

PD-AAX-332

EL SALVADOR  
ACTION PLAN FY 1988-1989

BEST AVAILABLE

**USAID/EL SALVADOR**

**FY 1988-1989**

**ACTION PLAN**

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**FY 1988-1989 ACTION PLAN**

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## A. Country Strategy Summary

El Salvador is still engulfed in a bitter civil conflict which showed few signs of abating during 1986. Economic performance for 1986 has been disappointing with GDP growing only 0.5% versus a projected 2.4%. On October 10, an earthquake struck the heart of San Salvador killing some 1,000 people, causing over \$1 billion in damage, and further limiting the ability of the economy to generate growth.

The earthquake had a very direct effect on the AID program in El Salvador. Many buildings housing government ministries were damaged or destroyed causing a serious disruption in the services and programs implemented by or through the GOES. Additionally, the USAID Mission was forced to relocate. The resulting hiatus in most regular program activities, coupled with the need to focus on immediate earthquake relief, caused a delay in the achievement of some near-term objectives. While the focus of the AID program strategy remains the same, adjustments have been made in a number of program areas to reflect changes which have occurred in El Salvador over the past year.

In response to the NBCCA recommendations, the goals of U.S. economic assistance are to: 1) stabilize the economy and ameliorate badly deteriorated social conditions, 2) achieve economic growth and recovery, 3) spread the benefits of growth to increase opportunities for the majority of Salvadorans, and 4) strengthen those policies and institutions which advance the democratic process.

The goal of economic and social stabilization is being supported by five major programs:

- **Balance of Payments:** A large portion of USG economic assistance is directed toward stabilizing the Salvadoran economy through a balance of payments program. This support is used to finance essential imports by the private sector of raw materials, equipment and agricultural inputs and to assure sufficient credit levels to stimulate private sector production. The accompanying policy dialog encourages the GOES to establish an economic policy framework that will reduce internal and external financial disequilibria and stimulate a private sector-led economic recovery fueled by export growth. While level of economic activity is now being maintained, there are disquieting signs of increasing destabilization in terms of slowing growth, increasing inflation and uncontrolled deficits. The GOES established an economic policy framework to deal with these problems. \*
- **Restoration of public services and infrastructure:** In 1987-88 AID will continue assistance to the GOES in its very successful effort to maintain vital public services --the transportation system and utilities, -- in the face of continuing guerrilla attacks while encouraging other international donors to become active in longer-term infrastructure rehabilitation.

- Assistance for displaced families: The assistance program for displaced families has been crucial in providing a safety net and thereby stabilizing the displaced population. In 1987, the program has been reoriented to encourage a recently identified "returnee" movement. While displaced families will continue to receive basic humanitarian assistance (food, shelter, medical care), those families who choose voluntarily to return to their former homes or reestablish themselves in a new location will be provided with start-up assistance (e.g., seeds, fertilizer, farm tools) and an opportunity to participate in temporary jobs programs.
- Restoration of former areas of conflict under the National Plan: In 1986, the National Plan (CONARA) was reorganized to focus GOES efforts on improving social conditions in 14 zones disrupted by war. There is noted improvement in infrastructure and services in these zones. Over the planning period, the USAID will significantly increase its support to activities in these zones, which should expand as security is established, and will increase its efforts to ensure that other USAID programs are coordinated with National Plan priorities.
- Earthquake recovery and reconstruction assistance: In response to the October 10 earthquake, the USG launched an immediate relief effort which included search and rescue teams, plastic sheeting for temporary shelter, hospital tents, and water storage bladders for communities throughout the metropolitan area. Congress then appropriated \$50 million in recovery assistance for El Salvador to be administered by AID. The GOES, with AID support, has developed a recovery program which consists of employment generation/clean up; credit to rehabilitate small and micro businesses; building materials, credit, and small infrastructure projects to meet urgent shelter sector needs; and assistance to repair public utilities, schools, health facilities, and roads. Although moving, program execution started slowly as a newly created reconstruction authority attempted to organize itself. The USAID proposes that activities funded under this emergency grant be expanded in 1987 through an already requested \$155 million of a \$300 million Central America Supplement for longer-term reconstruction needed to diminish the devastating economic and social impact of the earthquake on the urban poor.

The second goal of the AID strategy is to accelerate economic growth and diversify the economy to attain higher levels of economic well-being. This goal will receive increased emphasis over the Action Plan period through projects designed to meet the following objectives:

- Promote exports: AID is encouraging the Government to initiate a national export promotion campaign, emphasizing labor-intensive assembly industry and agricultural diversification. A Government-Private Sector Export Commission has been established to spearhead the effort. Assistance will be expanded to support new efforts to promote non-traditional exports outside the Central American region. AID's strategy is to provide the necessary support (e.g., free zones, credit, technology, foreign exchange, investment climate) to Salvadoran public and private sector institutions to allow them to identify overseas market opportunities and to establish the production base to exploit those opportunities.

- Increase agricultural production: Since 1979, agricultural production has declined as a result of civil conflict and reforms in production and marketing. An Agriculture Strategy is being submitted that analyzes how expanded productive capacity can be developed. During the Action Plan period AID proposes to shift its program emphasis from land reform to increasing agricultural production. AID will provide technical assistance and new lines of credit to (1) promote production, processing and marketing of non-traditional agricultural products; (2) revitalize production of traditional export crops (mainly coffee); and (3) increase production of domestic food supplies.
- Strengthen the private sector: This objective is closely linked to export promotion. In addition, AID will direct its policy dialog at reducing the sharp division between the Government and the private sector. During the Action Plan period, AID will expand support to private sector associations to improve their ability to promote a liberalized economy and develop programs to promote increased investment.

The third goal of the AID strategy is to broaden the benefits of growth to a larger segment of the Salvadoran populace. AID support in this area is critical to the success of the emerging Salvadoran democracy and U.S. policy in El Salvador -- the GOES must demonstrate that it can meet the long-neglected basic human needs of its people. The basic claim of the guerrillas is that democracy and free-market economies serve only a small, privileged class. Now that the civil conflict is decreasing, the GOES must accelerate its response to that claim which continues to appeal to the uneducated and the poor who know first hand that their basic human needs are not being met. AID's strategy, then, is to assist the GOES to carry out vigorous and effective social service programs that can demonstrate that democracy and a free economy do benefit the majority of people as follows:

- Agrarian Reform: Support for consolidating the agrarian reform will continue with emphasis on raising the production levels of reform farms.
- Housing: The housing sector, which was severely affected by the earthquake, will be the focus of a major AID effort to provide sites and services, core housing units, neighborhood improvements, and other lower-cost solutions. The USAID program will seek to establish the institutional base and develop the policies and programs which will help El Salvador meet low income shelter needs. The Mission has established a new Housing Office to manage the housing reconstruction effort.
- Social Services: Programs in health, including potable water and nutrition; family planning; education, including scholarships; and rural electrification will continue to build on progress made in previous years.
- Small Business: A Small Business Strategy has been developed and submitted separately to pull together and focus a series of diverse projects and activities underway since 1982.

The fourth goal of the AID strategy is to help El Salvador strengthen the basic institutions that form the foundation of the democratic process. Programs supporting this goal will expand rapidly during FY 1987 to support several objectives:

- **Judicial Reform:** AID will continue to support activities in this area designed to build a system of equitable and rapid justice. After some 18 months, various Revisory Commission analysis and studies are being translated into concrete recommendations and statute changes which will be submitted to the National Assembly over the next year.
- **Human Rights:** AID will continue to support the Human Rights Commission and encourage the GOES to adopt legal measures to reduce detention time for accused persons awaiting trial.
- **Elections:** AID will continue to support an open, democratic electoral process. Although, the GOES Elections Commission currently is being funded through the national budget, USAID will monitor the progress of the Commission to ensure that the municipal and national elections scheduled for 1988 and 1989 will be held on time.
- **Strengthen Representative Government:** A major initiative to strengthen municipal government is beginning and will be fully defined during 1987. A private political development institute will be supported to promote and carry out public education activities on democracy and democratic values.
- **Labor:** AID has supported the development of free, democratic labor unions since the 1960's in El Salvador. While most of this work has been concentrated in rural areas during recent years, in 1986 the focus began to shift to urban areas as well. This change in focus will become clearly defined in 1987 as AID develops an urban labor strategy to guide its activities over the planning period.

GOALS

OBJECTIVES	SHORT-TERM ECONOMIC STABILIZATION	BASIC STRUCTURAL REFORMS LEADING TO RAPID AND SUSTAINED ECONOMIC GROWTH	WIDER SHARING OF THE BENEFITS OF GROWTH	STRENGTHENING DEMOCRATIC INSTITUTIONS
1. Increase Agricultural Production		(X)	X	
2. Strengthen the Private Sector		(X)		
3. Stabilize Financial Structures	(X)			
4. Increase GDP		X		
5. Promote Exports		(X)		
6. Preserve & Manage Natural Resources		X		
7. Expand and Improve the Infrastructure		X		
8. Increase Access to Voluntary Family Planning Services			(X)	
9. Improve Health and Health Services			(X)	
10. Reduce Infant and Child Mortality			X	
11. Improve Housing			(X)	
12. Improve Educational Opportunities		X	(X)	
13. Increase Participant Training		X	(X)	X
14. Strengthen Democratic Institutions				X
15. Other (see next page)	(O)	(X)	(X)	(X)

X: LAC selected goals and objectives.

