	74	68	214	294	*	*	*
CIVIL GOV'TS OPERATING IN CITY HALLS (CUMUL)	24	112	100	210	262	--	--	--
NO. LOCAL CIVIL GOV'T UNITS TRAINED	24	112	100	210	262	--	--	--
NO. TARGETTED MUNICIPALITIES W/ ESSENTIAL SERVICES (CUMULATIVE) 2/	8	20	24	100	190	262	--	--
NO. TARGETTED MUNICIPALITIES W/ COMPLEMENTARY SERVICES (CUMULATIVE) 3/	5	15	18	75	140	210	240	262

*PENDING REVISION AT END OF 1986 IN ACCORDANCE WITH THE MILITARY SITUATION.
1/ TARGETS TO BE DETERMINED DURING NEGOTIATION OF EACH YEAR'S LOCAL CURRENCY PROGRAM.
2/ WATER, ELECTRICITY, HEALTH, ACCESS ROADS, COMMUNICATIONS, EDUCATION
3/ PUBLIC TRANSPORT, CITY HALL, MARKET, COMMUNITY CENTER
NB: TOTAL MUNICIPALITIES 262

Benchmarks:

— To reorganize/relocate the Office of Special Resources (ORE) as part of the National Plan to make it more responsive to national priorities and increase its efficiency. 2Q CY86

— To restore educational facilities and equipment that have been damaged or unattended because of the guerrilla presence.

- Repair 210 schools. 4Q CY86

- Provide 10,500 desks for 140 schools.	4Q CY86
- Provide educational materials for 350 schools.	4Q CY86
— To restore and/or construct small to medium National Plan/ORE infrastructure projects in priority areas.	
- Complete 5 roads projects.	1Q CY87
- Install 63 potable water systems.	1Q CY87
- Construct 5 bridges critical to the functioning of the principal road system.	1Q CY87
- Complete 10 small infrastructure projects.	1Q CY87
- Complete 34 soil conservation and reforestation projects.	1Q CY87
— To provide 2.4 million man-days of employment through National Plan/ORE projects.	1Q CY87
— To train city officials and restore city halls and other public building destroyed by the guerrillas.	
- Conduct 13 training seminars for city officials.	4Q CY86
- Restore 46 city halls.	4Q CY86
- Restore facilities for 63 health posts and 5 health centers.	4Q CY86
- Repair equipment in 50 health facilities.	4Q CY86
— To restore community infrastructure that has been damaged or unattended due to guerrilla activity, and introduce health improvements.	
- Repair access roads in 55 municipalities.	4Q CY86
- Repair drainage facilities in 18 municipalities.	4Q CY86
- Restore 21 rural aqueducts.	4Q CY86
- Expand latrine facilities in 60 municipalities.	4Q CY86
— To provide emergency assistance in response to emergency local needs as created by guerrilla activity or natural disasters. Complete an estimated 90 emergency projects (e.g., temporary shelter, water, clothing, medicines).	4Q CY86

— To restore agricultural production which has been hampered due to the presence of guerrillas.

- Complete 29 soil conservation projects.	4Q CY86
- Develop 13 fish pond nurseries.	4Q CY86
- Undertake 50 projects in support of livestock and other farm animal production.	4Q CY86
- Support 20 projects aimed at increasing fruit production.	4Q CY86

— To provide humanitarian assistance to population centers not subject to assistance on a regular basis.

- Conduct an average of 14 combined civic action activities per month.	4Q CY86

Narrative:

In early 1983, it became clear that military efforts alone were not sufficient to win the war. GOES policy makers began to map out a strategy to restore and strengthen civil authority in guerrilla-affected areas. The GOES strategy, known as the National Plan, called for intense military action to eliminate the guerrillas, followed by a coordinated effort by GOES ministries to strengthen local authorities and help them restore essential services, promote development in newly secured areas, and form civil defense committees. In March 1983, the National Commission for Area Restoration (CONARA) was created to coordinate civilian ministry and local authority activities.

The National Plan began as a pilot program in San Vicente and Usulután with impressive initial successes. During the first year, CONARA coordinated restoration efforts in education, health, agriculture, roads and basic infrastructure in communities. Physical accomplishments, however, were negatively affected by the fact that: GOES line ministries did not give adequate priority to the National Plan, resources to meet the restoration needs of many communities were insufficient, and the regular armed forces were insufficient to maintain full-time security in many rural areas. The late FY 1984-early FY 1985 period was generally non-productive due to the President's delay in replacing the CONARA military leadership with civilian leadership. The military lame duck leadership could not obtain high level support and, once replaced, the new leadership was slow in getting started. These circumstances were further aggravated by the military's reluctance to support the newly appointed civilian leadership of CONARA. Since mid-FY 1985, however, the GOES has reinforced CONARA, the military has been significantly strengthened and civil defense has been expanded, providing a more permanent presence in small communities to deter guerrilla activity.

During FY 1984 and FY 1985, the GOES set aside $4.24 million in ESF local currency generations for CONARA-coordinated activities. Each ministry could also reprogram additional funds from its national budget

for use in National Plan development activities. By the end of CY 1985, 64 small infrastructure/basic social service activities were completed and an additional 180 projects were in the design stage. In addition, 136 local civil government units received leadership training, CONARA assisted in coordinating and implementing 39 Special Development Activity (519-0094) projects, and 64 combined civic action activities were conducted in which military and civilian personnel jointly provided humanitarian assistance.

CONARA's new leadership has prepared a 1986 plan of operations that is closely linked to military priorities. The plan features the selection of geographic target areas for National Plan operations in all 14 departments. In these target areas, the military will deter guerrilla access to the population and develop civil defense. These areas will also be target points for civic action operations. The 1986 plan indicates that the National Plan is now fully operational and is becoming an effective instrument for peace. Within this new framework, in FY 1986 AID's emergency employment program was transferred to the National Plan (see II.A.4), ORE will be incorporated into the National Plan and will carry out 117 medium to large infrastructure projects, and CONARA will implement a minimum of 180 small infrastructure and basic social service activities. Most importantly, the National Plan implementing organization's leadership and planning capability will be strengthened, thus permitting it to effectively implement an increased number of local currency financed projects (to be determined) in CY 1987 and CY 1988. In early FY 1987, a National Plan Assessment will be carried out to measure the impact and institutional capacity of CONARA.

Projects:

Continuing:		LOP ($000)
Special Development Activities (FY 1985-FY 1988)	519-0094	1,000
P.L. 480 Title II (FY 1985-FY 1988)		34,273
National Plan (CONARA) (FY 1984-FY 1986)	Title I	11,900 (LC)
National Plan (ORE) (FY 1986)	519-0310, Title I	9,840 (LC)

Budgetary Impact (FY 1987): $9,750

B. ECONOMIC RECOVERY AND GROWTH

The second goal of the AID strategy, following the restoration of economic and social stability, is to accelerate economic growth and diversify the economy to attain higher levels of economic well-being. Some progress has been made in this area. El Salvador's five-year slide in real domestic output was arrested in 1984. Growth of real GDP for 1984 was 1.5% and an estimated 1.6% in 1985. Investment as a percentage of GDP grew from 11.0% in 1984 to 11.6% in 1985. Estimated growth in

manufacturing output for 1985 was 4.4%. Agricultural output, which had declined by a cumulative 19% since 1980, recuperated slightly by growing 1.2% in 1984 and an estimated 1.3% in 1985. The five-year slide turnaround is partly attributable to higher private sector expectations resulting in higher levels of financial savings and investment; increased consumer demand; good crop weather; and U.S. economic assistance. With the economy now beginning to stabilize, El Salvador faces the challenge of reactivating its economy in the midst of a protracted civil conflict and international markets that no longer favor the exports upon which earlier prosperity had been built.

AID has and will continue to address this area with three programs: (1) industrial recovery with an emphasis on export promotion and permanent employment creation, (2) agricultural recovery, and (3) private sector support. Overall performance indicators for this goal will include both the stabilization performance indicators (see II.A.1) and the following additional economic recovery indicators.

Goal Indicators:

	1980-84 AVERAGE 1/	1985 ACTUAL 1/	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
INVESTMENT AS % OF GDP	11.0 2/	11.6	--	11.9	13.5	14.2	17.2	20.1
PRIVATE INVESTMENT/GDP	5.0 2/	8.0	--	8.0	9.6	10.0	11.0	12.0
ECONOMICALLY ACTIVE POPULATION 3/4/	1,633.4	1,693.6	--	1,714.2	1,735.1	1,756.3	1,777.7	1,799.4
EMPLOYED	1,177.9	1,140.7	--	1,161.2	1,201.8	1,255.9	1,325.0	1,411.1
UNEMPLOYED	455.6	552.9	--	553.0	533.3	500.4	452.7	388.3
UNEMPLOYMENT RATE	27.9	32.6	--	32.3	30.7	28.5	25.5	21.6

1/ MINISTRY OF PLANNING ESTIMATES
2/ FIGURES ARE FOR 1984 ONLY.
3/ ASSUMES A 1.01219 GROWTH RATE.
4/ LAST CENSUS OF THE ECONOMICALLY ACTIVE POPULATION WAS MADE IN 1978.
NB: TARGETS ASSUME THAT FOR EVERY 1% GROWTH IN REAL GDP, A 1% GROWTH IN EMPLOYMENT RESULTS.

1. Objective Category: Industrial Recovery

The short-term objectives are to: increase investment and production in the agroindustrial and the industrial sectors with an emphasis on export assembly and processing (maquila) industries, an area that grew quickly during the 1970's. AID's medium to long-term objectives are to help El Salvador stimulate permanent private sector employment and to increase foreign exchange earnings, domestic and foreign investment, and per capita income. Assistance will be increased to financially and technically support new efforts to expand non-traditional exports for extra-regional markets.

AID's strategy is to build the necessary Salvadoran institutional base to identify market opportunities in the U.S., particularly under the CBI and other non-regional markets, and to provide the necessary support (e.g., free zones, credit, technology, foreign exchange, investment climate) to take advantage of those opportunities.

Key Assumptions:

— That if there is to be increased aggregate private sector involvement and demand in order to achieve required economic growth, particularly as related to industrial recovery, then the GOES must support the private sector's role in El Salvador's reactivation.

— That if agricultural employment increases are limited, then private sector industrial growth and export-oriented industry offer the only significant productive outlet for permanent employment growth.

— That if industrial reactivation and expansion are to contribute significantly to El Salvador's economic growth as they did in the 1974-1978 period, then the GOES must support and encourage new private sector activity in industrial areas.

— That if employment opportunities are to be created and GDP is to increase sufficiently to encourage investment and savings, then El Salvador must recognize the need to convert from an import-substitution economic base to an economy led by export growth.

— That if export-led growth is to be encouraged, then the CBI and the U.S. must allow El Salvador sufficient one-way trade advantages.

— That El Salvador's skills and advantages are attractive enough to markedly increase exports.

— That the perception of risk by potential investors will decrease as the level of violence (including kidnapping of businessmen) declines.

Policy Dialogue:

— The enactment of the proposed Export Promotion Law and its operational regulations by mid FY 1986.

— The enactment of a new Investment Law during CY 1986 in order to update and streamline current regulations, allow the expeditious formation of new companies, and the standardization of non-export incentives and codes.

— The increased access by the private sector to foreign exchange for imports of raw materials and capital goods.

— The availability of adequate credit for private sector export efforts.

— The encouragement of the GOES to address economic reactivation and economic recovery and growth policy dialogue actions that, in turn, will directly or indirectly help to generate permanent employment.

Performance Indicators:

Targets:

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
MANUFACTURING OUTPUT (MM COL. CONSTANT)	496.8	519.4	--	528.2	550.6	588.4	636.7	699.1
INDUSTRIAL EMPLOYMENT (% OF TOTAL) 1/	16.8	16.8	--	16.8	17.8	19.3	19.8	20.8
NON-TRAD EXPORTS OUTSIDE CACM (US $ MIL)	67.0	76.4	72.0	86.0	98.9	113.7	130.8	150.4
NON-TRAD US IMPORTS FROM EL SAL (US $ MIL)	58.0	60.0	62.0	70.0	77.0	85.0	95.0	105.0

1/ 16.8% OF TOTAL EMPLOYMENT IN 1984 IS APPROXIMATELY 115,000 PERSONS. IN 1985, 16.8% REPRESENTS APPROXIMATELY 122,000 PERSONS.

Benchmarks:

— Increase industrial employment (non-maquila) from 1984 levels by 4,000 persons annually.	4Q CY88
— 6.0% real annual growth in industrial output achieved.	4Q CY88
— New private sector investment in agroindustrial or industrial production (non-maquila) of $10 million/year.	4Q CY87
— Expansion of El Salvador maquila foreign exchange earnings by $24 million above 1984 levels.	4Q CY87
— Increase in employment (maquila) of 8,000 jobs above 1984 levels created directly through AID projects.	4Q CY87
— Construction of new "free zone(s)" or industrial parks underway.	4Q CY88
— Demand for medium and long-term credit for industry (maquila) exceeds $10 million.	4Q CY87
— 2,000 new light manufacturing and industrial handicrafts jobs created directly through AID projects.	4Q CY87
— 2,000 new small sector enterprise (SSE) businesses created directly through AID projects.	4Q CY87

Narrative:

Before 1979, the industrial sector added much to the country's economic growth, increasing 5.9% annually compared to a 5.8% annual increase in real GDP between 1974-1978. While part of this was attributable to increased production to meet internal demand, the main stimulus came from exports to the CACM and other countries.

Manufacturing, particularly for export, was and is critical to achieving sustained growth of output and employment. Notwithstanding the sector's potential, constraints affecting recovery and growth include: lack of foreign exchange and credit, deficient export development laws inhibiting extra-regional exports, poor and/or damaged infrastructure and risk of guerrilla destruction, and a lack of market and technical information affecting quality control and production efficiency.

In the area of increased industrial production, BCR data show a 1985 increase in manufacturing output of 4.4% over the end-of-year 1984 level, as well as an increase of 14.0% above 1984 levels for non-traditional exports, compared to the Mission's 12-15% annual increase target. In 1985, AID assistance contributed to this progress. Under the trade and investment promotion component of the Industrial Recovery Program, (519-0287) some $4.0 million in new export earnings was created, along with 4,600 new jobs. Through International Executive Service Corps (IESC) (519-0302) 28 technical assistance activities to improve, production capability and upgrade quality were requested, which were complemented by some 20 U.S. firms travelling to El Salvador through the Trade and Investment Program to investigate joint venture activities. In addition, new ESF local currency credit lines for industry and exports amounting to ¢28 million were fully subscribed by year-end 1985, thus helping to increase total banking system credit to the private sector to 64% of total credit in 1985, up significally from pre-1984 levels. During FY 1986, it is anticipated that: investment as a percent of GDP will reach 11.9%, private investment will remain at 8.0% of GDP, and industrial employment will maintain its 1985 gain and represent 16.8% of total employment.

In the area of export promotion, policy dialogue efforts continued to encourage the public endorsement by the President of export-led economic reactivation and of a strategy in which the private sector has the primary role in investment, production, and export marketing. The GOES' implementation of this strategy, through enactment of appropriate legislation and establishment of policies and administrative mechanisms which provide incentives and eliminate obstacles to exports and investments, will continue as a priority of the Mission's policy dialogue. As a result, in FY 1986 it is expected that: constraints to private investment in non-traditional export ventures will be reduced, insurance against damage to productive assets of the private sector will be made available, and tailored technical assistance including market access will be provided to meet the requirements of export businesses. Although a sustained effort is now being made to promote investment and exports under Industrial Stabilization and Recovery (519-0267), as currently designed, it is expected to yield only limited results through FY 1987. Therefore, the project will be amended to provide additional resources and extend the project life through FY 1988. In FY 1987, a shelf Venture Capital Company (519-0305) may financially and technically support new activities to expand non-traditional exports for extra-regional markets. Alternate approaches for this effort exist including ROCAP's proposed Venture Capital Company project and LAAD services. In addition, the new FY 1988 Industrial Parks and Infrastructure (519-0323) will help to further increase foreign exchange earnings and employment opportunities by developing a program of phased industrial park infrastructure development and supportive infrastructure for existing industrial plants.

Projects:

Continuing:		LOP ($000)
Industrial Stabilization and Recovery	519-0287	34,460
IESC	519-0302	500
SDA PD&S	519-0177	Ongoing
New:		
Venture Capital Company (shelf) (FY 1987)	519-0305	5,000
Industrial Parks and Infrastructure (FY 1988)	519-0323	12,000

Budgetary Impact (FY 1987): $ 8,950

2. Objective Category: Agricultural Recovery

The short-term objectives are to: increase the production of El Salvador's basic traditional coffee crop; maintain the production of basic food crops for domestic consumption; and stimulate and promote non-traditional crops for export. For coffee, AID will promote adequate policies (e.g., prices, marketing) and credit for refinacing and replanting. For food crops, AID is and will continue to support agrarian reform beneficiaries, particularly Phase III farmers, with credit and technical assistance. For non-traditional crops, AID will increase its efforts in promoting domestic and foreign investment, identifying markets, increasing irrigation farming, and increasing technology transfer and available credit. AID's long-term objectives are to: assist El Salvador achieve a 4% sustainable growth rate in the value of agricultural output (after adjusting for inflation) and to raise the production of non-traditional export crops by 6% per year over the term of the planning period.

AID's strategy is to strenghten El Salvador's traditional agricultural production of coffee and basic food crops, as well as to actively promote non-traditional crop diversification for export.

Key Assumptions:

— That if the war continues for an indefinite period, then investment in diversified agriculture will be severely reduced and intensified production in a large percentage of the country will be adversely affected.

— That if world market prices of coffee, cotton and sugar rise, then production of these exports will be stimulated.

— That if the GOES pricing policy for coffee is adjusted to reflect increased world market prices for coffee, then coffee farmers can/will make investments necessary to increase coffee production.

— That if the GOES continues to promote crop diversification, then increased irrigation farming will be required.

— That if the GOES develops sound policies governing new non-traditional exports, then the interest in investing in these activities will increase.

Policy Dialogue:

— The recovery of coffee production to 1979-1980 levels stimulated, in part, by the adoption of a policy that growers will be paid higher prices in keeping with world market prices.

— The liberalization of coffee export marketing.

— The maintenance of BCR credit lines for the replanting and refinancing of coffee.

Performance Indicators:

Targets:

	1980-84 AVERAGE	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
FOOD CROP PRODUCTION ('000 QQ)	15,601	16,482	16,381	17,200	18,060	18,963	19,911	20,907
AVERAGE ANNUAL FOOD CROP GROWTH RATE (%)	1.75	5.65	5	5	5	5	5	5
PRODUCTION OF TRADITIONAL EXPORTS ('000 QQ) 1/	5,456	6,431	5,565	5,676	5,790	5,964	6,143	6,327
AVER TRAD EXPORT VOLUME GROWTH RATE/ANNUM (%)	1.45	17.87	2	2	2	3	3	3
COFFEE EXPORT VOLUME (MILLION QQ)	3.5 2/	3.1	--	2.2	3.0	3.2	3.3	3.5
NON-TRAD. EXPORT PRODUCTION ('000 QQ) 3/	222	266	282	299	317	336	356	377
AVERAGE ANNUAL NON-TRAD GROWTH RATE (%)	NA	20.0	6	6	6	6	6	6
TOTAL AGRICULTURAL PRODUCTION (1962 COLONES)	768.3	718.2	746.9	776.7	807.8	840.1	873.7	908.6
AVERAGE ANNUAL AGRIC PROD GROWTH RATE (%)	-3.7	-2.4	4	4	4	4	4	4
VALUE OF NON-TRAD AGRIC EXPORTS ($M) 4/5/	13.6	26.0	--	29.4	33.6	36.3	41.8	48.1
VALUE OF TRAD AGRIC EXPORTS ($M) 4/5/	248.00	251.00	252.96	544.0	603.8	640.0	680.0	721.0
VALUE OF TOTAL AGRICULTURAL EXPORTS ($M)	256.70	260.30	261.92	573.4	637.4	676.3	721.8	769.1
NON-TRAD EXPORTS/TOTAL AGRIC EXPORTS (%)	3.51	3.71	--	5.1	5.3	5.4	5.8	6.2

1/ LARGE PERCENTAGE INCREASE IN ACTUAL 1985 PRODUCTION VOLUME DUE TO 62% INCREASE IN SUGAR.
2/ FIGURE IS 1981-84 AVERAGE.
3/ INCLUDES MEAT, INSTANT COFFEE, HONEY, SESAME, BALSAM, FRESH FRUITS/VEGS, COCONUT, CANNED VEGS, TOBACCO, AND DATA ARE FOR 1983 AND 1984 ONLY.
4/ ESTIMATED FOR 1985 ACTUAL.
5/ TARGETS ASSUME CONSTANT PRICES AT 1985 LEVELS.

Benchmarks:

— To make coffee production more profitable.	
- An announcement by the GOES Junta Monetaria that coffee prices will be adjusted upward.	3Q CY86
— To promote production of high value export crops:	
- $10 million trust fund established in the Banco Hipotecario to finance precision irrigation.	3Q FY86
- Five loans for precision irrigation systems made.	4Q FY86
- One pilot processing facility approved for financing.	4Q FY86
- One produce transportation company financed.	4Q FY87
— To develop, through FUSADES, feasibility studies for potential export products (e.g., cut flowers, shrimp, sesame, vanilla, watercress).	1Q CY87
— To provide adequate agricultural production credit to meet the demands of the reform sector:	
- Provide up to $15 million in credit.	4Q FY86
- Provide up to $50 million in credit.	4Q FY88
— To provide approximately 1,300 person-months of training to farmers and agricultural technicians in irrigation management to develop intensive agriculture.	4Q FY87

Narrative:

Agriculture accounts for about 25% of El Salvador's GDP and employs over 50% of the economically active population. In the early 1970's, the GOES shifted its agricultural policy from the promotion of traditional export crops to the increase of staple goods. As a result, during the late 1970's, production for domestic consumption increased, total and per capita agricultural and food production indices rose rapidly, and export production (particularly cotton) continued to expand. From 1980 to 1985, however, agricultural output declined as a result of the war, unfavorable world prices for exports coupled with export tax and exchange rate policies, and inadequate GOES support services (e.g., credit and technical assistance, technology and marketing systems, research and extension). The GOES is addressing agricultural recovery through its new five-year plan, which seeks to ensure food security, provide incentives for investment in diversified agriculture and agro-industry, and stimulate agricultural exports and import substitutes.

Since FY 1980 Agrarian Reform Credit (519-0263) has emphasized increasing agrarian reform related production by expanding the GOES' ability to assist beneficiaries. Agrarian Reform Sector Support (519-0265) has and will continue to emphasize land transfer and secure titles to reform sector lands, as well as increase technical assistance delivery to reform beneficiaries. During 1986, Agricultural Reform Sector Financing (519-0307) will provide agricultural production and investment credit to reform beneficiaries. In 1987, a local currency generated project will begin to provide increased, affordable credit to small and landless Phase II agrarian reform farmers to assure their access to and participation in land redistribution through voluntary sales.

Initial efforts at agricultural diversification under Agrarian Reform Sector Support (519-0265) have been successful, resulting in $3.0 million of production exports in 1985 with this amount expected to double both in 1986 and 1987. The main success to date, however, has been the increase of food crop production, while export agriculture on Phase I farms still requires significant effort. In FY 1986, Water Management (519-0303) will begin to specifically address the issue of intensified production of non-traditional crops for export by making loans and technical assistance available for irrigation and processing and support services. In FY 1988, Agribusiness Development (519-0327) will support agricultural processing initiatives, particularly for non-traditional exports.

In coffee, the Mission has strongly encouraged the GOES to establish appropriate policies and programs. Toward this end, in FY 1985 the GOES utilized local currency generations to establish special lines of credit for refinancing the 1980-1984 debt of coffee producers for replanting coffee farms. In addition, the GOES' recently adopted 1986 Economic Program doubled the support price for coffee in keeping with world prices. In 1986, the Mission will encourage the GOES to promote the liberalization of coffee export marketing.

The anticipated results are that El Salvador will make further progress toward an overall increased food self-sufficiency, as well as a diversified base of agricultural exports, while maintaining its position as a leader in coffee. These results should lead to increased and stabilized export earnings, reduced balance of payments deficits, increased employment and higher nutritional standards. Although the aforementioned AID projects will address the forseeable problems related to increasing agricultural production, it is the unforseeable problems (e.g., weather, world prices, the war, Salvadoran political commitment to agricultural growth) which portend the greatest obstacles to AID's agricultural development objectives.

Projects:

Continuing:		LOP ($000)
Water Management	519-0303	18,744
Agr. Reform Sector Support	519-0265	52,030
Ag. Reform Sector Financing	519-0307	50,000
ARDN PD&S	519-0167	Ongoing
New:		
Agribusiness Development (FY 1988)	519-0327	30,000

Budgetary Impact (FY 1987): $31,854

3. Objective Category: Private Sector Support

The overall short-term objective is to encourage a private sector-led economic recovery by promoting the policies and support services needed by the sector, with an emphasis on non-traditional exports. Towards this end, the major emphasis is to encourage the GOES to realize the vital role of the private sector and to assist it to work constructively within the democratic process. This will be done by: improving the investment climate; assuring the availability of credit resources; streamlining existing and developing new credit facilities to service production and investment for non-traditional export; assuring adequate foreign exchange availability; establishing financial mechanisms (e.g., terrorism insurance) to increase domestic private sector investments; and strengthening private sector associations.

AID's strategy is, first, to encourage the GOES to realize the importance of working constructively with the private sector. Secondly, AID will encourage both the GOES and the private sector to work together to: carry out activities which promote a positive investment climate; depolarize the relationship between the Salvadoran public and private sectors (and among the various elements of the private sector); assure private sector access to credit, foreign exchange, technology and markets); and develop the public-private institutional capacity necessary to promote investment and exports.

Key Assumptions:

--- That if there is to be increased aggregate private sector involvement and demand in order to achieve required economic growth, particularly as related to the development of non-traditional exports, then the GOES must support the private sector's role in El Salvador's reactivation.

--- That if additional investment capital is to be attracted to El Salvador, then the country must regain its international financial standing in the eyes of foreign commercial banks.

— That if the private sector is to be strengthened and industrial production increased, then GOES credit requirements must not crowd out those of the private sector and sufficient credit must be made available, especially for exports.

Policy Dialogue:

— The encouragement of President Duarte to continue an ongoing dialogue with moderate private sector businessmen during FY 1986 and beyond.

— The establishment of a joint high level public/private sector committee with the purpose of developing and monitoring progress towards export development plans.

— The encouragement of the private sector to play a positive role in economic reactivation.

— The promotion of venture capital banking (USAID and/or ROCAP project) and/or investment roles for private sector companies as a means of complementing nationalized commercial banking activities.

— The adoption of implementing regulations governing the establishment and operation of foreign banks in El Salvador.

— The enactment of an acceptable Export Promotion Law to stimulate non-traditional exports.

— The establishment and achievement of credit targets in the GOES' Monetary Program which provide adequate credit to the private sector, especially for export activities.

Performance Indicators:

Targets:

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
CREDIT TO PRIVATE SECTOR (MIL COL)	3,861.0	4,834.0	4,710.0	--	--	--	--	--
CREDIT TO PRIVATE SECTOR AS % OF TOTAL GROSS CREDIT 1/2/	60.0	63.6	62.0	67.0 2/	75.0	82.0	87.0	90.0
PRIVATE SECTOR INVESTMENT AS % OF GDP	5.0 3/	8.0	--	8.0	9.6	10.0	11.0	12.0
EXPORT PROMOTION LAW	--	--	--	PASSED	--	--	--	--

1/ TARGET EXPRESSED AS % OF TOTAL GROSS CREDIT BECAUSE OFFICIAL FORECASTS ARE UNAVAILABLE. IT ASSUMES THE PUBLIC SECTOR WILL CONTINUE TO REDUCE ITS DEFICIT AND THE PRIVATE SECTOR WILL RECEIVE MOST OF THE BANKING SYSTEM CREDIT.
2/ ACCORDING TO MONETARY PROGRAM FOR 1986.
3/ FIGURE IS FOR 1984 ONLY.

Benchmarks:

— Private sector/public sector coordination on 1986 GOES economic measures and their adjustments. 4Q CY86

— FUSADES association strengthening groups provide 50 TA and training projects to private sector associations. 4Q CY87

— Private sector credit represents at least 67% of total banking system outstanding credit.	1Q CY87
— Regulations and procedures for export credit are further streamlined by the BCR.	4Q CY87
— $75 million of EXIM TCIP financing utilized.	4Q CY86
— During FY 1986, make the local currency equivalent of $28 million available to the private sector as follows: Industrial Credit $20 million, Economic Development Fund $4 million, and Short-Term Credit $4 million.	4Q FY86
— Achieve a maximum turnaround time of 60 days for credit applications.	4Q CY86
— Remove the need for BCR approval prior to commitment of funds by commercial banks in the case of rediscount lines.	4Q CY87
— In conjunction with the local insurance companies, have in place an insurance program to cover damage caused by terrorism to productive assets of the private sector. This will entail $40 million funding with local currency generated by the ESF program.	3Q CY86

Narrative:

With positive GDP growth rates of 1.5% and 1.6% in 1984 and 1985, respectively, the Salvadoran economy is now poised between stabilization and recovery. Its full recovery depends on the private sector, specifically, an improved investment climate, a strengthened free market enterprise system, and access to both foreign exchange and credit. Although the private sector has been largely responsible for the recent reversal of the long slide in the nation's economic performance, it is hesitant to take a more aggressive role due to the existing conflictive private-public sector relations stemming from both ideological and historical roots. The private sector sees the President as viscerally against the larger business class and as responsible for imposing reforms (e.g., agrarian, banking, export marketing) directed against themselves. The President sees the private sector as an elitest group whose power has been clipped but still remains dangerous and must be undercut.

Development of a national concensus is essential to economic reactivation. The President must play a more unifying role, which he finds very difficult. Towards this end, he has made some initial overtures by making a series of statements of his intentions regarding further reforms on the role of the private sector and the need to diversify the economy. On the other hand, the private sector must stop attacking the President unmercifully on every issue and begin to work constructively on the development of the country. Regular involvement of the private sector in consultation with the GOES on economic matters would improve economic policy and generate broader support for it.

During FY 1986 and FY 1987, AID will maintain its priority of building better public/private sector relations building upon recent positive actions. An informal group of moderates has already been established to meet periodically with the President. Formal periodic meetings are to be resumed between the GOES Monetary Council and ANEP, the private sector unbrella organization. The Minister of Planning and the Union of Salvadoran Business Managers (UDES) have expressed their intent to initiate seminars between the private sector and public officials on reactivation and growth of the economy. The recent enactment of a law governing international banking operations has been favorably received. The development of laws governing investments and the adoption of a new labor code (see II.D.4) are still to come. As a means of reinforcing the aforementioned public/private sector rapproachment process, AID support will continue to be given to strengthen existing business associations.

In the area of credit, growth of the Salvadoran economy in the coming years will depend on increased private sector investment which, in turn, will be predicated, in part, upon adequate credit and financial support. In El Salvador, the banking system is by far the most important financial intermediary for channelling savings and funds from other internal and external sources into investment. In the five years prior to the onset of the present crisis, by far the greatest portion of banking system credit was extended to the private sector (i.e., over 83%). Between 1979 and 1984, less than 32% of total credit extended by the banking system went to the private sector. In FY 1985, progress at reversing this trend included: the design, negotiation, and implementation, in conjunction with the BCR, of a private sector credit program (financed by ESF local currency generations) which increased both the total amount of credit resources allocated to the economy and the share of those resources to the private sector; the implementation of a $75 million Trade Credit Insurance Program (TCIP), which should result in increased imports (e.g., raw materials, parts, equipment) from the U.S., the freeing of $20 million previously tied up in collateral deposits, and substantially lowered trade credit interest rates; the making available of 20,000 loans totalling $24 million to small enterprises and small producers (1980-1985); and the establishment of $10 million in new credit lines through Small Producer Development (519-0229), as well as getting the banking system to develop and promote credit facilities to service production and investment credit for non-traditional export activities. During FY 1986, AID will work toward reducing credit approval turnaround time in the banking system, work with the banking system to launch a multi-media publicity campaign advertising available credit facilities, possibly start a private venture capital activity, and initiate an ESF local currency insurance program to cover damage caused by terrorism to productive assets of the private sector.

In the area of foreign exchange availability, AID has provided more than $500 million to the GOES for balance of payments support since 1981. These dollars are sold to the private sector for imports of raw materials, intermediate goods, spare parts and capital goods. AID works closely with the GOES to ensure that the resources made available through this ongoing program are used appropriately.

In the area of free enterprise system strengthening, AID has supported FUSADES in its development of several programs. Its Economic and Social Research Program analyzes the macro-economic and social situation of El Salvador. The Trade and Investment Promotion Services (PRIDEX), with an office in the U.S., promotes private investment of non-traditional exports and directly helps companies to export by providing technical assistance and identifying markets. The Agricultural Diversification Program promotes agricultural production and exports. The Association Strengthening Activities (FORTAS) Program enhances the organization of business associations, as a means of improving the effectiveness of their services to their members and promoting investment and exports. Apart from FUSADES and private sector associations assisted through it, AID provides support to Junior Achievement of El Salvador, a program giving high school students direct exposure to the free enterprise system.

Projects:

Continuing:		LOP ($000)
Industrial Stabilization and Recovery (includes FY 1986 Amendment)	519-0287	34,460
IESC	519-0302	500
Urban Small Business	519-0304	3,000
Youth Entrepreneurial Development	519-0311	1,000
Assoc. Strengthening Activity	519-0316	370
TCIP (EXIM)	-	75,000
SDA PD&S	519-0177	Ongoing
Private Sector Credit (FY 1985)	519-0310	40,000 (LC)
BCR Private Sector Fund (FY 1986)	519-0310	520 (LC)
Investment Promotion Insurance (FY 1986)	519-0310	48,000 (LC)

New:		
Industrial Parks & Infrastructure (FY 1988)	519-0323	12,000

Budgetary Impact (FY 1987): $10,300

C. BROADENING THE BENEFITS OF GROWTH

In order to broaden the benefits of growth, AID is supporting initiatives in the areas of agrarian reform, marginal community development, health, family planning, educational and scholarship opportunities, and small business. These initiatives are critical to the success of the new democracy and U.S. policy in El Salvador. The new democracy of President Duarte must demonstrate that it can address the long-neglected basic human needs of the vast majority of the populace. The basic claim of the

guerrillas is that democracy and free-market economies serve only a small priviledged class and that the only alternative for the people is an authoritarian state with a controlled economy. Although diminishing, the claim continues to have some appeal to the uneducated, poor segments of the population resulting from the GOES' inability to fully address expressed basic human needs. The GOES's budget over the last five years has been strained by rising defense expenditures and stagnating revenues due to the economic crisis. As a result, ministry budgets in the social sectors have been reduced and, consequently, the country's basic social systems (e.g., education, health services, low income housing) are deteriorating and services are being reduced. This is compounded by the fact that there have been massive population shifts as people have been displaced from northern rural areas to the cities as a result of the violence so that many public facilities are no longer property located.