(O): AID/El Salvador selected goals and objectives.

GOALS

OBJECTIVES	SHORT-TERM ECONOMIC STABILIZATION	BASIC STRUCTURAL REFORMS LEADING TO RAPID AND SUSTAINED ECONOMIC GROWTH	WIDER SHARING OF THE BENEFITS OF GROWTH	STRENGTHENING DEMOCRATIC INSTITUTIONS
15.a. Restoration of Public Services	x			
15.b. Assistance for displaced families	x			
15.c. National Plan	x			
15.d. Earthquake Recovery	x			
15.e. Agrarian Reform			x	
15.f. Small Business			x	
15.g. Judicial Reform				x
15.h. Human Rights				x
15.i. Strengthen Representative Government				x
15.j. Elections				x
15.h. Labor and Union Development				x

X: AID/El Salvador selected goals for objective No. 15.

C. Progress Toward Four Goals/Anticipated Results for Coming Year

Economic and Social Stabilization

Following real GDP growth of 2.1% and an alltime high inflation of 22.3% in 1985, the Salvadoran economy slipped into stagflation during 1986. Inflation for the year was 32%, with real GDP growth of only 0.5%. While the earthquake was a factor in lower growth, it was clear before the quake struck that 1986 growth would be low.

These results are all the more disappointing in light of the optimism of early 1986. Facing high coffee prices, low oil prices, falling interest rates, and high programmed disbursements of U.S. economic assistance, it seemed as though 1986 might at last be "the year of the economy." The outlook was strengthened by the Government's decision to undertake an economic stabilization program. The program envisioned containment of inflation, a slight acceleration of growth, and a substantial strengthening of the balance of payments.

By summer it became clear that early optimism was unfounded. Due to a combination of weak policy and bad luck, inflation continued at an annual rate of between 30 and 35 percent, production growth was weak to nonexistent, and the balance of payments was much weaker than expected. Large deficits in the Government-owned electricity, water and sewer utilities threatened to bleed the Treasury and, if financed by the printing of more money, push the inflation rate still higher. By summer's end, it was clear that the economy was weakening further.

The earthquake severely compounded these difficulties, destroying a significant fraction of the country's productive capacity, temporarily shutting down a substantial portion of what remained, and literally throwing much of the Government into the streets. Facing much less favorable coffee and oil prices, political gridlock at home, and a huge bill for earthquake reconstruction, it is clear that the Government will have its hands full on the economic front during the coming year.

If the Government moves on the policy front (including, at a minimum, adjustments in the exchange rate and the utility rates), establishes a stable modus vivendi with the private sector, and mounts an effective earthquake reconstruction program, resumed growth on the order of 2.5 to 3.0 percent and falling inflation would be feasible for 1987. If the Government fails in these three areas, real GDP could decline for the first time since 1982, with inflation in the 40-to-60 percent range. At the present time, it is clear that the Government does not intend to make the necessary policy adjustments, or to alter fundamentally the nature of its relationship with the private sector. The Government stepped up the pace of its reconstruction program in February when a high level review with the President resulted in the necessary administrative changes required to implement the program.

Given its interest in a well-performing Salvadoran economy, the U.S. Government thus faces some difficult choices: Should it, given the complex nature of its bilateral relations with El Salvador, place more emphasis on improved economic performance? If so, how should it do so? Should it continue with the present loose linking of disbursement timing to policy performance? Or should it condition the amount of assistance on policy performance, providing regular disbursements of the basic level of assistance needed to keep the economy afloat, but relating disbursements above this level to policy performance? AID will address these choices in its PAAD for the CY 1987 Balance of Payments Support Program.

The displaced persons program continued to provide a safety net to the majority of the displaced population. An assessment of the program in 1986 identified the movement of displaced people back to their places of origin. The willingness of people to consider returning home implies a greater measure of security existing in many areas of the country pointing out the continuing success of the military in combatting the insurgents. As the long-term objective of the AID displaced persons program is to reintegrate the displaced into the productive economy, this "returnee" movement is a very positive sign. The USAID has responded by modifying its assistance program to help displaced families wanting to return home, or permanently settle in another location of their choosing, while continuing the humanitarian assistance (food, shelter, medical care) to those who elect to stay put for the time being. Returnee assistance support includes an agricultural starter kit (seeds, tools, fertilizer) and provides job temporary opportunities through a variety of community development projects in the new locations.

Building upon military efforts to win the war, AID continues to assist the GOES in their National Plan efforts to carry out development activities in newly secured areas. AID's objective is to help the GOES to re-establish peace and strengthen local government in former conflict areas while encouraging a gradual transfer of leadership from military to civilian authority. In 1986, assistance under this objective restored and equipped schools, provided educational materials, and completed over 250 basic infrastructure projects. During 1986, 760 National Plan projects and activities were launched compared to 288 for 1985.

Destruction of key infrastructure has been and continues to be a major part of the guerrilla strategy for economic sabotage. The Public Services Restoration Project was successful in maintaining strategic stockpiles of key materials to meet emergency demands and trained field crews to reduce response and repair time.

#### Economic Recovery and Growth

The keys to recovery and growth of the economy are the restoration of production, the marketing of coffee, and of other viable traditional productive activities and the restructuring of the economy toward new export markets.

A major step in the restoration of the coffee industry was taken in 1986, when the price paid to coffee producers was almost doubled. This increase, made possible by high world coffee prices throughout much of the year and a 100% devaluation of the official exchange rate, coupled with an AID-financed line of credit to allow refinancing of past debt, resulted in more intensive cultivation of coffee stands and the first significant replanting activity since 1979. Progress was also made in building consensus on the need to liberalize coffee marketing which has been under inefficient control since 1980. Currently, legislation to liberalize some aspects of the coffee marketing parastatal is pending before the Legislative Assembly.

Results during 1986 on restructuring the economy were mixed. After three years of rapid growth of revenues from exports of non traditional products to markets outside of Central America, revenues from these exports fell slightly. A number of factors hobbled this sector during the year including declining profits due to the effect of exchange rate unification, delays in obtaining foreign exchange early in 1986 and a scarcity of credit. In spite of these problems, investors continued to show interest in several business lines: textiles, both, cotton yarn and finished products, shoes, sesame, shrimp, melons and vegetables.

*Problems with export performance*

The policy environment pertaining to restructuring was similarly mixed. The January 1986 exchange rate realignment at 5 to 1 squeezed profits in many export lines. Imposition of import prohibitions and other restraints hurt many exporters and intensified the import substitution bias of the present trade regime. Relations between the public and private sectors, already poor, deteriorated sharply late in 1986 over the question of taxes, and remain a serious impediment to the accelerated investment needed to restructure the economy. On the plus side, the Government passed a new Export Promotion Law and will soon have in place the regulations to implement incentives provided by this law. Credit lines to support restructuring of the economy were put in place, as was a special program to insure against terrorism risks. The loan processing was streamlined reducing approval time from approximately one year to 45 days, including only 15 days in the Central Bank.

Progress during the coming year will depend primarily on the Government's willingness to attain a workable modus vivendi with the private sector, and on removing key policy obstacles to exports and investment. The latter obstacles are (i) an overvalued exchange rate; (ii) cumbersome foreign exchange allocation procedures and import restrictions; and (iii) inadequate foreign investment legislation. There is a danger that the country's policy makers will be lulled into complacency by the temporary stimulus to the economy due to externally financed earthquake reconstruction. This would be a costly mistake. Restructuring takes time, and can be achieved only in the framework of an environment that provides consistent and predictable incentives for diversification. If an adequate policy climate for investment is established and maintained, then continued progress in restoration of coffee production can be expected, along with a resumption of relatively rapid growth of production and exports for new markets.

## Spreading the Benefits of Growth

After seven years of intensive assistance, cooperatives organized under the agrarian reform are beginning to demonstrate economic viability. During 1986, a standard system classifying 309 Phase I cooperatives from "A" to "D" was devised based on economic, financial, productive, social and managerial conditions. From the financial standpoint, 85 cooperatives were classified "A" cooperatives indicating they were meeting their financial obligation and that the banks did not need to place restrictions on production credit. One hundred cooperatives were classified "B" indicating they were not severe credit risks, but had difficulties in meeting all financial obligations so that banks were judiciously restricting production credit available to them. However, as of August, 1986, of the 267 cooperatives receiving credit from the financial system, 142 were current on their credit obligation.

More importantly, some cooperatives are beginning to distribute profits, the most important indicator of returns to ownership. According to ISTA, during 1986, 30 Phase I cooperatives, encompassing 4,421 members, returned 2.5 million colones of profit as dividends to members. The average dividend equaled 558 colones per member, but one cooperative distributed an average 4,747 colones per member and another distributed an average of 2,395 colones per member.