AID's overall strategy is to assist the GOES to carry out vigorous and effective social service programs. A major effort will continue to: consolidate the agrarian reform; improve education, health and family planning services; upgrade the marginal communities of displaced persons and squatters; and offer the benefits of U.S. training to the disadvantaged.

1. Objective Category: Agrarian Reform

AID's short-term objective is to help consolidate the agrarian reform, including restructuring of the agrarian debt, compensation of former landowners, titling, definition and establishment of beneficiary rights, upgrading of co-op management, provision of agricultural extension services and initiation of Phase II. The long-term objective is to integrate the agrarian reform and non-reform sectors into a productive agricultural economy.

AID's strategy for consolidating the agrarian reform is to encourage the GOES to identify and define the problems of the reform and to provide support to the agencies and institutions responsible for resolving these problems.

Key Assumptions:

— That if the GOES takes steps to reduce the interest rate, extend the amortization period, and forgive or freeze the 1981 emergency production credit debt servicing, then the financial position of the cooperatives and beneficiaries will be brought in line with their ability to pay. The sense of desperation at the magnitude of the present debt will be greatly alleviated and Phase I beneficiaries will have more of a sense of personal ownership/commitment to the cooperatives.

— That if the GOES compensates the former landowners for their expropriated properties, then the tendency toward counterreform will be reduced, the beneficiaries' access to the land will be legitimized, and entrepreneurs who lost assets but are still willing to make productive investments in the country will be provided with capital.

— That if ISTA and FINATA issue definitive titles and the titles are registered, then beneficiaries will be encouraged to feel and act like landowners and be more willing to make investments in their farming enterprises.

— That if the GOES defines the membership rights and obligations of Phase I beneficiaries, then a sense of ownership which encourages increased production and economic viability will be fostered among beneficiaries.

— That if the credit and agrarian reform institutions insist on good management of the cooperatives, then the production increases and economic goals of the cooperatives will be achievable.

Policy Dialogue:

— The acceleration of the land titling process.

— The enactment of Phase II implementing legislation.

— The resolution of the agrarian debt problem through the enactment of legislation (or issuance of an Executive Order) restructuring the cooperative debts by third quarter CY 1986.

— The modernization of the land registry system through the enactment of legislation changing the method by which real estate sales are registered by second quarter CY 1986.

— The full up-to-date compensation by the GOES of Phase I and Phase III former landowners by end of CY 1987.

— The definition of rights and obligations of agrarian reform beneficiaries through the drafting and enactment of new legislation to be completed by fourth quarter CY 1986.

Performance Indicators:

Targets:

	1980	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
TOTAL RURAL POPULATION	2,624,528	--	--	--	--	--	--	--
RURAL POP. AFFECTED BY PHASES I & III	570,162	--	--	--	--	--	--	--
PROPERTIES COMPENSATED, PHASE I	--	311	405	469	--	--	--	--
PROPERTIES COMPENSATED, PHASE III 1/	--	1,475	2,463	3,753	4,500	--	--	--
NUMBER COOPS ESTABLISHED, PHASE I	--	317	--	--	--	--	--	--
COOPS REPAYING PRODUCTION CREDIT	--	184	--	197	211	226	243	260
PRELIMINARY TITLES, PHASE III	--	65,782	--	--	--	--	--	--
DEFINITIVE TITLES, PHASE I	--	127	199	317	--	--	--	--
DEFINITIVE TITLES, PHASE III	--	16,992	23,623	30,000	45,000	--	--	--

NB: FIGURES ARE CUMMULATIVE.

1/ TARGETS ARE TENTATIVE AS FINATA'S ACTION PLAN HAS NOT YET BEEN APPROVED.

Benchmarks:

— The development of a viable solution to the problem of agrarian debts; specifically an announcement by the GOES that the amortization period will be extended, the interest rate will be lowered, a new grace period will be granted, and emergency credits of 1981 will be frozen.	3Q CY86
— The payment of past-due cash and interest payments to former landowners and the maintenance of current payments of an estimated amount of ¢286 million over a two year period.	
- ¢200 million (¢60-GOES budget, ¢140-ESF local currency generations) compensated in 1986.	4Q CY86
- ¢86 million compensated in 1987.	4Q CY87
— The acceleration of titling within ISTA and FINATA.	
- The completion of ISTA titling (317 titles).	4Q CY86
- The acceleration of FINATA titling (45,000 titles) (these numbers may be reduced if it is found that all the beneficiaries do not have valid claims).	4Q CY87
— The acceleration of the process of defining beneficiaries rights and obligations, specifically the recommendation by the GOES to modify the present General Agrarian Reform Law which, in turn, will allow cooperatives greater liberty in determining how they want to operate.	4Q CY86
— The placement of an additional 140 managers and accountants (total of 250) on Phase I cooperatives by agrarian reform institutions.	2Q FY87
— Cooperatives receiving agricultural extension services.	2Q FY87
— The ability of all Phase I cooperatives to operate independently from ISTA (i.e., ISTA co-managers removed from cooperatives)	4Q FY87
— The increased access of agrarian reform beneficiaries to production and investment credit.	
- Establishment of a rediscount line in the BCR to be used by the BFA and mixed banks.	4Q CY86
- The channelling of an additional $50 million for agricultural credit into the reform sector.	4Q FY88

— The provision of training in leadership and cooperativism to members of the Phase I cooperatives.

- 100 cooperative members exposed to U.S. marketing cooperatives.	4Q CY86
- 25 campesino leaders trained in leadership skills in the U.S.	4Q CY86
- 25 women leaders from cooperatives exposed to women-owned cooperatives in the U.S.	2Q CY87

— The acceleration of diversified agriculture on Phase I cooperatives.

- Four additional Phase I cooperatives producing products for export.	2Q CY87

Narrative:

The agrarian reform, now in its sixth year, has changed land tenure patterns and undercut radicalization of the rural poor. In the long-run it is expected to alter the social structure, widen the political base, and expand economic opportunity. The reform's three phases potentially affect 30% of the rural poor and 33% of the farm land. To date, the GOES has expropriated 469 properties of over 1,235 acres benefitting some 317 coops with 31,359 direct beneficiaries (Phase I), as well as granted 240,054 acres to some 65,782 previous renters and sharecroppers (Phase III). Any properties over 605 acres (Phase II) that exist at the end of CY 1986 are subject to expropriation. Current GOES actions are attempting to complete the issuance of property titles to Phase I and Phase III beneficiaries, complete compensation of the properties involved, adopt legislation to permit an accelerated beneficiary registration process, and develop regulations for Phase II which avoid expropriation and management by the State of these lands.

In FY 1986, a project amendment extending and focusing Agrarian Reform Support (519-0265) on specific consolidation goals will be developed and Agrarian Reform Financing Credit (519-0307) is being designed to channel credit aimed at reform beneficiaries' production and investment financing needs. In addition, two special assessments will be carried out to determine the social changes (and political effect of these changes) caused by Phases I and III and to determine the economic impact of the agrarian reform. Other activities under Agrarian Reform Support will emphasize the completion of titling and compensation and continue vital public and private sector technical assistance to reform beneficiaries. A major 1985 reorganization of ISTA, the Phase I implementing entity, has already resulted in faster cooperative titling, and recently passed changes in the Registry Law should accelerate the Phase III titling process by FINATA. With definitive titles, beneficiaries should be more able and motivated to secure credit and technical assistance from both of the aforementioned projects. The expected results are increased productivity and standards of living for agrarian reform beneficiaries, thus assisting the rural poor target population and the country as a whole.

Various problems continue to affect the consolidation of the agrarian reform. Obtaining definitive titling remains a complicated process which slows many other aspects of the reform's progress. Compensation is still an issue which is slowly working its way through the Salvadoran legal system. Paternalism on the part of the GOES still ties the beneficiaries to government management and deters productive incentive of the individual beneficiary. These problems will be addressed by the Mission's policy dialogue.

Projects:

Continuing:		LOP ($000)
Agrarian Reform Sector Support	519-0265	52,030
Agrarian Reform Sector Financing	519-0307	50,000
ARDN PD&S	519-0167	Ongoing
Rural Small Enterprise and Cooperative Development	519-0312	3,250

Budgetary Impact (FY 1987): $29,780

2. Objective Category: Marginal Community Development

AID's housing objective is to help El Salvador meet the shelter needs (e.g., neighborhood improvements, serviced lots, progressive core housing units) of poor families. As such, it will support GOES efforts to: meet the housing requirements of the poorest population, improve the planning and institutional capacity of financial organizations, capitalize a permanent low-income housing program, and use private construction and PVO management resources to improve efficiency.

AID's strategy in addressing the housing needs of people is to channel resources into marginal community improvement, marginal community upgrading, and roof and floor solutions and, simultaneously, to assist the GOES in attaining the greatest degree of cost recovery and moving towards self-sufficiency.

Key Assumptions:

— That if the availability of affordable progressive housing solutions is increased, then more low-income families will enter the formal, legal housing sector and ease the political, social and health problems associated with the rapid proliferation of illegal slum areas.

— That if Popular Housing Program (PRONAVIPO) receives broad GOES and private sector support, then increased housing construction targets can be reached.

— That if an effective recovery mechanism for PRONAVIPO is established, then increased reflows for additional housing financing will be made available with minimal decapitalization.

— That if the GOES lowers housing and urbanization standards (i.e., legalizes low-cost solutions), then the housing industry will give greater emphasis to minimal cost solutions.

Policy Dialogue:

— The enactment of legislation establishing a coordination mechanism to identify priority areas for upgrading, set policies, review plans of the various executing institutions and monitor programs.

— The acceptance by GOES housing authorities of the principle of cost recovery as a means of eliminating the current policy of subsidized low-income housing.

— The acceptance by GOES housing authorities of lower-cost housing solutions (e.g., sites and services, self-help housing, home improvement loans, floors and roofs) appropriate for different income levels.

— The establishment by the GOES of high enough interest rates for housing construction to prevent the decapitalization of implementing agencies.

Performance Indicators:

Targets:

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NEW URBAN HOMES W/ UTILITIES	671	1,117	1,440	4,400	900	950	150	250
SITES AND SERVICES (URBAN LOTS)	--	--	--	230	400	600	900	1,000
NEW UTILITY CONNECTIONS (URBAN)	--	--	--	3,000	3,500	5,200	7,000	9,000
URBAN SLUM HOUSEHOLD UPGRADES	--	629	629	0	1,500	2,500	3,800	5,000
NEW RURAL HOMES	83	11	90	820	200	300	400	600
HOME IMPROVEMENT LOANS (RURAL & URBAN)	--	--	--	460	1,400	1,450	1,600	2,000

Benchmarks:

— Establishment of a new or strengthening of the existing (PRONAVIPO) GOES housing implementation unit capable of achieving the above targets. 3Q CY86

— The issuance of a GOES decree establishing new lower minimum housing standards. 4Q CY86

Narrative:

The demand for housing has dramatically increased as a result of war-related rural-urban migration, exacerbating an already large deficit. A recent assessment projects a housing demand of about 40,000 new units for 1986, a sharp contrast to the annual average construction rate of 11,000 units for 1979-1983. The GOES must address this problem through efforts to upgrade marginal communities, increase rural housing, coordinate financial and service institutions involved in low-cost housing, establish a coordinating unit to direct marginal community and low-cost housing programs, and adopt sound housing-related policies (e.g., interest rate standardization, streamlined procedures, use of private sector contractors). At present, the housing sector is unable to meet the shelter requirements of the lowest income groups and an increasing proportion of the population is without access to adequate and affordable housing and sanitation. Highly subsidized lending and poor cost recovery have resulted in a declining capital base available for housing investment and construction of basic urban infrastructure has not kept pace with the demand and has further contributed to the growing number of illegal and unserviced settlements (e.g., half of San Salvador's population consists of marginal communities). Even with much greater production rates, housing construction is likely to fall far short of demand for many years. The emphasis on very low-cost (sites and services) solutions and efficient use of private sector construction capacity is seen as the most viable means to build capacity in the sector.

Although progress to date in housing has been slow, the development of Las Presitas housing project was initiated, and the Urban Housing Institute (IVU) continued to implement its housing projects with FY 1980 HG funding and corresponding mortgages were issued. Implementation constraints led to delays in contracting FY 1982 and FY 1983 HG funds and, thus, in identifying additional potential housing projects. In FY 1985, approximately 1,746 urban housing units were constructed/upgraded and about 300 mortgages issued.

A major action in FY 1986 will be the contracting of FY 1982 and FY 1983 HG funds to finance the Las Presitas housing project in San Miguel and ANDA's non-formal community projects. The latter includes the introduction of basic water services at the town level. The HG Agreement will be amended to add $5 million of FY 1983 HG funds to be used to finance IVU ongoing and new projects, to continue ANDA non-formal community projects, and to possibly discount mortgages as a means of capitalizing house construction financing institutions such as the Housing Social Fund (FSV) and the National Housing Finance Company (FNV). The FSV and FNV activities were not originally contemplated but will be possible as a result of the additional local currency resulting from the new exchange rate. It is expected that in FY 1986 unit construction/rehabilitation will be 4-5 times the FY 1985 level which includes approximately 820 new units in the rural area. In FY 1987, the Mission will consider requesting additional HG-funds should disbursement rates on current resources accelerate as expected. The FY 1987 HG program would focus on fast disbursing, low-cost solutions such as water/sewerage connections and sites-and-services with costs being recovered within the first ten years of the program.

This, as well as ongoing efforts, would complement the proposed IDB sites and services program by funding associated off-sites infrastructure and by encouraging cost recovery through the GOES' Popular Housing Program (PRONAVIPO).

Projects:

Continuing:		LOP ($000)
Housing Investment Guaranty	519-OHG-006A	9,500
	006B	5,500
	006C	5,000
	006D	5,000
		25,000
Popular Housing Program (PRONAVIPO)		5,000 (LC)
New:		
Housing Investment Guaranty (FY 1987)	519-OHG-007	10,000

Budgetary Impact (FY 1987): $10,000 (HG)

3. Objective Category: Health

In the short-term, AID's objectives are: to assist the GOES' Ministry of Public Health and Social Welfare (MSPAS) to operate its existing basic health care system at an acceptable level, particularly in restocking pharmaceuticals and basic medical equipment, and to adequately provide basic health services to the displaced population (see II.B.4). AID'S medium to long-term objectives are to help El Salvador reduce the need for secondary and tertiary care by stressing primary care, and to improve its management, logistics and maintenance systems. To this end, AID will support GOES efforts in extending service coverage in rural areas, lowering health-care costs through improved planning and management, expanding cost-effective primary health care and rural health aide programs, and increasing potable water availability in urban and rural areas. AID will also help the GOES address its population's physical rehabilitation needs through a small OPG.

AID's strategy is to: finance pharmaceuticals, supplies and equipment required by the health system; provide cost-effective health interventions; and introduce fundamental planning, management, and administrative techniques and systems.

Key Assumptions:

--- That if the current level of the war continues, then GOES financing for the MSPAS is unlikely to increase substantially.

--- That the Salvadoran public is willing to share the costs of reliable quality services.

— That the GOES has the political will to support efficient management of the MSPAS.

— That if the MSPAS' management is streamlined and resources (i.e., human, technical, financial) are utilized cost effectively, then improved health care services and health status will result.

Policy Dialogue:

— The decentralization of MSPAS organization and management to permit regions to plan and implement their programs.

— The development of procedures by the MSPAS for estimating commodity requirements by level of facility and disease patterns to ensure timely procurement and distribution of pharmaceuticals.

— The development of a plan by the MSPAS for generating the funds necessary to eventually take over pharmaceutical procurements presently financed by AID.

— The elaboration of a plan by MSPAS for allocating increased resources to preventive as opposed to curative health care services.

— The commitment of the MSPAS to cost-effective management and health services; specifically the adoption of a patient cost-sharing policy.

Performance Indicators:

Targets:

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
CRUDE MORTALITY RATE	10.0	9.0	--	9.0	8.5	8.2	8.0	8.0
INFANT MORTALITY RATE/1000 LIVE BIRTHS	75	74	--	72	70	68	63	59
CHILD MORTALITY (1-4 YEARS) AS % OF TOTAL	26.0	26.0	--	25.5	25.0	24.0	24.0	23.0
DEATH RATE/10,000 FROM DIARRHEA & DEHYDRATION (ALL AGES)	NA	3.9	4.2	3.5	3.04	2.6	2.2	1.7
CHILDREN -5 WITH 3RD DEGREE MALNUTRITION (%)	7.0	6.0	6.0	5.0	3.5	2.0	1.8	1.6
NUMBER ORT PACKETS DISTRIBUTED (MILLION)	.650	1.9	--	2.5	3.0	3.5	3.5	4.0
CHILDREN UNDER 2 FULLY VACCINATED (%)	38.7	23.0	--	30.0	35.0	45.0	55.0	70.0
CHILDREN UNDER 2 VACCINATED FOR MEASLES (%)	NA	45.9	46.0	48.0	55.0	60.0	65.5	70.0
CHILD HEALTH VISITS/1000 CHILDREN -1 YR	473	406	--	450	500	685	825	1000
PRENATAL VISITS/1000 LIVE BIRTHS	589	588	--	625	700	775	875	1025
NUMBER MALARIA CASES REPORTED BY MOH	62,447	41,528	55,000	40,000	40,000	40,000	40,000	40,000
MALARIA SLIDE POSITIVITY RATE	24.7	22.1	21.7	19.0	18.5	16.5	13.0	10.0
NUMBER MALARIA SITES TREATED	35,000	34,900	35,000	33,300	33,500	33,500	33,500	33,500

Benchmarks:

— Complete the initial development of an automated pharmaceutical and medical supply management system. 4Q CY86

— Train regional and central MSPAS staff in new pharmaceutical and medical supply management system. 4Q CY86

— Complete implementation and evaluation of first large malaria source reduction project.	4Q CY87
— Complete targeted malaria spray cycles of approximately 33,500 houses annually.	Ongoing
— Upgrade laboratory personnel skills to improve diagnosis of malaria in health facilities.	4Q CY87
— Train 90% of clinical medical/paramedical personnel in the use of drug formularies.	3Q CY87
— Maintain bio-med equipment maintenance productivity (% work orders completed/month) at 80% monthly average.	4Q CY87
— Complete renovation of facilities and installation of equipment purchased under Health Systems Vitalization (519-0291).	1Q CY87

Narrative:

The health status of El Salvador's population has not improved significantly during the war. Malnutrition is endemic and infant and child mortality remain high. Diarrhea remains the major cause of death with 60% of these among children under five. Although the official infant mortality rate is estimated at 41.4 per 1,000 live births, a more realistic estimate may be as high as 74. Life expectancy at birth is 64 years and the crude birth and death rates are 37.5 and 9.0, respectively.

The eroding financial base and continuing violence in El Salvador reduced the functional capacity of the MSPAS during 1981-1983. Facilities have lacked pharmaceuticals, medical supplies and basic equipment. Systems for drug quality control, maintenance (e.g., vehicles, equipment, facilities) and information for health management and planning have been traditionally weak or ineffective. Health Systems Vitalization (519-0291) is assisting the MSPAS to meet its continuing requirements for pharmaceuticals and medical supplies. It has also improved the management of medical supply, equipment maintenance and information systems. To deal with GOES budgetary constraints, the MSPAS is seriously examining mechanisms by which more service costs can be recovered and/or shared with its clients.

By the end of CY 1985, Health Systems Vitalization (519-0291) progress was satisfactory despite initial start-up delays. Nearly $10 million was provided in commodities and services (e.g., pharmaceuticals, medical supplies, insecticides/malaria equipment, bio-med equipment, emergency medical services and equipment). Other supplies and equipment valued at nearly $13 million were on order. In addition, a number of key studies were carried out including: a trauma study; a preliminary analysis of MSPAS recurrent costs and potential for revenue from additional sources; a review of pharmaceutical supply and movement; and an assessment of bio-medical equipment maintenance resources and needs.

Based on the mid-1985 project evaluation, an amendment was developed and approved to extend the PACD to December 1986 and provide additional pharmaceutical supplies, medical equipment, vehicles and TA to help assure achievement of project objectives. A new TA team was recruited in August 1985 to continue the MSPAS strengthening process.

During CY 1986 the TA team working with the MSPAS will complete the installation of basic systems for fleet management and vehicle maintenance, bio-medical equipment repair and maintenance, drug supply management and quality control, and collection and analysis of management information. Also during FY 1986, USAID expects to complete the design and development of the new Health Systems Management (519-0308) to begin implementation in FY 1987. The new project will provide continued support for pharmaceuticals, health supplies, and equipment and will also build upon and institutionalize management improvements begun under Health Systems Vitalization (519-0291). Follow-on assistance will also be provided for malaria control activities. A new project element in FY 1987 will seek to strengthen the MSPAS' capacity to reach rural populations through community-based salaried and volunteer health workers. The project will finance the development and testing of community-based, low-cost service delivery models using primary health care and child survival technologies in selected geographical areas. These service models will be tested and refined during FY 1987 and FY 1988 so that services can be expanded and improved in other areas of the country.

For FY 1988, the Mission plans to design and implement the new Potable Water/Environmental Sanitation (519-0324) to help address the need for safe water (quantity and quality) and adequate disposal of sewage in urban and rural areas. Building on the experience of pilot potable water activities implemented in late FY 1986-FY 1987, this project will help to increase the population's reasonable access to potable safe water supplies (53.0% in 1975) and, thus, directly address one of the major factors of El Salvador's high infant and child mortality rates.

Projects:

Continuing:		LOP ($000)
Health System Vitalization	519-0291	35,625
Health Systems Mgt Improvement	519-0308	32,000
Save the Children OPG	519-0300	3,649
Health PD&S	519-0178	Ongoing
New:		
Potable Water/Environmental Sanitation (FY 1988)	519-0324	20,000

Budgetary Impact (FY 1987): $7,974

4. Objective Category: Education

The short-term objective is to restore the primary education system to pre-conflict levels and to increase access to basic education services. AID's medium-term objective is to improve the quality of primary education, and to strengthen and increase pre-employment and vocational skills training to provide increased permanent employment opportunities for workers and managers, particularly those employed by firms contributing to El Salvador's export expansion. Higher education will not be addressed during FY 1986-FY 1988 period, and adult education has been deleted as this subsector will be addressed by the IDB starting in late CY 1986. AID's overall objective is to help educate and train Salvadorans in order to facilitate employment, thus contributing to the country's economic growth.

AID's strategy in the education sector is to assist the GOES to: stem the flow of new illiterates in a country with one of the lowest literacy rates by making universal primary education a reality over the next ten years; and develop a capacity to train an exceptionally hard working labor force to support a reoriented, diversified, labor-intensive, export economy.

Key Assumptions:

--- That the GOES will continue to support AID's Action Plan goals and objectives throughout the target period.

Policy Dialogue:

--- The greater participation of communities in the maintenance of schools and in the stregthening of the educational process.

--- The close coordination with the IDB on its effort in the adult literacy subsector proposed to commence in late CY 1986. Also, coordination with the IBRD regarding school construction in primary education.

Peformance Indicators:

Targets:

	1983	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NET PRIMARY SCHOOL ENROLLMENT RATIO	60	60	60	60	60	62	64	66	66
NUMBER NEW CLASSROOMS CONSTRUCTED *	100	295	3	--	100	160	200	200	--
NUMBER RECONSTRUCTED CLASSROOMS *	--	--	--	--	40	500	400	400	--
NUMBER TEXTBOOKS DISTRIBUTED (MILLION)	--	--	--	--	--	1.2	1.5	.08	--

* ALL NEW AND RECONSTRUCTED CLASSROOMS WILL BE EQUIPPED AND STAFFED.

Benchmarks:

— Completion of the pilot program phase including the construction of 100 new and 40 rehabilitated classrooms to provide access to 11,200 primary age school children.	4Q FY86
— GOES contracts awarded for the construction of an additional 160 new and 500 rehabilitated classrooms to provide access to 52,800 primary age school children.	1Q FY87
— GOES contracts awarded for the construction of an additional 200 new and 400 rehabilitated classrooms to provide access to 48,000 primary age school children.	3Q FY87
— GOES contracts awarded for the construction of an additional 200 new classrooms and 400 rehabilitated classrooms to provide access to 48,000 primary school age children.	3Q FY88
— Completion of a Vocational and Technical Needs Assessment.	3Q FY86
— Completion of PP for Training for Private Sector Development.	3Q FY87

Narrative:

Before the war, primary school enrollment, new classroom construction, and teacher training were expanding at an annual average rate of 4.3%, compared to the 2.8% annual growth rate of the school-age population. Students were remaining in school longer and the GOES was providing 20-25% of its budget for education. As a direct result of the war, 800 schools have been abandoned, over 650,000 children grades 1-6 have no access to school and the education budget has dropped by more than 45% of the 1978 level (in constant 1978 prices). Vocational education has also experienced serious problems, including a shortage of qualified instructors and a lack of linkages between GOES training institutions and private firms needing trained employees. In sum, economic development is impeded by inadequate basic and vocational education opportunities.

In mid-FY 1985, Education System Revitalization (519-0295) was initiated. Progress to date includes: the construction and inauguration of a three classroom prototype school in October 1985; the completion of an Education Baseline Survey in November 1985, and the initiation of 10 community pilot programs in school maintenance in December 1985. In addition, the procurement process for 24 school maintenance vehicles and the reproduction of 1.2 million textbooks has been initiated, and procurement of school maintenance tools, school furniture for the first 200 classrooms, and supplies for 200 classrooms has been carried out. By July 1986, the MOE is expected to complete the bid process for the construction of the first 100 new classrooms and the reconstruction of 40

classrooms. Lastly, the MOE has overcome initial problems in establishing the project's Special Management Unit (APRE) and current efforts to provide logistical support to each major project component are progressing in an acceptable manner. A problem which has delayed the start-up of large-scale school construction and reconstruction is the granting by AID/W of a required life-of project U.S. advertising waiver.

In FY 1987 and based on the findings of a FY 1986 Vocational and Technical Needs Assessment, Training for Private Sector Development (519-0315) will be designed and initiated as a means of establishing the institutional base to assist economic recovery and extend the benefits of growth by meeting the skilled human resource training needs of Salvadoran firms exporting and interested in exporting. During the FY 1988-1990 period, 10,000 low-income persons are expected to benefit directly by the project. The initial beneficiaries will be Salvadoran vocational institutions, as well as small, medium and large Salvadoran firms exporting or interested in exporting to the U.S. and other countries.

Projects:

Continuing:		LOP ($000)
Education Systems Revitalization	519-0295	$40,600
Education PD&S	519-0168	Ongoing
New:		
Training for Private Sector Development (FY 1987)	519-0315	$15,000

Budgetary Impact (FY 1987): $16,400

5. Objective Category: Scholarships

AID'S overall objectives are to increase the number of U.S.-trained (and U.S. oriented) people from El Salvador's low income groups and to support the development of broad-based leadership and technical skills. Under the Central American Peace Scholarships Program, approximately 2,400 people will be sent to the U.S. (1985-1989) for specialized short-term and long-term academic training, while other AID projects will continue to address traditional development (e.g., technical, managerial) areas with participant training.

AID's strategy is to focus training on the disadvantaged, particularly those having leadership qualities, as a means of broadening the benefits of economic growth and of promoting democratic institutions and processes.

Key Assumptions:

— That if participants return and continue working in El Salvador, then progress towards achieving CAPS objectives will have been made.

Policy Dialogue:

--- None.

Peformance Indicators:

Targets:

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
TOTAL NUMBER CAPS RECIPIENTS	--	367	325	340	600	582	530	--
TOTAL NEW STARTS	--	367	325	282	520	460	430	--
TOTAL CARRY-OVERS	--	0	0	58	80	122	100	--
ACADEMIC TRAINING-CAPS (NO. PERSONS)	--	78	25	80	180	122	100	--
TOTAL NEW STARTS	--	78	25	22	100	0	0	--
TOTAL CARRY-OVERS	--	0	0	58	80	122	100	--
CAPS SHORT-TERM TRAINING (NO. PERSONS)	--	289	300	260	420	460	430	--
PARTICIPANT TRAINING	160	127	--	186	171	44	40	30

Benchmarks:

---See target indicators.

Narrative:

In FY 1985, the Mission surpassed its CAPS scholarship recipient target of 325 by 42. This increase pertained primarily to long-term academic studies, an area which the Mission believed was important to El Salvador's long-term development. It also sponsored 127 participants under its regular DA projects. The target levels for the FY 1986-FY 1988 period reflect the continued emphasis to be given in three important training areas (i.e., long-term academic, private sector worker technical training, local leadership) both under the CAPS and DA projects. During this period, the Mission expects to grant approximately 122 CAPS long-term academic scholarships (to include up to one-year of English language training) of which 92 will be for undergraduate technical degrees and 30 for post-graduate study. To measure the overall benefits achieved by the participants and sponsoring Salvadoran institutions, CAPS will be evaluated in late FY 1986. The target indicators, above, indicate that the Mission anticipates that the largest number of scholarships to be granted during the FY 1986-FY 1988 period will be in FY 1987.

During FY 1985, the Mission's local currency generated Trust Fund financed CAPS international travel costs. Due to a shortfull in the Trust Fund for the FY 1986 and the first half of FY 1987, the planned number of target beneficiaries may have to be adjusted downward for the planning period.

Projects:

Continuing:		LOP ($000)
CAPS Program	596-0130	27.4

New:

Budgetary Impact (FY 1987): $7,000

6. Objective Category: Family Planning

AID'S objective is to extend the coverage of voluntary family planning services by increasing the percentage of Salvadoran couples using contraceptives and increasing the overall couple years of protection. The overall objectives are to: increase informed freedom of choice in family planning, increase contraceptive prevalence and couple years of protection, and to improve private and public family planning services. AID will continue to support innovative Salvadoran Demographic Association (SDA) and ongoing GOES programs, as well as involve international PVOs and contractors to complement the bilateral family planning effort.

AID's strategy is to promote family planning services in both the rural and urban areas as a means of reducing El Salvador's natural birth rate.

Key Assumptions:

— That if population growth can be slowed to more manageable proportions, then economic production and services will be distributed among a smaller number of people which should increase the amount of resources available for consumption and investment on a per capita basis and improve the quality of life.

Policy Dialogue:

— The clear definition by the GOES of relative reproductive risk and specific targets for a decrease in population indicators.

— The production by the GOES' National Health Commission of policy statements in reproductive health for the country.

— The testing of new contraceptive methodologies (i.e., Norplant TM).

Performance Indicators:

Targets:

	1978	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
CRUDE BIRTH RATE/1000	39	37	36.5	36	35	34	33	32
NO. COUPLE YEARS PROTECTION	210,000	317,000	320,000	335,000	365,000	395,000	425,000	455,000
COUPLES USING CONTRACEPTIVES (%)	34	45	45.5	46	48	50	52	54

Benchmarks:

— The formation of Special Administrative and Technical Unit.	1Q CY86
— The completion of an inventory of MSPAS contraceptives.	2Q CY86
— The contracting of TA for the project.	3Q CY86
— The installation of a computer network for managing logistics.	4Q CY86
— The carrying out of a KAP study for the mass media program.	4Q CY86
— The initiation of testing of new social marketing methodologies aimed at effectively increasing the number of couple years of protection.	4Q CY86
— The incorporation of private doctors into an informal family planning network as a means of sharing appropriate contraceptive technologies to improve cost effective, voluntary family planning delivery.	1Q CY87
— The carrying out of a Mass Media Impact Evaluation.	3Q CY87
— The carrying out of a Contraceptive Prevalence Survey.	4Q CY88

Narrative:

El Salvador has a rapidly growing population (2.8% annual natural growth rate) which continues to exert pressure on its already overcrowded land. To address this problem, a family planning program was begun in 1962 with the private, non-profit Salvadoran Demographic Association (SDA), followed by GOES involvement in 1968. In spite of these efforts, rural and urban total fertility rates remain at 5.6 and 4.3 children per woman, respectively, and the crude birth rate, despite outmigration resulting from the internal conflict, continues to be high at approximately 37.5 births per 1000 population. The health consequences of such high rates include poor nutrition of pregnant mothers, higher risk of maternal death during or before delivery, and low-birth weight babies with greater risk of early death.

In FY 1985, the national family planning program assisted by Salvadoran Demographic Association (519-0275), helped increase contraceptive prevalence among women in union from 34% in 1978 to 45%. The project funded a medical program, information/education communications/activities and a social marketing program. Achievements under the medical program included 2,284 female and 236 male voluntary surgical contraceptions, 2,622 new acceptors and 26,314 continuing users of temporary methods, including 709 couple years of protection for displaced persons. Education activities included: 4 television spots disseminated 540 times each, 390,000 pamphlets completed and distributed, and 7,400 quarterly newsletter issues produced. Under the social marketing program, 1,267 pharmacies and small stores participated in the sale of contraceptives, 1,168,000 units of product were sold (i.e., condoms, cycles of pills, vaginal foaming tablets), income from the sale of contraceptives increased by 95% from the 1984 level, and 20,000 couple years of protection was achieved.

During FY 1986 the Salvadoran Demographic Association (519-0275) will incorporate the recommendations obtained from an early CY 1986 project evaluation. This is expected to enable the SDA to provide approximately 27,000 couple years of protection under its Social Marketing Program (SMP). The program will undergo in depth modifications to improve the market position of SMP contraceptives. Under the IEC activities, a KAP survey will be carried out under Population Dynamics (519-0210) to segment the target population for mass media strategies to be implemented by both the SDA and the MSPAS. Medical contraceptive activities will reach approximately 4,000 new acceptors for voluntary surgical contraception and 3,500 new acceptors for temporary methods. A new mass media campaign to encourage use of SDA clinics is planned for the second quarter of FY 1986, and the SDA medical program will continue providing both services and education to displaced families, thus integrating the contraception program with general health care. Feasability studies will be performed to assess cost recovery schemes for SDA medical services. SDA's Evaluation Department will contract with private local firms to carry out 8 evaluations and the Training Department will conduct 3 sets of training sessions (e.g., sex education, family planning) for approximately 560 trainers who, in turn, are expected to reach 100,000 persons by the end of CY 1988.

Also in FY 1986, Population Dynamics (519-0210) will establish an implementation unit with the assistance of a TA team. In addition, an inventory of contraceptives supplies and a KAP survey are planned and, under the IEC program of Population Dynamics, a total of 1,490,000 pamphlets and posters will be printed for the MSPAS and the Salvadoran Social Security Institute in coordination with both the TA team and the SDA. Lastly, training sessions will be implemented by all participating institutions for approximately 4,300 administrators, medical and paramedical personnel and top level decision makers by the end of FY 1988.

During FY 1987 Salvadoran Demographic Association (519-0275) will be amended and expanded to improve family planning service delivery in the private and the private non-profit sector by working with Salvadoran indigenous organizations (e.g., labor unions, private medical doctors, pharmacies, small stores, women's groups, small philanthropic foundations). The project amendment, in part, will reflect the findings

of an early FY 1986 evaluation of the impact of the rural contraceptive Social Marketing Program (SMP). The extended project goal is to increase contraceptive coverage to 100,000 couple years of protection in 1988 (150,000 by 1993) while reducing the cost per couple year of protection to $15 in 1988 ($5 by 1993). In carrying out this effort, IPPF, AVSC, FHI and the Population Council will continue to support SDA family planning activities during the five year project extension period.

Projects:

Continuing:		LOP ($000)
Population Dynamics	519-0210	10,000
Salv.Demogr.Association	519-0275	8,353

Budgetary Impact (FY 1987): $4,002

7. Objective Category: Small Business

AID's objectives are to: strengthen the capacity of private sector associations to promote a positive policy and legal framework for small scale enterprises; better integrate small scale entrepreneurs into the local economy by providing technical assistance, training and guidance needed to run their operations efficiently; and provide the small business sector with the financial resources it needs to start new and/or expand existing activities. The first objective is being addressed through AID's efforts to strengthen the private sector (see II.B.3).

AID's strategy, consistant with its private sector related objectives (see II.B.1 and 3), is to provide assistance to the small business sector, which is largely composed of the low and middle income segments of the population. The strategy includes the support of FUSADES, a private, non-profit, non-partisan development organization, in its efforts to strengthen the presently weak free enterprise system (see II.B.3). In addition, the strategy calls for the provision of AID assistance to involve additional institutions serving the small business sector in the short-term, and to promote the number of small and micro-businesses as a longer-term effort.

Key Assumptions:

— That if a full economic recovery led by the private sector is to occur, then a growing level of law and order must prevail, public-private sector relations must improve, credit to finance working capital and investment must be available, and the base needed to support an investment and export promotion effort must be strengthened (see II.B.3).

— That if SSE development is to occur and domestic investment is to be stimulated, then the quantity and quality of workers' skills must be strengthened.

Policy Dialogue:

— See II.B.3.

— The enactment of necessary legislation to promote private investment and exports.

Performance Indicators:

Targets:

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NO. SMALL BUSINESSES ('000)	69.0*	70.5*	--	72.0	74.0	76.0	78.5	81.0
NO. SMALL BUSINESS EMPLOYEES ('000)	234.0*	239.7*	--	244.8	255.3	266.0	275.7	287.6
INVESTMENT LAW	--	--	--	--	YES	--	--	--

* ESTIMATES

Benchmarks:

— The completion of a Small Scale Enterprise Assessment to serve as the base for the design of Small Business Assistance (519-0318) in FY 1987.	4Q CY86
— The provision of assistance to involve 10-15 additional institutions serving the small business sector, the experience from which will be utilized in the design of Small Business Assistance (519-0318) in FY 1987.	2Q CY87
— The provision of TA, training and credit funds benefitting SSE's (500 annually starting in mid CY 1987).	4Q CY89
— The annual increase of SSE's by 2,000 during the CY 1987-CY 1988 period.	4Q CY89

Narrative:

There are currently a number of public and private efforts designed to support small scale enterprises in El Salvador. Although most of these are effective, their overall impact has not been sufficient to maximize the contribution of this sector which represents more than 80% of the businesses registered in El Salvador. These activities are diffused, underfunded and oftentimes redundant. In addition, due to lack of integration they do not provide the real range of support services required to make a full contribution toward the viability of small businesses. In this context, AID has begun and will continue to support efforts to strengthen the free enterprise system (see II.B.3) and to promote small businesses.

In the area of small sector enterprise development, AID committed $26 million between 1980 to 1985 through a number of selected projects. During FY 1985, IFSC (519-0320) and FUSADES' Urban Small Business (519-0304) provided technical assistance to promote small business expansion and increased employment; the Junior Achievement Program (519-0311) provided support for basic business management workshops highlighting the free enterprise system; and FUSADES' Association Strengthening Program (519-0316) provided technical and financial assistance to improve business associations (see II.B.3).

In FY 1986, the Mission is initiating a concerted effort to promote small sector enterprise development. It is currently using SDA PD&S (519-0177) resources in helping 10-15 new institutions to better assist small businesses, as well as to improve small business access to credit delivery and technical assistance. The experience gained over the past five years, the work of the 10-15 new institutions and the carrying out of a full Small Scale Enterprise Sector Assessment will serve as the basis for strengthening AID's resource assistance to this sector. The experience will be integrated with the comprehensive analysis of environmental factors limiting small business development (e.g., credit, technical, legal, institutional, tax) in order to embark on a multiyear program permitting AID to maximize small business outreach. This FY 1987 program, Small Business Assistance (519-0318), will emphasize the policy dialogue necessary to improve the climate for small business success and will promote resource outreach (e.g., technical assistance, training, credit) through the most promising and effective institutions serving the small business sector in El Salvador.

Projects:

Continuing:		LOP ($000)
Small Producer Development	519-0229	14,250
SDA PD&S	519-0177	Ongoing
Small Enterprise Credit (FY 1985)	519-0310	11,200 (LC)
Economic Development Fund (FY 1986)	519-0310	4,000 (LC)
New:		
Small Business Assistance (FY 1987)	519-0318	10,000

Budgetary Impact (FY 1987): $5,000

D. DEMOCRATIC INSTITUTIONS AND HUMAN RIGHTS

The fourth goal of the AID strategy is to assist El Salvador strengthen the basic institutions which underpin its democratic government. This involves: building a system of equitable and rapid justice; protecting human rights; supporting an open, democratic electoral process; strengthening representative government at the National level (Assembly) and the local level (mayors); and promoting the democratic labor

movement. Significant progress has been made whereby the GOES and people of El Salvador have enacted reforms to establish a system of government that can assure social and economic equality and political stability. In December 1983, a constituent assembly, chosen by Salvadorans in March 1982 elections, adopted a new constitution. In March and May 1984, Salvadorans freely elected the first civilian president in over 50 years. With the successful National Assembly and municipal elections in 1985, Salvadorans have chosen officials at every level of government. AID assistance contributed to the success of these first fundamental changes and was used to consolidate democratic institutions in El Salvador. However, elections do not mean that democracy has been fully established. In this regard, AID will continue to support GOES initiatives in political development in the areas of judicial reform, labor organizations, the Human Rights Commission and local governments — institutions fundamental to democracy. A specialized full-time AID Office of Democratic Initiatives in the Mission is responsible for these areas.

1. Objective Category: Judicial Reform

A cornerstone of a democratic society is the rule of law, applied equally and regardless of position, wealth or power. In recognizing the importance of an independent, impartial, and responsible judicial system, the GOES has initiated a major effort to reform its weak system of justice. An immediate objective was bringing to justice the perpetrators of several violent political crimes widely publicized by the international media. The more important objective, however, is to create a fundamental, long-term process of renewal and reform of the judicial system to assure to every citizen the fullest protection of the law, the security of person and property, reinforced by the speedy and fair trial of those accused of crimes, and the institutionalization of due process. The objective includes: developing a strong, more responsible and independent judiciary, providing protection to trial participants, updating criminal law and procedures, increasing efficiency and effectiveness of criminal investigations, speeding up the trial process, and creating a citizenry that is better informed about the rule of law and value of justice.

AID's strategy is to assist the GOES to move ahead with those elements of its reform effort (e.g., training, procurement of equipment and supplies) that are clearly needed now, leaving longer-term institution building and reforms to be formulated by the GOES Revisory Commission.

Key Assumptions:

— That a continued agreement will assist among the three branches of the GOES to support the judicial reform effort, and that the GOES will provide funding for a substantially increased budget for the judiciary.

Policy Dialogue Objectives:

— The enactment of laws establishing the National Judicial Council, a judiciary career service, two new Decree 50 trial courts, and adequate budget support for the judiciary.

Performance Indicators:

Targets:

	BASELINE	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
REPORTED HOMICIDE CASES BROUGHT BEFORE COURTS (%)	13 (1980)	NA	--	--	40	50	60	65
CONVICTION RATE FOR ALL CRIMES (%)	12.8 (1981)	15	--	15	20	25	30	35
LAW ESTABLISHING NATIONAL JUDICIAL COUNCIL	--	--	--	YES	--	--	--	--
LAW ESTABLISHING JUDICIAL CAREER SERVICE	--	--	--	--	YES	--	--	--
REVISORY COMMISSION DRAFT LEGISLATION ENACTED BY NATIONAL ASSEMBLY (%)	--	--	--	--	35	75	90	--

Benchmarks:

— The establishment of a National Judicial Council. 3Q CY86

— The establishment of a Judicial career service. 4Q CY86

— The training and incorporation of a trained group of persons in the Judicial Protection Unit to provide protection to trial participants. 3Q CY86

— The modification of legislation to make admissible a wider range of evidence at trials. 4Q CY86

— The full functioning of the Commission Investigative Unit (IU) (e.g., full staff hired, administrative procedures established, IU working in adequate number of cases). 3Q CY86

— The full functioning of the recently established Forensic Unit (FU) (e.g., full staff hired, mobile team operating). 2Q CY87

— The modification of outdated criminal laws that are inequitable or inappropriate for a modern system of justice. 2Q CY87

— The carrying-out of training programs (long and short-term) to increase technical competence of judges, and the establishement of three law libraries. 4Q FY87

— The streamlining of court administration, logistics, operations, and procedures from arrest through trial. 2Q CY87

— The provision of an effective records management system to the court system. 4Q FY87

— The development of a public information and education program on the rule of law in society and the inviolability of the judicial system utilizing public media and the education system. 4Q FY87

Narrative:

Despite fundamental guarantees in El Salvador's constitution, the traditionally weak criminal justice system has further deteriorated during the civil conflict. In recent years, the inability of the system to adjudicate cases effectively has resulted in increased personal violence to settle disputes. The failure of the system to try and convict those charged in murder and kidnapping cases, particularly those of a political nature, has caused Salvadorans to lose respect for the law. This failure is attributable, in part, to lack of adequate evidence-gathering methods and poorly trained investigative personnel, often resulting in over-reliance upon a confession from the accused as the principal evidence. Moreover, neglect of the judiciary has resulted in underqualified, underpaid judges and judicial personnel and inefficient court operations. Judicial Reform (519-0296) was designed to address these problems.

Although Judicial Reform (519-0296) was signed in 1984, it had to be amended in September 1984 to add key components and necessary funding. Due to the politically sensitive nature of the project and the pre-election turmoil in the National Assembly, the amendment was not ratified by the Assembly until after the March 1985 elections and complementary legislation was not approved until late Summer of 1985. In sum, the project began to be implemented in August 1985.

Despite the delayed start, FY 1985 and FY 1986 progress has been considerable: the Revisory Commission is fully functioning, has developed its Action Plan, has moved into permanent quarters, and is overseeing the work of three professional teams which are determining areas of study (i.e., substantive law, procedural law, administrative organization). To insure the broadest support, the Commission is holding open discussions with law school faculty, political and civic groups, and other experts. The Judicial Protection Unit, which provided protection during the 1984 churchwomen's trial, is being re-configured into a more qualified core unit. The Commission for Investigations is fully functioning, has permanent quarters, vehicles and investigative equipment. Reporting to the Commission is an executive unit responsible for managing the 23-person investigative unit, a three-person forensic unit, two lawyers, and an administrative office. The Commission's Investigative Unit has received training (e.g., post-bomb blast investigation, visual link analysis) and is investigating several high profile cases. Its Forensic Unit is being staffed and equipped. Comprehensive improvements in judicial administration must await the recommendations of the Revisory Commission. As an interim measure, however, an emergency commodity needs assessment has been completed for the court system and procurement will begin in early CY 1986. Short-term training for members of the judiciary is in the planning stage.

Progress in the judicial reform effort for FY 1987-FY 1988 is difficult to pinpoint due to its complexity and political sensitivity. To ensure maximum results, the components and management procedures of Judicial Reform (519-0296) will be evaluated in mid FY-1987. Nevertheless, it is anticipated that the Revisory Commission studies will be completed, draft legislation will be sent to the National Assembly and most enacted into law. Institution building and providing increased budget support to the judiciary and other GOES entities will also be achieved, although a consolidation process will continue well beyond the planning period.

Projects:

Continuing:		LOP ($000)
Judicial Reform	519-0296	9,234
Judicial Reform (FY 1985-FY 1986)	519-0310	6,000 (LC)

2. Objective Category: Human Rights

AID's overall objective is to help the Salvadoran Human Rights Commission increase awareness of human rights issues among all Salvadorans, both inside and outside the GOES. To this end, AID assistance will help to underscore the vital importance of human rights considerations in a civil strife situation and to inform the citizenry of its recourse in human rights violations.

AID's strategy is to encourage all branches of the GOES to fully support the objectives of the Human Rights Commission, as well as to assure that local currency is allocated to the Commission through the GOES budget.

Key Assumptions:

— That the GOES, including the military and security forces, will continue to support human rights goals.

Policy Dialogue Objectives:

— The enactment of a law establishing two new Decree 50 trial courts.

Performance Indicators:

Targets:

	1980-84 AVERAGE	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
TWO NEW HUMAN RIGHTS COMMISSION OFFICES	--	--	--	YES	--	--	--	--
POLITICALLY MOTIVATED DEATHS, NO. PER YEAR*	3,860	335	--	250	225	200	150	100
LAW ESTABLISHING TWO NEW DECREE 50 COURTS	--	--	--	YES	--	--	--	--
RE-ESTABLISHMENT OF PUBLIC DEFENDER OFFICE	--	--	--	YES	--	--	--	--

* DATA FROM US EMBASSY HUMAN RIGHTS REPORT.

Benchmarks:

— The reduction of the time accused persons are unnecessarily detained or imprisoned pending trial by the establishment of two additional trial courts to handle Decree 50 cases.	2Q FY86
— The Revisory Commission revision of laws on detention of suspects by GOES security forces.	4Q FY86
— The establishment of a Public Defender Office within GOES.	4Q FY86
— The establishment of two new regional Human Rights Commission offices.	3Q FY86
— The establishment of a public information capability within the Human Rights Commission so that its work and goals can be better understood by the Salvadoran people.	3Q FY86

Narrative:

The Human Rights Commission of El Salvador was established in August 1983 to promote greater awarenes of and respect for human rights. The Commission's work, which ranges from finding persons who have disappeared to visiting people detained in jail, has provided thousands of Salvadorans an effective, safe means of informing their government about alleged abuses of authority by government forces, guerrillas, or by others who have taken "justice" into their own hands. It also serves as an investigative mechanism capable of determining whether GOES forces have been involved in cases of disappearances and abuses. The work of the Commission continues to underscore the importance of human rights considerations among the Salvadoran population and, in so doing, plays a critical role in deepening the commitment of the people and their elected government to the process of developing an effective democracy. The Commission has received local currency support from the USAID Balance of Payments program since 1983. Since mid-1984 the President has demonstrated a commitment to human rights improvements. As a result,

judicial reform efforts are underway, death squad activities have been curtailed, a Vice Minister of Defense for Public Security has been created to monitor security forces, and highly-respected military officers have been named as Directors of the National and Treasury Police.

Acting under a State of Emergency which has routinely been extended since 1981, the National Assembly enacted laws establishing an extraordinary system of tribunals for those accused of crimes against the state (e.g., treason, sabotage). In early 1984, the enactment of Decree 50 supplanted Decree 507, an earlier law defining the procedure of requirements for the prosecution of terrorist acts. Decree 50 regulates the prosecution of those accused of crimes against the State. Under Decree 50, for example, offenders must be consigned to Decree 50 courts within 15 days of arrest, security forces holding the accused beyond 15 days are subject to punishment, and confessions obtained by security forces are not admissible at trial unless two witnesses swear in court that no coercion was used in obtaining them. Although the Decree 50 court system was designed to expedite the prosecution of and provide increased protection for the accused, logistical and administrative deficiencies have created a situation in which many suspects are being detained in prison, pending trial, for a period longer than that permitted by Decree 50.

The Mission has and will continue to take an active role during the FY 1986-FY 1987 period in encouraging the GOES to adopt legal measures in the criminal system to reduce the Decree 50 and civilian case backlog and thus reduce detention time for those awaiting trial. As a result of past efforts, the GOES is planning to establish two additional Trial Courts within the Decree 50 court system. It is anticipated that these two additional trial courts will greatly reduce the case backlog and, as such, reduce the number of detained people awaiting trial.

Projects:

Continuing:		LOP ($000)
Human Rights Assistance (FY 1985-FY 1986)	519-0310	581,200 (LC)

3. Objective Category: Electoral Process and Other Political Development

AID's overall objective is to build the Salvadoran people's confidence in the integrity of the electoral process. Although election issues per se will be dropped from its agenda until the 1988 elections, AID will continue to support the GOES Central Election Council's efforts to: address electoral registry maintenance and institutional requirements and to finance related technical training and civic awareness programs, refine voter registration lists and institute a new national voter registry to replace the current system.

AID's strategy is to develop a more concerted effort for assisting the growth and consolidation of El Salvador's current democratic initiatives.

Key Assumptions:

— That enabling legislation will be passed to establish a new national voter registry system.

— That mayors, local officials, and major political parties will support the national voter registry system initiative.

Policy Dialogue Objectives:

— The enactment of necessary legislation to institute a new national voter registry system.

Performance Indicators:

Targets:

	1982	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NEW VOTER REGISTRY ESTABLISHED	--	--	--	--	YES	--	--	--
ELIGIBLE VOTERS ACTUALLY VOTING (%)	80	80	--	--	--	80	85	--
POLITICAL POWER TRANSFERRED PEACEFULLY THROUGH ELECTORAL PROCESS	YES	YES	--	--	--	YES	--	--

Benchmarks:

— The review of the Electoral Law and procedures by the Central Elections Council (CCE) and the adoption of a national voter registry. 1Q FY87

— The development of a public education program on civic awareness and voter responsibility to be carried out by the CCE and civic organizations. 1Q FY87

Narrative:

In spite of the war and economic crisis, El Salvador successfully adopted a constitutional, democratic form of government. AID contributed to the success of the 1984 and 1985 elections by supporting the institutionalization of an automated electoral registry system, financing preparation and administration costs, and arranging for international election observers to view the election process and support it abroad. During the FY 1986-FY 1988 period, local currencies and limited technical assistance will be provided to the GOES CCE to establish a single national voter registry and voter card system prior to the CY 1988 national elections.

Projects:

Continuing:		LOP ($000)
Electoral Process Support	519-0310	900,000 (LC)

4. Objective Category: Labor Organizations

AID's overall objective is to support democratic labor union activities through the American Institute for Free Labor Development (AIFLD). Although AIFLD has recently decided to devote increased attention to the urban union movement, it has been primarily concentrating on supporting the agrarian reform and strengthening the rural labor movement. AID resources will continue to support AIFLD efforts in assisting labor unions to: represent their rural and urban affiliates in the national political sphere, improve larger numbers of urban trade unions, support agrarian reform beneficiaries, and develop support services of rural organizations and farmer associations.

AID's strategy is to support AIFLD initiatives to assist campesinos and cooperatives to benefit from the agrarian reform and, especially, to expand union strengthening initiatives into the urban labor sector.

Key Assumptions:

— That AIFLD personnel will be able to work more actively in the urban area despite current, volatile security conditions.

Policy Dialogue:

— Encourage AIFLD to move beyond a focus on helping agrarian reform beneficiaries to actively promoting and developing the democratic and labor movement (e.g., AIFLD unions, independents, Christian Democrats).

Performance Indicators:

Targets:

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
MEMBERSHIP IN DEMOCRATIC UNIONS	NA	180,000	--	185,000	190,000	210,000	220,000	250,000
MEMBERSHIP IN NON-DEMOCRATIC UNIONS	NA	50,000	--	45,000	40,000	30,000	20,000	15,000
ESTABLISH UMBRELLA ORG. OF DEMOCRATIC UNIONS	--	--	--	YES	--	--	--	--
LABOR LEADERS TRAINED	--	--	--	100	100	125	--	--
RANK AND FILE TRAINED	--	--	--	250	250	300	--	--

Benchmarks:

— The carrying out of courses/seminars in politics and in democratic ideology and practice for both trade union leaders and rank and file members.	2Q FY89
— The support of operational research and the production of publications and press releases which promote democratic values and carry out an aggressive promotional and organizational campaign designed to increase the strength of democratic unions.	2Q FY89
— The support of the Confederación de Trabajadores Democráticos (CTD), its member unions, as well as other democratic urban unions.	2Q FY89
— The carrying out of vocational training programs and the provision of scholarships to encourage increased democratic union membership and offer greater employment opportunities.	2Q FY89
— The carrying out of income-generating projects and the establishment of a small-projects revolving fund to support campesino organizations, primarily the Salvadoran Campesino Union (UCS) and Integrated Agricultural Cooperative Association (ACOPAI).	2Q FY89
— The provision of financial support to each of the 25 AIFLD-supported cooperatives to hire full-time three (3) person management staffs (Administrator, Bookkeeper and Agronomist); also the establishment of a technical assistance team of specialists to assist these cooperatives in financial management, marketing, credit and farm management.	2Q FY89
— The representation of campesino beneficiaries before FINATA in resolving conflicts in the titling process, thus contributing to the consolidation of Phase III of the agrarian reform.	2Q FY89
— The establishment of a group of up to 24 promoters to organize grupos solidarios, and, thereby, ensure that outreach services are provided to Phase III beneficiaries.	2Q FY89
— The one-year extension of AIFLD's current literacy program, which now functions in 41 communities with day and night classes nine months per year so that functional literacy will be attained by approximately 7,000 rural children and adults.	2Q FY89

Narrative:

In recent years, organized labor's efforts have concentrated on a limited number of key issues (e.g., rising costs of living, armed conflict, continuing high rate of layoffs, high rates of unemployment and underemployment, missed GOES salary payments). It has also organized farmer associations interested in accelerating agrarian reform. Although not all of its actions have been positive, organized labor is a group which, if strengthened and directed, can further the democratic process. It moved the GOES to end a wage freeze law in 1983, establish a labor commission and develop a new labor code presently under legislative review. The potential role of labor is enhanced by the President's commitment to a free trade union movement, as well as the overall opening of the democratic process.

Under a prior cooperative agreement between USAID and AIFLD, support was provided to develop farm worker organizations and to support their role in implementing the agrarian reform program. A new FY 1986 three-year cooperative agreement continues support to rural unions, reform cooperatives, and Phase III beneficiaries. Under this new agreement, greater support will be provided to the urban trade union sector through a wide range of developmental, administrative, financial, technical, political, and institution-building activities. The basic focus of this urban effort is to strengthen the free democratic labor movement and to curb the strength of non-democratic union groups.

Projects:

Continuing:		LOP ($000)
AIFLD OPG	519-0289	5,000
AIFLD OPG	519-0321	7,900

Budgetary Impact (FY 1987): $2,500

5. Objective: Representative Government Strengthening

AID's overall objective is to assist El Salvador develop and establish systems for strengthening the authority, capacity and organization of its democratically elected local governments. In the medium-term, the objectives are: to ensure that the new Salvadoran democracy achieves a greater degree of grass roots participation in socio-economic decision-making and greater opportunities and motivation for self-governance at the local level; and to strengthen the administrative and planning capabilities of local governments to permit them to be more responsive to expressed local needs.

AID's strategy is to encourage the GOES to develop a comprehensive strategic framework within which it can implement a local government reform program.

Key Assumptions:

— That the GOES will establish a strategy for developing an effective form of municipal government.

Policy Dialogue:

— The definition by the GOES of an institutional and legal framework for its local government initiative.

— The drafting and enactment of new legislation (i.e., municipal code, municipal loan fund, local planning law, local revenue sources and authorities).

Performance Indicators:

Targets:

	BASELINE	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NO. MAYORS & STAFF PROVIDED TA OR TRAINING	--	--	--	75	75	75	100	--
OTHER MUNICIPAL INDICTORS PENDING ASSESSMENT								
NO. ASSEMBLY MEMBERS VISITING OTHER LEGISLATURES	--	--	--	15	15	15	25	--
NUMBER ASSEMBLY MEMBERS/STAFF TRAINED	--	--	--	25	25	25	30	--
NON-PARTISAN ANALYSIS UNIT IN NATIONAL ASSEMBLY ESTABLISHED	--	--	--	--	YES	--	--	--

Benchmarks:

— The development of training programs for National Assembly members and their staffs including visits to U.S. and third country legislative bodies. 4Q CY86

— The initial training of mayors and other local government officers under National Plan auspices (see II.A.5). 4Q CY86

— Establishment of a non-partisan analysis unit in the National Assembly. 4Q CY87

Narrative:

El Salvador's 1983 Constitution envisions a larger role for the 262 local governments in the country's evolving democratic socio-political order. This signifies that a greater degree of grassroots participation is required. This runs contrary to the fact that local governments have been weakened by a half-century of centralized actions that transferred

revenues and authority functions to national ministries and autonomous institutions, and subjected local authorities to an increasingly paternalistic system of central government oversight and control. The driving force behind the desire to strengthen local government is the conviction that the Salvadoran democracy will function more effectively when local decisions are based on expressed community needs through their duly elected representatives. Moreover, population increases in secondary cities and larger towns have made it increasingly difficult for the current centralized system to meet the needs of the local populace. As new areas of the country become increasingly secure from violence, there will be a need to reestablish local government authority and services. In the country's conflictive zones careful coordination with the GOES' National Plan efforts will continue.

In FY 1986, AID will encourage the GOES to define the institutional and legal framework of its local government initiative including the drafting of a new municipal loan fund, new local revenue sources and authorities, and a new local planning law. To this end, a new Municipal Code has already been enacted by the National Assembly which, in turn, will make it possible for the IDB to begin implementation of a $20 municipal infrastructure development loan. In early FY 1987 a comprehensive Local Government Assessment will be carried out. This will set the framework for the proposed FY 1987 Local Government Strengthening (519-0242) which will provide resources to: provide technical assistance; support planning and coordination activities involving central and municipal government agencies and personnel; train promising municipal leaders; survey programs and systems to be incorporated into a restructured central/municipal relationship; and analyze the feasibility of implementing these systems in conjunction with the development of municipal financial and human resource capacities. Over the longer-term, project resources may also be used to develop a GOES institution to provide research, training and technical assistance to local governments.

Projects:

New:		LOP ($000)
Local Government Strengthening (FY 1987)	519-0242	10,000

Budgetary Impact (FY 1987): $4,000

PART III. SPECIAL ANALYSES

A. ECONOMIC SUPPORT FUNDS

AID uses ESF resources in El Salvador for program purposes and for projects. Program assistance is provided as balance of payments support to address the Jackson Plan goals of economic stabilization and economic recovery in El Salvador. Its purposes are to: shore up a collapsed economy brought about by internal political violence and an external drop in prices of its principal agricultural crops; and provide some of the

resources needed to keep the country's economic and social infrastructure operational while a savage guerrilla war is being fought. As the military situation improves, ESF resources will be used to stimulate economic recovery so that the country can begin to support itself, as well as to operate and begin to restore the basic infrastructure. ESF resources also help to provide the leverage necessary to encourage the GOES to adopt sound economic policies which, in turn, contribute to the attainment of the Jackson Plan Goals.

ESF resources are also used to finance priority projects. These projects involve significant political content, resource transfers (as opposed to institution building) and quick disbursing administrative procedures, not appropriate for Development Assistance (DA) resources. Examples include: the Public Service Restoration Program, which requires a rapid response capability to restore essential economic infrastructure destroyed by guerrillas and the Judicial Reform Project. It should be noted that should security conditions require a reduction of Mission staff, more ESF and less DA resources would be requested in order to reduce staff-intensive, institution building activities and administrative procedures.

In FY 1985 $160 million was made available for Balance of Payments Support (519-0310) and $49.5 million for priority projects (i.e., Public Services Restoration (519-0279), Displaced Families (519-0281), Industrial Recovery (519-0287), Judicial Reform (519-0296)). The net effect of these resources on the economy and on encouraging the GOES to adopt its January 1986 Economic Program is fully discussed in the CY 1986 Balance of Payments (519-0310) PAAD (February 1986). The progress against established FY 1986-FY 1987 Action Plan benchmarks achieved through ESF priority projects is summarized in this document (see II.A.2,3,5; II.B.1; II.D.1).

For FY 1986, the recently submitted PAAD requested authorization of $147 million in ESF to be incrementally funded (i.e., $117 million in FY 1986, $30 million in FY 1987) for balance of payments assistance to support the stabilization and the recovery of the Salvadoran economy during CY 1986. This assistance will be used to assist the private sector to finance the importation of raw materials and intermediate and capital goods essential for the functioning of the Salvadoran economy. The GOES local currency generations will be used, as agreed upon by the Mission, as budgetary support for agrarian reform compensation, the expansion of selected lines of credit to the private sector, and social services (see III.C).

The 1986 program calls for improved performance on a number of fronts, including a reduction of the balance of payments deficit that permits relative stability of the exchange rate, a reduction of the fiscal deficit, a reduction of the rate of inflation, and an increase in employment. Specific targets for the next three years are established for some of these dimensions of economic performance. These targets call for a significant reduction of inflation (i.e., 20% for 1986 measured on an annual average basis), a reduced deficit in the Current Account of the balance of payments (e.g., .7% of GDP, before official transfers and estimated family remittances), and reduction of the deficit in the Central Government ordinary budget. To meet these targets, the program calls for policy initiatives in three areas: financial stabilization,

income protection and production growth/restructuring. In addition for FY 1986, $30 million in ESF will be utilized to support priority projects (see II.A.2,3; II.B.1) including: Public Services Restoration (519-0229), Displaced Families (519-0281), and Industrial Recovery (519-0287).

The PAAD examines the resources and policy constraints facing the Salvadoran economy, outlines the Mission's strategy for helping the GOES overcome these constraints, describes the policy reform agenda to be supported by the FY 1986 program, and explains how the FY 1986 funds will be managed. In sum, the PAAD defines a strategy to encourage the GOES to strengthen certain weak inputs of its CY 1986 Economic Program through the adoption of complementary measures leveraged under the FY 1986 Balance of Payments (519-0310).

In FY 1987, the Mission is proposing $240 million in ESF resources -- $207 for balance of payments support and $33 million for priority projects. For FY 1988, an additional $265 million in ESF resources will be requested -- $199 million for balance of payments and $66 million for priority projects. Individual PAADs will be developed and presented to AID/W for both of these programs at the appropriate time.

B. P.L. 480

1. Title I

AID's purpose in providing Title I resources in El Salvador are to help: provide balance of payments support, supply essential food imports, and keep essential social services and private sector activities operating. In the Salvadoran context, Title I and FSF resources are negotiated as a package with the GOES as a means of: promoting the adoption of appropriate economic and other policies; supporting economic stabilization and recovery by providing or reducing the need for foreign exchange to finance needed imports; supporting essential social services and the agrarian reform; and strengthening the private sector.

Since the initial Title I Agreement in 1980, $232.1 million have been loaned to the GOES for the importation of U.S. agricultural products. The original and follow-on Agreements have provided the GOES with the financing (and foreign exchange) to maintain the supply of vital foodstuffs (e.g., wheat, edible oil, tallow) on a concessional basis. The Title I agricultural commodities are sold by the GOES to the private sector and local currencies generated from the sales are used to support a variety of Jackson Plan Objectives related activities (see III.C). In FY 1985, $49 million was made available to the GOES. The Agreement included six specific self-help measures to be taken by the GOES including: the adoption of new incentives for private sector investment in agribusiness; the improvement of procedures for processing credit for farm operations; the adoption of measures to encourage production and diversification of non-traditional export crops; the development of measures to increase competition in the marketing of basic foods; the adoption of measures to complete and consolidate Phases I and III of the agrarian reform; and the undertaking of specific measures to stop the introduction and spread of exotic diseases to El Salvador's livestock herds.

In FY 1986, a Title I Agreement for $36 million was signed in December 1985 and the respective Purchase Authorizations for wheat, vegetable oil, and tallow were issued in January-February 1986. An additional $10 million is expected to be signed in mid-CY 1986. For FY 1987 and FY 1988, Title I resources are being requested for the same commodities. A summary of the commodities and dollar cost estimates for the FY 1986-FY 1988 period follows:

	FY 1986		FY 1987		FY 1988	
	MT	$(mill.)	MT	$(mill.)	MT	$(mill.)
Wheat	148,000	20	152,000	21	160,000	23
Vegetable Oil	18,000	12	18,000	12	16,000	11
Tallow	32,000	14	35,000	15	36,000	16
Total		46		48		50

The use of FY 1986 Title I local currency generations is being negotiated with the GOES to complement DA, FSF, Title II and HG giving emphasis to the Jackson Plan Objectives (see III.C). In economic stabilization, local currencies will support the National Plan, public services restoration, the displaced persons program and GOES institutions. In economic recovery, local currencies will make available counterpart funds to encourage an increased presence of other donors (i.e., IDB, IBRD), as well as support agricultural development and industrial recovery activities. In broadening the benefits of growth, agrarian reform support (including credit), health and education sector activities will be supported. In democratic initiatives and human rights, local currencies will be used to improve and streamline the Salvadoran judicial system.