Much progress has also occurred on Phase III lands ("land to the tiller," i.e., small privately owned farms) resulting in increased production yields and investment. From 1982 to 1985, the family incomes of Phase III beneficiaries have doubled and income derived from the Phase III parcels has increased 37 percent. Phase III has distributed 240,000 acres to 337,000 beneficiarias and family members.

Poor policies and years of neglect in low income housing construction have resulted in a major housing problem for El Salvador. To this is added the demand of a young population for shelter and the needs of approximately 40,000 families left homeless by the earthquake. AID is helping the GOES to address immediate earthquake-related housing construction and reconstruction needs as well as to establish an institutional base and develop sound housing policies and programs. Basic housing materials were provided to benefit 34,000 people in the San Salvador municipality and a low-cost housing program financed under the \$50 million Earthquake Recovery Program is underway. AID is also supporting the new National Popular Housing Program, promoting streamlined administrative procedures, and encouraging the housing finance sector to serve a broader range of beneficiaries.

Health indices continued to improve this past year demonstrating that the health system is responding to donor inputs directed at the general improvement of infrastructure and delivery of health services. Infant mortality which was previously estimated at 74 infant deaths per 1000 live births has been estimated by the USAID-sponsored Demographic Health Survey at 70.8 infant deaths per 1000 live births. Rates of severe malnutrition continue to decrease within the Ministry of Health system and the general populous. The Ministry distributed 1.5 million packets of oral rehydration salts last year alone. Contributing to the drop in the infant mortality rate is the increased percentage of children vaccinated in El Salvador. The Demographic Health Survey found that in mid-1985, 68% of children less than two years of age were vaccinated for DPT, 65% were vaccinated against polio, and 80% were vaccinated against measles. An equally important

index in child survival, the contraceptive prevalence rate has increased from 34% in 1978 to 47% in 1985. It is also worth noting that for two weeks following the earthquake, the Ministry of Health was highly efficient in receiving, distributing, and monitoring the donated drugs and medical supplies arriving continuously from around the world. Using 11 mobile health brigades composed of doctors, nurses, health educators and health inspectors, Ministry personnel treated an average of 2,000 persons a day under the most difficult of circumstances.

Efforts to help the GOES increase access to basic education for its citizens have been successful in such outputs as a pilot school maintenance program, the distribution of 5,000 desks, and a core of teacher training centers. Despite initial organization difficulties exacerbated by the earthquake, 160 classrooms are under construction and 103 are being rehabilitated. The Central American Peace Scholarship Program (CAPS) continues to meet its objectives, although FY 1987 funding cutbacks will not allow the USAID to meet the original FY 1987 targets.

El Salvador's small business sector is a dynamic force that can contribute significantly to overall economic revitalization if the policy framework and proper incentives are in place. AID's programs in this area are seeking to promote a positive policy and legal framework for small-scale enterprise growth, to integrate small-scale entrepreneurs into the local economy, and to provide needed credit to start or expand business. In 1986, over 26,000 entrepreneurs received business assistance and training, and over \$4 million in credit was provided through some 15 local institutions.

#### Strengthening Democratic Institutions

Considerable progress has been made in strengthening those policies, programs and institutions that are key to establishing an effective, working democracy in El Salvador. Apart from the highly publicized political murder cases, in which progress has been slow, steps to change the judicial system are proceeding. Two new Decree 50 judgeships (military courts which pertain to acts of subversion) were added in 1986 to help reduce the backlog of cases and the number of people being detained without sentencing. Since late 1985, the Revisory Commission has developed and will shortly be submitting to the Assembly a series of legislative proposals for changing the laws of evidence, the rules of criminal procedure, and the jury system. One high priority proposal, a revision of Decree 50 was submitted to the National Assembly in March 1987. Judiciary personnel are being trained at all levels and the Revisory Commission is in the process of developing a proposal to establish a National Judicial Council to help ensure that judges are appointed on merit and that the judiciary is a full-time career service.

The Commission for Investigations which is now fully staffed, has achieved a level of professionalism that is without equal in El Salvador. The work of the Commission has been the most effective on new cases where evidence is fresh and it has been involved from the beginning. Also, a forensic laboratory has been established. These reforms, it is hoped will help shape and make real the concept that the rule of law must prevail in El Salvador if a lasting democracy is ever to become a reality.

Progress in the human rights area continues to be positive as the number of politically motivated deaths continues to decline from an average of over 3,000 per year 1980-84, to 257 in 1986. In terms of progress in the electoral system, it is note-worthy that President Duarte has instructed that funding for the Electoral Commission, which previously came from AID and local currency generations, will now be out of the ordinary budget. Moreover, the Commission has made considerable progress in completing a new electoral registry and is in the process of setting up a voter card system which it hopes will be in place by the 1988 and 1989 elections. Progress in increasing the professionalism of the National Assembly was supported by a week-long seminar for members of the Assembly on parliamentary procedures and on the development of public policy and laws. With respect to support for local government, the USAID has sent mayors to the U.S. for training under the CAPS program; is carrying out an in-country training program for municipal officials from all parts of the country; and has supported the National Association of Mayors, whose goal is to promote and defend the policy of devolving full autonomy to municipal governments in accordance to the new Municipal Code, and the newly established council of Urban Mayors set up following the San Salvador earthquake. AID also has supported a planning unit which developed the legal and operational framework for the recently enacted law establishing the Municipal Development Institute (ISDEM). Building on these activities, AID is in the process of developing a major municipal government strengthening project to start in mid-1987.

In the area of labor, the non-democratic union movement, as exemplified by UNTS continues to weaken and lose influence. This year two major unions left UNTS and officially joined UNOC -- the USG/AIFLD-supported democratic union umbrella group.

OBJECTIVE No. 3 STABILIZE THE ECONOMY

1. LAC INDICATORS/UNITS OF MEASURE

- Public sector budget deficit as percent of GDP 1/
  - Before grants
  - After grants
- Current account balance-of-payments deficit as percent of GDP 2/
- Inflation, CPI, percent per year 3/
- Real GDP growth, percent per year 4/

- 1/ Deficit of the Consolidated Nonfinancial Public Sector.
- 2/ Current account deficit official capital transfers (ESF/BOP).
- 3/ CPI percentage increase, December - December.
- 4/ Real GDP growth. Series revision as of September, 1986.

2. PERFORMANCE UNDER LAC INDICATORS

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project</u>	<u>Actual</u>	<u>Project</u>	<u>Project</u>	<u>Project</u>
Public sector deficit							
Before grants	6.4	4.3	5.3	3.1	4.9	4.7	4.5
After grants	3.2	3.1	4.6	1.8	3.6	3.5	3.4
BOP current account deficit	4.9	4.5	-	3.3	4.9	6.6	7.0
Inflation	9.8	31.9	20.0	30.4	22.0	15.0	10.0
Real GDP growth	2.3	2.0	2.3	0.5	3.0	3.0	4.0

1A. MISSION INDICATORS/UNITS OF MEASURE

Not applicable

2A. PERFORMANCE UNDER MISSION INDICATORS

Not applicable

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN

	<u>Quarter/Year*</u>
--- Increase reserve requirements for bank deposits.	1Q CY86
<u>Status:</u> Deposit ratio increased from <u>20%</u> to <u>25%</u> on 4/1/86.	
--- Consistent financial program with targets. (Net international reserves, BCR net domestic assets, net public sector credit, international payment arrears).	1Q CY86
<u>Status:</u> Approved by Junta Monetaria on 1/21/86.	
--- Tax package adopted. (Increased coffee and consumption taxes, rescind tax free status of autonomous institutions).	1Q CY86
<u>Status:</u> Completed on schedule.	
--- Meet financial targets for 04/30/86.	2Q CY86
<u>Status:</u> Targets not met.	
--- Devalue colon by 0.60 prior to 06/30/86.	2Q CY86
<u>Status:</u> Rate held at $\text{C}5.00 = \$1.00$ .	
--- Complete tax reform plan.	2Q CY86
<u>Status:</u> Study of tax reform completed 3Q CY86.	
--- Devalue the colon a cumulative amount of 1.05 by 9/30/86.	3Q CY86
<u>Status:</u> Rate held at $\text{C}5.00 = \$1.00$ .	
--- 1987 Economic Program in place.	3Q CY86
<u>Status:</u> Not achieved during 1986.	

\* As indicated in previous Action Plan.

---	Devalue the colon a cumulative amount of 1.50 by 12/31/86.	4Q	CY86
	<u>Status:</u> Rate held at £5.00 = \$1.00.		
----	Eliminate import prohibitions.	4Q	CY86
	<u>Status:</u> Prohibitions extended another year until 12/21/87.		
---	Increase utility rates.	2Q	CY86
	<u>Status:</u> No rate increases achieved.		
----	Increase interest rates.	1Q	CY87
	<u>Status:</u> No interest rate increases as of 1/31/87.		
---	Eliminate foreign exchange priority allocation system.	1Q	CY87
	<u>Status:</u> Modified system in place as of 1/31/87.		
---	IMF standby agreement.	1Q	CY8
	<u>Status:</u> No progress as of 1/31/87.		
----	IBRD resumes lending.	2Q	CY87
	<u>Status:</u> Not achieved, GOES not agreeable to terms.		