2. Title II

The Title II Program has and will continue to be used to support the Jackson Plan's economic stabilization and broadening the benefits of growth goals, mainly the stabilization and feeding of El Salvador's displaced person population. In FY 1985, $7.783 million was made available to support both voluntary agency and Government-to-Government activities. During the year, the Program supported Displaced Families (519-0281) by providing nutritional assistance and emergency feeding to approximately 353,250 displaced persons. It also expanded the Food-For-Work development program to more actively involve the marginal urban poor in the construction of badly needed infrastructure and to promote income generation programs. In addition, the Mission has made progress in obtaining a commitment from PVOs and GOES agencies to support a strategy in the areas of malaria control and reforestation through Food-For-Work activities. Lastly, a major effort was initiated in GOES institution building and in strengthening human resources by providing TA

to traditionally weak GOES agencies through seminars and training funds to CONADES and DIDECO.

In FY 1986, $7.9 million will be allocated to the Title II Program to support activities similar to those of the previous year. It will also expand the CRS/Caritas program to 130,000 beneficiaries with emphasis on expanding its Maternal-Child Health, Other Child and Other Categories, thus giving more flexibility in providing food assistance to orphans and the elderly. As noted above, the capacity of CONADES has traditionally been weak and TA will continue to be provided to improve its management systems, whereas DIDECO, which has stronger management capabilities, will be assisted to address its logistical and field implementation deficiencies.

In FY 1987 and FY 1988, $9.4 and $9.9 million, respectively, is requested to enable the Title II Program to increase its efforts toward reducing emergency food assistance and phasing over to more productive Food-For-Work development programs. The Mission's objective is to reduce the number of beneficiaries in the CONADES' displaced persons program and, when possible, move eligible beneficiaries over to DIDECO and CESAD Food-For-Work development programs. As in prior years, the Mission will continue to coordinate with other local and international PVOs and attempt to expand their roles in the Title II developmental process. In this regard, a new Transfer Authorization will be negotiated with DIDECO in mid-CY 1986 to cover the CY 1987-1988 period. It is anticipated that a greater number of beneficiaries will be included in this Authorization and increased emphasis will be given to innovative Food-for-Work development. Similarly, a new Transfer Authorization will be negotiated with CESAD in mid-CY 1986 to cover the CY 1987-CY 1988 period. This Authorization will seek to address a higher number of displaced persons, take some of the pressure off CONADES and continue to reintegrate displaced persons into the productive economic mainstream.

C. LOCAL CURRENCY

AID's objective regarding local currencies generated from ESF and PL 480 Title I is to channel these resources, inasmuch as possible, to further Jackson Plan Objectives: (1) stabilization of the economy, (2) recovery of the economy, (3) distribution of the benefits of growth, and (4) the strengthening of democratic initiatives and human rights. As such, these resources complement and reinforce the Mission's DA projects, projectized ESF activities, PL 480 and HG contributions.

The CY 1985 Local Currency Program was funded by the colon equivalent of disbursements from FY 1984-FY 1985 ESF ($241.6 million) and FY 1981-FY 1985 PL 480 Title I ($91.2 million) allocations. The Program, in addition to the FY 1985 ESF and PL 480 allocations, incorporated prior year unexpended funds for ongoing activities into one consolidated program. The local currency resources supported a total of 73 subprograms (i.e., economic stabilization - 22, economic recovery - 28, broadening the benefits of growth - 20, democratic initiatives - 3). A summary of the distribution of the subprograms as related to Jackson Plan Objectives is provided in Table No. 1. while the distribution of FY 1985 local currency generations is provided in Table No. 2. The subprograms

include 149 discrete line item activities. A comprehensive description of the progress of the Local Currency Program is prepared semi-annually as required by Congressional legislation.

The CY 1986 Local Currency Program, presently under negotiation with the GOES, will be funded by colones generated by the FY 1986 Balance of Payments Project ($147 million), the FY 1986 PL 480 Title I Agreement signed with the GOES ($36 million) and its proposed Amendment No. 1 ($10 million), and the unexpended balance from the CY 85 Local Currency Program (¢214.1 million). The total resources of the CY 1986 Program will be approximately ¢926.5 million, which will be governed by two documents: the FY 1986 ESF and PL 480 Memoranda of Understanding (MOU). At present, the CY 1986 Program is expected to support 89 subprograms and approximately the same level of discrete line item activities as the FY 1985 Program (see Table No. 1). The present distribution of FY 1986 local currency generations is provided in Table No. 2. Operationally, these local currencies will concentrate on three areas: (1) budgetary support, (2) private sector credit and support, and (3) USAID operating expenses and program support. A brief summary of the emphasis to be given in each of these areas follows.

1. Budgetary Support

AID's principal purpose is to provide the budgetary resources to keep the country's economic infrastructure and social services (e.g., education, health) operating efficiently. Towards this end, local currencies are targeted for uses that reinforce AID activities and support other donor (e.g., IDB, IBRD) activities. These include: counterpart contributions to A.I.D. financed projects; activities related to or supportive of the overall A.I.D. portfolio; counterpart contributions to other donor projects; the National Plan; agrarian reform, health, education, and infrastructure repair; and judicial reform.

2. Private Sector Credit and Support

AID's objective in this area is to maintain an adequate availability of credit for the private sector as a means of diversifying production, increasing non-traditional exports to extra-regional markets (i.e., production, marketing) and expanding small and medium size businesses. The levels of credit provided are reviewed in the context of the BCR's monetary program and the overall credit limits set by the Bank to contain inflation. A new program in CY 1986 will be the initiation of a private sector domestic investment reinsurance program to encourage increased private sector investment in the Salvadoran economy. The emphasis of the CY 1986 Program on the private sector directly reinforces USAID's private sector strategy in El Salvador.

3. Operating Expense and Program Support

The Balance of Payment Agreement (519-0310), Amendment No. 1, establishes a Local Currency Operating Expense and Program Support Fund, primarily to defray the major portion of local costs associated with the operation and maintenance of the Mission (see IV.B).

In FY 1987 and FY 1988, an equivalent in local currencies of $255 million (ESF - $207, PL 480 - $48) and $249 million (ESF - $199, PL 480 - $50) are expected to be generated. Although it is too early to determine the subprogram and discrete line item activity breakdown for these resources, the Mission will continue its present local currency strategy.

In order to ensure that local currency generations are utilized for agreed upon purposes, the Mission dedicates a considerable amount of personnel time in negotiating and monitoring the ESF and PL 480 Agreements and MOU's. The Development Planning and Programming office negotiates the content of the programs with the GOES and is responsible for monitoring implementation. This requires the part time (25%) of one USDH and the full time of two FSN DH Program Specialists. The Technical Divisions work closely with GOES implementing entities in developing Action Plans for the discrete line item activities in the GOES' Extraordinary Budget and, subsequently, in monitoring the implementation of each. That portion of local currency channeled through the GOES' Ordinary Budget funds agreed upon line items in the Government budget and then is reimbursed once expenditures are made and reviewed by the Mission. In addition, Mission staff time is allocated to review the status of all activities on a monthly basis, discussing implementation bottlenecks with the GOES, and preparing internal and required AID/Congressional reports.

TABLE 1
LOCAL CURRENCY PROGRAM
Number of Subprograms by Categories

ACTIVITY	ESF 1985	PL480 1985	ESF 1986	PL480 1986
A. Economic Stabilization				
National Plan	5		2	12
Employment Generation	1	5		
Public Services Restoration	1	4		4
Assistance Displaced Persons		2	5	6
Ordinary Budget Support				
Inst.Supp.& Rev.Working Cap.	3	1	1	1
Sub-total	10	12	8	23
B. Economic Recovery				
Other Donors Counterpart	16			2
Agricultural Development		6		8
Industrial Recovery		1		1
Private Sector Credit Lines	5		5	
Sub-total	21	7	5	11
C. Broadening the Benefits of Growth				
Agrarian Reform Support		10	2	12
Ag. Reform Sect. Credit				3
Health		6		11
Education		1	1	5
Housing	2	1		
Sub-total	2	18	3	31
D. Democratic Initiatives				
Democratic Initiatives	3		8	
Sub-total	3	0	8	0
TOTAL	36	37	24	65

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TABLE 2
FY 1985 - FY 1986 LOCAL CURRENCY ASSIGNMENTS
ALLOCATION BY CATEGORIES
(Thousands of Colones)

ACTIVITY	ESF 1985	PL480 1985	ESF 1986 (1)	PL480 1986 (1)
A. Economic Stabilization				
National Plan	10,600.00		13,000.00	77,250.00
Employment Generation	3,000.00	41,400.00		
Public Services Restoration	3,500.00	11,650.00		13,550.00
Assistance Displaced Persons		15,684.00	12,000.00	2,600.00
Ordinary Budget Support	144,400.00		240,000.00	
Inst.Supp.& Adv.Working Cap.	7,802.60	2,930.00	12,900.00	6,600.00
Sub-total	169,302.60	71,664.00	277,900.00	100,200.00
B. Economic Recovery				
Other Donors Counterpart	62,000.00			40,000.00
Agricultural Development		14,950.00		8,450.00
Industrial Recovery		3,200.00		4,000.00
Private Sector Credit Lines	250,000.00		382,600.00	
Sub-total	312,000.00	18,150.00	382,600.00	52,450.00
C. Broadening the Benefits of Growth				
Agrarian Reform Support		15,741.00		28,000.00
Ag. Reform Sect. Credit				24,850.00
Health		9,660.00		18,500.00
Education		1,000.00	2,000.00	6,600.00
Housing	26,000.00	5,000.00		
Sub-total	26,000.00	31,401.00	2,000.00	77,350.00
D. Democratic Initiatives				
Democratic Initiatives	5,697.40	0.00	9,000.00	
Sub-total	5,697.40	0.00	9,000.00	0.00
Not Generated		1,285.00		
Reserve Fund	37,300.00 (2)			
Trust Fund GOES-AID	12,000.00		25,000.00	
Sub-total	49,300.00	1,285.00	25,000.00	0.00
TOTAL	562,500.00	122,500.00	696,500.00	230,000.00

(1) Distribution under discussion with GOES
(2) Part of FY 1986 allocation

D. ONGOING AND NEW PROJECTS

1. FY 1987 Proposed Program

For FY 1987 the Mission is requesting total DA and ESF funding in the amount of $325.8 million. This amount represents a $14.1 million, or 4.2%, decrease from the level in the Mission proposed FY 1987 Congressional Presentation (CP). Although the reduction to the FY 1986 budget increased the demand on FY 1987 resources by $8.6 million, only a $4.7 million, or a 5.8% increase, is being requested in the DA portfolio over the FY 1986 level. The balance of the increase over the FY 1986 level is requested in the ESF portfolio for additional balance of payments support and the new Reintegration of Displaced Families (519-0325). In the FY 1987 CP, the Mission presented data sheets for four new projects. While all four are still planned, Agricultural Land Financing (519-0306) will now be financed with local currency generations and, therefore, is not included in the project ranking below. Two new projects and two project amendments not included in the CP are also proposed for FY 1987. These are needed to carry out activities key to stabilizing the economy.

In total, five new projects and two project amendments are proposed for FY 1987. Their combined total life-of-project funding is $101 million, of which $43 million would be obligated in FY 1987, $54 million in FY 1988 and $5 million in FY 1989. The proposed projects and amendments, listed in priority order, follow:

	Planned LOP ($000)	1st Yr. Funding ($000)
1. Public Services Restoration Project Amendment (519-0279)	15,000 (G) (ESF)	15,000 (G) (ESF)
2. Tax Administration (519-0326)	3,000 (G) (SDA)	2,000 (G) (SDA)
3. Reintegration of Displaced Families (519-0325)	10,000 (G) (SDA) 35,000 (G) (ESF)	10,000 (G) (ESF)
4. Salvadoran Demographic Association Amendment (519-0275)	3,000 (G) (POP)	2,000 (G) (POP)
5. Training for Private Sector Development (519-0315)	15,000 (G) (EH)	5,000 (G) (EH)
6. Local Government Strengthening (519-0242)	10,000 (G) (SDA)	4,000 (G) (SDA)
7. Small Business Assistance (519-0318)	10,000 (G) (SDA)	5,000 (G) (SDA)
	101,000	43,000

In ranking these projects, the Mission gave highest priority to projects essential to economic stabilization and recovery goals. Accordingly, the Public Services Restoration Project Amendment (519-0279) is ranked first because it will provide the foreign exchange essential to maintain the quick response capability developed in the GOES for restoring vital public services and critical economic support facilities (e.g., electricity, telephone service, water, roads) targeted most frequently by guerrilla attacks. Continued progress towards stabilization and economic recovery can only be made if the services vital for industry to operate are assured, and industry is confident in the GOES' ability to maintain these services. As previously authorized funding under this project will be fully disbursed by the end of FY 1986, additional resources are needed to continue services into FY 1988 until the follow-on Public Services Restoration/Infrastructure Rehabilitation (519-0320) begins.

Tax Administration (519-0326) is particularly important to the Mission's strategy for economic stabilization. It will provide resources to assist the GOES in increasing its revenues and improving the administration of its tax systems. This in turn will help to reduce the need for compensatory balance of payments financing, complement the monetary program, and contribute to a reduced deficit. These fiscal improvements are a vital part of the Mission's policy dialogue.

Basic survival assistance provided under the ongoing Emergency Program for Displaced Families (519-0281) has provided an interim solution to meet the basic human needs of approximately 75% of the 525,000 displaced persons. The Mission is proposing the follow-on Reintegration of Displaced Families

(519-0325) focused, however, on long-term impact solutions, specifically re-establishing the displaced population in their original or new locations or permanently establish them in their existing locations. The project will serve to support the GOES' newly adopted policies concerning reintegration of displaced persons into the social and economic structure of the country, thereby reducing the number of individuals needing welfare and adding to El Salvador's productive capacity — two objectives critical to the overall economic health of the country.

The Salvadoran Demographic Association Amendment (519-0275) has been accorded priority because of the continuing need to arrest El Salvador's high natural population growth. The modest economic and social gains made since 1983 will quickly dissipate and long-term growth and equity goals will be more difficult and costly to attain unless population growth can be reduced.

Training for Private Sector Development (519-0315) (formerly Vocational Technical Education) is an important complement to the ongoing Industrial Stabilization and Recovery Project (519-0287). This latter project provides technical support services, market information, and other business development services, to expand non-traditional export markets and increase employment. The new project will respond to skills requirements being generated by export trade and investment promotion programs, as well as existing private sector needs for management and technical personnel.

Local Government Strengthening (519-0242) will support the Ministries of Interior and Planning in implementing the new municipal code designed to increase grassroots participation in the country's evolving democratic socio-political order. It will finance technical assistance, training for municipal leaders, and surveys of programs and systems to be incorporated into a restructured central government/municipal relationship.

Small Business Assistance (519-0318) will promote resource outreach through private sector associations and GOES institutions. The project will: provide training and technological support to businessmen, business associations and other support institutions; strengthen existing credit programs; and identify legal impediments and promote change where necessary to improve the climate for small business. Over the past five years, assistance to small businesses has been provided through several separate projects. However, to more effectively broaden the benefits of growth, the proposed project will develop a coordinated approach to serving the needs of the small business sector, largely composed of low and middle income segments of the population.

The Mission, while fully aware of the effect of Government-wide austerity measures on total funding made available for projects in FY 1986, strongly recommends AID/W's approval of the FY 1987 proposed level. Significant progress has been made in establishing a lasting democratic system of government, in maintaining social and economic stability, and in building a foundation for economic recovery and growth. The proposed levels of assistance for FY 1987 (and FY 1988) are needed to sustain and further this progress. As noted elsewhere, the portfolio is undergoing a gradual shift in emphasis from shorter-term quick response activities to longer-term solutions to spark economic growth, spread the benefits of growth and strengthen democratic institutions.

As the Mission continues this transition and consolidates its program into fewer management units, the number of new project starts per year will decrease, as well as the number of ongoing projects in the portfolio. By the end of FY 1987, the portfolio will include 21 projects, reduced from a total of 25 projects in FY 1986. A further decrease is projected in FY 1988.

2. FY 1988 Proposed Program

For FY 1988, the Mission is requesting total DA and ESF funding in the amount of $364 million. This amount represents an increase of $25 million or 10.4% in the ESF portfolio, and an increase of $13.2 million or 15.2% in the DA portfolio.

Two new ESF projects, two new DA projects and one project amendment are proposed for FY 1988. Their combined total is $125 million, of which $56 million will be obligated in FY 1988, and $53 million and $16 million will be obligated in FY 1989 and FY 1990, respectively. The proposed projects, listed in priority order, follow:

	Planned LOP ($000)	1st Yr. Funding ($000)
1. Public Services Restoration/ Infrastructure Rehabilitation (519-0320)	60,000 (G) (ESF)	30,000 (G) (ESF)
2. Industrial Parks and Infrastructure (519-0323)	2,000 (G) (ESF) 10,000 (L) (ESF)	1,000 (G) (ESF) 5,000 (L) (ESF)
3. Agribusiness Development (519-0327)	30,000 (G) (ARDN)	10,000 (G) (ARDN)
4. Potable Water/Environmental Sanitation (519-0324)	20,000 (G) (HE)	7,000 (G) (HE)
5. Education Systems Revitalization Amendment (519-0295)	3,000 (G) (EH)	3,000 (G) (EH)
	125,000	56,000

As in FY 1987, the proposed projects and their ranking reflect the Mission's priority of revitalizing the economy and stimulating growth. Funding provided under the ongoing Public Services Restoration (519-0279) will be fully disbursed by the end of FY 1987. Accordingly, the proposed follow-on Public Services Restoration/Infrastructure Rehabilitation (519-0320) is ranked first in that it will expand activities to begin to rehabilitate selected vital infrastructure where stop-gap restoration effects are no longer sufficient, including the maintenance and expansion of key systems which have suffered deterioration due to insufficient GOES operational resources.

Industrial Parks and Infrastructure (519-0323) is ranked second in that it will provide policy support and long-term investment financing to the private sector for the development of industrial parks and other physical infrastructure needed for El Salvador to compete with other Central American

and CBI countries in attracting new investors. The project will directly assist in implementing the new Export Promotion Law which calls for the development of privately owned duty free industrial parks for the first time in El Salvador's history.

Agribusiness Development (519-0327) will build upon the efforts under Water Management (519-0303) to intensify production of non-traditional crops for export by making loans and technical assistance available for irrigation and processing and support services. The new project will provide incentives to foreign and domestic investors interested in undertaking potentially feasible production ventures in El Salvador, as a means of increasing agribusiness and agro-industrial investment with emphasis on non-traditional exports.

Potable Water/Environmental Sanitation (519-0324) will complement the FY 1987 Reintegration of Displaced Families (519-0325) by introducing safe water supplies in displaced persons camps and areas of relocation, and by supporting consolidation of the agrarian reform by installing wells and handpumps on Phase I cooperatives.

Progress under Education Systems Revitalization (519-0295) has been faster than anticipated. The proposed Amendment would provide additional training for teachers in the development and use of didactic materials, enabling them to qualitatively improve basic texts and materials funded under this project. Training would also be provided to administrators to further decentralize education systems responsibilities.

3. Project Documentation/Authorization Schedule

The Mission's Documentation/Authorization schedule for FY 1987 and FY 1988 proposed projects follows:

Project Documentation Required	Month Due
FY 1987	
0279 - Public Services Restoration Project Amendment	
- USAID Review/Approval of PP Amendment	11/86
- ProAg Amendment signed	12/86
0326 - Tax Administration	
- USAID Review/Approval of PID	1/87
- USAID Review/Approval of PP	3/87
- ProAg signed	4/87
0325 - Reintegration of Displaced Families	
- PID to AID/W for Review/Approval *	1/87
- PP to AID/W for Approval/Authorization *	5/87
- ProAg signed	6/87

0275 - Salvadoran Demographic Association Amendment

- USAID Review/Approval of PP Amendment	11/86
- ProAg Amendment signed	12/86

0315 - Training for Private Sector Development

- USAID Review/Approval of PID	8/86
- USAID Approval/Authorization of PP	2/87
- ProAg signed	3/87

0242 - Local Government Strengthening

- USAID Review/Approval of PID	12/86
- USAID Approval/Authorization of PP	6/87
- ProAg signed	7/87

0318 - Small Business Assistance

- USAID Review/Approval of PID	1/87
- USAID Approval/Authorization of PP	5/87
- ProAg signed	6/87

FY 1988

0323 - Industrial Parks and Infrastructure

- USAID Review/Approval of PID	6/87
- USAID Approval/Authorization of PP	12/87
- ProAg signed	1/88

0320 - Public Services Restoration/ Infrastructure Rehabilitation

- PID to AID/W for Review/Approval	7/87
- PP to AID/W for Approval/Authorization	12/87
- ProAg signed	1/88

0324 - Potable Water/Environmental Sanitation

- USAID Review/Approval of PID	10/87
- USAID Approval/Authorization of PP	2/88
- ProAg signed	3/88

0295 - Education Systems Revitalization Amendment

- USAID Review/Approval of PP Amendment	11/87
- ProAg Amendment signed	12/87

0327 - Agribusiness Development

- USAID Review/Approval of PID	1/85
- USAID Approval/Authorization of PP	5/88
- ProAg signed	6/88

*These projects reflect AID/W approval because of their funding levels. USAID, however, requests that approval authority be delegated to the field.

4. Program Pipeline

A review of the current financial status of USAID/El Salvador's project portfolio including total obligations, earmarks/commitments, expenditures (accruals and disbursements), and the pipeline shows that the projects appear to be moving well, with a unencumbered balance of only 15% of the portfolio and a pipeline of 47% of all obligations as of December 31, 1985. The Mission's current pipeline for all DA and ESF funded projects is approximately $210,379,400, with earmarkings/commitments of $311,970,800, accrued expenditures of $229,221,500, and total obligations of $439,600,900. In addition, $30 million of the $160 million obligated for the ESF Balance of Payments Program was not yet disbursed as of December 31,1985.

This movement in the pipeline should be considered in light of the substantially increased number of projects and level of funding over the last two to three years. In FY 1983, the Mission had a total of 18 active projects. By FY 1986, the Mission's portfolio had grown to include 25 ongoing projects, not including several smaller PVO subprojects under the Health and Jobs for Displaced Families (519-0281) and various LAC Bureau initiatives. In FY 1984, DA and ESF obligations totalled $161,702,000. In FY 1985, this figure rose to $265,050,000, and the FY 1984 Supplemental added a further $111,108,000 to bring this level in FY 1985 to a total of $376,158,000. Despite the doubling of funding last year, the portfolio liquidation rate has increased from 57% in FY 1984 to 76% by the end of CY 1985. A comparison of annual expenditures for the last two calendar years, $219,413,000 in CY 1984 and $174,087,700 in CY 1985, also indicates, that despite the increased funding levels, the portfolio continues to move well.

This movement of funds is particularly noteworthy because the portfolio has also undergone a gradual shift in emphasis from shorter-term fast-moving ESF funded activities to longer-term more development oriented programs.

The January 1986 devaluation of the colon will create additional dollar savings in many of the projects, as fewer dollars are needed to fund local currency costs. In some cases, this may slow down the rate of disbursements. At the present time, the Mission is critically examining various options on a case by case basis for using these unforseen savings, and reprogramming planned project funding as necessary to maintain the high portfolio liquidation rate achieved in CY 1985.

5. Program Mortgage

Excluding balance of payments activities, the end of FY 1986 mortgage is projected at $143.3 million, subsequently to decline to $112.5 million and $80.5 million in FY 1987 and FY 1988, respectively. This reduction in the mortgage will be possible even with the reduced budgets for FY 1986 and FY 1987. The FY 1986 DA mortgage includes 14 projects (excluding PD&S), 7 of which will be fully funded in FY 1987. The FY 1986 ESF mortgage, excluding balance of payments, consists of additional funds for Industrial Stabilization and Recovery (519-0287) in the following years.

The FY 1987 DA mortgage includes 12 projects, 11 of which will be fully funded in FY 1988.

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PROGRAM SUMMARY TABLE
FY 1986 - 1988

PROJECT NO.	TITLE	G/ L	AUTHORIZED/ PLANNED	FY 1986 REDUCED OYB	FY 1986 MORTGAGE	PLANNED FY 1987	FY 1987 MORTGAGE	PROPOSED FY 1988	FY 1988 MORTGAGE
	A.R.D.N. (FN)								
0167	P. D. and S.	G		400	950	450	500	500	--
0265	Agr.Reform Sect. Support	L	38500 P	8000	8500	8500	--	--	--
0265	Agr.Reform Sect. Support	G	13530 P	3000	3330	3330	--	--	--
0289	AIFLD - OPG	G	6157 A	1000	--	--	--	--	--
0300	Save the Children - OPG	G	1900 A	1300	--	--	--	--	--
0303	Water Management	G	18744 A	8220	7024	4024	3000	3000	--
0307	Agr.Ref.Sector Financing	G	4000 P	1000	3000	2000	1000	1000	
0307	Agr.Ref.Sector Financing	L	46000 P	5500	40500	14000	26500	20000	6500
0312	Technoserve (new Project)	G	4050 P	1050	3000	1500	1500	1500	--
0327	Agribusiness Development	G	30000 P	--	--	--	--	10000	20000
	Grants			15970	17304	11304	6000	16000	20000
	Loans			13500	49000	22500	26500	20000	6500
	SUB-TOTAL ARDN			29470	66304	33804	32500	36000	26500
	POPULATION (PN)								
0181	P.D. and S.	G	--	100	200	100	100	100	--
0210	Population Dynamics	G	10000 A	4573	1902	1902	--	--	--
0275	Salv.Demogr.Assoc.(Amend)	G	8353 P	0	3000	2000	1000	1000	--
	Grants			4673	5102	4002	1100	1100	--
	Loans			--	--	--	--	--	--
	SUB-TOTAL POPULATION			4673	5102	4002	1100	1100	0
	HEALTH (HE)								
0173	P.D. and S.	G	--	350	600	274	326	326	--
0281	Displaced Families	G	72525 A	3000	6500	6500	--	--	--
0300	Save the Children - OPG	G	1749 A	--	1749	700	1049	1049	--
0308	Health Syst.Mgmt.Improv.	G	32000 P	14900	17100	7000	10100	10100	--
0324	Potable Water/Environ.San	G	20000 P	--	--	--	--	7000	13000
0999	OPGs			1000	--	--	--	1000	--
	Grants			19250	25949	14474	11475	19475	13000
	Loans			--	--	--	--	--	--
	SUB-TOTAL HEALTH			19250	25949	14474	11475	19475	13000

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PROJECT NO.	TITLE	G/ L	AUTHORIZED/ PLANNED	FY 1986 Reduced OYB	FY 1986 MORTGAGE	PLANNED FY 1987	FY 1987 MORTGAGE	PROPOSED FY 1988	FY 1988 MORTGAGE
	EDUCATION (EH)								
0168	P.D. and S.	G		1255	900	400	500	500	--
0295	Ed.Syst.Revitalzation	G	40600 P	15200	16675	11000	5675	5675	--
0315	Trng for Priv Sect Devl	G	15000 P	--	--	5000	10000	10000	--
REG.	Scholarship Program	G	27400 P	(6000)	--	(8000)	--	(7000)	--
	Grants			16455	17575	16400	16175	16175	--
	Loans			--	--	--	--	--	--
	SUB-TOTAL EDUCATION			16455	17575	16400	16175	16175	--
	SELECTD.DEVLP.ACTIVITIES (SD)								
0094	Spec.Develop.Activites	G		350	700	350	350	350	--
0177	P.D. and S.	G		1550	1950	950	1000	1000	--
0242	Local Gov't Strengthening	G	10000 P	--	--	4000	6000	6000	--
0260	Reform and Policy Plannin	G	8155 A	1500	1000	1000	--	--	--
0261	Displaced Families	G	72525 A	3500	--	--	--	--	--
0304	Urban Small Business. OPG	G	3000 A	1000	1000	1000	--	--	--
0311	Youth Entrepren.Devl OPG	G	1000 A	350	350	350	--	--	
0318	Small Business Assist.	G	10000 P	--	--	5000	5000	5000	--
0321	AIFLD - OPG (New Project)	G	7900 P	2500	5400	2500	2900	2900	--
0322	IESC Small Entrp.Devlpmt.	G	500 P	500	--	--	--	--	--
0325	Reintegra Displaced Fam.	G	10000 P	--	--	--	--	10000	--
0326	Tax Administration	G	3000 P			2000	1000	1000	--
	Grants			11250	10400	17150	16250	26250	0
	Loans			--	--	--	--	--	--
	SUB-TOTAL S.D.A.			11250	10400	17150	16250	26250	0
	GRANTS			67598	76330	63330	51000	79000	33000
	LOANS			13500	49000	22500	26500	20000	6500
	TOTAL DEVELOPMENT ASSISTANCE			81098	125330	85830	77500	99000	39500

PROJECT NO.	TITLE	G/ L	AUTHORIZED/ PLANNED	FY 1986 Reduced OYB	FY 1986 MORTGAGE	REVISED FY 1987	FY 1987 MORTGAGE	PROPOSED FY 1988	FY 1988 MORTGAGE
	ECONOMIC SUPPORT FUND (ES)								
0279	Public Serv Restoration	G	64600 F	20000	--	15000	--	--	--
0281	Displaced Families	G	72570 A	3045	--	--	--	--	--
0287	Industrial Recovery	G	34460 F	7000	18000	8000	10000	10000	--
0310	Balance Payments Support	G	713000 P	147000	406000	207000	199000	199000	--
0320	PubServRestor/Rehabil.		60000 P	--	--	--	--	30000	30000
0323	Industrial Parks/Infrastr	G	2000 P	--	--	--	--	1000	1000
0323	" "	L	10000 P	--	--	--	--	5000	5000
0325	Reintegration Disp.Fam.	G	35000 F	--	--	10000	25000	20000	5000
	Grants			177045	424000	240000	234000	260000	36000
	Loans			--	--	--	--	5000	5000
	Sub-Total ESF			177045	424000	240000	234000	265000	41000
	GRANTS			244643	500330	303330	285000	339000	69000
	LOANS			13500	49000	22500	26500	25000	11500
	TOTAL DEV ASSIST & ESF			258143	549330	325830	311500	364000	80500

TITLE			
OTHER PROGRAMS*			
PL 480 Title I	46000	45000	50000
PL 480 Title II	7900	9400	9900
H.I.S.		(10000)	
Sub-Total OTHER PROGRAMS	53900	54400	59900
TOTAL DA, ESF, & OTHER	312043	380230	423900

PROJECT NO.	TITLE	G/ L	AUTHORIZED/ PLANNED	FY 1986 Reduced OYB	FY 1986 MORTGAGE	PLANNED FY 1987	FY 1987 MORTGAGE	PROPOSED FY 1988	FY 1988 MORTGAGE
TOTAL WITHOUT BALANCE OF PAYMENTS PROJECT									
	GRANTS			97643	94330	96330	86000	140000	69000
	LOANS			13500	49000	22500	26500	25000	11500
	TOTAL			111143	143330	118830	112500	165000	80500
0310	Balance Payments Support	G	713000 F	147000	406000	207000	199000	199000	--
INCLUDING BALANCE OF PAYMENTS PROJECT									
	GRANTS			244643	500330	303330	285000	339000	69000
	LOANS			13500	49000	22500	26500	25000	11500
	TOTAL			258143	549330	325830	311500	364000	80500

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EL SALVADOR
U.S. ECONOMIC ASSISTANCE
PROJECT LIST BY PRIORITY AREAS

Project No.	Title	G/L	FY 1986	FY 1987	FY 1988
I. ECONOMIC STABILIZATION					
--	PL 480 Title I	L	46,000	45,000	50,000
--	PL 480 Title II	G	7,900	9,400	9,900
0320	Pub.Serv.Restoration/Rehabil.	G	---	---	30,000
0279	Public Services Restoration	G	20,000	15,000	---
0281	Emerg.Prog.for Displaced Families	G	9,545	6,500	---
0325	Reintegration Displ.Pers.	G	--	10,000	30,000
0310	Balance of Payment Support	G	147,000	207,000	199,000
0326	Tax Administration	G	---	2,000	1,000
	Sub Total		230,445	294,900	319,900
II. ECONOMIC RECOVERY AND GROWTH					
0167	ARDN Project Develop. & Support	G	400	450	500
0177	SDA Prog. Develop. & Support	G	1,550	950	1,000
0260	Reform and Policy Planning	G	1,500	1,000	---
0287	Industrial Recovery	G	7,000	8,000	10,000
0303	Water Management	G	8,220	5,024	3,000
0304	Urban Small Business OPG	G	1,000	1,000	---
0307	Agr.Ref.Sector Financing	G	1,000	2,000	1,000
0307	Agr.Ref.Sector Financing	L	5,500	13,000	20,000
0311	Empresarios Juveniles - OPG	G	350	350	---
0318	Small Business Assistance	G	---	5,000	5,000
0322	IESC Small Entrp.Developmt.	G	500	---	---
0323	Industrial Parks/Infradtrct.	G	---	---	1,000
0323	Industrial Parks/Infradtrct.	L	---	---	5,000
	Sub Total		27,020	36,774	46,500
III. BROADENING THE BENEFITS OF GROWTH					
0094	Special Development Activities	G	350	350	350
0168	Education Prog.Develop./Support	G	1,255	400	500
0176	Health Prog.Develop./Support	G	350	274	326
0181	Population Prog.Develop./Support	G	100	100	100
0210	Population Dynamics	G	4,573	1,902	---
0265	Agrarian Reform Sector Support	G	3,000	3,330	---
0265	Agrarian Reform Sector Support	L	8,000	8,500	---
0275	Salvadoran Demographic Assoc.OPG	G	---	2,000	1,000
0295	Education Systems Revitalization	G	15,200	11,000	5,675
0300	Save The Children OPG	G	1,300	700	1,049
0308	Health Syst.Mgmt.Improvement	G	14,700	7,000	10,100
0312	Technoserve OPG	G	1,050	1,500	1,500
0315	Training for Priv.Sect.Devl.	G	---	5,000	10,000
0324	Potable Water/Environ.Sanitation	G	---	---	7,000
0327	Agribusiness Development	G	---	---	10,000

EL SALVADOR
U.S. ECONOMIC ASSISTANCE
PROJECT LIST BY PRIORITY AREAS

Project No.	Title	G/L	FY 1986	FY 1987	FY 1988
III. BROADENING THE BENEFITS OF GROWTH (Cont'.)					
0999	New OPG's	G	1,000	---	1,000
Reg.	C.A. Peace Scholarships Program	G	-6000	-8000	-7000
	Sub Total		51,078	42,056	48,600
IV. DEMOCRATIC INSTITUTIONS AND HUMAN RIGHTS					
0242	Local Governmt. Strengthening	G	---	4,000	6,000
0289	AIFLD OPG	G	1,000	---	---
0321	AIFLD OPG (New)	G	2,500	2,500	2,900
	Sub Total		3,500	6,500	8,900
	TOTAL		312,043	380,230	423,900
Funding:					
	DA		81,098	85,830	99,000
	ESF		177,045	240,000	265,000
	Sub total DA/ESF		258,143	325,830	364,000
	PL 480 Title I		46,000	45,000	50,000
	PL 480 Title II		7,900	9,400	9,900
	Guaranties (HG)		---	-10000	---
	TOTAL		312,043	380,230	423,900

NOTE: The Regional CAPS Project in Section III is shown as "Non-Add", as well as HG Guarentee under the Funding Breakdown.

ECPRIOS

07-Mar-86

PROJECT PAPER AMENDMENT

PROJECT TITLE:	Agrarian Reform Sector Support
PROJECT NUMBER:	519-0265
PROJECT FUNDING: ($000)	Current: 7,200 (G) 30,000 (L) Proposed Increase: FY 1986: 3,000 (G) FY 1987: 8,500 (L) 3,330 (G)
TOTAL LOP: ($000)	13,530 (G) 38,500 (L)
PACD:	Current: 12/31/86 Proposed: 12/31/87
FUNCTIONAL ACCOUNT:	ARDN

Problem: The consolidation of the agrarian reform is at a critical juncture. The processing of definitive titles for Phase I and Phase III beneficiaries has not been completed. Project resources need to be prioritized so that the titling agencies for Phase I (ISTA) and Phase II (FINATA) concentrate on expediting the issuance of definitive titles. Support services by other reform implementing agencies need to be reviewed critically and more support offered to those which most directly support the attainment of project objectives. The continuation of essential technical assistance thru CY 1987 will require $6.33 million in Grant funds.

Objective: The purpose of the project is to increase the efficiency and effectiveness of the agrarian reform program by accelerating the land transfer process. In addition the project aims to improve the ability of the GOES to provide resources and services to reform beneficiaries while increasing the managerial capacity of agrarian reform cooperatives. The PP Amendment will place greater emphasis on the promotion of titling.

Brief Description: The ongoing Agrarian Reform Sector Support project, authorized in May 1983, has provided a total of $30 million in loan and $7.2 million in grant funds to support the agrarian reform process. The project has provided operating funds and other resources to ISTA and FINATA, as well as to a dozen other entities which support the agrarian reform to differing degrees. Through the end of CY 1985, the project has helped ISTA to issue 127 definitive titles (LOP planned is 317 titles) and FINATA to issue about 17,000 titles (LOP planned is over 45,000).

Reform support services financed by the project include extension, technical assistance, training of technicians and reform beneficiaries, and special studies. Since the titling progress is less than planned LOP outputs, the redesign of the project will concentrate on streamlining resources so that titling will be accelerated and less essential activities will receive reduced assistance. Attainment of project objectives will require an additional $14.83 million and a one year extension of the PACD to 12/31/87 for private sector component which, because it has only recently begun and is a bridge to the FY 88 Agribusiness project, will require a PACD of July 31, 1987. The private sector component involves a grant to the Salvadoran Foundation for Economic and Social Development (FUSADES) for technical assistance, feasibility studies and training..

Beneficiaries: Direct project beneficiaries are 190,000 persons in 317 cooperatives (Phase I) and 382,000 former renters and family members (Phase II). Indirect beneficiaries include non-reform sector agriculturalists who will benefit from an agricultural sector comprised of both a consolidated agrarian reform and non-reform farmers.

PROJECT PAPER AMENDMENT

PROJECT TITLE:	Industrial Stabilization and Recovery
PROJECT NUMBER:	519-0287
PROJECT FUNDING: ($000)	Current: 9,460 (G) Proposed Increase: FY 1986: 7,000 (G) FY 1987: 8,000 (G) FY 1988: 10,000 (G)
TOTAL LOP: ($000)	34,460 (G)
PACD:	Current: 9/30/87 Proposed: 9/30/89
FUNCTIONAL ACCOUNT:	ESF

Relationship to Goals, Objectives and Performance Indicators

By augmenting and deepening the support for the development of drawback or light manufacturing assembly industry (maquila) in El Salvador, the proposed Amendment will contribute toward the attainment of the Mission's economic and recovery goal (i.e., to accelerate economic growth and diversify the economy to attain higher levels of economic well-being). One of the three principal program areas included in the Implementation Plan to address growth and diversification efforts is that of industrial recovery with an emphasis on export promotion and permanent employment creation. The proposed Amendment will be developed specifically to accelerate the generation of foreign exchange and jobs -- the Mission's medium to long-term objectives for industrial recovery. Similarly, the Amendment is fully consistent with the Mission's short-term objectives of increasing investment and production in re-export industries and promoting incentives to increase private sector participation in the economy. The proposed Amendment will constitute a major effort toward the achievement of the performance indicators related to maquila industries (i.e., expansion of maquila exports by $24 million above 1984 levels by the end of FY 1987, creation of 8,000 jobs above 1984 levels by the end of FY 1987, increase in the demand for medium and long-term credit exceeding $10 million by FY 1987).

Major Development Problem Being Addressed

A 1985 AID financed study on "Economic Growth Strategies for El Salvador: Preliminary Analysis of Possible New Approaches" concluded that neither the agricultural sector (because of a limited arable land base) nor the

manufacturing sector (constrained by the domestic and CACM markets) can generate the levels of employment needed to absorb ever greater numbers of entrants into the labor force. Given that over half of the economically active population is unemployed or underemployed, the study recommended a strategy, first, to support export industries based on the utilization of the country's most abundant resource (i.e., labor) in light manufacturing/transformation industries for extra-regional markets and, secondly, to develop the support services that such a thrust would require. Thus, the development of maquila industries in El Salvador assumes enormous importance and will require special promotional efforts and additional incentives if foreign investors are to locate operations in the country or enter into joint ventures or production contracts with local entrepreneurs.

Project Components, Activities, and Implementing Organization

The ongoing Industrial Stabilization and Recovery project is one of USAID's key programs for generating employment, income and foreign exchange for El Salvador. The project provides support to both the public and private sectors for non-traditional export and investment promotion efforts. Through the project, exporters of non-traditional products in El Salvador are provided with policy support from the public sector, as well as technical assistance, technology transfer, market information and other technical support services from the private sector. The private sector component is being implemented by the Salvadoran Foundation for Economic and Social Development (FUSADES), a private non-political, non-profit organization. Among the activities being implemented by FUSADES is a Trade and Investment Promotion Service program (TIPS) which facilitates information, technical assistance, and business development services to Salvadoran non-traditional export enterprises through the establishment of linkages between interested enterprises and provider entities both within and outside El Salvador.

Consistent with the objectives of the project and the Mission's overall industrial recovery strategy, the project is being amended in FY 1986 as a means of providing greater support to maquila or assembly industrial development. The additional resources will be made available to FUSADES. The new activities to be funded will be based on analyses to be conducted in the second and third quarters of FY 1986. Tentatively, the plan is to utilize approximately $5 million to augment the TIPS program, thus making available a greater amount of required maquila-related technical services to investors. In addition, the Mission will be examining the financial constraints to maquila development and, depending on the findings of demand analyses and feasibility studies to be carried out, approximately $20 million for a credit guaranty fund (or other financial mechanism) for new investment in assembly or maquila production may be included in the Amendment. A possible approach might be to grant the additional resources to FUSADES which, in turn, would establish a trust fund in a local bank for the credit guaranty and have the bank lend the resources to investors at prevailing market interest rates for

long-term, high risk investment. A portion of the loan repayment proceeds would be used to cover FUSADES' future recurring costs, while most of the proceeds would go back to the fund for future lending. Additional constraints to maquila development are being addressed through other Mission projects, such as the Balance of Payments Support Program and the Domestic Reinsurance Program, a local currency-funded insurance program to partially cover losses resulting from terrorist acts.

Extent to Which Overall AID Policies Have Been Taken Into Account

The proposed Amendment conforms to NBCCA recommendations and overall AID policies. The incentives provided will encourage private enterprise and individual initiatives, help create a favorable investment climate, and promote non-traditional export efforts. Technical support services to be financed are consistent with AID's policies on technology transfer. The planned credit guaranty fund is consistent with AID's policies on lending terms to private enterprises, which recommends that AID resources to private profit making enterprises producing goods and services for sale in commercial markets be made available as loans at appropriate interest rates. The provision of AID resources in the form of a grant to FUSADES for the establishment of a credit guaranty fund is needed to promote long-term, high risk investment and, with a portion of the reflows, to underwrite FUSADES' recurring costs. This allocation of grant funding to FUSADES for lending to entrepreneurs, which is consistent with AID guidelines on Terms of Aid, will also further AID's policies on institution building.

Additional Budget

	($000)
Technical Assistance	5,000
Credit/Guaranty	20,000

PROJECT PAPER AMENDMENT

PROJECT TITLE:	Public Services Restoration
PROJECT NUMBER:	519-0279
PROJECT FUNDING: ($000)	Current: 64,600 (G) 13,400 (L) Proposed Increase: FY 1987: 15,000 (G)
TOTAL LOP: ($000)	79,600 (G) 13,400 (L)
PACD:	12/31/87
FUNCTIONAL ACCOUNT:	ESF

Problem: Additional funding of $15 million will be needed in FY 1987 to meet foreign exchange costs of public services restoration activities. The most critical needs are the maintenance of the electrical system, the road network and water distribution lines.

Objective: The purpose of the Public Service Restoration project is to assist the Government of El Salvador in repairing and restoring public services damaged by guerrilla sabotage. Project funds are used to finance the foreign exchange costs of imported goods and services needed for the repair or replacement of damaged infrastructure and to enhance the reliability or reduce the vulnerability of the public services systems.

Brief Description: The project was initially authorized on November 7, 1981 for $10 million in loan funds. Subsequent authorizations have increased loan funding by $2.7 million (March 1982) and $0.7 million (September 1982). Grant funding has been authorized in the amount of $11 million (April 1983), $3.6 million (July 1983), $20 million (June 1984), $10 million (April 1985) and $20 million (December 1985). The total authorized LOP funding is $78 million. The current request will increase LOP funding to $93 million.

The number of guerrilla initiated incidents directed against the nation's physical infrastructure has remained high. Although destruction has been widespread, activity has concentrated largely on the critical economic support facilities and essential public services. Most affected have been the electrical system and the national road network. The number of attacks directed against the electrical system continues to be especially high.

Additional funding of $15 million is needed to meet the foreign exchange costs of public services restoration activities. Over one half of the requested funds will be used for repair activities of the national electric authority (CEL) and the Ministry of Public Works (MOP). Project funds will continue to be used for the repair of existing infrastructure and restoration of services rather than the replacement of infrastructure and facilities.

The $15 million would be obligated in the first quarter FY 1987. The advertising waiver contained in the Project Authorization, as amended, should be continued to permit rapid procurement of emergency repair parts and equipment.

Beneficiaries: The project's direct beneficiaries include citizens throughout El Salvador, both urban and rural, who will benefit from the continuation or restoration of essential public services such as electricity, water and roads.

NEW PROJECT

PROJECT TITLE:	Tax Administration
PROJECT NUMBER:	519-0326
PROJECT FUNDING: ($000)	FY 1987: 2,000 (G) FY 1988: 1,000 (G)
TOTAL LOP: ($000)	3,000 (G)
PACD:	9/30/89
FUNCTIONAL ACCOUNT:	SDA

Relationship to Goals, Objectives and Performance Indicators

The first goal of the AID strategy in El Salvador is to assist the GOES to maintain, insofar as possible within the context of the armed conflict, a modicum of social and economic stability. In the short-term, AID's objectives are to help EL Salvador to reduce balance of payments and fiscal deficits, and to strengthen GOES procedures for making sound macro-economic policy choices. Over the longer-term, AID's objective is to eliminate the need for compensatory balance of payments financing. Towards this end, assistance will be provided under this project to assist the GOES undertake a comprehensive tax administration reform effort as a means of increasing its revenues and improving the administration of its tax system.

Major Development Problem Being Addressed

In 1979, a new Salvadoran Government committed itself to structural, political, economic and social change. It announced that reforms would be initiated in several key areas, including agriculture, commerce, education, and monetary and fiscal policies. To support this early GOES effort, AID initiated the Reform and Policy Planning (519-0260) Project to provide financing for the planning and implementation of programs, as well as to assist the GOES to formulate policies and procedures in those areas that would promote economic stabilization and social development. Since the inception of the project in 1980 to 1984, a steep decline in real GDP and a growing balance of payments deficit occurred. The project was influential in assisting the GOES to modify its economic policies which, in part, led to the arrest of GDP decline with a growth of aggregate real GDP of 1.5% in 1984 and a further estimated growth of 1.6% in 1985. It was also influential in assisting the GOES to decide to unify the exchange rate and in defining the overall composition of its 1986 Economic Program.

Although Reform and Policy Planning (519-0260) focuses its efforts on providing a policy, procedural and administrative framework to achieve economic stabilization and recovery, it does not have the flexibility to permit AID to adequately respond to the GOES' most recent commitment (and request for AID assistance) to undertake a comprehensive tax administration reform program as a means of increasing and improving the administration of its tax system.

Project Components, Activities, and Implementing Organization

In 1985, Reform and Policy Planning (519-0260) assisted the GOES to formally establish an Economic Analysis Unit and to finance TA to enable it to carry out essential studies in key economic policy areas, including fiscal and monetary policy, exchange rate policy, reactivation and stabilization of the economy, GOES debt, and commercial policy. Limited planned project funding will ensure the continuation of the Unit, the carrying out of seminars and conferences to disseminate its findings, and the preparation of legislation in key areas of reform. Nevertheless, the proposed Tax Administration Project (519-0326) is considered necessary to build upon the initial work of the Unit in the area of improved fiscal administration.

Among the economic problems confronting the GOES is a persistently large fiscal deficit. The resulting need to finance the deficit with domestic resources has contributed to the "crowding out" of the private sector from the available pool of credit and, in some cases, to excessive monetary expansion. The large size of the consolidated public sector's fiscal deficit (6.4% of GDP in 1984 and an estimated 5.8% of GDP in 1985) is the result of a confluence of external and internal factors. Externally, reduced trade levels and declining production have eroded the yield of international trade and income taxes. Internally, the deficit has been fed by growing expenditures associated with the war and a tax structure which is fraught with distortions, relies too heavily on international trade for revenues, and is implemented with archaic methods of revenue collection which encourage and facilitate tax evasion. In recognition of these problems, the GOES announced, as part of its 1986 Economic Program, a plan to reform the current tax system into a more equitable system which would improve the administrative mechanics in tax collection, as well as serve as an incentive to promote investment in areas of comparative advantage and rely less on international trade for revenues.

In response to the GOES expressed commitment to fiscal reform and specific request for assistance, AID is in the process of contracting TA to be provided to the GOES during the second quarter of CY 1986. The PD&S SDA (519-0177) financed TA will provide the services of two highly qualified tax administration experts to carry out a Tax Administration Survey. The Survey will be a pre-feasibility analysis of the GOES Ministry of Finance's tax administration system. Specifically, the

analysis will review numerous aspects related to the overall tax compliance problem. These include: organization of the administration agency; receipt of tax returns and related documents and processing; delinquent accounts; auditing functions; tax violations and evasions; appeals; delinquent returns; management and physical facilities; and management information systems and forms. The proposed project will address a limited number of key tax administration elements requiring immediate attention. These will be defined in the PID and PP preparation phases based on the findings of the mid CY 1986 AID financed Survey and subsequent specific analyses, as appropriate.

Extent to Which Overall AID Policies Have Been Taken Into Account

The project conforms to and supports NBCCA Recommendations on economic stabilization, as well as AID policies on policy reform, recurrent costs and institution building. The provision of AID resources in the form of a grant is consistent with AID guidelines on Terms of Aid.

Beneficiaries

The principal beneficiaries will be the institutions within the GOES (e.g., Ministry of Planning, Ministry of Finance, Treasury Ministry) responsible for formulating economic policy and implementing fiscal programs (i.e., tax administration).

Preliminary Budget

	($000)
Technical Assistance	2,000
Training	500
Other Costs/Commodities	500
	3,000

NEW PROJECT

PROJECT TITLE:	Reintegration of Displaced Families
PROJECT NUMBER:	519-0325
PROJECT FUNDING: ($000)	FY 1987: 10,000 (G) FY 1988: 30,000 (G) FY 1989: 5,000 (G)
TOTAL LOP: ($000)	45,000 (G)
PACD:	9/30/91
FUNCTIONAL ACCOUNT:	ESF, SDA

Relationship to Goals, Objectives and Performance Indicators

AID's medium to long-term objectives with regard to the displaced is to help the GOES reintegrate the displaced population into the economy. This project will assist the GOES to re-establish displaced families in their original or new locations, or permanently establish them in their existing locations, thus reducing the need for emergency humanitarian assistance.

Major Development Problem Being Addressed

The number of displaced persons rose from 25,000 in 1980 to about 525,000 (11% of the population) in 1985 as people fled the war zones. As the GOES lacks the resources to meet the basic needs of these people, AID has provided emergency humanitarian assistance in the form of food, preventive and curative health care, and employment. The GOES is in the process of forming a formal national commission responsible for the establishment of policies and programs for the displaced, and has yet to define the policy and operational mechanisms necessary to accelerate the long-term reintegration of displaced persons into the social and economic structure of the country. Under the ongoing Health and Jobs for Displaced Families (519-0281), AID is working with the GOES to develop the plans and programs to carry out this reintegration. This proposed Project will serve to encourage the GOES to adopt adequate policies and to accelerate its efforts to deal with the displaced population.

Project Components, Activities, and Implementing Organization

The purpose of the project is to assist the GOES in reintegrating displaced families into the normal economic life and social structure of El Salvador. It will focus on the more than 40,000 displaced persons in settlements, primarily in urban marginal areas. The beneficiaries will

be assisted to resettle, should they so desire, or settle in their host communities. In addition, efforts will be made to encourage self-employment through skills training, access to credit, and the provision of technical assistance in establishing micro-businesses. Lastly, a mechanism will be established to assist displaced persons in acquiring tenure to land.

A means of achieving the project's objectives will be the development of a land bank to finance land purchases by displaced families. Low-cost housing options will be developed for displaced families, both to upgrade the shelter situation in existing settlements and for those individuals who choose to resettle. At all sites where the displaced relocate, (e.g., Phase I farms, marginal or new communities), the demand on existing services will have to addressed. Potable water systems, sewage systems, drainage, garbage disposal, access roads and sidewalks will have to be constructed. Past experience under the jobs component of the current project has proven that displaced labor is capable of building and maintaining these services.

The principal implementing agency will be the GOES Ministry of the Interior, assisted by local and U.S. private voluntary agencies. A safety net of primary health services and some food distribution will be continued under the project, although the levels will decline as the GOES' service system starts to pick up in these areas. The project will also attempt to coordinate resettlement efforts with the National Plan.

Extent to Which Overall AID Policies Have Been Taken Into Account

The project conforms to and supports NBCCA Recommendations on economic recovery, as well as AID policies on recurrent costs, urban development, health assistance, nutrition, food and agricultural development, local organizations in development and domestic water and sanitation. The provision of AID resources in the form of a grant is consistant with AID guidelines on Terms of Aid.

Beneficiaries

The direct beneficiaries will be the approximately 40,000 displaced persons living in settlements, although non-registered displaced families will also benefit from the project's activities.

Premilinary Budget

	($000)
Land Bank	12,000
Sites Upgrading	4,000
Housing	15,000
Training/Credit for Employment	8,000
Health and Nutrition Services	5,000
Project Administration	1,000
	45,000

PROJECT PAPER AMENDMENT

PROJECT TITLE:	Salvadoran Demographic Association
PROJECT NUMBER:	519-0275
PROJECT FUNDING: ($000)	Current: 5,353 (G) Proposed Increase: FY 1987: 2,000 (G) FY 1988: 1,000 (G)
TOTAL LOP: ($000)	8,353 (G)
PACD:	09/30/89
FUNCTIONAL ACCOUNT:	PN

Relationship to Goals Objectives and Performance Indicators

The overall AID strategy with respect to population cites as its basic principles "freedom of choice" and "informed consent." USAID's specific objectives in the health sector are to reduce the population growth rate by a decrease in the crude birth rate. This is to be accomplished by an increase in contraceptive prevalence and in couple years of protection. This project and its proposed Amendment support these objectives. The overall purpose of the project is to improve the quality and expand the availability of services through the various health agencies providing voluntary family planning services throughout the country. Major thrusts of the project have been: the provision of information, education, and communication to enable family planning acceptors to be more knowledgeable of existing services, contraceptive methods and social marketing mechanisms; and the increased acceptability/affordability of contraceptives.

Major Development Problem Being Addressed

El Salvador is the most densely populated country in continental Latin America with an estimated 547 inhabitants per square mile. The natural growth rate has declined only slightly in the past decade. In spite of the outmigration during the past five years resulting from the internal conflict, the crude birth rate continues to be high (i.e., 37 births per 1,000 population). If this situation is left unchecked it will produce serious long-term problems for the country.

Project Amendment Components, Activities and Implementing Organization

The purpose of the project is to improve family planning delivery services by Salvadoran private sector profit and non-profit agencies in collaboration with various local indigenous organizations (i.e., labor unions, private medical doctors, pharmacies, small stores, women's groups, small philanthropic foundations).

Through the use of innovative programs with labor unions, women's groups, and the Salvadoran private health care sector, the Salvadoran Demographic Association (SDA) will increase contraceptive coverage while reducing its costs to deliver services. The proposed Amendment to extend the project will support activities in the areas of: information, education and communication; management improvement; technical assistance; evaluation and research; commercial and social marketing; and cost-effective clinical systems.

Beneficiaries

SDA will increase its contraceptive coverage from 100,000 couple years of protection in 1988 to 150,000 in 1993. It is also expected to reduce the cost per couple year of protection from $15 in 1988 to $5 in 1993.

Additional Budget

		($000)
a)	Information, Education, Communication	600
b)	Management Improvement	400
c)	Technical Assistance	600
d)	Evaluation and Research	200
e)	Social Marketing 600	
f)	Cost-effective Clinical Systems	600
	Total	3,000

NEW PROJECT

PROJECT TITLE:	Training for Private Sector Development
PROJECT NUMBER:	519-0315
PROJECT FUNDING: ($000)	FY 1987: 5,000 (G) FY 1987: 10,000 (G)
TOTAL LOP: ($000)	15,000 (G)
PACD:	09/30/92
FUNCTIONAL ACCOUNT:	ED

Purpose: To establish the institutional base to assist economic recovery and extend the benefits of growth by strengthening human resource skills which are needed for Salvadoran private sector development.

Project Description: El Salvador needs to re-establish long-term economic growth through the reorientation of its economy from its present import substitution mode to one in which the productive sectors contribute to export-led growth. Besides diversification of production, the new mode must incorporate the participation of a relatively large labor force, which at present does not possess adequate skills and which has large numbers of unemployed or underemployed. The upgrading of the human resource base is a necessary part of this development strategy. Private enterprises, especially those which can have a positive impact on productivity, labor-intensive production and exports, need to react with the timeliness, energy and innovation required to assure long-term, economic growth.

The proposed project will respond to existing and future skills development requirements. Identification of priority skills categories to be developed or upgraded at the worker, technical or managerial levels will be done on the basis of a Training Needs Assessment to be carried out in the latter part of CY 1986. The Assessment will also evaluate the existing capabilities of local training institutions to be utilized by the new project in meeting the priority private enterprise training demands. A private sector foundation is currently being created by a group of Salvadoran businessmen and industrialists interested in providing assistance for education/training programs for the private sector. This group will serve as an advisory group during the design phase of the PID and PP, whereas the foundation will be the grantee responsible for managing the project.

As currently envisioned, the project would provide financing to meet immediate priority training needs, set the stage to develop longer-term needs, and create linkages between private enterprise and training institutions. Training programs to be funded will emphasize practical approaches, such as competency-based vocational/technical training and technical or management training applicable to new production processes and marketing strategies. Another aspect of the project strategy would be to fund cost-effective in-country training programs and U.S. training when not available in El Salvador. Assistance to local training institutions, in the form of equipment and the training of faculty/visiting instructors may also be included in the project.

Relationship of Project to AID Country Strategy: The proposed project fully supports AID's objectives of promoting economic recovery in El Salvador and spreading the benefits of growth. It will directly support ongoing and planned projects, and is responsive to the NBCCA recommendation that education efforts, including vocational/technical training, be increased and made more relevant to production.

Host Country and Other Donors: The IDB is expected to initiate an activity with the Ministry of Education in FY 1986 to upgrade the facilities and equipment of one of the post-secondary technological institutes, as well as to build and furbish a second institute which has recently been established. The World Bank is completing a major loan with the Ministry of Labor to build a vocational training center next to the Free Zone and may provide follow-on assistance for the center. AID will coordinate closely with these two international donors during the design and implementation phases of the project.

Beneficiaries: Primary beneficiaries will be the training institutions to be assisted in developing improved training programs to meet the private sector's demand for skills, as well as several thousand workers, technicians and managers of Salvadoran firms who will benefit from the training courses.

NEW PROJECT

PROJECT TITLE:	Local Government Strengthening
PROJECT NUMBER:	519-0242
PROJECT FUNDING: ($000)	FY 1987: 4,000 (G) FY 1988: 6,000 (G)
TOTAL LOP: ($000)	10,000
PACD:	9/30/89
FUNCTIONAL ACCOUNT:	SDA

Purpose: To assist El Salvador develop and establish systems for strengthening the authority, capacity and organization of its democratically elected local governments.

Project Description: El Salvador's new 1983 Constitution envisions a larger role for the 262 local governments in the country's evolving democratic socio-political order. Moreover, in El Salvador there is a consensus forming that the new Salvadoran democracy requires a greater degree of grass-roots participation in socio-economic decision making and greater incentives, opportunities and motivation for self-help, self-management and self-governance at the local level. The above runs counter to the fact that Salvadoran local governments have been weakened by a half-century of centralizing actions that transferred revenues and authority functions to national ministries and autonomous institutions, and subjected local authorities to an increasingly paternalistic system of Central Government oversight and control.

The driving force behind the desire to strengthen local government is the strong conviction that the fledgling Salvadoran democracy will function more effectively when decisions regarding meeting peoples' needs are made at the local level and based on the expressed desires of the local populace through their duly elected representatives. Moreover, population increases in secondary cities and larger towns have made it increasingly difficult for the current centralized system to meet the needs of the local populace. As new areas of the country become increasingly secure from insurgency and violence, there is a need to reestablish local government authority and services, as these have been key targets of the insurgency, and in the country's conflictive zones careful coordination will have to take place with GOES National Plan efforts.

El Salvador is still debating the institutional and legal framework of its local government initiative; new laws are still being drafted and discussed, among them: a new municipal code, a new municipal loan fund, new local revenue sources and authorities and a new local planning law. Because of this state of institutional flux, it is likely that initially the project will be coordinated by the GOES Ministries of Planning and Interior. The Ministry of Planning is in a position to involve the broad spectrum of agencies and ministries in a full review of municipal development options and schemes and the Ministry of Interior has local government oversight responsibilities. Once the new legal and institutional framework are in place, responsibility for administration and coordination of the project will be placed in a more operational government body, either within a council or association of municipalities, a central agency like the Office of Regional and Municipal Affairs in the Ministry of Interior or in a new municipal development institution.

Project resources would be used to provide technical assistance, support for planning and coordination activities involving central and municipal government agencies and personnel, training for promising municipal leaders, surveys of the programs and systems that would be incorporated into a restructured central/municipal relationship, and analyses or alternative approaches to building these systems in conjunction with development of municipal financial and human resource capacities. Project resources may also be used to help develop a GOES institution to provide research, personnel training and technical assistance to local governments over the longer term.

Relationship of Project to AID Country Strategy: One of AID's principal goals is the consolidation of democratic institutions and human rights. This project will support directly both the NBCCA recommendations and AID's goal to strengthen democratic institutions. The NBCCA recommended that the U.S. undertake key initiatives to "expand economic assistance for democratic institutions and leadership training." The NBCCA further recommended that "programs be established to bring leaders of such democratic institutions as labor unions, local governments, legislatures, to work and study in counterpart U.S. organizations."

Host Country and Other Donors: The IDB plans to authorize a $20 million loan in 1986 to provide technical and capital assistance for municipal development. The proposed AID project would provide technical assistance and training to complement activities to be carried out under a Municipal Development Fund to be capitalized by the IDB loan.

Beneficiaries: The project's beneficiaries will be the Salvadoran citizens to whom GOES officials will be made more responsible under a system in which capable local officials work for and respond to citizens in their communities.

NEW PROJECT

PROJECT TITLE: Small Business Assistance

PROJECT NUMBER: 519-0318

PROJECT FUNDING: ($000)
FY 1987: 5,000 (G)
FY 1988: 5,000 (G)

TOTAL LOP: ($000) 10,000 (G)

PACD: 9/30/89

FUNCTIONAL ACCOUNT: SDA

Purpose: To increase employment and income opportunities for the lower and middle income segments of El Salvador's population through small scale private businesses. The strategy for achieving this objective is to provide a combination of technical assistance, training and credit under a coordinated umbrella of private sector support associations and GOES institutions to maximize their impact.

Project Description: Currently there are many public and private efforts designed to support small scale enterprises in El Salvador. Though some of these are effective, their overall impact is not thought to have achieved the objective of maximizing the contribution of this sector which represents more than 80 percent of the businesses registered in El Salvador. These activities are diffused, underfunded and oftentimes redundant. In addition, due to lack of integration they do not provide the real range of support services required to make a full contribution towards the viability of a small business.

The proposed project has four objectives: (1) to better integrate small scale entrepreneurs into the local economy by providing technical assistance, training and guidance needed to run their operations efficiently, (2) to provide small businesses with the financial resources they need to start new operations and/or expand their current ones, (3) to promote a GOES positive policy and legal framework for small scale enterprises, and (4) to strengthen the capacity of private sector associations to serve the small business sector.

The project will be based on the results of a small business sector assessment to be carried out in FY 1986. The assessment will quantitatively and qualitatively define the Salvadoran small business sector and will identify its opportunities, constraints and institutional relationships. It will provide the basis for a strategy to use AID funds as a catalyst to help existing Salvadoran institutions overcome identified constraints and to take advantage of existing and future opportunities.

It is expected that the project will (1) provide accounting, management and other training, (2) strenghten small business associations to help organize and represent the small business sector, (3) provide technical support services to improve production processes, (4) review the legal framework within which Salvadoran small businesses operate and promote necessary changes, and (5) strenghten existing credit programs. The definition of activities for each of these areas will be based on the findings of the assessment.

The overall impact of this project will be the increase in the number of new small businesses and the expansion of existing small scale enterprises with the concomitant generation of income and employment. A further benefit of the project will be a greater degree of collaboration among the public and private institutions involved with the small business sector.

Relationship of Project to AID Country Strategy: The proposed project is consistent with AID's objective to promote the economic recovery of El Salvador and provide assistance to the small business sector, which is largely composed of low and middle income segments of the population.

Host Country and other Donors: The project will reinforce the Government of El Salvador's objective to increase the number of small entrepreneurs. The project will complement efforts made in this area by the Salvadoran financial system which has been instructed to set aside 10% of its credit assistance for small businesses. Other international institutions such as the IDB have expressed interest in providing resources to assist El Salvador's small business sector. These other donor efforts will be utilized to further the objectives of the proposed project, as appropriate.

Beneficiaries: The direct beneficiaries will be Salvadoran small scale entrepreneurs, as well as approximately 20,000 lower and middle income workers filling newly created job opportunities.

NEW PROJECT

PROJECT TITLE:	Public Services Restoration/Infrastructure Rehabilitation
PROJECT NUMBER:	519-0320
PROJECT FUNDING: ($000)	FY 1988: 30,000 (G) FY 1989: 30,000 (G)
TOTAL LOP: ($000)	60,000
PACD:	9/30/90
FUNCTIONAL ACCOUNT:	ESF

Purpose: To assist the Government of El Salvador (GOES) in the restoration of essential public services and the rehabilitation of vital infrastructure in selected areas of the country. Efforts will focus on continuing restoration of public services as is currently being done under Public Services Restoration (519-0279) and initiate the rehabilitation of major governmental infrastructure that has become inadequate due to deferred maintenance and expansion of these systems.

Project Description: The project will support GOES efforts to continue the restoration of public services and rehabilitation of a number of major infrastructure works essential to economic stabilization and recovery. The infrastructure works on which the project will focus are those that no longer provide adequate service either because of physical deterioration or because the system capacity is no longer sufficient to meet current demand. In either case, the problem is due to insufficient resources in the GOES to adequately maintain infrastructure and to invest in the expansion required by a growing and, increasingly, urban population. In areas where infrastructure replacement may not be feasible, the project will continue to repair electrical, water and other public services systems.

Since 1982, AID assistance in infrastructure has focused almost exclusively on the emergency, stop-gap measures needed to keep systems operational in the face of sabotage and in those modest public works projects that could be carried out through employment generation programs. Although Public Services Restoration (519-0279) and locally currency efforts contribute significantly to meeting short-term infrastructure requirements, there is a growing need for rehabilitation efforts that go beyond the scope of these programs. Increasingly, the GOES has been unable to meet funding requirements for long-term repair or

upgrading of public works. Examples of problem areas include expansion of the San Salvador water system that has been outstripped by population growth and refugee influx, repairs to major highways to halt deterioration and avoid significantly higher reconstruction costs, and electrical system repairs and expansion of fuel storage capacity. Emergency, stop-gap measures will continue to be financed by the project in the lesser secure areas, where infrastructure replacement is not feasible at this time.