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

- GOES takes policy measures to encourage private investment, increase saving, increase exports, and liberalize the exchange and payments regime.
- Disbursements of earthquake reconstruction assistance CY 1987-89 of \$75, \$100, and \$150 million respectively.
- Modest recovery of traditional export prices.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

- Increase utility rates, improve utility rate structure.
- Devalue the exchange rate, encourage float.
- Free interest rates to respond to market forces.
- Eliminate import and foreign exchange restrictions.

Quarter/year

1Q CY87

ongoing

ongoing

ongoing

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

Quarter/Year

--- 1987 economic program with targets and instruments in place.	1Q CY87
--- Constitute Economic Committee technical staff.	1Q CY87
--- Targets for non-traditional exports set.	1Q CY87
--- First quarter review of 87 economic program.	1Q CY87
--- Increase CEL rates by at least ¢0.05/kwh.	1Q CY87
--- Form Refinancing/Recapitalization Commission.	1Q CY87
--- Negotiation of IBRD earthquake recovery loan.	1Q CY87
--- Attain an exchange rate of ¢7.00/\$1.00.	2Q CY87
--- Boost interest rates by 3 percentage points.	2Q CY87
--- Eliminate import prohibitions.	2Q CY87
--- IMF standby.	2Q CY87
--- Second quarter review of 1987 economic program.	2Q CY87
--- CAESS compensation negotiated.	2Q CY87
--- Coffee marketing privatized.	2Q CY87
--- 1988 economic program established.	3Q CY87
--- IBRD industrial export credit negotiated.	3Q CY87

--- Investment Promotion Law.	3Q CY87
--- Introduce floating rate monetary stabilization bond.	3Q CY87
--- CAESS compensation paid.	3Q CY87
--- Third quarter review of 1987 economic program.	3Q CY87
--- Regular and timely publication of economic information.	4Q CY87
--- GATT-consistent export incentives.	4Q CY87
--- Review and revise 1988 economic program.	1Q CY88

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Balance of Payments	519-0328	0	ESF	ongoing	G	117,000	157,000	147,500	139,000
PL 480 Title I		0	PL 480	354,100	L	230,100	42,000	41,000	41,000
Reform and Policy Planning	519-0260	0	DA	8,155	G	7,252	903	-	-
Tax Administration Advisor Assistance	519-0326	N (FY89)	DA	3,000	G	-	-	-	2,000
-----									
Special Investment Projects	519-LC-23	N	ESF		LC	16,000	-	-	-
Ordinary Budget Support	519-LC-21	0	ESF		LC	20,000	20,000	-	-
Other Donors Counterpart	519-LC-22	0	ESF		LC	8,905	15,800	-	-
Auditing and Training	519-LC-24	0	PL		LC	280	-	-	-
		0	ESF		LC	50	314	-	-
Implementation of Analysis of Surveys	519-LC-25	0	PL		LC	170	-	-	-
		0	ESF		LC	-	200	-	-

## 8. NARRATIVE

Generally favorable external conditions notwithstanding, little progress was made in stabilizing the Salvadoran economy during the 1986/87 action plan period. This is generally attributable to the Government's failure to follow through with the economic program it initiated in January of 1986. The program called for periodic evaluation and adjustment. The adjustments that the Mission anticipated would be required, based upon its early evaluation of the program, were established as benchmarks for the policy dialogue. As is clear from Box 3, most of the benchmarks for the plan period were not achieved.

The Government never fully met its commitment to evaluate and adjust the plan. Partial evaluations were conducted by a group within the Ministry of Planning established under the Policy Reform and Planning Project, but these were late, poorly focused, and influenced in their conclusions as much by perceptions of the politically possible as by the economically necessary. Major constraints in the evaluation process were 1) the belief of the President that the adjustments would not yield the desired result and would hurt the middle and lower classes; 2) bureaucratic infighting between the key economic ministries; and 3) the scarcity of trained economists in the country. The basic constraints inhibiting adjustment of the program were political. Both the extreme right and extreme left were poised during the year to turn any Government initiative into an issue.

The GOES 1987 Economic Program emphasizes adjustments of monetary and fiscal policy to bring down inflation and strengthen the balance of payments. However, the measures proposed are inadequate, and a realignment of the exchange rate will be required along with additional measures on the monetary and fiscal fronts.

Facing a far less favorable external environment and an earthquake reconstruction effort, the Government will have to place far more priority on good economic policy than it has over the past two years. Over the 1987/88 action plan period, the Mission seeks the same substantive changes in economic policy that it pursued in 1986/87. To improve the chances of overcoming the constraints to movement in these areas, the Mission will attempt to develop the following structure for carrying out policy dialog: 1) propose placing the Economic Advisory Group funded under Reform and Policy Planning (519-0260) under the Economic Committee of the Cabinet; 2) direct participation by the Mission in regular formal evaluations of the economic situation and current policy; 3) develop and execute an educational campaign to build consensus on economic policy; and 4) promote the attainment of an economically workable modus vivendi between the public and private sector. The Mission has basically three policy dialog alternatives: (i) continue as it has conditioning its assistance informally and withholding disbursements over relatively long periods until some compromise is reached with the Government; (ii) offer the Government a choice between a low budget, low macroeconomic conditionality balance of payments program and a high budget high macroeconomic conditionality program; and (iii) conditioning of disbursements on several policy adjustments. These alternatives are dealt with in the PAAD for the CY 1987 Balance of Payments Support Program.

The Tax Administration Advisor Assistance Project, originally programmed for FY 1987, has been delayed until FY 1989 to ensure adequate project planning.

OBJECTIVE No. 15: RESTORE PUBLIC SERVICES

1. MISSION INDICATORS/UNITS OF MEASURE

- Electric energy demand (GWH)
- Standby generator power (as percent of total) 1/
- Total water pumping stations operating (number)
- Highway bridges restored (number) 2/

- 1/ Targets are to reduce utilization through rapid repair of the primary generation/transmission system.
- 2/ Damaged or destroyed bridges number 78. Restoration figures include repairs, temporary replacement or permanent reconstruction.

2. PERFORMANCE UNDER MISSION INDICATORS

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project</u>	<u>Actual</u>	<u>Project</u>	<u>Project</u>	<u>Project</u>
Electric demand	1613	1653	1757	1756	1842	1915	1990
Standby generator power	4.0	6.7	0	8.8 1/	0	0	0
Pumping stations operating	271	286	271	287	293	298	303
Bridges restored	2	11	3	4	10	--	--

- 1/ 1986 figure includes 5% of total demand met through purchase of electric power from Guatemala.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN

	<u>Quarter/Year*</u>
--- Maintain strategic stockpiles of key materials to meet emergency demands. <u>Status:</u> Accomplished for 1986.	4Q CY87
--- Maintain special assets and trained field crews to reduce response time. <u>Status:</u> Accomplished for 1986.	4Q CY87
--- Reduce electric line repair time. <u>Status:</u> Accomplished for 1986.	4Q CY87
--- Provide data and methodologies established under a 1986 Damage Assessment to the GOES agencies to increase their ability to analyze and document damages and define funding requirements rapidly. <u>Status:</u> Accomplished.	4Q CY87

\* As indicated in previous year's Action Plan.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

- That if vital public services and infrastructure are kept operational, then industry and other productive sectors of the economy 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 GOES will increase.
- That exogenous factors (rainfall, wind damage, etc.) will not effect significantly the ability to deliver electric power from the primary generation system.
- That security at repair locations will be available when needed to ensure timely restoration of services.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

Utility rates for electric and water services are insufficient to meet operating costs which constitutes a serious drain on the GOES budget. While the GOES is not disposed to raise rates in the face of Salvadoran criticism of its domestic economic policy, AID will continue to include this issue as part of its policy dialogue agenda (see also under Objective # 3, Stabilize the Economy).

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

Quarter/Year

- |   |         |
|---|---------|
| --- Maintain strategic stockpiles of key materials.   | 4Q CY87 |
| --- Maintain special assets and trained field crews.  | 4Q CY87 |
| --- Reduce electric line repair time to lessen use of foreign exchange for petroleum to run standby generators. | 4Q CY87 |

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Public Services Restoration	519-0279	0	ESF	94,600 13,400	G L	64,600 13,400	11,000 -	19,000 -	- -
Public Services Restoration/ Infrastructure Rehabilitation	519-0320	N (FY88)	ESF	60,000	G	-	-	-	20,000
Rehabilitation of the National Road and Bridge Network	519-LC-43	0 0	PL ESF		LC LC	7,018 -	- 8,000	- -	- -
Rural Electrification	519-LC-44	0 0	PL ESF		LC LC	1,295 -	- 2,400	- -	- -
Installation Protection	519-LC-45	0 0	PL ESF		LC LC	200 -	- 400	- -	- -
Protection Works for Bridges	519-LC-46	0	PL ESF		LC LC	1,000 -	- 400	- -	- -
Heavy Equipment Installation	519-LC-47	0	PL ESF		LC LC	672 -	- 2,440	- -	- -
ORE Administration	519-LC-48	0	PL		LC	629	-	-	-
Community Dev. Works	519-LC-49	0	PL		LC	900	-	-	-

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Civil Aeronautic Authority	519-LC-50	0	PL		LC	200	460	-	-
Water Projects for Rural and Urban Areas	519-LC-51	0	PL		LC	400	-	-	-
		0	ESF		LC	-	5,600	-	-
Water Pre-Investment Studies	519-LC-52	0	ESF		LC	2,772	-	-	-
North Zone Water Project	519-LC-53	0	ESF	-	LC	1,200	-	-	-
Geotechnical Research Center	519-LC-54	N	ESF		LC	-	200	-	-

## 8. NARRATIVE

Destruction of key infrastructure targets continues to be a major goal of the guerrilla strategy for economic sabotage (e.g., in January and February 1987, 127 transmission lines and poles were destroyed). The Public Services Restoration project (519-0279) provides scarce foreign exchange to obtain parts, equipment and services needed to minimize sabotage of public services. Key to this objective is maintaining a reaction capability to respond to damages quickly. Electric line repair crews have received specialized training to enable them to work on high tension lines and their work is further facilitated by the use of a project-funded helicopter and pre-positioned stockpiles of wooden replacement poles and line hardware. Trained bridge crews use project-funded heavy equipment and Bailey Bridge stocks to repair damaged structures rapidly or to erect temporary bridges on major highways.