A prime example of the consequence of deferring maintenance due to insufficient budgets is the situation with the highway system. As potholes go without repair for extended periods, the road base rapidly degrades due to penetration of water. The cost of repairs rises very quickly as the requirements change from patching of surface pavement to the reconstruction of the road base. Similarly, the Electric Authority (CEL) has effected hundreds of temporary repairs to steel electric line towers using wooden utility poles but has deferred more substantial rehabilitation. However, as more and more towers are substituted by the weaker wooden poles, the lines become more vulnerable to storm damage and spontaneous failure. Reconstruction of towers at key locations is necessary to ensure reliable electrical power in many areas of the country. In addition, CEL's nearly continuous use of thermal power plants has created a high demand for bunker and diesel fuels. Additional storage tanks have not been built due to insufficient GOES resources.

Other governmental infrastructure works that play a key role in the economy and that have deteriorated due to insufficient budget resources include major maritime, airport and customs facilities. The extent to which these facilities are unable to handle the flow of goods into and out of the country is an impediment to the economic recovery and, especially, to the growth of export-oriented industry. The Ministry of Finance has proposed the construction of additional warehouse space at major entry points in order to facilitate customs clearance and secure storage of goods and raw materials imported by the private sector. The financing for such a project is not currently available from GOES resources.

AID estimates that the capital requirements for rehabilitation of even a minimal number of key infrastructure works is in excess of $50 million. However, in order to begin to address rehabilitation needs and to prevent further deterioration of selected infrastructure, an initial funding level of $30 million is proposed ($15 million to continue public services repairs and restoration and $15 million for rehabilitation and replacement of infrastructure).

Relationship of Project to AID Country Strategy: This project is consistent with and supportive of AID's strategy for economic stabilization and recovery.

Host Country and Other Donors: The GOES will contribute significant resources to support this project. Activities funded by the IDB, such as the reconstruction of the Puente de Oro, will complement the proposed project's highway rehabilitation efforts.

Beneficiaries: Beneficiaries will be broadly spread throughout the economy as benefits accrue to transportation, industrial and commercial sectors.

NEW PROJECT

PROJECT TITLE:	Industrial Parks and Infrastructure	
PROJECT NUMBER:	519-0323	
PROJECT FUNDING: ($000)	FY 1988:	5,000 (L) 1,000 (G)
	FY 1989:	5,000 (L) 1,000 (G)
Total LOP: ($000)	10,000 (L) 2,000 (G)	
PACD:	09/30/92	
FUNCTIONAL ACCOUNT:	ESF	

Relationship to Goals, Objectives and Performance Indicators

The Mission's strategy objectives for economic recovery are to assist Salvadoran public and private sector efforts to increase employment, income, and foreign exchange generation, thereby demonstrating the benefits to be obtained by democratic efforts and the free enterprise system. The proposed project complements the Mission's ongoing Industrial Stabilization and Recovery (519-0287), which provides export promotion assistance to the private sector for joint venture and investment opportunities, as well as assistance to the GOES' Ministry of Foreign Trade to promote Free Trade Zones and upgrade the existing San Bartolo Free Zone. It is consistent with the NBCCA objectives to: increase industrial production, strengthen the private sector, promote exports, expand and improve infrastructure, and increase employment. Project objectives and activities are fully consistent with the Mission's continuing dialogue with the Salvadoran public and private sectors on economic reactivation efforts.

Major Development Problem Being Addressed

El Salvador's economy, like those of other Central American countries, currently faces the need to convert its economy from the import substitution model of the 1970's to an economy based on export-led growth. This need is key to solving two of El Salvador's most pressing development problems: the generation of employment opportunities for a population growing at just under 2.8% annually, and the earning of foreign exchange required to pay international creditors and support its economic development.

Improvement of the economy requires the existance of infrastructure conducive to attracting new investment. In El Salvador, the continuing internal conflict has resulted in seriously damaged infrastructure and has curtailed new industrial construction. The GOES' current priorities

do not include any formal plans for infrastructural expenditures which directly support private sector industrial development. As a result, El Salvador is at a competitive disadvantage with other Central American and CBI countries in offering investors the ability to rapidly begin operations with adequate utilities or professionally managed, preconstructed industrial shells. This project proposes to establish the basis for planned industrial park development under professional management, which would alleviate the costs of individually constructed plants with redundant utility systems, as well as to facilitate quicker development through the provision of long-term credit to support investments in infrastructure for new industrial park areas and technical assistance to ensure that sound engineering criteria are followed and that development of a responsive package is secured.

Project Components, Activities, and Implementing Organizations

The purpose of the project is to increase foreign exchange earnings and employment opportunities. The strategy for achieving this purpose is to develop a program of phased industrial park development and supportive infrastructure for existing and new industrial plants so that investor risks are reduced and new productive ventures can begin more rapidly than on an ad hoc basis. The implementing organizations will be chosen from the private sector and will coordinate directly with administrative bodies which have a role in the provision of utilities and in permitting new industrial development. A credit intermediary will be responsible for the administration and disbursement of a long-term investment financing element for the construction activities. Benefiting from the project will be those Salvadoran or venture capital companies seeking to generate new exports in an atmosphere more conducive to international quality requirements and the Salvadoran labor force which would not otherwise have new job opportunities.

Extent to Which Overall AID Policies Have Been Taken Into Account

The project conforms to and supports AID policies on private sector development, technology transfer, policy dialogue and institution building. The provision of AID resources in the form of a loan for the investment credit element and a grant for technical assistance is consistent with AID Guidelines on Terms of Aid.

Preliminary Budget

	($000)
Technical Assistance	2,000
Investment Credit	10,000

NEW PROJECT

PROJECT TITLE:	AGRIBUSINESS DEVELOPMENT
PROJECT NUMBER:	519-0327
PROJECT FUNDING: ($000)	FY 1988: 10,000 (G) FY 1989: 10,000 (G) FY 1990: 10,000 (G)
TOTAL LOP: ($000)	30,000
PACD:	9/30/91
FUNCTIONAL ACCOUNT:	ARDN

Relationship to Goals, Objectives and Performance Indicators

The Mission's assistance strategy places highest priority in the re-establishment of economic growth with equity. To this end, its objectives center on reactivating the private sector, strengthening the base for diversified agriculture, improving transportation systems, promoting the production and export of non-traditional products, and assisting agriculture to become a more productive, viable sector of the economy. The NBCCA recommendations are focussed on laying the foundation for accelerated agricultural development and the promotion of innovative export-oriented joint ventures between Central American and foreign entrepreneurs. The proposed project is fully consistent with the NBCCA recommendations and the Mission's strategy in that it will support private sector efforts which promote new possibilities for investment, crop production and technology transfer.

Major Development Problem Being Addressed

During the 1980-1983 period, investment for agribusiness and agro-industrial development in El Salvador remained static or a result of political, economic and social uncertainty, as well as of the war.

With the shift to a democratic government and progress made in the war, the stagnant investment trend began to shift slightly in 1984. A few investors began to look for opportunities in El Salvador's agriculture sector. Salvadoran institutions, both private and public, initiated programs to promote these ventures. The MAG's Office of Rural Enterprise Development and FUSADES started to identify potential agribusiness and agro-industrial investors, as well as conduct feasibility studies on particular investment projects. These activities represent initial steps

toward linking potential investors with the owners of rural, agricultural resources, thus acting as a catalyst to increase investment. In many cases, however, more than a feasible project idea is needed to realize a productive investment. On the investor's side there are risks which need to be diminished in order to make agribusiness and agro-industrial investment attractive. Even with reduced physical risks, rural areas traditionally are disadvantaged in attracting investment. Location, lack of a skilled labor force and insufficient economic infrastructure, especially transportation, tend to steer investors away.

Project Components, Activities, and Implementing Organizations

The Mission's initial efforts in addressing its agricultural recovery objective were in agricultural diversification under Agrarian Reform Sector Support (519-0265). Its main success to date has been the increase of food crop production, while export agriculture ($3 million in 1985) on Phase I farms still requires significant effort. In FY 1986, Water Management (519-0303) has begun to specifically address the issue of intensified production of non-traditional crops for export by making loans and technical assistance available for irrigation and processing and support services. The proposed agribusiness project will specifically support agricultural processing initiatives particularly for non-traditional exports.

The purpose of the new project is to increase agribusiness and agro-industrial investment in El Salvador's rural areas. Activities under the project will provide incentives to foreign and Salvadoran investors interested in undertaking potentially feasible production ventures in El Salvador. In the course of project development, the types of incentives to be provided will be determined. The incentives could include financing for the construction of shell buildings as an inducement to investment. The project could also make financing available for the installation of essential physical infrastructure (e.g., wells, electrical lines, transportation systems) once its feasibility has been established. For agribusiness or agro-industrial concerns needing specialized or trained workforces, project funds would be made available to finance the investors' training programs. Activities under the project would be reinforced by existing investment credit lines, as well as the local currency financed domestic reinsurance program to counterbalance infrastructure damage caused by guerrilla attacks. The overall effect of activities under this project would be to create "nests" for agribusiness and agro-industrial development located in El Salvador's rural areas. In return, investors would provide special technology (e.g., seed varieties, plant material, processing know-how), technical assistance and marketing expertise.

Extent to Which Overall AID Policies Have Been Taken Into Account

The project conforms to and support AID policies on private sector development, policies in food and agriculture, food and agricultural development and co-financing. The provision of AID resources in the form of a grant for technical assistance and investment credit is consistent with AID guidelines on Terms of Aid.

Preliminary Budget

	($000)
Technical Assistance	6,000
Investment Credit	21,000
Budget Support	3,000

NEW PROJECT

PROJECT TITLE:	Potable Water/Environmental Sanitation
PROJECT NUMBER:	519-0324
PROJECT FUNDING: ($000)	FY 1988: 7,000 (G) FY 1989: 7,000 (G) FY 1990: 6,000 (G)
TOTAL LOP: ($000)	20,000 (G)
PACD:	9/30/91
FUNCTIONAL ACCOUNT:	HE

Relationship to Goals, Objectives and Performance Indicators

The project will complement the FY 1987 Reintegration of Displaced Families (519-0325) and will directly support the displaced persons program by introducing safe water supplies both in displaced persons camps and areas of relocation, and by supporting consolidation of the agrarian reform by installing wells and handpumps on Phase I cooperatives. The general objective of improving health standards would be supported by increasing the quantity and quality of water in urban and rural areas throughout the country.

Major Development Problem Being Addressed

The need for safe water for all daily household uses in urban and rural areas is a critical problem, particularly acute in areas that lack electricity sources for large water systems or that will not have access to larger water systems in the immediate future. The inaccessibility to water is one of the main contributors to health diseases in El Salvador including diarrhea, which remains the major cause of death with 60% of these among children under five.

Project Components Activities, and Implementing Organization

The project will provide TA to agencies administering domestic water programs (i.e., Ministry of Health, Plansabar, ANDA). The TA would concentrate on removing the existing backlog of water projects already requested from these agencies. A team of five to six engineers would review proposals for technical feasibility, help prepare specifications and other information needed for bids, and then help agencies select the most feasible projects and solicit bids. This capability is currently lacking in these GOES entities.

The project would also include a well-drilling and handpump program which would finance contracts with local well-drillers to both drill wells and install handpumps. Well drilling would affect up to 200 communities a year, with one to four handpumps being placed in a community. A small, independent office would be established to liaise between GOES and AID, as well as to coordinate project activities with private contractors. Contractors would provide training on equipment maintenance and repair, while project resources would finance necessary spare parts. The project would also support a regional/departmental level water works repair facility to effect repairs in communities which lack the capacity to finance needed services. This repair program would include a technical assistance component and would coordinate community-level interventions with Ministry of Health employees that would verify water quality and address major sanitary problems.

Extent to Which Overall AID Policies Have Been Taken Into Account

This project complements AID policies on domestic water and sanitation, health, institutional development, recurrent costs and local organizations in development. The provision of AID resources in the form of a grant for TA, training and commodities is consistant with AID guidelines on Terms of Aid.

Preliminary Budget	($000)
Technical Assistance	6,000
Training	1,000
Handpumps/Commodities/Vehicles	4,000
Well Drilling Contracts	7,000
Other Costs	2,000
	20,000

PROJECT AMENDMENT

PROJECT TITLE:	Education System Revitalization
PROJECT NUMBER:	519-0295
PROJECT FUNDING: ($000)	Current: 37,600 Proposed Increase: FY 1988: 3,000 (G)
TOTAL LOP: ($000)	40,600 (G)
PACD:	Current: 9/30/89 Proposed: 9/30/90
FUNCTIONAL ACCOUNT:	EH

Relationship to Goals, Objectives and Performance Indicators

By providing greater support for training of primary school teachers and administrators and the establishment of school library reference materials, the proposed Amendment will assist in the attainment of the Missions's goal of broadening the benefits of growth and of one of the objectives for the education sector (i.e., to improve educational opportunities). The project, initiated in FY 1985, is designed to implement a phased plan to: increase access to primary school services through construction of new classrooms; reconstruct or repair existing schools; provide school didactic materials, textbooks, teacher guides and classroom furnishings; and establish a school maintenance program. The Amendment will complement these activities by assisting the GOES to improve the quality of the primary education system as physical improvements are accomplished.

Major Development Problem Being Addressed

The civil conflict in El Salvador has caused the closure of over 2,000 schools, the abandonment of some 800 schools, and the unemployment of more than 3,000 teachers. Over 650,000 children (40% of the primary level school-age population) are not attending school. The education budget has been reduced by 45% since 1978, given pressures on the public budget by the war. Consequently, very few didactic materials have been purchased since the conflict began and teacher and administrator in-service training has been insignificant.

The project is presently focused on restoring the primary school system to pre-conflict levels. While its emphasis is on improving the physical infrastructure and basic textbook inventories, the project provides for limited training of teachers in the use of new textbooks, but does not provide for training of administrators at the central, regional and nucleo (local) level to improve the efficiency and effectiveness of the system. Moreover, as schools are reopened or improved physically, the need will exist for complementing the textbooks with additional educational reference materials to reinforce the teaching-learning process.

Project Components, Activities and Implementing Organization

The Ministry of Education (MOE) is implementing the project's five components: school repair, renovation and construction; school maintenance; school furniture, equipment and supplies; textbooks; and administration and management. The major activities within these components will result in the renovation of 1,340 classrooms, the construction of 660 new classrooms, the establishment of a system-wide maintenance program, the provision of 3.5 million textbooks, 76,000 desks for 152,000 students, as well as teacher desks, chairs and classroom supplies for 3,800 classrooms.

The proposed Amendment would supplement the project's activities by financing: the training of approximately 75 teacher trainees who, in turn, will deliver courses and seminars to classroom staff; the training of approximately 400 nucleo directors and 10 regional directors in technical management skills consistent with decentralization objectives; the training of central ministry technicians, managers and decision makers; the purchase of mini-libraries for schools; and the purchase of additional equipment for production of training materials. The MOE's Special Management Unit for the project will have the implementation responsibility for the proposed Amendment's activities.

Extent to Which Overall AID Policies Have Been Taken Into Account

By assisting to improve the access to and quality of primary school education, the project and its Amendment, are fully consistent with AID's policies for the education sector and address NBCCA recommendations for developing educational opportunities. The provision of the Amendment's resources in the form of a grant for training and equipment is consistent with AID guidelines on Terms of Aid.

Amendmend Budget

	($000)
Training	2,750
Equipment	250

ART IV. MANAGEMENT

. STAFFING

STAFFING REQUIREMENTS

WORKFORCE TABLE FOR FY 1987/1988

OFFICE	USDH	USRES H	USPSC	FNDH	FNPSC	MANPOWER CONTRACT	TOTAL
IRECTOR	5	0	1	2	2	-	10
CONOMICS	2	0	0	2	2	-	[illegible]
ANAGEMENT	3	1	3	7	17	40 *	71
ONTROLLER	3	0	2	12	14	-	31
ROGRAM	2	1	1	3	3	-	10
ROJECTS	5	0	1	2	5	-	13
IN DEVELOPMENT	3	0	0	7	5	-	15
IVATE SECTOR	2	0	0	1	7	-	10
GRICULTURE	4	0	0	4	12	-	20
TH/HUM ASSIST	6 **	0	0	3	5	-	[illegible]
MOCR INITIAT	2	0	0			-	2
DUCATION	1	0	0	3	0	-	4
	38	2	8	46	72	40	206

Y 1987=35, FY 1988=40

Includes one additional USDH position above the FY 1986 level for a Refugee Specialist. A USDH position is being requested rather than a US PSC in view of the political sensitivity associated with the resettlement and/or relocation of displaced families.

B. OPERATING EXPENSE BUDGET

The operating Expense Budget projected for FY 1987 and FY 1988 includes one additional USDH position above the FY 1986 level for a Refugee Specialist to work on the politically sensitive program of resettling and/or relocating displaced families. Personal Service Contracts (PSCs) increase slightly with U.S. PSCs moving from a FY 1986 level of 6 to levels of 8 for both FY 1987 and FY 1988; FSN PSC's increase from 68 to 72 during the same period.

USAID/El Salvador established an Operating Expense Trust during FY 1985 and was able to transfer some costs from appropriated dollar funds to trust funds. As a result, the Mission was able to procure from FY 1985 budgeted dollars certain non-expendable property (NXP) items which were originally included in prior fiscal year budgets. This permitted the Mission to complete its overall "catch-up" procurement originally planned during these succesive fiscal years. Starting in FY 1987 the Mission has reached the normal replacement cycle for all NXP categories except office automation where add-on procurement will still be necessary. Because of this accelerated procurement, the NXP budget for FY 1987 shows a significant decrease from FY 1986 levels. The FY 1988 amount increases moderately from the FY 1987 level as two sets of replacement furniture are budgeted.

The Trust Fund has given the Mission flexibility in the management of operating expenses and has averted a funding crisis during a time of rapid Mission expansion. Nevertheless, reliance on the Trust Fund as the solution to longer-term budget problems could have a serious impact on future operations. There was uncertainty as to whether the GOES would make a FY 1986 deposit to the Trust Fund. Also the timing of the deposit was a concern with the Mission scrambling to obtain sufficient dollar appropriated funds to cover all the costs of the first two quarters of the fiscal year. Given the reluctance of the host government to sign the the FY 1986 Trust Fund Agreement, the Mission expects timing problems again in FY 1987 when it will be necessary for the GOES to make it next deposit. The LAC Bureau should be aware that the time may come when the GOES refuses to allocate resources to the Trust Fund.

As requested in the LAC Action Plan guidance (85 State 361467), following are the budgets (by functional code) for FY 1987 and FY 1988 using the FY 1986 ABS Table VIII format along with procurement plans for each year setting forth new and replacement NXP.

1987 ACTION PLAN

TABLE VIII - FY 1987

EXPENSE CATEGORY	FUNC. CODE	OBJECT CLASS	DOLLARS	TRUST FUNDS	TOTAL	WORKS
U.S. DIRECT HIRE	U100		3902.4	66.0	3968.4	
U.S. CITIZENS BASIC PAY	U101	110	2104.0	-	2104.0	[illegible]
PT/TEMP U.S. BASIC PAY	U102	112	33.8	-	33.8	1
DIFFERENTIAL PAY	U103	116	748.2	-	748.2	XXXXXXX
OTHER AID/W FUNDED CODE 11	U104	119	32.1	-	32.1	XXXXXXX
OTHER MISSION FUNDED CODE 11	U105	119	0.0	-	0.0	XXXXXXX
EDUCATION ALLOWANCES	U106	126	-	66.0	66.0	[illegible]
RETIREMENT - U.S. DIRECT HIRE	U107	120	203.1	-	203.1	XXXXXXX
LIVING ALLOWANCES	U108	128	0.0	-	0.0	XXXXXXX
OTHER AID/W FUNDED CODE 12	U109	129	53.4	-	53.4	XXXXXXX
OTHER MISSION FUNDED CODE 12	U110	129	41.4	-	41.4	XXXXXXX
POST ASSIGNMENT - TRAVEL	U111	212	126.7	-	126.7	12
POST ASSIGNMENT - FREIGHT	U112	22	348.6	-	348.6	19
HOME LEAVE - TRAVEL	U113	212	35.5	-	35.5	19
HOME LEAVE - FREIGHT	U114	22	41.1	-	41.1	19
EDUCATION TRAVEL	U115	215	2.7	-	2.7	3
R AND R TRAVEL	U116	215	31.8	-	31.8	17
OTHER CODE 215 TRAVEL	U117	215	100.0	-	100.0	20
FOREIGN NATIONAL DIRECT HIRE	U200		-	771.9	771.9	
BASIC PAY	U201	114	-	599.3	599.3	46
OVERTIME, HOLIDAY PAY	U202	115	-	54.0	54.0	5
ALL OTHER CODE 11 - FN	U203	119	-	81.0	81.0	XXXXXXX
ALL OTHER CODE 12 - FN	U204	129	-	37.6	37.6	XXXXXXX
BENEFITS FORMER FN PERSONNEL	U205	13	-	-	-	XXXXXXX
CONTRACT PERSONNEL	U300		673.0	1204.8	1877.8	
PASA TECHNICIANS	U301	258	0.0	0.0	0.0	0
U.S. PSC - SALARY/BENEFITS	U302	113	673.0	0.0	673.0	8.0
ALL OTHER U.S. PSC COSTS	U303	255	0.0	0.0	0.0	XXXXXXX
F.N. PSC - SALARY/BENEFITS	U304	113	0.0	966.9	966.9	72
ALL OTHER F.N. PSC COSTS	U305	255	0.0	0.0	0.0	XXXXXXX
MANPOWER CONTRACTS	U306	259	0.0	237.9	237.9	35
JCC COSTS PAID BY AID/W	U307	113	0.0	0.0	0.0	0
HOUSING	U400		54.4	863.9	918.3	
RESIDENTIAL RENT	U401	235	0.0	538.0	538.0	40
RESIDENTIAL UTILITIES	U402	235	0.0	66.6	66.6	XXXXXXX
MAINTENANCE AND RENOVATION	U403	259	0.0	79.3	79.3	XXXXXXX
QUARTERS ALLOWANCES	U404	127	0.0	0.0	0.0	0.0
RESIDENTIAL FURNITURE/EQUIP.	U405	311	25.6	2.7	28.3	XXXXXXX
TRANS./FREIGHT - CODE 311	U406	22	25.1	0.0	25.1	XXXXXXX
SECURITY GUARD SERVICES	U407	254	0.0	177.3	177.3	XXXXXXX
OFFICIAL RESIDENCE ALLOWANCES	U408	254	1.7	0.0	1.7	XXXXXXX
REPRESENTATION ALLOWANCES	U409	252	2.0	0.0	2.0	XXXXXXX

1987 ACTION PLAN

TABLE VIII - FY 1987

(continued)

EXPENSE CATEGORY	FUNC. CODE	OBJECT CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS
CE OPERATIONS	U500		627.3	1338.1	1965.4	
CE RENT	U501	234	-	87.1	87.1	XXXXXXX
CE UTILITIES	U502	234	-	22.4	22.4	XXXXXXX
DING MAINT./RENOVATION	U503	259	-	41.4	41.4	XXXXXXX
CE FURNITURE/EQUIPMENT	U504	310	97.7	19.8	117.5	XXXXXXX
CLES	U505	312	49.5	-	49.5	XXXXXXX
R EQUIPMENT	U506	319	203.1	4.2	207.3	XXXXXXX
SPORTATION/FREIGHT	U507	22	73.5	-	73.5	XXXXXXX
/EQUIP/VEHICLE REPAIR/MAINT.	U508	259	-	245.2	245.2	XXXXXXX
UNICATIONS	U509	230		30.0	30.0	XXXXXXX
RITY GUARD SERVICES	U510	254		333.6	333.6	XXXXXXX
TING	U511	24		1.6	1.6	XXXXXXX
I OPERATIONAL TRAVEL	U512	210	0.0	0.0	0.0	
VISITS-MISSION PERSONNEL	U513	210	0.0	30.6	30.6	293
VISITS-AID/W PERSONNEL	U514	210	33.5	0.0	33.5	24
RMATION MEETINGS	U515	210	41.0	0.0	41.0	21
ING ATTENDANCE	U516	210	31.1	0.0	31.1	12
RENCE ATTENDANCE	U517	210	32.1	0.0	32.1	19
OPERATIONAL TRAVEL	U518	210	1.0	0.0	1.0	1
S AND MATERIALS	U519	26	48.0	167.0	215.0	XXXXXXX
	U520	257	0.0	240.0	240.0	XXXXXXX
ING SVCS. - CONTRACTS	U521	259	0.0	0.0	0.0	XXXXXXX
ROF. SVCS. - CONTRACTS	U522	259	0.0	0.0	0.0	XXXXXXX
STUDIES/ANALYSES CONT.	U523	259	0.0	0.0	0.0	XXXXXXX
OTHER CODE 25	U524	259	16.8	115.2	132.0	XXXXXXX
O.E. BUDGET			5257.1	4244.7	9501.8	XXXXXXX
ILIATION			3174.1	-	3174.1	XXXXXXX
TING BUDGET REQUIREMENTS			2083.0	4244.7	6327.7	XXXXXXX
REQUIREMENTS	U600	32	0.0	0.0	0.0	XXXXXXX
ALLOWANCE REQUIREMENTS	U000		0.0	0.0	0.0	XXXXXXX

ARS REQUIRED FOR LOCAL CURRENCY EXPENSES	-0-
ANGE RATE USED (MARCH 31, 1985)	N/A
ated Wage Increase - FY 1986 to FY 1987	20% for FSN only
mated Price Increase - FY 1986 to FY 1987	20%

BEST AVAILABLE

PROCUREMENT PLANS FOR
REPLACEMENT AND NEW
NON-EXPANDABLE PROPERTY
FISCAL YEAR
1987

U-405 RESIDENTIAL FURNITURE AND EQUIPMENT

A) Replacement

Item	No. of Units	$ Unit Cost	Total $	Total ¢
Refrigerator	6	600.	3,600.	
Dryers	14	370.	5,180.	
Freezers	5	550.	2,750.	
Washer	8	490.	3,920.	
			15,450.	

B) New Procurement

Item	No. of Units	$ Unit Cost	Total $	Total ¢
Freezers	3	550.	1,650.	
Washers	2	490.	980.	
Dryers	5	370.	1,850.	
Patio Furnt.	12	300.	3,600.	
Gas Stove	10	650.		6,500.
Contingencies			2,020.	7,000.
			$10,100.	¢13,500.

U-504 OFFICE FURNITURE AND EQUIPMENT

A) Replacement

Item	No. of Units	Unit Cost	Total $	Total ¢
Cbnt.Flng.(5)	10	¢ 750.		7,500.
Time Record.	2	$ 500.	1,000.	
Desk Exect. "A"	12	¢ 1,200.		14,000.
Calculator	8	$ 160.	1,280.	
Desk, Exect.	10	¢ 1,000.		10,000.
Chair, Exect.	10	$ 180.	1,800.	
Copying Mach.	2	$ 6,500.	13,000.	
			$17,080.	¢31,900.

B) New Procurement

Item	No. of Units	Unit Cost	Total $	Total ¢
Chair, Side	75	$ 205.	$15,375.	
Chair, Exect.	10	$ 340.	3,400.	
Sofa	25	$ 310.	7,750.	
Chair, Eassy	40	$ 275.	11,000.	
Table, Coffee	25	$ 175.	4,375.	
Table, End	25	$ 95.	2,375.	
Calculator	30	$ 150.	4,500.	
Typewriters	20	$ 1,000.	20,000.	
Cbnt.Flng. (5)	25	¢ 650.		¢16,250.
Desk, Sec.	15	¢ 950.		¢14,250.
Cbnt.Flng. (2)	20	¢ 400.		¢ 8,000.

Item	No. of Units	Unit Cost	Total $	Total ₡
Desk, Exect.		₡ 750.		₡ 3,750.
Credenza	5	₡ 800.		4,000.
Copying Mach.	1	$ 6,500.	6,500.	
Dispenser, Wat.	2	₡ 2,000.		4,000.
Table, Typing	15	₡ 180.		2,700.
Lamp, Desk	20	₡ 200.		4,000.
Clocks	10	$ 30.	300.	
Contingencies			5,000.	10,000.
			$ 97,655	₡66,950.

U-505 VEHICLES

A) Replacement

Item	No. of Units	Unit Cost	Total $	Total ₡
	3	$ 16,500.	$ 49,500.	

U-506 OTHER EQUIPMENT

A) Replacement

Item	No. of Units	Unit Cost	Total $	Total ₡
Computer				
4230 VS/WS	20	$ 2,470.	$ 49,400.	
DW/OS SS Printer	10	3,250.	32,500.	
2209V9 Track Tape Dr.	1	8,450.	8,450.	
22V47-16A Serial IOP	3	4,000.	12,000.	
22V05-2 Tape IOP	1	2,275.	2,275.	
UJ-3173 Memory Up Grade	1	7,800.	7,800.	
A/C	2	350.	700.	
			$113,125.	

B) New Procurement

Item	No. of Units	Unit Cost	Total $	Total ₡
Ladder	30	₡ 350.		10,500.
Gas Lamp	30	₡ 350.		10,500.
Radio HN-56	10	$ 2,000.	2,000.	
Radio YAESU	30	$ 375.	11,250.	
MC-76	6	$ 4,000.	24,000.	
First Aid Kit	50	$ 105.	5,250.	
Mower Lawn	40	$ 500.	20,000.	
Repeater	1	$ 4,000.	4,000.	
Contingencies			16,500.	
A/C	20	350.	7,000.	
			$203,125.	₡21,000.

1987 ACTION PLAN

TABLE THREE - FY 1989

EXPENSE CATEGORY	FUNC. CODE	OBJECT CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS
S. DIRECT HIRE	U100		4276.6	72.6	4349.2	
S. CITIZENS BASIC PAY	U101	110	2314.4	-	2314.4	37.0
/TEMP U.S. BASIC PAY	U102	112	37.1	-	37.1	1.7
FFERENTIAL PAY	U103	116	823.0	-	823.0	XXXXXXX
HER AID/W FUNDED CODE 11	U104	119	35.3	-	35.3	XXXXXXX
HER MISSION FUNDED CODE 11	U105	119	-	-	-	XXXXXXX
JCATION ALLOWANCES	U106	126	-	72.6	72.6	30
TIREMENT - U.S. DIRECT HIRE	U107	120	223.4	-	223.4	XXXXXXX
/ING ALLOWANCES	U108	128	-	-	0.0	XXXXXXX
HER AID/W FUNDED CODE 12	U109	129	58.9	-	58.9	XXXXXXX
HER MISSION FUNDED CODE 12	U110	129	45.5	-	45.5	XXXXXXX
ST ASSIGNMENT - TRAVEL	U111	212	132.7	-	132.7	18
ST ASSIGNMENT - FREIGHT	U112	22	362.3	-	362.3	18
E LEAVE - TRAVEL	U113	212	35.6	-	35.6	18
E LEAVE - FREIGHT	U114	22	43.6	-	43.6	18
CATION TRAVEL	U115	215	3.0	-	3.0	3
ND R TRAVEL	U116	215	41.8	-	41.8	20
ER CODE 215 TRAVEL	U117	215	120.0	-	120.0	20
EIGN NATIONAL DIRECT HIRE	U200		-	926.3	926.3	
S PAY	U201	114	-	719.2	719.2	46
TIME, HOLIDAY PAY	U202	115	-	64.8	64.8	5
OTHER CODE 11 - FN	U203	119	-	97.2	97.2	XXXXXXX
OTHER CODE 12 - FN	U204	129	-	45.1	45.1	XXXXXXX
EFITS FORMER FN PERSONNEL	U205	13	-	-	-	XXXXXXX
TRACT PERSONNEL	U300		720.0	1486.6	2206.6	
A TECHNICIANS	U301	258	0.0	0.0	0.0	
PSC - SALARY/BENEFITS	U302	113	720.0	0.0	720.0	8.0
OTHER U.S. PSC COSTS	U303	255	0.0	0.0	0.0	XXXXXXX
PSC - SALARY/BENEFITS	U304	113	0.0	1160.3	1160.3	72
OTHER F.N. PSC COSTS	U305	255	0.0	0.0	0.0	XXXXXXX
POWER CONTRACTS	U306	259	0.0	326.3	326.3	40
COSTS PAID BY AID/W	U307	113	0.0	0.0	0.0	
SING	U400		94.3	953.8	1048.1	
IDENTIAL RENT	U401	235	-	564.9	564.9	
IDENTIAL UTILITIES	U402	235	-	79.9	79.9	XXXXXXX
NTENANCE AND RENOVATION	U403	259	-	95.2	95.2	XXXXXXX
TERS ALLOWANCES	U404	127	0.0	0.0	0.0	-
ENTIAL FURNITURE/EQUIP.	U405	311	67.6	1.0	68.6	XXXXXXX
S./FREIGHT - CODE 311	U406	22	23.0	-	23.0	XXXXXXX
URITY GUARD SERVICES	U407	254	-	212.8	212.8	XXXXXXX
ICIAL RESIDENCE ALLOWANCES	U408	254	1.7	-	1.7	XXXXXXX
RESENTATION ALLOWANCES	U409	252	2.0	-	2.0	XXXXXXX

BEST AVAILABLE

1987 ACTION PLAN

TABLE VIII - FY 1986

(continued)

EXPENSE CATEGORY	FUNC. CODE	OBJECT CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS
FICE OPERATIONS	U500		623.8	1574.2	2198.0	
FICE RENT	U501	234	-	91.4	91.4	XXXXXX
FICE UTILITIES	U502	234	-	24.4	24.4	XXXXXX
ILDING MAINT./RENOVATION	U503	259	-	51.6	51.6	XXXXXX
FICE FURNITURE/EQUIPMENT	U504	310	48.0	12.3	60.3	XXXXXX
HICLES	U505	312	54.5	-	54.5	XXXXXX
HER EQUIPMENT	U506	319	216.8	1.7	218.5	XXXXXX
ANSPORTATION/FREIGHT	U507	22	73.4	-	73.4	XXXXXX
RN/EQUIP/VEHICLE REPAIR/MAINT.	U508	259	-	294.2	294.2	XXXXXX
MMUNICATIONS	U509	230	-	36.0	36.0	XXXXXX
CURITY GUARD SERVICES	U510	254	-	400.3	400.3	XXXXXX
RINTING	U511	24	-	2.0	2.0	XXXXXX
G/II OPERATIONAL TRAVEL	U512	210	-	-	0.0	
TE VISITS-MISSION PERSONNEL	U513	210	0.0	33.7	33.7	290
TE VISITS-AID/W PERSONNEL	U514	210	36.8	-	36.8	25
FORMATION MEETINGS	U515	210	45.1	-	45.1	20
AINING ATTENDANCE	U516	210	34.2	-	34.2	12
NFERENCE ATTENDANCE	U517	210	35.3	-	35.3	20
THER OPERATIONAL TRAVEL	U518	210	2.0	-	2.0	2
JPPLIES AND MATERIALS	U519	26	57.6	200.4	258.0	XXXXXX
AAS	U520	257	-	288.0	288.0	XXXXXX
NSULTING SVCS. - CONTRACTS	U521	259	-	-	-	XXXXXX
GT./PROF. SVCS. - CONTRACTS	U522	259	-	-	-	XXXXXX
PEC. STUDIES/ANALYSES CONT.	U523	259	-	-	-	XXXXXX
LL OTHER CODE 25	U524	259	20.1	138.2	158.3	XXXXXX
OTAL O.E. BUDGET			5714.7	5013.5	10728.2	XXXXXX
ECONCILIATION			3492.1	-	3492.1	XXXXXX
PERATING BUDGET REQUIREMENTS			2222.6	5013.5	7236.1	XXXXXX
36C REQUIREMENTS	U600	32	-	-	-	XXXXXX
OTAL ALLOWANCE REQUIREMENTS	U000		-	-	-	XXXXXX

OLLARS REQUIRED FOR LOCAL CURRENCY EXPENSES	-0-
XCHANGE RATE USED (MARCH 31, 1985)	N/A
stimated Wage Increase - FY 1987 to FY 1988	20% FOR FSN's
stimated Price Increase - FY 1987 to FY 1988	20%

PRO[illegible]EMENT PLANS FOR
REPLACEMENT AND NEW
NON-EXPANDABLE PROPERTY
FISCAL YEAR
1988

U-405 RESIDENTIAL FURNI E AND EQUIPMENT

A) Replacement

Item	No. of Units	$ Unit Cost	Total $	Total ¢
Refrigerator	3	660.	1,980.	
Freezer	1	605.	605.	
Range	5	500.	2,500.	