Major activities in 1986 included 487 major transmission line repairs and 298 repairs to distribution lines. Project funded lighting and communications equipment complemented local currencies used to construct security enhancements at key electrical generation and substation sites. One segment of a redundant high voltage transmission line was completed to reduce vulnerability to lines which deliver electric power to San Salvador. The AID funded standby generation plant in San Miguel provided power during 178 days in 1986. Provisional bridges using project-funded equipment and Bailey Bridge components were completed at two major locations (Panamerican and Coastal Highways) on the Lempa River. Both bridge locations are vital crossing points to and from the eastern third of El Salvador and the new temporary structures greatly improve the ability of the GOES to keep these routes open. A third major provisional bridge was built using project funded construction equipment over the Lempa River at Citalá, where a ford and foot bridge were insufficient to provide reliable access to population centers west of the river.

The damage assessment carried out in 1986 served to quantify direct and indirect costs to major infrastructure as a result of terrorist destruction and helped to refine project strategies. Based on the study results, assistance to the National Telecommunications Administration has terminated because of its relatively favorable financial position and assistance to the National Railroad has been discontinued due to the continued high vulnerability of the system and its declining role and importance to the transportation of major import/export commodities.

Current levels of guerrilla attacks on infrastructure, especially on the electrical system, continue at a high rate (losses in 1986 due to attacks on the electrical system are estimated at nearly \$16.5 million). Future funding requests will continue to be commensurate with the levels of destruction suffered. Equipment assets are utilized on a priority basis for emergency response to guerrilla destruction or natural disasters. Other high priority uses have included rehabilitation work on streets and highways and development or rehabilitation of infrastructure in National Plan areas. Local currency programs complement the dollar funded purchases to provide the needed operational support and investment capital for civil works such as road and bridge repair, rural electrification, street repairs, and housing infrastructure.

Activities in 1987 will continue to stress repairs of the electrical power system which are necessitated by the high level of attacks on the high voltage transmission lines. Some project commodities will be used to erect alternate power line loops to reduce the vulnerability of the major transmission system. Fuel costs for standby electrical generator are very high (they commonly run over \$100,000 per day) and the redundant lines help to reduce the use of standby generators. Local currency for further site security enhancements will help reduce risk of guerrilla attacks at major generating and substation infrastructure.

Heavy construction equipment procured for the Ministry of Public Works (MOP) played a major role in responding to the disastrous earthquake in October, 1986. Major projects involving this equipment for 1987 include city street repairs, principal highway rehabilitation and the construction of a temporary Bailey structure at a destroyed bridge site outside of the city of San Miguel. Funding for the National Water Authority will be used to procure equipment and tools and parts needed for the repair of major water pumping facilities and associated electrical installations due to frequent power outages from sabotage to the electric lines. Additional standby electrical power plants will be funded to improve the reliability of installations subject to frequent brown-outs or power failures. The USAID will continue funding the current restoration project and will work to encourage the participation of other donors especially in the area of major infrastructure rehabilitation.

**OBJECTIVE No. 15: ASSIST DISPLACED PERSONS**

**1. MISSION INDICATORS/UNITS OF MEASURE**

- Total number of returnee families (additional per year)1/
- Total number of displaced ('000)
- Total jobs per month ('000)
- Displaced provided curative health services ('000)
- Displaced receiving daily food baskets of 1,600 calories ('000)
- Displaced children receiving supplemental food ('000)
- No. works projects completed
- No. of returnee projects
- No. of family agriculture starter packages

**2. PERFORMANCE UNDER MISSION INDICATORS**

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project</u>	<u>Actual</u>	<u>Project</u>	<u>Project</u>	<u>Project</u>
Number of returnees <u>1/</u>	--	--	--	--	5,000	5,000	5,000
Number of displaced	320	390	525	400	300	200	100
Jobs per month	8	10	12	13	12	8	5
Curative health services	12	12	50	50	35	20	5
Daily food baskets of 1,600 calories	200	225	350	275	125	75	25
Supplemental food	--	1.2	3.25	10	7	5	0
Works projects completed	350	458	708	750	650	--	--
Returnee projects	--	--	--	15	100	150	250
Agriculture starter packages	--	--	--	500	1,000	1,000	--

*100,000 "graduate"  
but only 1000 starter  
packages. Why?*

1/ Indicator added in 1987 to reflect shift of program emphasis.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN

	<u>Quarter/Year*</u>
<p>--- 15% of DP families participating in the jobs component of the Emergency Program for Displaced Families.</p> <p><u>Status:</u> Completed.</p>	<p>3Q CY87</p>
<p>--- 75% of registered DP families having access to safe refuse disposal.</p> <p><u>Status:</u> This benchmark has been deleted as no longer appropriate.</p>	<p>3Q CY87</p>
<p>--- Children under age 5 with any degree of malnutrition (Grade I, II, or III) decreased to less than 50% of registered DP families.</p> <p><u>Status:</u> Completed.</p>	<p>3Q CY87</p>
<p>--- 85% of registered DP families receiving food aid.</p> <p><u>Status:</u> 70% completed.</p>	<p>3Q CY86</p>
<p>--- 90% of registered DP families receiving food aid in receipt of monthly deliveries.</p> <p><u>Status:</u> Completed</p>	<p>3Q CY86</p>
<p>--- 25% of registered DP families receiving supplementary food aid for children under five.</p> <p><u>Status:</u> 65% completed.</p>	<p>4Q CY86</p>
<p>--- Crude mortality rate for registered DP families reduced to less than 20 per 1000.</p> <p><u>Status:</u> 40% completed.</p>	<p>3Q CY87</p>

\* As indicated in previous year Action Plan.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

- That a satisfactory level of security must exist in those areas where displaced persons voluntarily relocate, either in new areas or in their original homes.
- That much higher levels of economic growth must occur in the private sector for most unemployed displaced persons to be reincorporated into the economy.
- That if permanent solutions for displaced persons are to occur at a satisfactory rate, then the GOES must assume responsibility for the overall design and implementation of assistance designed to provide permanent solutions, and strengthen its coordination function with national and international participating agencies.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

- Total number of registered displaced is expected to be reduced by up to 20% during 1987. This will be accomplished by tightening the eligibility requirements. The World Food Program will eliminate emergency assistance and only provide food-for-work rations. 3Q CY87
- The number of workers under the FEDECCREDITO agreement will be reduced by using the CONADES eligibility criteria, enforcing timely rotation of job opportunities and setting specific project targets for geographic areas where the majority of the displaced reside. 2Q CY87
- AID-funded health services targeted to the dispersed displaced will be eliminated and be picked up by the MOH. In addition, a number of Project HOPE's dispensaries will be closed where there is a duplication of services provided by the MOH. 4Q CY87
- CONADES food basket deliveries will be reduced. Selected CENAs providing supplemental feeding under the CESAD agreement will be closed where evaluations detect adequate nutritional status of the target population. 4Q CY87
- The number of works projects for the displaced returning to their homes of origin will be increased as secure areas and returning DP families are identified. 2Q CY87

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

Quarter/Year

--- Employment Generation Component		
- Reduce number of service agencies working under the component from 10 to 8.		1Q CY88
- Complete 5,000 Employment Projects		4Q CY88
- Employ 10,000 to 12,000 Displaced Persons		4Q CY87
- Employ 5,000 Displaced Persons returning to their homes of origin.*		4Q CY87
- Identify and implement 500 employment projects for returnees.		2Q CY88
--- Health Component		
- Transfer all Project Hope health services to the MOH.		4Q CY88
- Eliminate all health referrals specifically targeted to the displaced.		4Q CY87
- Transfer all Project Hope dispensaries to the MOH or host communities.		2Q CY88
--- Nutrition Component		
- Phase out all CENA operations which only target the displaced.		3Q CY88
- Eliminate CESAD delivery of the Food Basket to the displaced.		3Q CY88
- Transfer all CENA buildings to host communities.		3Q CY88
--- Relocation Component		
- Returnee locations identified and employment projects initiated.		4Q CY87
- Agricultural starter packages provided to qualified returnees.		1Q CY88

*most 88 activities deal with phase-out or "turn-over" responsibilities not being in FY 89*

\* Employment projects under FEDECCREDITO.

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Health and Jobs for Displaced Persons	519-0281	0	DA/ESF	71,805	G	66,905	2,300	2,600	-
PL 480 Title II		0	PL 480	ongoing	G	4,750*	6,789	7,725	7,725
* FY 1986 only.									
-----									
CONADES	519-LC-55	0	PL		LC	1,600	-	-	-
		0	ESF		LC	-	1,600	-	-
Food Distribution (DIDECO)	519-LC-56	0	PL		LC	560	-	-	-
		0	ESF		LC	-	640	-	-

AID has been providing humanitarian assistance to persons displaced by the civil conflict since 1982. As the GOES lacks the resources to meet the needs of the displaced, AID is assisting the GOES, PVOs and private sector groups provide a basic safety net of food and supplementary feeding, health care services, shelter, and income opportunities to the displaced. While the short-term objective of the program has been to establish and maintain this basic humanitarian safety net, AID's medium to long-term objective is to help El Salvador reintegrate its displaced population into the economy.

In the Summer of 1986, after nearly four years of this emergency program, AID undertook a comprehensive assessment of the displaced population. The results indicated that a small but significant number of families had returned to their homes and that a larger number wished to return, but were reluctant to leave the economic security of the settlement. This assessment provided the basis for a reevaluation of the current USAID project and the formulation of a strategy for phasing it out. Extensive negotiations with the GOES and the private voluntary organizations providing assistance to displaced families have resulted in agreement on a dual approach designed to reintegrate displaced families into society. The primary focus of the modified program is to encourage the voluntary returnee movement by providing assistance that is considered critical if displaced persons are to achieve economic self-sufficiency.

The first approach is directed to those families who have already returned, or wish to return, to their original homes. Temporary employment opportunities through the Jobs Program component, which was previously offered only where displaced persons were concentrated, will now be offered also in returnee communities. In addition to providing a temporary (about six months) source of income for returning families, these works projects will reinforce returnee movement by supporting the reconstruction and rehabilitation of community infrastructure. Material assistance will also be provided to returning families to make repairs on their homes and begin farming.

For those displaced families choosing to remain in the areas where they presently reside, the revised project strategy will focus on activities which help them become self-sufficient and productive members of their new communities. Families can participate in skills training programs, food-for-work programs, or can obtain credit for economic reintegration. For those families which have special needs and cannot become self-sufficient, the project will facilitate their incorporation into other social welfare programs.

AID has now turned over virtually all project implementation to the GOES and private voluntary organizations, both international and local. Responsibility for medical care for the displaced population will devolve from Project HOPE and be absorbed by the Ministry of Health. In accordance with recommendations from the assessment, several trial projects for returning displaced persons were implemented, all with tentatively positive results. These activities will be expanded in 1987-88. The USAID is working with World Relief to develop its capability to help the GOES coordinate the returnee program. FEDECCREDITO has carried out 15 works projects in Morazán and Suchitoto for returnees, and CONADES has provided agricultural starter packages to some 500 families. The target date for project completion is December 31, 1988.

Project accomplishments in 1986 were many and significant in moving the program toward the long range objective of helping El Salvador reintegrate the displaced population. 750 works projects were completed, 16,639 persons were immunized and over 20,000 packages of oral rehydration salts were administered by Project HOPE and CONADES personnel. The number of displaced persons employed under the FEDECCREDITO Grant Agreement averaged 14,739. Project HOPE is operating 60 dispensaries in 58 settlements and their personnel average 28,000 consultations per month. Since signing a Cooperative Agreement with the USAID in 1985, CESAD has surpassed its goal of 25,000 foodbasket beneficiaries.

OBJECTIVE No. 15: SUPPORT THE NATIONAL PLAN

1. MISSION INDICATORS/UNITS OF MEASURE

Combined civic action activities per year (number)  
Local Governments Operating (number)  
Local government units trained (number)  
Targeted municipalities provided one or more essential service (number, cumulative)1/  
Targeted municipalities provided one or more secondary service (number, cumulative)2/

1/ Water, electricity, health, access roads, communication, education

2/ Public transport, city hall, market, community center

2. PERFORMANCE UNDER MISSION INDICATORS

The National Plan had two major changes which affect the manner in which progress may be measured. First, the National Plan changed in its geographic focus from a global national effort to a concentrated effort in 14 geographic zones. Concentration is now focusing on 70 municipalities instead of 262, though some activities are being carried out in other areas. For 1988-1989, the number of targeted communities will gradually increase as the zones expand.

Second, the method of implementation was expanded from only using departmental committees to include direct support to mayors for their execution of community projects. Mayors, with their communities, propose and implement projects.

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Project</u> <u>Actual</u>		1987 <u>Project</u>	1988 <u>Project</u>	1989 <u>Project</u>
Combined civic action activities	10	51	180	154	180	120	90 *
Civil governments operating	24	112	210	198	230	246	262
Local governments trained	24	112	210	198	230	246	262
Essential services	--	8	40	24	100	130	160
Complementary services	--	5	35	18	75	100	130

In addition to the above, the National Plan implementing agency restored and equipped 81 schools, and provided educational materials for over 350 schools. There were also over 250 basic infrastructure projects completed including rural aqueducts, bridges, public building restorations, and sanitation projects.

\* As the security situation improves, combined civic action should decline.

3. ACTUAL/VIS/PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY 1987 IN LAST YEAR'S ACTION PLAN

Quarter/year\*

- Reorganize/relocate the Office of Special Resources (ORE) under CONARA. 2Q CY86

Status: The Ministry of Planning determined that ORE should stay under the Ministry of Public Works and that CONARA should develop its own capability to review projects and assist in their design.
- Restore educational facilities and equipment damaged or unattended due to guerrilla presence. 4Q CY86

Status: As planned, 350 schools were provided educational materials, 81 schools were repaired and approximately 6,000 of a planned 10,000 desks were delivered. Additional desks are being provided by the Ministry of Education.
- Restore and/or construct infrastructure projects in priority areas. 1Q CY87

Status: A total of 250 infrastructure projects (roads, bridges, etc.) were completed in 1986.
- Provide 2.4 million person-days of employment through National Plan/ORE Projects. 1Q CY87

Status: ORE was never incorporated under the National Plan and employment generation per se was dropped as an objective, so this activity was not initiated.
- Train city officials and restore city halls and other public buildings. 4Q CY86

Status: 20 training seminars were completed for city officials from 198 communities, 27 city halls were restored, and 113 health facilities were repaired.
- Restore community infrastructure and introduce health improvements. 4Q CY86

Status: Community infrastructure included 66 road projects, the rehabilitation of 18 of 21 planned rural aqueducts, and the completion of 18 of 60 planned latrine projects.

\* As indicated in previous Action Plan.

--- Complete an estimated 90 emergency projects.

4Q CY86

Status: Under this category, 68 projects such as temporary shelter, water, and health services were completed. However, in agriculture only 15 of planned 26 soil conservation projects were completed and the fish pond, livestock and fruit projects did not get off the ground.

--- Conduct an average of 14 combined civic action activities per month

4Q CY86

Status: Combined Civic Action completed 154 of a planned 168 humanitarian activities for populations not assisted on a regular basis due to the security situation.

#### 4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

--- That if the guerrilla war, aimed, inter alia, at destroying local GOES authority and public services, 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 secure and partially secure 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 in secure areas.

--- That if the National Plan implementing agency remains apolitical, then there will be continued support from the military.

#### 5. POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

--- A strengthened commitment by the President and service ministries to give priority and attention to the civilian-military coordination required by the National Plan.

--- The adoption of a National Plan with clearly defined objectives, zone development plans and a timetable for actions that will expand the secure areas in currently conflictive portions of the country.

--- Press the GOES to define where civil defense units should be developed.

6. KEY PROJECTS/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PERIOD

	<u>Quarter/year</u>
--- Restore and/or construct public facilities	
- 100 Public buildings	4Q CY87
- 110 Education facilities	4Q CY87
- 50 Health facilities	4Q CY87
- 40 Electrical Projects	1Q CY88
- 60 Water Projects	1Q CY88
--- Restore Access Roads and Bridges	
- 15 Bridge projects	3Q CY87
- 125 Road projects	4Q CY87
--- 180 combined civic action activities	4Q CY87

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Special Development Assistance	519-0094	0	DA	ongoing	G	1,357	350	350	350
-----									
Restoration and Projects CONARA	519-LC-57	0	ESF		LC	4,684	8,480	-	-
		0	PL		LC	1,300	-	-	-
Emergency Projects	519-LC-58	0	PL		LC	400	-	-	-
		0	ESF		LC	-	600	-	-
Combined Civic Action	519-LC-59	0	ESF		LC	800	600	-	-
Administration	519-LC-60	0	PL		LC	517	-	-	-
		0	ESF		LC	-	520	-	-
Local Government Support	519-LC-61	0	PL		LC	1,200	-	-	-

That military efforts alone were not sufficient to win the war became clear in early 1983. 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, and establish civil defense committees in newly secured areas. In March 1983, the National Commission for Area Restoration (CONARA) was created to coordinate civilian ministry and local government activities. By late 1984, the military and GOES line ministries were working together (combined civic action) to provide humanitarian and development assistance to the targeted communities.