B) New Procurement

Item	No. of Units	$ Unit Cost	Total $	Total ¢
Refrigerator	5	660.	3,300.	
Freezer	5	605.	3,025.	
Range	5	500.	2,500.	
Washer	5	539.	2,695.	
Dryer	5	407.	2,035.	
Furn. Set	3	15,000.	45,000.	
Patio Set	3	500.	1,500.	
Gas Stove	5	¢ 750.		3,750.
Contingencies			2,445.	1,000.
		Total	$ 67,585	¢ 4,750.

U-504 OFFICE FURNITURE AND EQUIPMENT

A) Replacement

Item	No. of Units	$ Unit Cost	Total $	Total ¢
Cont. Flng. (5)	10	¢ 865.		8,650.

B) New Procurement

Item	No. of Units	$ Unit Cost	Total $	Total ¢
Chair Side	30	205.	6,150.	
Chair Exect.	10	390.	3,900.	
Chair Eassy	20	315.	6,300.	
Chair Secret.	10	200.	2,000.	
Sofa	10	350.	3,500.	
Table, Coffee	10	200.	2,500.	
Table, End	20	110.	2,200.	
Calculator	15	170.	2,550.	
Typewriter	10	1,150.	11,500.	
Cont. Flng. (5)	10	¢ 750.		7,500.
Cont. Flng. (2)	15	¢ 470.		7,050.
Desk, Exect.	10	¢ 865.		8,650.
Desk, Sect.	10	¢ 1,100.		11,000.
Credenza	10	¢ 800.		8,000.
Table, Typing	10	¢ 200.		2,000.
Contingencies	10		7,900.	8,800.
		Total	$ 48,500.	¢ 53,000.

U-505 VEHICLES

A) Replacement

Item	No. of Units	$ Unit Cost	Total $	Total ¢
	3	18,150.	54,450.	

U-506 OTHER EQUIPMENT

A) Replacement

Item	No. of Units	$ Unit Cost	Total $	Total ¢
A/C	1	385.	385.	
MC-76	5	4,500.	22,500.	
	3	16,500.	49,500.	
*Computer 4230 VS/WS	20	2,470.	49,400.	
DW/OS SS Printer	10	3,250.	32,500.	
2209V9 Track Tape Dr.	1	8,450.	8,450.	
22V47-16A Serial IOP	3	4,000.	12,000.	
22V05-2 Tape IOP	1	2,275.	2,275.	
UJ-3173 Memory Up Grade	1	7,800.	7,800.	
		Total	$184,810.	

* Doesn't include computer equipment.

B) New Procurement

Item	No. of Units	$ Unit Cost	Total $	Total ¢
Ladder	10	¢ 435.		4,350.
Gas Lamp	10	¢ 435.		4,350.
Radio HN-56	3	$ 2,000.	6,000.	
Radio YAESU	10	$ 415.	4,150.	
MC-76	3	$ 4,500.	13,500.	
First Aid Kit	10	$ 150.	1,500.	
Mower Lawn	5	$ 550.	2,750.	
Contingencies			4,100.	
		Total	$216,810.	¢ 8,700.

AK:mm

C. STOCKTAKING

1. Overview

In the FY 1986-FY 1987 Action Plan, the Mission began to move the focus of the program from stabilization activities to longer-term socio-economic development activities. This process will continue in the current Action Plan period and the Evaluation Plan reflects the Mission's strategy of examining each program in relation to the long-term goals and objectives set forth in the Jackson Plan.

During the remainder of FY 1986, the Mission will be conducting a number of assessments and broad-scoped evaluations aimed at measuring achievement of program and sectoral objectives as well as determining future strategy. A complete list and the schedule of these activities is described in Table VII - List of Planned Evaluations. Some of the more important efforts include:

- Public Services Damage Assessment will provide an economic analysis of damage inflicted on public sector infrastructure, social implications for establishing reconstruction priorities, and recommendations for the new infrastructure rehabilitation effort. A follow-on assessment will address the impact of war damage on the private sector.

- Small Scale Enterprise Sector Assessment will provide the basis for developing a strategy to assist El Salvador's Small Business Sector including activities to increase employment and earnings in the sector and thus contribute to economic recovery.

- Private Sector Training Assessment will survey medium to long-term private sector human resources needs with the goal of designing a comprehensive training program to meet labor demands, increase employment, and boost private sector productivity.

- Assessment of the Displaced Persons Program will focus on developing strategies to reintegrate people displaced by the civil conflict into the economy and society.

- Economic and Social Impact of the Agrarian Reform will examine the economic impact on individual beneficiaries of the Agrarian Reform, social changes brought about by Phases I and III of the reform, and the political effect of these changes.

The Mission will be conducting twelve evaluations and assessments in FY 1987 and three in FY 1988. While many of these examine the implementation of existing projects, all will include a component addressing the larger questions of project impact and progress in achieving stated goals and objectives. As part of the Mission's effort to link project evaluations to broader goal and objective achievement,

all projects will be assessed in relation to their success in reaching target performance indicators developed for each program. These target indicators have been included with each program description in Part II of this document, as well as provided in a comprehensive display in Table VIII.

A final area of stocktaking is the Mission's progress in accomplishing the benchmarks listed in the previous year's Action Plan. These can be found following the table of Target Performance Indicators.

TABLE VII - LIST OF PLANNED EVALUATIONS - EL SALVADOR

Project List Project No. & Title	Last Eval Completed (Mo./Yr.)	FY 1986 Start (Qtr.)	FY 1986 To AID/W	FY 1987 Start (Qtr.)	FY 1987 To AID/W	FY 1988 Start (Qtr.)	FY 1988 To AID/W	Reasons/Issues
New Project Development								
519-0279 Public Services Damage Assessment	10/83	2	4	--	--	--	--	Damage assessment analysis of national economic infrastructure in vital public services areas. Assessment should provide cost/benefit ratios, the social implications for establishing reconstruction priorities and allocating resources, and the direction of the infrastructure rehabilitation effort.
Private Sector Damage Assessment	--	3	4	--	--	--	--	Follow-on study to Public Services Damage Assessment to look at direct and indirect effects of damage on the private sector.
Small Scale Enterprise Sector Assessment	--	2	4	--	--	--	--	Sector assessment to provide the basis for developing a comprehensive strategy for assisting El Salvador's Small Scale Enterprise (SSE) sector through technical assistance, training, support services, and/or credit. Assessment will identify and prioritize activities that can increase employment and earnings in the SSE sector and thus contribute to economic recovery.
Private Sector Training Assessment	--	3	4	--	--	--	--	Survey of human resources needed by private enterprises over the next 5-10 years to serve as basis for Training for Private Sector Development (519-0315) to be designed to meet identified labor needs and thus contribute to increased employment and private sector productivity.
New Program Initiatives								
Potable Water Assessment	--	2	2	--	--	--	--	Preliminary assessment of alternatives (feasibility of local manufacture of hand pumps, well drilling, TA for GOES water authorities) for an intermediate term water project.
Tax Administration	--	3	4	--	--	--	--	Fiscal administration study to look at strengths and weaknesses of the Ministry of Finance and issues such as tax compliance and tax returns.

Project List Project No. & Title	Last Eval Completed (Mo./Yr.)	FY 1986 Start (Qtr.)	FY 1986 To AID/W	FY 1987 Start (Qtr.)	FY 1987 To AID/W	FY 1988 Start (Qtr.)	FY 1988 To AID/W	Reasons/Issues
sting Projects								
-0275 Salvadoran Demographic Assoc.	3/84	1	2	--	--	--	--	Evaluation of social marketing program which was expanded to increase contraceptive usage in the rural areas. Evaluation will be used in designing extension of present project.
ienda Reactivation Activities	--	2	3	--	--	--	--	Assessment of cost recovery mechanisms, cooperative training and TA needs, and income expansion activities for Phase I coops to be carried out by the Cooperative Housing Foundation.
-0271 Health Systems Revitalization	7/85	4	--	--	1	--	--	End of project report and impact assessment to measure progress in health sector and provide direction for the new Health Systems Management Improvement (519-0308).
0225 Small Producer Development	--	4	4	--	--	--	--	End of project report to determine effectiveness of training provided through the project and to determine the economic impact of the loans on beneficiaries.
ogram Strategy								
--Business	--	3	4	--	--	--	--	Assessment of Mission strategy.
sessment of Displaced Persons Problem	2/85	3	4	--	--	--	--	Assessment of the Displaced Persons Program with emphasis on identifying and developing alternatives and strategies for reintegrating the displaced persons into the economy and society.
CA Strategy Assessment	--	3	4	--	--	--	--	Assessment to determine the appropriate position of the GOES to the CACM and to develop Mission strategy to advance the position.

Project List Project No. & Title	Last Eval Completed (Mo./Yr.)	FY 1986 Start (Qtr.)	FY 1986 To AID/W	FY 1987 Start (Qtr.)	FY 1987 To AID/W	FY 1988 Start (Qtr.)	FY 1988 To AID/W	Reasons/Issues
Measurement of Jackson Plan Goals								
Social Impact of Agrarian Reform	--	3	4	--	--	--	--	Assessment of social changes caused by Phases I & III as well as the political effect of these changes.
Economic Impact of Agrarian Reform	--	3	4	--	--	--	--	Comparision of selected pre-reform and post-reform households to determine economic impact of the agrarian reform.
CAPS-Scholarships	--	3	4	--	--	--	--	Follow-up of CAPS recipients to determine the program's impact on the individuals as well as on their employing institutions.
Employment	--	4	--	--	1	--	--	Assessment of current employment situation (possibly through household surveys conducted by the GOES Office of Statistics). Assessment will also include an impact evaluation of Mission's employment programs.

Project List Project No. & Title	Last Eval Completed (Mo./Yr.)	FY 1986 Start (Qtr.)	FY 1986 To AID/W	FY 1987 Start (Qtr.)	FY 1987 To AID/W	FY 1988 Start (Qtr.)	FY 1988 To AID/W	Reasons/Issues
Project Development								
cal Government Assessment	--	--	--	1	1	--	--	Assessment to: determine strengths, weaknesses, needs of mayoralities; assess impact of new municipal code; examine resources available to municipalities through revenue sharing; and the role of municipalities in GOES development plans.
ing Projects								
onal Plan	--	--	--	1	2	--	--	Assessment of National Plan impact and institutional capacity of CONARA, the National Plan implementing entity.
AIFLD	5/85	--	--	2	2	--	--	Evaluation of AIFLD's efforts in fostering democratic labor unions, particulary in urban areas, through training and support services.
Water Management	--	--	--	2	2	--	--	Evaluation to assess progress in increasing agricultural production in the reform sector through more productive use of water resources.
0198 Judicial Reform	--	--	--	2	3	--	--	Evaluation to measure project success in assisting GOES effort to reform the criminal justice system as well as to identify any necessary project component and operational changes.
Population Dynamics	--	--	--	2	3	--	--	Evaluation to measure progress in contraceptive delivery, logistics, maintenance of biomedical equipment, and follow-up on patients records for voluntary sterilization procedures as compared with current MSPAS/ISSS monitoring system.
Education System ization	--	--	--	3	3	--	--	Evaluation of project progress in restoring efficiency and accessibility of educational services to pre-conflict levels as well as success at addressing the special educational needs of Phase I agrarian reform beneficiaries.
9-0300 Save the Children	--	--	--	4	4	--	--	Mid-term evaluation of project progress, particularly the Carpintero-El Sauce water and latrinization project.
9-0286 Technoserve	--	--	--	4	4	--	--	Assessment of the institutional effectiveness of the project in strengthening reform sector cooperatives and developing the Salvadoran cooperative movement.

Project List Project No. & Title	Last Eval Completed (Mo./Yr.)	FY 1986 Start (Qtr.)	FY 1986 To AID/W	FY 1987 Start (Qtr.)	FY 1987 To AID/W	FY 1988 Start (Qtr.)	FY 1988 To AID/W	Reasons/Issues
519-0287 Industrial Stabilization & Recovery	--	--	--	4	--	--	1	Evaluation of GOES policy and GOES and FUSADES' institutional capacity for promoting non-traditional exports and investments.
Program Strategy								
519-0256 Employment Generation	--	--	--	1	2	--	--	Assessment of capacity to move from public sector employment generation to private sector employment.
Housing Strategy Assessment	--	--	--	2	2	--	--	Review of USAID housing sector strategy, assessment of its effectiveness, and identification of ways to strengthen current housing activities and/or make necessary changes in approach.
Existing Projects								
519-0308 Health Resources Management	--	--	--	--	--	2	3	Evaluation of project's impact in improving primary health care coverage as well as health management, logistics, and maintenance.
519-0304 Urban Small Business	--	--	--	--	--	3	4	Evaluation of project's possibility to become self-sustaining. Project supports FUSADES' program to provide TA, credit, and training to small and micro businesses.
519-0210 Population Dynamics	3/87	--	--	--	--	3	4	End of project evaluation, in combination with a Contraceptive Prevalence Survey, to assess program coverage, rural population attitudes toward family planning, and long-term impact in terms of increased contraceptive usage.

GOAL I: ECONOMIC STABILIZATION *********

ECONOMIC STABILIZATION

	1980-84 AVERAGE	1985 ESTIMATE	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
REAL GDP GROWTH (%) 1/	-4.1	1.6	2.0	2.3	3.5	4.5	5.5	6.5
INFLATION RATE (%) 1/	13.7	22.1	10-12	20.0	18.0	15.0	13.0	11.2
CENTRAL GOV'T CURRENT DEFICIT (MIL. COL.) 3/	189.1	-136.0	0.0	114.5	200.0	300.0	300.0	400.0
CENTRAL GOV'T DEFICIT AS % OF GDP 3/								
BEFORE GRANTS	-7.6	-5.0	--	-5.3	-3.9	-3.0	-2.5	-2.2
AFTER GRANTS	-5.6	-4.0	--	-4.6	-2.4	-1.9	-1.8	-1.8
CURRENT ACCOUNT DEFICIT AS % OF GDP 1/4/								
BEFORE GRANTS	-6.0	-7.4	--	-8.2	-8.1	-7.4	-8.1	-9.2
AFTER GRANTS	-3.3	-3.7	--	.7	-.5	-.5	-2.5	-3.4
EXTERNAL DEBT AS % OF GDP 1/2/4/5/7/	36.4	30.1	--	47.7	45.3	43.5	42.7	42.6
EXT. DEBT SERVICE AS % OF EXPORTS 1/2/4/6/	19.0	41.2	--	39.7	34.3	31.0	30.1	31.0
PAYMENT ARREARS ($) 1/8/	53.3	79.0	0.0	45.0	0.0	0.0	0.0	0.0

1/ CENTRAL RESERVE BANK ESTIMATES FOR 1985 AND ACTUAL FIGURES FOR 1980-84.
2/ IMF
3/ MINISTRY OF FINANCE
4/ FOR 1980-85, C2.5 TO $1.00 WAS USED; FOR 1986-90, C5 TO $1.00 IS USED.
5/ EXTERNAL PUBLIC DEBT OF MORE THAN ONE YEAR, OUTSTANDING AT END OF PERIOD.
6/ DEBT SERVICE INCLUDES INTEREST AND AMORTIZATION PAYMENTS, ALSO DEBT SERVICE ON NEW BORROWING RELATED TO THE FINANCE GAP.
7/ IF C5 TO $1.00 IS USED, THEN DEBT/GDP FOR 1985 = 60.1%.
8/ FOREIGN EXCHANGE REQUESTS HELD BY THE BCR FOREIGN DEPT. ALREADY APPROVED BY EXCHANGE CONTROL DEPT., PENDING FOREIGN EXCHANGE REQUEST HELD BY EXCHANGE CONTROL DEPT. FOR EXTERNAL PRIVATE DEBT SERVICE AND IMPORTS FROM OUTSIDE C.A.
NB: TARGETS EXCLUDE DEBT

RESTORATION OF PUBLIC SERVICES

	1983	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
ELECTRIC ENERGY DEMAND (GWH)	1,560	1,613	1,653	1,729	1,757	1,862	1,974	2,093	2,218
STANDBY GENERATOR POWER (AS % OF TOTAL) 1/	4.3	4.0	6.7	--	--	--	--	--	--
TOTAL WATER PUMPING STATIONS (ANDA)	271	271	265	271	271	286	286	286	286
PERCENT OF STATIONS OPERATING 2/	NA	NA	98.0	--	--	--	--	--	--
TOTAL PUMPING EQUIPMENT (ANDA)	521	521	407	521	529	529	529	529	529
PERCENT OF EQUIPMENT OPERATING 2/	NA	NA	78.0	--	--	--	--	--	--
URBAN AREAS SERVED BY ANDA	176	176	155	176	176	191	191	191	191
PERCENT ATTENDED 2/	NA	NA	88.0	--	--	--	--	--	--
MOP/CAMINOS HIGHWAYS (KM) 3/	1,710	1,710	1,087	1,730	1,740	1,740	1,740	1,740	1,740
PERCENT OPEN 2/	NA	NA	63.0	--	--	--	--	--	--
MOP/CAMINOS RURAL & TERTIARY ROADS (KM)	7,750	7,750	1,550	7,750	7,800	7,800	7,800	7,800	7,800
PERCENT OPEN 2/	NA	NA	20.0	--	--	--	--	--	--

1/ TARGETS ARE TO REDUCE UTILIZATION FROM PRIOR YEAR ACTUAL.
2/ TARGETS ARE TO INCREASE OPERATIONS FROM PRIOR YEAR ACTUAL.
3/ INCLUDES DIVIDED, PRIMARY, AND SECONDARY HIGHWAYS.

DISPLACED PERSONS

	1983	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
TOTAL NUMBER DISPLACED ('000)	320	390	525	--	475	375	325	250	--
TOTAL JOBS PER MONTH ('000)	8	10	12	16	18	18	15	10	--
ADDITIONAL DPS PROVIDED CURATIVE HEALTH SERVICES ('000)	12	12	50	35	50	50	30	15	--
DPS RECEIVING DAILY FOOD BASKETS OF 1,600 CALORIES ('000)	200	225	350	350	325	325	250	200	--
DP CHILDREN RECEIVING SUPPLEMENTAL FOOD (000)	--	1.2	3.25	10	15	15	10	5	--
NO. WORKS PROJECTS COMPLETED	350	458	708	625	750	650	--	--	--

EMPLOYMENT GENERATION

	1980-84	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
EMPLOYMENT (MIL. PERSON DAYS)	10.8	1.0	1.0	--	--	--	--	--
NUMBER OF PROJECTS	1,900	104	104	--	--	--	--	--

NATIONAL PLAN - CONARA/ORE

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NO. CONARA CIVIL ACTION ACTIVITIES/YR	10	54	48	180	180	140	120	80
NO. MAJOR ORE INFRASTRUCTURE PROJECTS/YR 1/	--	--	--	117	--	--	--	--
ORE PROJECTS EMPLOYMENT (MIL. PERSON DAYS) 1/	--	--	--	2.4	--	--	--	--
NO. CIVIL DEFENSE UNITS TRAINED (CUMULATIVE)	15	74	68	214	294	*	*	*
CIVIL GOV'TS OPERATING IN CITY HALLS (CUMUL)	24	112	100	210	262	--	--	--
NO. LOCAL CIVIL GOV'T UNITS TRAINED	24	112	100	210	262	--	--	--
NO. TARGETTED MUNICIPALITIES W/ ESSENTIAL SERVICES (CUMULATIVE) 2/	8	20	24	100	190	262	--	--
NO. TARGETTED MUNICIPALITIES W/ COMPLEMENTARY SERVICES (CUMULATIVE) 3/	5	15	18	75	140	210	240	262

*PENDING REVISION AT END OF 1986 IN ACCORDANCE WITH THE MILITARY SITUATION.
1/ TARGETS TO BE DETERMINED DURING NEGOTIATION OF EACH YEAR'S LOCAL CURRENCY PROGRAM.
2/ WATER, ELECTRICITY, HEALTH, ACCESS ROADS, COMMUNICATIONS, EDUCATION
3/ PUBLIC TRANSPORT, CITY HALL, MARKET, COMMUNITY CENTER
NB: TOTAL MUNICIPALITIES 262

GOAL II: ECONOMIC RECOVERY AND GROWTH

ECONOMIC RECOVERY

	1980-84 AVERAGE 1/	1985 ACTUAL 1/	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
INVESTMENT AS % OF GDP	11.0 2/	11.6	--	11.9	13.5	14.2	17.2	20.1
PRIVATE INVESTMENT/GDP	5.0 2/	8.0	--	8.0	9.6	10.0	11.0	12.0
ECONOMICALLY ACTIVE POPULATION 3/4/	1,633.4	1,693.6	--	1,714.2	1,735.1	1,756.3	1,777.7	1,799.4
EMPLOYED	1,177.9	1,140.7	--	1,161.2	1,201.8	1,255.9	1,325.0	1,411.1
UNEMPLOYED	455.6	552.9	--	553.0	533.3	500.4	452.7	388.3
UNEMPLOYMENT RATE	27.9	32.6	--	32.3	30.7	28.5	25.5	21.6

1/ MINISTRY OF PLANNING ESTIMATES
2/ FIGURES ARE FOR 1984 ONLY.
3/ ASSUMES A 1.01219 GROWTH RATE.
4/ LAST CENSUS OF THE ECONOMICALLY ACTIVE POPULATION WAS MADE IN 1978.
NB: TARGETS ASSUME THAT FOR EVERY 1% GROWTH IN REAL GDP, A 1% GROWTH IN EMPLOYMENT RESULTS.

INDUSTRIAL RECOVERY

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
MANUFACTURING OUTPUT (MM COL. CONSTANT)	496.8	519.4	--	528.2	550.6	588.4	636.7	699.1
INDUSTRIAL EMPLOYMENT (% OF TOTAL) 1/	16.8	16.6	--	16.8	17.8	19.3	19.8	20.8
NON-TRAD EXPORTS OUTSIDE CACM (US $ MIL)	67.0	76.4	72.0	86.0	98.9	113.7	130.8	150.4
NON-TRAD US IMPORTS FROM EL SAL (US $ MIL)	58.0	60.0	62.0	70.0	77.0	85.0	95.0	105.0

1/ 16.8% OF TOTAL EMPLOYMENT IN 1984 IS APPROXIMATELY 115,000 PERSONS. IN 1985, 16.6% REPRESENTS APPROXIMATELY 122,000 PERSONS.

AGRICULTURAL RECOVERY

	1980-84 AVERAGE	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
FOOD CROP PRODUCTION ('000 QQ)	15,601	16,482	16,381	17,200	18,060	18,963	19,911	20,907
AVERAGE ANNUAL FOOD CROP GROWTH RATE (%)	1.75	5.65	5	5	5	5	5	5
PRODUCTION OF TRADITIONAL EXPORTS ('000 QQ)1/	5,456	6,431	5,565	5,676	5,790	5,964	6,143	6,327
AVER TRAD EXPORT VOLUME GROWTH RATE/ANNUM (%)	1.45	17.87	2	2	2	3	3	3
COFFEE EXPORT VOLUME (MILLION QQ)	3.5 2/	3.1	--	2.2	3.0	3.2	3.3	3.5
NON-TRAD. EXPORT PRODUCTION ('000 QQ) 3/	222	266	282	299	317	336	356	377
AVERAGE ANNUAL NON-TRAD GROWTH RATE (%)	NA	20.0	6	6	6	6	6	6
TOTAL AGRICULTURAL PRODUCTION (1962 COLONES)	768.3	718.2	746.9	776.7	807.8	840.1	873.7	908.6
AVERAGE ANNUAL AGRIC PROD GROWTH RATE (%)	-3.7	-2.4	4	4	4	4	4	4
VALUE OF NON-TRAD AGRIC EXPORTS ($M) 4/5/	13.6	26.0	--	29.4	33.6	36.3	41.8	48.1
VALUE OF TRAD AGRIC EXPORTS ($M) 4/5/	248.00	251.00	252.96	544.0	603.8	640.0	680.0	721.0
VALUE OF TOTAL AGRICULTURAL EXPORTS ($M)	256.70	260.30	261.92	573.4	637.4	676.3	721.8	769.1
NON-TRAD EXPORTS/TOTAL AGRIC EXPORTS (%)	3.51	3.71	--	5.1	5.3	5.4	5.8	6.2

1/ LARGE PERCENTAGE INCREASE IN ACTUAL 1985 PRODUCTION VOLUME DUE TO 62% INCREASE IN SUGAR.
2/ FIGURE IS 1981-84 AVERAGE.
3/ INCLUDES MEAT, INSTANT COFFEE, HONEY, SESAME, BALSAM, FRESH FRUITS/VEGS, COCONUT, CANNED VEGS, TOBACCO, AND DATA ARE FOR 1983 AND 1984 ONLY.
4/ ESTIMATED FOR 1985 ACTUAL.
5/ TARGETS ASSUME CONSTANT PRICES AT 1985 LEVELS.

PRIVATE SECTOR SUPPORT

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
CREDIT TO PRIVATE SECTOR (MIL COL)	3,861.0	4,834.0	4,710.0	--	--	--	--	--
CREDIT TO PRIVATE SECTOR AS % OF TOTAL GROSS CREDIT 1/2/	60.0	63.6	62.0	67.0 2/	75.0	82.0	87.0	90.0
PRIVATE SECTOR INVESTMENT AS % OF GDP	5.0 3/	8.0	--	8.0	9.6	10.0	11.0	12.0
EXPORT PROMOTION LAW	--	--	--	PASSED	--	--	--	--

1/ TARGET EXPRESSED AS % OF TOTAL GROSS CREDIT BECAUSE OFFICIAL FORECASTS ARE UNAVAILABLE. IT ASSUMES THE PUBLIC SECTOR WILL CONTINUE TO REDUCE ITS DEFICIT AND THE PRIVATE SECTOR WILL RECEIVE MOST OF THE BANKING SYSTEM CREDIT.
2/ ACCORDING TO MONETARY PROGRAM FOR 1986.
3/ FIGURE IS FOR 1984 ONLY.

GOAL III: BROADENING THE BENEFITS OF GROWTH

AGRARIAN REFORM

	1980	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
TOTAL RURAL POPULATION	2,624,528	--	--	--	--	--	--	--
RURAL POP. AFFECTED BY PHASES I & III	570,162	--	--	--	--	--	--	--
PROPERTIES COMPENSATED, PHASE I	--	311	405	469	--	--	--	--
PROPERTIES COMPENSATED, PHASE III 1/	--	1,475	2,463	3,753	4,500	--	--	--
NUMBER COOPS ESTABLISHED, PHASE I	--	317	--	--	--	--	--	--
COOPS REPAYING PRODUCTION CREDIT	--	184	--	197	211	226	243	260
PRELIMINARY TITLES, PHASE III	--	65,792	--	--	--	--	--	--
DEFINITIVE TITLES, PHASE I	--	127	199	317	--	--	--	--
DEFINITIVE TITLES, PHASE III	--	16,992	23,623	30,000	45,000	--	--	--

NB: FIGURES ARE CUMMULATIVE.
1/ TARGETS ARE TENTATIVE AS FINATA'S ACTION PLAN HAS NOT YET BEEN APPROVED.

MARGINAL COMMUNITY DEVELOPMENT

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NEW URBAN HOMES W/ UTILITIES	671	1,117	1,440	4,400	900	950	150	250
SITES AND SERVICES (URBAN LOTS)	--	--	--	230	400	600	900	1,000
NEW UTILITY CONNECTIONS (URBAN)	--	--	--	3,000	3,500	5,200	7,000	9,000
URBAN SLUM HOUSEHOLD UPGRADES	--	629	629	0	1,500	2,500	3,800	5,000
NEW RURAL HOMES	83	11	90	820	200	300	400	600
HOME IMPROVEMENT LOANS (RURAL & URBAN)	--	--	--	460	1,400	1,450	1,600	2,000

HEALTH

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
CRUDE MORTALITY RATE	10.0	9.0	--	9.0	8.5	8.2	8.0	8.0
INFANT MORTALITY RATE/1000 LIVE BIRTHS	75	74	--	72	70	68	63	59
CHILD MORTALITY (1-4 YEARS) AS % OF TOTAL	26.0	26.0	--	25.5	25.0	24.0	24.0	23.0
DEATH RATE/10,000 FROM DIARRHEA & DEHYDRATION (ALL AGES)	NA	3.9	4.2	3.5	3.04	2.6	2.2	1.7
CHILDREN -5 WITH 3RD DEGREE MALNUTRITION (%)	7.0	6.0	6.0	5.0	3.5	2.0	1.8	1.6
NUMBER ORT PACKETS DISTRIBUTED (MILLION)	.650	1.9	--	2.5	3.0	3.5	3.5	4.0
CHILDREN UNDER 2 FULLY VACCINATED (%)	38.7	23.0	--	30.0	35.0	45.0	55.0	70.0
CHILDREN UNDER 2 VACCINATED FOR MEASLES (%)	NA	45.9	46.0	48.0	55.0	60.0	65.5	70.0
CHILD HEALTH VISITS/1000 CHILDREN -1 YR	473	406	--	450	500	685	825	1000
PRENATAL VISITS/1000 LIVE BIRTHS	589	588	--	625	700	775	875	1025
NUMBER MALARIA CASES REPORTED BY MOH	62,447	41,528	55,000	40,000	40,000	40,000	40,000	40,000
MALARIA SLIDE POSITIVITY RATE	24.7	22.1	21.7	19.0	18.5	16.5	13.0	10.0
NUMBER MALARIA SITES TREATED	35,000	34,900	35,000	33,300	33,500	33,500	33,500	33,500

EDUCATION

	1983	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NET PRIMARY SCHOOL ENROLLMENT RATIO	60	60	60	60	60	62	64	66	66
NUMBER NEW CLASSROOMS CONSTRUCTED *	100	295	3	--	100	160	200	200	--
NUMBER RECONSTRUCTED CLASSROOMS *	--	--	--	--	40	500	400	400	--
NUMBER TEXTBOOKS DISTRIBUTED (MILLION)	--	--	--	--	--	1.2	1.5	.08	--

* ALL NEW AND RECONSTRUCTED CLASSROOMS WILL BE EQUIPPED AND STAFFED.

SCHOLARSHIPS

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
TOTAL NUMBER CAPS RECIPIENTS	--	367	325	340	600	582	530	--
TOTAL NEW STARTS	--	367	325	282	520	460	430	--
TOTAL CARRY-OVERS	--	0	0	58	80	122	100	--
ACADEMIC TRAINING-CAPS (NO. PERSONS)	--	78	25	80	180	122	100	--
TOTAL NEW STARTS	--	78	25	22	100	0	0	--
TOTAL CARRY-OVERS	--	0	0	58	80	122	100	--
CAPS SHORT-TERM TRAINING (NO. PERSONS)	--	289	300	260	420	460	430	--
PARTICIPANT TRAINING	160	127	--	186	171	44	40	30

FAMILY PLANNING

	1978	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
CRUDE BIRTH RATE/1000	39	37	36.5	36	35	34	33	32
NO. COUPLE YEARS PROTECTION	210,000	317,000	320,000	335,000	365,000	395,000	425,000	455,000
COUPLES USING CONTRACEPTIVES (%)	34	45	45.5	46	48	50	52	54

SMALL BUSINESS

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NO. SMALL BUSINESSES ('000)	69.0*	70.5*	--	72.0	74.0	76.0	78.5	81.0
NO. SMALL BUSINESS EMPLOYEES ('000)	234.0*	239.7*	--	244.8	255.3	266.0	275.7	287.6
INVESTMENT LAW	--	--	--	--	YES	--	--	--

* ESTIMATES

GOAL IV: DEMOCRATIC INSTITUTIONS - HUMAN RIGHTS

JUDICIAL REFORM

	BASELINE	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
REPORTED HOMICIDE CASES BROUGHT BEFORE COURTS (%)	13 (1980)	NA	--	--	40	50	60	65
CONVICTION RATE FOR ALL CRIMES (%)	12.8 (1981)	15	--	15	20	25	30	35
LAW ESTABLISHING NATIONAL JUDICIAL COUNCIL	--	--	--	YES	--	--	--	--
LAW ESTABLISHING JUDICIAL CAREER SERVICE	--	--	--	--	YES	--	--	--
REVISORY COMMISSION DRAFT LEGISLATION ENACTED BY NATIONAL ASSEMBLY (%)	--	--	--	--	35	75	90	--

HUMAN RIGHTS

	1980-84 AVERAGE	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
TWO NEW HUMAN RIGHTS COMMISSION OFFICES	--	--	--	YES	--	--	--	--
POLITICALLY MOTIVATED DEATHS, NO. PER YEAR*	3,860	335	--	250	225	200	150	100
LAW ESTABLISHING TWO NEW DECREE 50 COURTS	--	--	--	YES	--	--	--	--
RE-ESTABLISHMENT OF PUBLIC DEFENDER OFFICE	--	--	--	YES	--	--	--	--

* DATA FROM US EMBASSY HUMAN RIGHTS REPORT.