AID is giving increased priority to the GOES' National Plan efforts to carry out development activities in newly secured areas. Actions to strengthen the National Plan include implementing ongoing DA, Title II and local currency activities in National Plan priority areas and, to the extent possible, improving the National Plan's implementing agency leadership and planning capability. In addition, during 1987 the USAID will significantly increase its ability to monitor and support National Plan activities by strengthening its new National Plan Coordinating Division under the General Development Office.

AID is assisting the GOES to re-establish and strengthen municipal government, carry out small to medium size infrastructure projects and provide basic social services. Local municipal authorities are being trained in basic needs assessment, project development and implementation, and overall leadership techniques. AID's objective is to help the GOES restore and strengthen local government in former conflict areas.

CONARA's leadership, which was initially military, was changed in mid-CY 1985 when the president appointed a civilian to head the organization. Late 1985 was a learning period for the civilian leadership and 1986 became the transition year when CONARA began to focus on specific geographic areas in support of a new National Plan designed by the military known as Unidos para Reconstruir (UPR). The UPR represents two major changes which affect the manner in which progress may be measured. First, the National Plan changed in geographic focus from a global national effort to a concentrated effort in 14 geographic zones, although some National Plan activity continues outside these areas. Second, an additional method of implementation was added. Now, through an additional implementation vehicle called Municipalities in Action, CONARA provides grants directly to mayors and their city councils for community projects. Projects aimed at resolving municipal problems are identified, proposed, and executed by the city officials and, when successfully completed, the officials may propose new projects to CONARA for funding.

CONARA prepared a 1986 plan of operations in support of the UPR and launched 748 projects and activities compared to 276 for 1985. The concentration of efforts in smaller geographic zones has resulted in closer coordination between civilian and military leadership. Civilian authority has gradually been expanding and is being supported through a training program for mayors and other local leaders. Finally, the National Plan (as UPR) has received considerable support from the President which has resulted in more unified support for the National Plan at the national level.

The 1987 National Plan budget contains \$6 million in support of the 14 geographic zones identified in the UPR and \$2.48 million for project support outside of the UPR zones. During the first six months of 1987, two hundred mayors will receive training in project development and community leadership.

**OBJECTIVE No. 15: PROVIDE EARTHQUAKE RECOVERY AND RECONSTRUCTION ASSISTANCE**

**1. MISSION INDICATORS/UNITS OF MEASURE**

- Number of person days of employment (million)
- Number of loans to small business
- Number of families provided building materials
- Number of loans for housing repair
- Number of temporary classrooms
- Number of repairs to health units
- Number of repairs to bridges
- Miles of piping to be replaced
- Permanent repair projects in slum areas

**2. PERFORMANCE UNDER MISSION INDICATORS**

	<u>1984</u> <u>Actual</u>	<u>1985</u> <u>Actual</u>	<u>1986</u>		<u>1987</u> <u>Project</u>	<u>1988</u> <u>Project</u>	<u>1989</u> <u>Project</u>
			<u>Project</u>	<u>Actual</u>			
Person days of employment	--	--	--	--	1.2 million	--	--
Loans to small business	--	--	--	--	2,000	--	--
Families provided building materials	--	--	--	--	31,000	--	--
Loans for housing repair.	--	--	--	--	6,000	--	--
Temporary classrooms (replacement & repair)	--	--	--	--	1,300	--	--
Repairs to health units/hospitals	--	--	--	--	5	--	--
Repairs to bridges	--	--	--	--	5	--	--
Repair of pipe leaks	--	--	--	--	4,000	--	--
Repair projects in slum areas	--	--	--	--	30	--	--

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 Number of loans to small business  
 Number of families provided building materials  
 Number of loans for housing repair  
 Number of temporary classrooms  
 Number of repairs to health units  
 Number of repairs to bridges  
 Miles of piping to be replaced  
 Permanent repair projects in slum areas

**2. PERFORMANCE UNDER MISSION INDICATORS**

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Project</u> <u>Actual</u>		1987 <u>Project</u>	1988 <u>Project</u>	1989 <u>Project</u>
Person days of employment	--	--	--	--	1.2 million	--	--
Loans to small business	--	--	--	--	2,000	--	--
Families provided building materials	--	--	--	--	31,000	--	--
Loans for housing repair.	--	--	--	--	6,000	--	--
Temporary classrooms (replacement & repair)	--	--	--	--	1,300	--	--
Repairs to health units/hospitals	--	--	--	--	5	--	--
Repairs to bridges	--	--	--	--	5	--	--
Repair of pipe leaks	--	--	--	--	4,000	--	--
Repair projects in slum areas	--	--	--	--	30	--	--

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN

Not applicable

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

- That if AID assistance is not provided, then sufficient resources to respond adequately to needs will not be available.
- That the GOES is saddled with a seven-year war, using all potential funds in that effort. Outside assistance will therefore be vital to finance earthquake reconstruction.
- That if GOES attempts to funnel all assistance through government institutions the capacity to implement solutions will not be sufficient to meet demand.
- That additional funds and resources from other countries will be necessary to meet the demands for basic human needs.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

Quarter/Year

- Employment generation/rubble clean up: 1.2 M person days/120,000 cubic meters rubble removed. 2Q CY87
- Micro and small business reconstruction credit: authorize and disburse 2,000-2,500 loans for \$10 M by 30 March, 1987. 1Q CY87
- Housing repair and reconstruction credit: authorize and disburse up to 6,000 loans for \$19 M by 30 March, 1987. 1Q CY87
- Housing materials distribution for temporary shelter: purchase and distribute wood framing and roofing materials for 31,345 families by 15 May, 1987. 2Q CY87
- Public services (electric, water, sewage, classrooms, health centers, structures, facilities, etc.) restored to normalcy: carry out major and minor earthquake necessitated repairs by December, 1987. 4Q CY87

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Employment Generation and Clean-up	519-0331	N	Supp.Approp.	4,000	G	-	4,000	-	-
Micro and Small Business Reconstruction	519-0331	N	"	10,000	G	-	10,000	-	-
Housing	519-0331	N	"	28,000	G	-	28,000	-	-
Public Services	519-0331	N	"	8,000	G	-	8,000	-	-
Emergency Shelter Support	519-0330	N (FY87)	DA	300	G	-	300	-	-
New OPG	519-0999	N (FY87)	ESF	1,000	G	-	1,000	-	-

## 8. NARRATIVE

On October 10, 1986, an earthquake which registered 5.6 on the Richter Scale struck San Salvador and the surrounding area. The six second shock left 1,000 dead, 10,000 injured, 250,000 homeless and caused an estimated \$1.1 billion in damages to homes, hospitals, schools, businesses and government buildings.

The first of twenty-seven flights carrying U.S. emergency relief supplies landed just seven hours later. Over the next month, the United States Government, through AID/OFDA, provided \$2.9 million in short-term emergency assistance including search and rescue teams with dogs, medical supplies, body bags, blankets, water bladders, plastic sheeting and tents.

Once the relief phase was over, the GOES turned its attention to the process of clean-up and providing interim housing and temporary infrastructure replacement pending permanent reconstruction. An interim recovery program was developed and a National Committee for Metropolitan Reconstruction (CREM) was created to execute the program. CREM consists of representatives from the armed forces, labor, the private sector, the Municipality of San Salvador, and the GOES as well as technical and administrative support staff.

On November 14, 1986, the U.S. Congress appropriated \$50 million for an Earthquake Recovery and Reconstruction program. The program, developed jointly by the the GOES and the AID, consists of four components: employment generation and clean-up (\$4 million); credit programs for micro and small business reconstruction (\$10 million); housing reconstruction (\$9 million); credit programs for home repair (\$19 million) and public services repair (\$8 million). Developed as a medium-term recovery program, the aim was to commit the funds within two months and substantially disburse them within six months with a final PACD of November 20, 1987.

Efforts to implement the program have been mixed. Four months after initiation, substantial progress had been achieved on providing credit lines for housing repair and reconstruction and to micro and small enterprises. Under the remaining components, the distribution of housing materials, construction of temporary shelter, employment generation and public services repair, progress had been slower largely because the CREM has been slow to organize and to recognize its role.

In early February, a high level review with the President clarified the role of the CREM as a coordinating entity and facilitator with execution to be carried out by line agencies. With that, the Employment Program was reorganized, the Public Services Component began to move forward, and a massive program using donated construction materials is set to start in March.

By the end of February, 14,000 individuals were at work under the project removing rubble. Participating financial institutions had approved 7,000 loan applications for home repair and nearly 2,000 for small business reconstruction. Procurement actions were underway for the purchase of housing materials for temporary shelter to be distributed to 31,000 families and contracts had been awarded for the construction of 506 temporary classrooms. Actual AID advances and commitments under Letters of Commitment totalled \$26.6 M.