ELECTIONS

	1982	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NEW VOTER RESISTRY ESTABLISHED	--	--	--	--	YES	--	--	--
ELIGIBLE VOTERS ACTUALLY VOTING (%)	80	80	--	--	--	80	85	--
POLITICAL POWER TRANSFERRED PEACEFULLY THROUGH ELECTORAL PROCESS	YES	YES	--	--	--	YES	--	--

LABOR ORGANIZATIONS

	1984	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
MEMBERSHIP IN DEMOCRATIC UNIONS	NA	180,000	--	185,000	190,000	210,000	220,000	250,000
MEMBERSHIP IN NON-DEMOCRATIC UNIONS	NA	50,000	--	45,000	40,000	30,000	20,000	15,000
ESTABLISH UMBRELLA ORG. OF DEMOCRATIC UNIONS	--	--	--	YES	--	--	--	--
LABOR LEADERS TRAINED	--	--	--	100	100	125	--	--
RANK AND FILE TRAINED	--	--	--	250	250	300	--	--

REPRESENTATIVE GOVERNMENT STRENGTHENING

	BASELINE	1985 ACTUAL	1985 TARGET	1986 TARGET	1987 TARGET	1988 TARGET	1989 TARGET	1990 TARGET
NO. MAYORS & STAFF PROVIDED TA OR TRAINING	--	--	--	75	75	75	100	--
OTHER MUNICIPAL INDICTORS PENDING ASSESSMENT								
NO. ASSEMBLY MEMBERS VISITING OTHER LEGISLATURES	--	--	--	15	15	15	25	--
NUMBER ASSEMBLY MEMBERS/STAFF TRAINED	--	--	--	25	25	25	30	--
NON-PARTISAN ANALYSIS UNIT IN NATIONAL ASSEMBLY ESTABLISHED	--	--	--	--	YES	--	--	--

4. Benchmark Status: FY 1986-FY 1987 Action Plan

A. ECONOMIC STABILIZATION

1. Objective Category: Economic Stabilization

o Growth of real GDP of 2% in CY 1985.

Status: Partially met. Economic growth for CY 1985 is now estimated at 1.6%.

o Increase in private fixed capital formation of 4 to 5% in real terms in CY 1985 (versus 6.4% in the Monetary Program).

Status: Achieved. Increase was 19.4%.

o Increase in non-traditional exports to outside CACM of 12% in CY 1985 (in current prices, versus a 14% target in the Monetary Program).

Status: Achieved. Increase was 14%.

o Increase in value added by agriculture of 2 to 3% in real terms in CY 1985 (2.9% in the Monetary Program).

Status: In light of recent improvements in the price of coffee, agriculture's contribution to real GDP could be lower than the -2.4% currently estimated by the BCR.

o Increase in value added by manufacturing of 2% in real terms in CY 1985 (as provided in the Monetary Program).

Status : Achieved. Increase was 4.5%.

o Unification of the exchange rate in a sustainable mode by December 31, 1985, accompanied by primary reliance on price rationing of foreign exchange for merchandise transactions.

Status: Partially achieved. Exchange rate was unified at ¢5 to $1 in mid-January 1986. Controls on transactions are still in effect to defend the new rate which informed observers still regard as overvalued.

o Price increase as measured by the GDP deflator of 10 to 14% in CY 1985 (versus 14.5% in the Monetary Program).

Status: Inflation accelerated in the second half of 1985 reaching an annual average of over 22.1%. Excessive monetary expansion is the principal cause behind price growth. The GDP deflator grew by 20.9%.

- Growth of money supply (M2) of 9 to 10% in CY 1985 (versus 16.0% in the Monetary Program).

  Status: Easy policy resulted in a monetary expansion (M2) which exceeded 24%.

- Growth of bank credit to the public sector of 5% in CY 1985.

  Status: Banking system credit to the consolidated public sector exceeded 9% in 1985.

- Growth of bank credit to the private sector of 10 to 12% annually over CY 1985.

  Status: Achieved. Banking system credit to the private sector was slightly above 25% in 1985.

- Deficit in the current budget of the central government of zero for CY 1985.

  Status: While the current budget showed a deficit of ¢136.9 million in 1985, the deficit declined over ¢120 million from its 1984 level.

- Internally financed deficit of the central government (net of repayments) of ¢150 to ¢200 million annually over CY 1985.

  Status: The internally financed portions of the deficit was almost twice the target for FY 1985.

- Deficit (before U.S. official transfers) in the current account of the Balance of Payments of $350 to $380 million in CY 1985 (versus $384 million in the Monetary Program for CY 1985).

  Status: Balance of payments deficit reached over $400 million in CY 85. Lackluster export performance contributed to this outturn.

- Reduction in external payment arrears of zero in CY 1985.

  Status: External payments arrears increased $12 million in FY 1985. Lackluster export performance throughout most of the year and the suspension of $60 million in AID disbursements accounted for this.

- Completion of studies by the Economic Policy Advisory Group of the Ministry of Planning of exchange rate policy, commercial policy, fiscal policy and external debt policy by year-end CY 1985.

  Status: Achieved.

- Formation of an inter-ministerial committee for debt management to establish global debt limits and limits on debt of all public entities with borrowing authority by year-end CY 1985.

  Status: Achieved.

- Preparations of Programa Monetario (Monetary Program) for CY 1985 by October 1, 1985.

  Status: Achieved.

- Preparation of a two to three year program for economic stabilization by year end CY 1985.

  Status: Partially met. The GOES adopted a stabilization program for 1986 with guidelines to be followed in subsequent years.

2. Objective Category: Restoration of Public Services

   None.

3. Objective Category: Displaced Persons

- Ten credit unions under contract to administer work projects by the end of 1986.

  Status: Achieved in CY 1985.

- Criteria established and in use to lead to better identification of projects providing a base for improved social service delivery and/or renewed economic activity in the project areas.

  Status: Achieved.

- An average of 18,000 DPs employed at any given time by the end of 1985. Employment opportunities will continue to be rotated in order to provide jobs to all adult displaced persons willing to work.

  Status: By October 1985 there were 16,000 DPs employed. This number dropped to 12,000 in December 1985 as Fedecredito assumed implementation of the project and experienced start-up delays. In February of 1986 the number of DPs employed had increased to 13,000 and it is expected that it will reach 18,000 by April 1986.

- The building of dispensaries and provision of primary health care in up to 30 areas covering 117 settlements and their host communities.

  Status: Achieved - there are now 52 areas receiving health care through HOPE dispensaries.

- o CONADES outreach program attending the dispersed displaced population will make an average of 8,000 house to house visits monthly, benefiting approximately 50,000 people in 9 departments.

  Status: Achieved - ongoing activity.

- o Environmental improvement projects in major settlements providing potable water, drainage, washing and bathing facilities, latrines, and waste disposal systems to the target population.

  Status: Achieved.

- o A Title II food request from WFP programmed to provide ongoing food assistance to the 300,000 registered DPs.

  Status: Achieved - ongoing activity.

- o Similar requests from CESAD will be programmed and coordinated to provide a food basket for 25,000 unregistered DPs by the end of 1986.

  Status: Achieved.

- o Up to 15,000 beneficiaries receiving supplemental feeding in 30 centers.

  Status: As of December 1985, 5,000 beneficiaries in 11 centers were receiving supplemental feeding.

- o Land identified and free and clear titles made available to those who previously did not own or did not have access to property.

  Status: Two sites were identified and 90 DP families were resettled through the World Relief program.

- o Programs available to provide training and credit to benefit up to 400 female displaced heads of household by FY 1987 in skills for which there is a demand in the private sector.

  Status: As of January 31, 1986, 77 women have been trained under the OEF Program for Displaced Women.

- o DPs electing to remain in settlements identified.

  Status: The Baseline Data Survey which was completed in May 1985 identified over 1,000 families.

4. Objective Category: Employment

- o Assuming ¢40 million provided in yearly MOUs, average daily employment level to increase from about 6-7,000 to approximately 9-10,000 by 1987.

Status: Not applicable as the Mission has shifted its emergency employment activities into the GOES' National Plan, and is now focusing on permanent employment efforts to be generated by the private sector.

- The incorporation of private sector firms into the implementation of labor-intensive projects to increase overall indigenous capacity, to create infrastructure in support of exports, to reactivate the private sector, and to stimulate government agencies to a more competitive level of performance.

  Status: Partially achieved. Starting in CY 1986, the Mission's emergency programs are being addressed through labor-intensive projects under the auspices of the GOES' National Plan.

5. Objective Category: National Plan

- Encourage greater support by the line ministries for activities in the National Plan areas.

  Status: CONARA has been strengthened and put under new leadership. It has prepared an ambitious 1986 plan of operations requiring ¢38.6 million in local currency (versus ¢10.6 million in 1985) which demands increased collaboration with GOES line ministeries.

- Complete leadership training for 9 departmental restoration committees.

  Status: Forty-eight leadership training sessions were conducted during CY 1985.

- Provide didactic materials and technical assistance to nine departmental restoration committees in support of their training and monitoring of restoration committee activity at the municipality level.

  Status: Achieved.

- Coordinate the implementation of at least 300 emergency and restoration projects in the nine departments. Emphasis to be given to projects in support of health, education and other municpal services, such as water and electricity.

  Status: During CY 1985 89 emergency and restoration projects were completed and an additional 180 projects were initiated.

B. ECONOMIC RECOVERY AND GROWTH

1. Objective Category: Industrial Recovery

- Additional export earnings from new or expanded agroindustrial activity of $25 to $35 million annually by year-end 1987.

  Status: On target.

- Additional employment of 2,700 to 3,000 workers annually in new or expanded agrobusiness by year-end 1987.

  Status: On target.

- Completion of a survey of capacity utilization (to systematically inventory potential reactivation opportunities) by year-end CY 1985.

  Status: Achieved.

- Additional exports from reactivated industrial capacity of $8 to $10 million by year-end CY 1987.

  Status: It has been found that this benchmark (based on the above survey) is not realistic. Much of the existing capacity is not suitable for export production. Therefore, this benchmark is being deleted.

2. Objective Category: Agricultural Recovery

- Disburse at least $25 million in agricultural production and investment credits over the 1986-1987 crop year.

  Status: It is estimated that during the 1986/1987 crop year USAID will disburse approximately $19 million in agricultural credit. A devaluation of the currency and strict monetary and fiscal controls to reduce inflation will make this reduced amount adequate to meet increased credit demands.

- Increase the number of individual farmers receiving agricultural credit by 6% during the 1986/1987 crop year.

  Status: There was a 2% increase in beneficiaries receiving credit during the 1984/1985 crop year (no data available for the 1985/1986 crop year). Increased efforts on the part of the BFA and the GOES should make the 6% 1986/1987 target achievable.

- Increase the loan repayment rate of the agricultural development bank by 90%.

  Status: Repayment rates remain around 84% (less if refinancing is substracted out) in the BFA and not much better in the mixed banks. These rates are expected to remain high as long as the war continues and the general economy of the country remains depressed.

- Intensify production by expanding the irrigated area by 3,000 acres during 1986-1987.

  Status: The 3,000 acre increase in irrigated land will more than likely not be met. The large IDB irrigation project is behind schedule and USAID's precision irrigation activity will not be in full operation until late 1986.

- Increase the value of agricultural output per acre by 2% during 1986/1987.

  Status: Bechmark as defined not appropriate, and thus redefined (see IV. B.2).

- Bring coffee production up to the 1978-1979 level.

  Status: Coffee production fell in 1985 with an estimated production of 1.7-2.2 million hundred weights. High market prices and a more reasonable GOES policy toward coffee producers should should lead to gradual rise in production to 1978/1979 levels by 1988/1989.

- Increase the number of farmers receiving public and private technical assistance by 15%.

  Status: Technical assistance to agrarian reform beneficiaries has increased by a factor of 2.5 since 1982, whereas presently about 70% of Phase I farms and 23% of Phase III beneficiaries are being reached.

- Supply private sector entities with $1 million for crop-specific research on diversified, high value species and varieties.

  Status: Financing of private sector research in diversified agriculture has not developed as planned. The Mission has and will continue to concentrate on consolidating the reform.

- Increase non-traditional agricultural exports outside CACM by 12 to 15% by 1987.

  Status: Non-traditional agricultural exports increased from ¢35.7 million to ¢42.2 million or 18% from 1983 to 1984. Based on exports through July, exports are projected to increase to ¢65.0 million in 1986 on 34% over the 1985 level. Melons and watermelons have led the way followed by sesame and honey. Continuing increases are projected for 1986/1987 and beyond.

- Send 10 long-term graduate degree training participants to the U.S.during 1986/1987.

  Status: No long-term participants were sent for training in 1985 due to a GOES policy to restrict support to participants to a minimum. Two participants (MS Degree) are scheduled for 1986.

- Train the workforce on five Phase I agrarian reform cooperatives to perform skilled agro-process labor by 1987.

  Status: Workforce training and agribusiness development activities have been slower than anticipated due to a major reorganization within MAG and ISTA. Agribusiness ventures are expected to increase in 1987 and 1988.

- Develop 3 agroindustrial or agribusiness ventures on Phase I cooperatives by 1987.

  Status: See previous benchmark status.

3. Objective Category: Private Sector Support

- During 1986 make the local currency equivalent of $158 million of credit available to the private sector through the banking system, broken down as follows: Small Business $12 million, Industrial Credit $36 million, Economic Development Fund $10 million, Short Term Credit $8 million, Refinancing to the Reformed Sector $12 million, Terrorism Insurance Fund $80 million.

  Status: The equivalent of $100 million in credit lines was made available in 1985 (except for terrorism insurance.) In 1986, $40 million will be made available for terrorism insurance.

- During 1987 make the local currency equivalent of $105 million available to the private sector as follows: Small Business $25 million, Industrial Credit $35 million, Economic Development Funds $15 million, Short Term Credit $15 million, Refinancing to the Reformed Sector $15 million.

  Status: In consonance with the GOES monetary program's objective to minimize inflation, only $28 million will be made available.

- By mid-year 1986, modifications have been negotiated with the BCR for the Economic Development Fund and Refinancing to the Reformed Sector.

  Status: Achieved in 1985.

- By mid-year 1986 have launched a multimedia publicity BCR-banking system campaign advertising the credit facilities available.

  Status: Achieved in 1985.

- By year-end 1987 have completed a survey which evaluates results of the campaign launched under the first benchmark of this goal.

  Status: To be done in 1986.

- By year-end 1986 have increased the country's participation in the TCIP (Eximbank/AID) program to $100 million.

  Status: A $75 million TCIP program was implemented in FY 1985, which is expected to increase imports from the U.S., freeing up of $20 million previously tied up in collateral deposits, and substantially lower trade credit interest rates.

C. BROADENING THE BENEFITS OF GROWTH

1. Objective Category: Agrarian Reform

The GOES will act by August 15, 1985 to reduce the interest rate on the land debt and extend the amortization period.

Status: The GOES' 1986 Economic Program calls for the development of a plan for reducing interest rates and extending the amortization period and the grace period for the agrarian debt of the cooperatives. The GOES did not meet the August 15, 1985 deadline but is expected to implement the restructuring plan by March 1, 1986.

- Complete initial compensation to former landowners by December 1986.

  Status: The GOES has not finished compensation of the former landowners. In 1985 it made ¢64 million available for this purpose and in 1986 it will program an additional ¢200 million.

- Complete the titling process by December 1986.

  Status: ISTA and FINATA have made considerable progress in this area. ISTA has issued 127 titles. Approximately 190 remain to be issued by the end of CY 1986. FINATA has issued 16,992 definitive titles. They will not complete their task by 1986 but have a target of 1988 to complete titling.

- The GOES will define property and cooperative membership rights and obligations by October 30, 1985.

  Status: A joint USAID/GOES study of beneficiary rights was conducted in 1985 and the results and recommendations presented to the Cabinet-level Commission. Due to the complexity of the issue, the GOES did not meet the October 30, 1985 deadline although AID expects it to enact legislation which: a) defines minimum requirements for entry into a cooperative by non-members, b) defines the rights and obligations of cooperative members who are involuntarily forced to leave, c) defines the rights of transfer and inheritance of cooperative members, and d) limits the restriction of land sales of Phase III beneficiaries to five years from the date of assignation of definitive title. This legislation is expected to be enacted in 1986.

- An evaluation of the Rural Small Enterprise and Cooperative Development OPG (TECHNOSERVE) is scheduled by July 1985 to determine whether the National Federation of Agrarian Reform Cooperatives (FESACORA) is ready for direct financing. The GOES will have 207 professional cooperative managers in place by June, 1986.

  Status: The evaluation was completed and it determined that FESACORA was not ready for direct financing. As such, it will continue to receive assistance through TECHNOSERVE. The target of 207 managers was not met due mostly to a large resignation rate.

- Increase seed production of new crop varieties by 5%.

  Status: CENTA Production of seed and plant material of new varieties is progressing in viveros throughout the country. The production of vegetative material is better than that of seeds due, in part, to the easy access to imported improved seed varieties.

- Increase technical support service coverage to agrarian reform cooperatives and Phase III beneficiaries.

  Status: The Mission is aware that support service coverage by the GOES has increased although data is not available to quantify the extent of the increase.

- Increase exports of higher value, non-traditional agricultural products.

  Status: Exports of non-traditional agricultural products (e.g., melons, watermelon, sesame seed) is progressing as more growers gain experience and confidence in this risky business. Agrarian Reform Sector Support (519-0265) has been instrumental in the increase of melon and watermelon production.

2. Objective Category: Marginal Community Development

- The establishment of a housing program implementation unit capable of managing increased housing production levels between 1985 and 1989 providing 26,234 new homes: 8,100 slum home upgrades: 93,500 water and sewer connections: 11,000 home improvement loans: and 5,200 rural houses.

  Status: The unit has been established and is working. The construction program will be initiated upon issuance of formal legislation which is expected by the end of February 1986.

- The completion of descriptive and procedural documents for the operation of the housing program implementation unit by September, 1985.

  Status: Achieved.

- The issuance of a GOES decree establishing new, lower minimum, housing standards by December 1985.

  Status: Not achieved, although the GOES has authorized construction of projects that essentially modify and lower current authorized minimum standards. Formal issuance of new regulations is expected during 1986.

3. Objective Category: Health

A more responsive medical supply management system in place.

Status: Partially achieved. In FY 1985 the MSPAS appointed regional warehouse managers and with the TA team began an intensive review of the pharmaceutical and equipment supply and allocation process which by December 1985 had identified and reallocated overstocks of equipment and drugs found in some locations.

Biomedical and vehicle maintenance systems fully institutionalized.

Status: During FY 1985 the vehicle maintenance system was functional. However, further efforts in FY 1986 will be required to complete the renovation of the regional garages and upgrade mechanic skills to maintain the new diesel vehicles. Institutionalization of biomedical equipment was not achieved, although an inventory of equipment and spare parts was completed and orders placed for needed items. The new target is December 1986.

Reduction in the incidence of child mortality (1 to 4 years), as a percent of total mortality from 27.4% (1981) to 26%.

Status: Achieved MSPAS 1984 statistics showed child mortality had declined to only 23.7% of all mortality.

Reduction in infant mortality (0 to 1 year) from 44.1 per thousand (1981) to 42.0 per thousand in 1987.

Status: This target was based on official MSPAS registrations which are believed to be significantly lower than actual mortality rates. The Mission has established new targets based on more realistic estimates of actual infant mortality (see II.C.3). Actual infant mortality was estimated at 75 and 74 per thousand in 1984 and 1985, respectively.

Reduction in the numbers of reported cases of malaria from 66,000 in 1984 to 53,000 by 1988 and to 40,000 by 1989.

Status: Numbers of reported malaria cases in 1985 declined to 41,528, many more than anticipated. However, because of the rural exodus, problems of access in some areas due to the conflict and a reduced total number of slides collected, the possibility of significant under reporting is currently being investigated.

Improved continuing health education and supervision systems.

Status: Partially achieved; in FY 1986 the MSPAS and the TA team will continue continuing education and supervision efforts to support use of the drug formulary and the automated management information system in addition to improving skills in stock management, vehicle maintenance and biomedical equipment maintenance.

- Improved teacher/learning resources for training of MSPAS health workers.

  Status: Partially achieved; modules for training doctors, nurses and ambulance drivers in Trauma management have been completed and distributed to training facilities for evaluation. A proposal for modules on ORT, child nutrition and vaccination are proposed for FY 1986 as well as manuals for supply management and maintenance systems. Primary care modules for social service physicians completed and used in FY 1985 will be evaluated in FY 1986.

4. Objective Category: Education

- Construction of 200 schools by 1987.

  Status: In process. Benchmarks will be met if AID/W approves the U.S. advertising waiver requested by the Mission.

- Restoration of 700 schools by 1987.

  Status: See previous benchmark comment.

- 72,000 school-age children have access to an adequate and appropriate formal classroom setting by 1987.

  Status: See previous benchmark comment.

- Approximately 40,000 out-of-school children of ages 7 to 15 are provided access to radio education programs by 1987.

  Status: Not applicable as the Mission's strategy no longer includes support to radio education programs.

- 900 primary schools are furnished and equipped by 1987.

  Status: In process. Benchmarks will be met if AID/W approves the U.S. advertising waiver requested by the Mission.

- The first phase of a school maintenance system is established and operational by 1987.

  Status: A 10 community pilot program has been initiated.

- Provision of 1.5 million textbooks to children in grades 1 to 6 by 1987.

  Status: The bidding process has been initiated.

- 10 MOE central office managers, 10 MOE regional directors, 150 MOE nuclear school directors,and 2,000 MOE classroom teachers are provided job-related training by 1987.

  Status: The planned amendment to Education Revitalization Systems (519-0295) has been delayed until FY 1987. As such, these benchmarks will not be achieved until CY 1989 or later.

- 3,000 school directors and teachers responsible for 1.7 million textbooks for grades 1-6 are given textbook training by 1987.

  Status: The training for grades 1-4 teachers is scheduled to commence in August 1986.

- A comprehensive assessment of training needs of export firms and related capabilities of the country's training institutions completed by 1987.

  Status: The assessment is scheduled to commence in mid-1986 and to be completed in late 1986.

- Establishment of an advisory group representing the private and public sectors by 1987.

  Status: An OPG to a Salvadoran PVO is scheduled to be signed in mid-late CY 1986 which will specifically address this benchmark.

- Development and implementation of a phased training program for 800 beneficiaries by 1987.

  Status: This benchmark directly relates to the previous benchmark.

- 450 managers are provided in-country management training by 1987. (Target Group: Decision makers and managers linked to small, medium and large firms that are exporting and/or interested in exporting to the United States.)

  Status: This benchmark relates to the previous two benchmarks.

- An assessment contract let and the contractor working by 1987 to assess the education needs in higher education and adult education.

  Status: Not applicable as the Mission's strategy no longer includes support to higher education or adult literacy programs. The area of adult literacy will now be addressed by proposed CY 1987 $50.0 million IDB loan.

5. Objective Category: Scholarships

o Approximately 120 young Salvadorans provided with scholarships for long-term academic training in the U.S. at the specialized technical, undergraduate or graduate level by the end of 1987.

Status: On track with an expected 158 long-term academic scholarships to have been provided by the end of CY 1986.

o Approximately 250 Salvadoran community and civic leaders, including youth leaders, from or working in poor rural and urban areas provided with scholarships for short-term observation and leadership training in the U.S. by the end of 1987.

Status: On track with an expected 360 scholarships to have been provided by the end of CY 1986.

o Approximately 400 Salvadoran workers and supervisors from large enterprises and workers and managers from small and medium businesses, as well as Salvadoran small farmers including agrarian reform beneficiaries provided with scholarships for appropriate short-term technical training in the U.S. by the end of 1987.

Status: On track. To date 285 short-term CAPS training scholarships have been provided (i.e., 153 rural credit union managers, 69 textile plant workers, 45 bankers, 18 small farmers). By the end of CY 1986, an additional 100 participants (i.e., 50 agrarian reform beneficiaries, 50 micro-entrepreneurs). The benchmark is expected to be reached by the end of CY 1987.

o Approximately 200 GOES employees working directly in the provision of education, health, and other services to poor rural and urban populations provided with scholarships for appropriate, short-term tehcnical training the the U.S. by the end of 1987.

Status: In process with 100 employees expected to be trained in both CY 1986 and CY 1987.

6. Objective Category: Family Planning

o Approximately 600 medical doctors, 500 nurses, 1,000 auxiliary nurses, 130 rural health aides, and 800 rural midwives trained in family planning methods and program administration by 1987.

Status: During FY 1985, 10 doctors, 65 nurses, and 335 auxiliary nurses were trained. The remainder of the training will take place under Population Dynamics (519-0210) which is now in its initial stages. The targets have been adjusted to 580 doctors, 435 nurses, and 665 auxiliary nurses trained by FY 1988.

- Approximately 3,000 voluntary rural health promotors are recruited and trained by FY 1987.

  Status: During FY 1985, 1,567 rural health promoters were trained and another 1,500 will be trained under the Population Dynamics (519-0210) by FY 1988.

- The number of women of fertile age accepting contraception (couple protection years) increased from 300,000 at the end of 1984 to 350,000 by FY 1987.

  Status: At the end of FY 1985, the couple years of protection totalled 315,000. The target has been revised to 395,000 by FY 1988.

- A greater choice of contraceptive methods more readily available to Salvadoran couples, especially the rural population.

  Status: Ongoing process.

D. PROMOTE DEMOCRATIC INSTITUTIONS AND HUMAN RIGHTS

1. Objective Category: Judicial Reform

- The organizational, functional, and administrative sections of El Salvador's judicial codes reviewed and draft legislation is presented to the GOES for action.

  Status: Studies should be completed during 1986-1987 and drafts presented to the National Assembly.

- The long-term role and placement of the Judicial Protection Unit (JPU) determined.

  Status: Still unclear, but the final concept is being formulated -- a twenty-person highly trained unit (under contract), members of which will train others and serve as team leaders.

- Creation of a functioning Judicial Revisory Commission to coordinate project activities.

  Status: Accomplished.

- A functioning Commission for Investigations and an operational investigative unit established.

  Status: Accomplished.

- Work under the technical assistance plan for the Forensic Unit (FU) initiated.

  Status: Accomplished.

- Initiation of a complete assessment of the management of the judicial system.

  Status: Assessment underway.

2. Objective Category: Human Rights

- Systematic investigation of human rights violations and timely prosecution of perpetrators of such violations.

  Status: Ongoing process.

- Regular success in having officials initiate timely investigations in response to Human Rights Commission reports.

  Status: Achieved. Ongoing process.

- Substantial volume of posters, television programs, newspaper stories and other publicity regarding human rights.

  Status: Accomplished.

3. Objective Category: Electoral Process and Other Political Development

- Maintenance and updating of the computerized electoral registry.

  Status: Continuing activity (see II.D.3).

4. Objective Category: Labor Organizations

- Promotion of membership of 10 new local unions under FESINCONSTRANS, the urban federation of construction and transportation unions.

  Status: Accomplished.

- Formulation of 10 new unions and 5 new labor federations in the urban and rural sectors.

  Status: Accomplished.

- Legal recognition for the Popular Democratic Unity (UPD), the association of democratic labor and *campesino* organizations responsible for political lobbying.

  Status: Different entity being established.

- Completion of 45 seminars for labor union members and associations.

  Status: Accomplished.

- Completion of 2 major national seminars on political theories for the urban sector.

  Status: Accomplished.

- Award of 12 scholarships.

  Status: Accomplished.

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D. GRAY AMENDMENT

The Gray Amendment directs that AID award 10% of contracted dollars to minority firms. However, there is no special authority which allows direct contracting with firms qualifying under the Gray Amendment, except for 8(a) firms. Firms with an 8(a) status, by definition, qualify under the Gray Amendment and can be reached directly through section 8(a) of the Small Business Act. All other Gray amendment qualifying firms must compete for contracts through regular competitive procedures.

It is unrealistic for the Mission to set goals for awarding contracts to qualifying Gray Amendment firms when there is no mechanism for directly reaching the entire universe of such firms. The Mission believes that this is a problem which should be looked at in evaluating the LAC Bureau's success in achieving its target. This Mission routinely examines all PIO's in an effort to consider contracting to Gray Amendment qualifying firms. It can therefore identify possibilities for Gray Amendment awards, but is limited to making direct awards to only those with an 8(a) status. The Mission cannot assure the success of the other possibilities in the regular bidding process. Obviously, there is not an infinite number of 8(a) firms from which to choose, and not all contracts can be done by these 8(a) firms. Thus, compliance with the Gray Amendment requirements cannot be limited solely to 8(a) firms. A specified percentage target of Gray Amendment firms receiving contracts will be extremely difficult to attain when there is no mechanism by which the Mission can directly access all qualifying firms.

Contracts totaling $3,407,481 were awarded to qualifying Gray Amendment firms in FY 1985. This represents 16% of the total amount contracted. To date, a total of $1,463,450 have gone to Gray Amendment firms in FY 1986. The following table provides a list of contracts awarded during FY 1985 and the beginning of FY 1986 in support of the Gray Amendment.

GRAY AMENDMENT CONTRACTS

RACT NUMBER	CONTRACTOR NAME	TYPE OWNERSHIP	EFFECTIVE DATE	CONTRACT AMOUNT	AMOUNT OBLIGATED
0260-C-00-5002-00	ISTI	Black	11/6/84	178,000	178,000
0167-C-00-5174-00	CCA	Hispanic	12/22/84	743,529	743,529
0178-0-00-5175-00	TRITON CORP.	Black	01/31/85	5,686	5,686
0291-C-00-5234-00	STC	Hispanic	04/01/85	62,833	62,833
0178-C-00-5237-00	CCA	Hispanic	03/27/85	642,224	642,224
0178-C-00-5251-00	CCA	Hispanic	04/01/85	207,807	207,807
0178-C-00-5301-00	CCA	Hispanic	02/27/85	534,104	534,104
0295-C-00-5459-00	CCA	Hispanic	02/29/85	1,234,632	721,060
0168-0-00-5473-00	JUAREZ & ASSOC.	Hispanic	08/20/85	25,000	25,000
0263-0-00-5475-00	CCA	Hispanic	08/20/85	268,062	268,062
0177-0-00-5516-00	TRITON CORP.	Hispanic	08/29/85	19,676	19,676
0291-C-00-5547-00	HLTH INFO DESIGN	Hispanic	09/01/85	2,198,404	610,283
0167-0-00-6112-00	CCA	Hispanic	11/28/85	2,208	2,208
0295-0-00-6157-00	JUAREZ & ASSOC.	Hispanic	01/06/86	22,300	22,300
0295-C-00-6185-00	JUAREZ & ASSOC.	Hispanic	02/06/86	68,080	68,080
0295-C-00-6190-00	RONCO	Black		88,666	88,666
0263-C-00-6191-00	CCA	Hispanic	02/03/86	182,621	182,621
0168-0-00-6197-00	UNITED SCH OF AM	Hispanic	02/10/86	24,900	24,900
0281-A-00-5442-00	OEF	Women	08/01/85	464,392	464,392
1406-I-00-4098	CLAPP & MAYNE	Hispanic	09/04/85	184,162	184,162
1406-I-00-4064	DEVELOP. ASSOC.	Hispanic	05/02/85	67,714	67,714
				7,225,000	5,123,307

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ANNEX A

ACRONYMS

ACOPAI	-	Integrated Agricultural Cooperative Association
AIFLD	-	American Institute for Free Labor Development
APRE	-	MOE's Special Project Management Unit
AVSC	-	Association for Voluntary Sterilization
BCR	-	Central Reserve Bank
CACM	-	Central American Common Market
CAPS	-	Central American Peace Scholarship Program
CBI	-	Caribbean Basin Initiative
CCE	-	Central Elections Council
CENTA	-	MAG's National Center for Agricultural Technology
CESAD	-	Salvadoran Evangelical Committee for Assistance
CONADES	-	National Commission for Displaced Persons
CONARA	-	Commission of National Reconstruction
CRS	-	Catholic Relief Services
CTD	-	Democratic Workers Confederation
DIDECO	-	Directorate for Community Development
DP	-	Displaced Person
EXIM	-	Export Import Bank
FHI	-	Family Health Internation
FINATA	-	National Agricultural Land Financing
FUSADES	-	Salvadoran Foundation for Economic and Social Development
GDP	-	Gross Domestic Product
GOES	-	Government of El Salvador
IBRD	-	World Bank
IDB	-	Interamerican Development Bank

IESC	-	International Executive Service Corps
INCAFE	-	National Coffee Institute
IPPF	-	International Planned Parenthood Foundation
IRA	-	Institute for the Regulation of Provisions
ISTA	-	Agrarian Reform Institute
IVU	-	Urban Housing Institute
MAG	-	Ministry of Agriculture and Livestock
MINPLAN	-	Ministry of Planning
MOU	-	Memorandum of Understanding
MSPAS	-	Ministry of Public Health and Social Welfare
NBCCA	-	National Bipartisan Commission on Central America
ORE	-	Office of Special Resources
PRONAVIPO	-	Popular Housing Program
PVO	-	Private Voluntary Organization
REDO	-	MAG's Rural Enterprise Development Office
SDA	-	Salvadoran Demographic Association
SETEFE	-	MINPLAN's Technical Secretariat for External Financing
SSE	-	Small Scale Enterprise
TA	-	Technical Assistance
TCIP	-	Trade Credit Investment Program
UCS	-	Salvadoran Campesino Union
UPD	-	Popular Democratic Unity
USDA	-	US Department of Agriculture
WFP	-	World Food Program