Immediate human needs have been responded to during the recovery phase, but reconstruction will be a major effort continuing for at least five years. It will require the careful marshalling of limited financial, technical and managerial resources by the GOES. AID has submitted to Congress a request of \$155 million in supplemental funding and has held extensive consultations with the GOES to establish the framework for developing a reconstruction program. Although there is a need for longer term planning and while AID has discussed the GOES interest in relocating government installations to the Apopa area north of San Salvador, AID reconstruction assistance should and will be focused on meeting the urgent requirements of those citizens most seriously affected by the disaster in the capital city of San Salvador.

It is envisioned that the AID funds will finance home repair, squatter settlement upgrading, relocation and self-help housing, credit for the rehabilitation of industrial and commercial firms, credit for private educational and medical facilities, and public services repairs. It would also support construction of public schools, municipal buildings, certain key central government facilities, and technical assistance for related municipal planning.

**OBJECTIVE No. 5: PROMOTE EXPORTS**

**1. LAC INDICATORS/UNIT OF MEASURE**

Total value of Non-Traditional Exports (millions of U.S. dollars) -- Total  
Agricultural  
Industrial  
Value added in drawback industries  
Value of Selected Traditional Exports (millions of U.S. dollars)  
Coffee

**2. PERFORMANCE UNDER LAC INDICATORS**

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project</u>	<u>Est.</u>	<u>Project</u>	<u>Project</u>	<u>Project</u>
Value of Non-Trad. Exports (goods and services)*	268.9	204.0	--	165.8	171.6	196.4	224.6
Agricultural	13.6	26.0	--	28.1	33.6	36.3	41.8
Industrial	207.3	143.4	--	122.7	114.0	126.1	138.8
Value added in drawback industries	48.0	34.6	--	15.0	24.0	34.0	44.0
Value of Coffee	449.8	447.5	--	477.1	270.0	325.0	351.0

\* Including exports to CACM.

**1A MISSION INDICATORS/UNITS OF MEASURE**

Manufacturing output (MM colones constant).

Industrial Employment (Percent of total).

Non-traditional exports outside the Central American Common Market (US\$ millions).

Non-traditional U.S. imports from El Salvador (US\$ million).

**2A PERFORMANCE UNDER MISSION INDICATORS**

	<u>1984</u> <u>Actual</u>	<u>1985</u> <u>Actual</u>	<u>1986</u> <u>Project</u>	<u>Actual</u>	<u>1987</u> <u>Project</u>	<u>1988</u> <u>Project</u>	<u>1989</u> <u>Project</u>
Manufacturing output	496.8	519.4	528.2	524.8	530.0	535.0	540.0
Industrial Employment	16.8	16.8	16.8	17.0	17.0	17.0	17.2
Non-trad. exports outside CACM	67.0	76.4	86.0	94.0	107.6	125.3	144.4
Non-trad. U.S. Imports from ES	58.0	60.0	70.0	56.0	63.0	75.0	86.0

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN

--- Increase employment derived from non-traditional exports to extra regional markets from 1984 levels by 4000 annually. 4Q CY88

Status: Jobs created in export industries through the PRIDEX program total 3,630 as of December, 1986; 2031 of these were generated in 1986.

--- 6.0% real annual growth from 1984 base, in industrial output 4Q CY88

Status: 3% growth was achieved in 1985 and 1.5% in 1986.

--- \$10.0 million per year new private sector investment in agro-industrial and industrial production related to non-traditional exports to extra regional markets. 4Q CY87

Status: New investment generated through PRIDEX program, as of December, 1986 has been \$4,111,395.

--- Expand maquila foreign exchange earnings by \$24 million above 1984 levels. 4Q CY87

Status: Earnings increased from \$7.9 million in 1984 to \$10 million in 1985 and \$13 million in 1986.

--- Increase maquila employment by 8,000 jobs above 1984 levels directly through AID projects. 4Q CY87

Status: 1162 new jobs in maquila generated through 12/31/87; 573 of these were generated in 1986.

--- Construct new "Free Zones" and industrial parks. 4Q CY88

Status: The new Export Development Law allows the creation of new privately owned and managed free zones. Three potential investor groups interested in these activities have been identified; one has already purchased land and begun a pilot operation. The recently approved special credit for manufacturing industry includes free zone and industrial park investors as eligible for loans.

--- New investment and expansion of existing plants create a demand for medium and long-term credit for maquila industry of more than \$10 million.

4Q CY87

Status: Amendment three to the 519-0287 Industrial Stabilization and Recovery program, FUSADES component, contemplates the creation of a \$15 million investment fund to make available equity credit for maquila operations.

Note: Measurements of certain benchmarks have been adjusted slightly from last year's definitions for clarity in measuring objective.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

- That the relationship between the public private and labor sector will be harmonious in order to create an investment climate that is conducive to the reactivation of the Salvadoran economy.
- That the level of violence will continue to decrease further from the level experienced in 1985-86.
- That a protectionist attitude in the US Congress does not constitute a major constraint to the development of non-traditional exports from CBI designated countries to the U.S. market.
- That if non-traditional exports are to expand significantly, the GOES must be committed at the highest level to promote them in any way possible.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

	<u>Quarter/year</u>
--- The enactment of a new Investment Law during CY 1987 to update and streamline current regulations, to allow the expeditious formation of new companies, and to bring into accord investment incentives and codes.	1Q CY88
--- The streamlining of access by the private sector to foreign exchange for imports of raw materials and capital goods required for export production.	3Q CY87
--- The availability of adequate credit for private sector export efforts.	2Q CY87
--- The commitment at the highest GOES level to promote non-traditional exports as a top national priority and the promulgation of policies which reflects this priority.	2Q CY87
--- The adoption of rates of exchange that reflect the real value of the colon.	ongoing

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

	<u>Quarter/Year</u>
--- 3,000 jobs per year being created in non-traditional exports outside regional markets.	4Q CY88
--- Generation of an additional \$10 million per year in non-traditional exports outside regional markets.	4Q CY88
--- Generation of \$10 million per year in new investment for production of non-traditional exports outside regional markets.	4Q CY87

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Industrial Stabilization and Recovery	519-0287	0	ESF	39,460	G	16,460	8,000	5,000	5,000
Industrial Parks and Infrastructure	519-0323	N (FY 88)		6,000	G	-	-	3,000	3,000
				6,000	L	-	-	3,000	3,000
-----									
Export Credit Lines	519-LC-26	0	ESF		LC	18,400	10,000	-	-

## 8. NARRATIVE

If El Salvador is to increase its rate of growth, it must improve its balance of payments through generation of foreign exchange from new exports to extra regional markets. However, due to civil conflict, El Salvador is perceived by both foreign and domestic businesses as an area where risk is too high to make substantial investment. Even as civil conflict declines, this perception is likely to remain. Therefore, AID's export and investment promotion strategy must place more than normal emphasis on promoting the country's highly productive, low-cost labor, promote opportunities for joint venture with Salvador's entrepreneurial class and foreign market access, and increase the possibilities for rapid return of profits.

To accomplish this, AID policy is targeted at obtaining public endorsement at the Presidential level of an export investment program led by private sector initiatives. AID is also promoting enactment of legislation, and establishment of administrative mechanisms, that will eliminate obstacles to the rapid and efficient establishment of export oriented businesses. By providing industrial park facilities, manpower-training, legal and organizational assistance, credit and marketing assistance and, most importantly, war risk insurance we expect to shorten the time between a typical investment decision and the establishment of a profitable operation. Initially, we will emphasize rapid turn-around assembly and processing (maquila) industries.

In 1985 the USAID initiated the export and investment promotion program (PRIDEX) with FUSADES and designed and funded local currency export credit lines.

In 1986 a competitive legal framework for non-traditional exports was established and a program to provide exporters insurance against terrorist damage was designed and negotiated. A high level GOES/private sector commission was established to pull the country together in support of a major export development effort. The Industrial Stabilization and Recovery project was amended to create a dollar credit facility to fund maquila projects. One private free zone company was created and began to operate a small industrial park. Under the trade and investment promotion component of the Industrial Recovery Program (519-0287), some \$6.6 million in new export earnings was created along with 3,600 new jobs and US\$4 million in new investment. Through the International Executive Service Corps (IESC) (519-0302), 28 technical assistance activities to improve productive capability and upgrade quality were requested. These were complemented by some 20 U.S. firms travelling to El Salvador through the Trade and Investment Program to investigate joint venture activities.

In FY 1987 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. The GOES "one stop" export documentation center will begin operations and a special unit within the Central Reserve Bank (BCR) will work with commercial banks and private sector exporters to provide quick

access to credit and foreign exchange. 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.

In 1988, therefore, the Industrial Stabilization and Recovery project will be amended to continue the export and investment promotion efforts of the FUSADES PRIDEX program and the GOES. It is expected that the work of the GOES/private sector export and investment commission will have established the basis for a major national export and investment promotion effort during 1988 and 1989. Building on the Commission's work, the new FY 1988 Industrial Parks and Infrastructure project (519-0323) will help to further increase foreign exchange earnings and employment opportunities by developing a program of phased industrial park infrastructure development, supportive infrastructure for existing industrial plants, and marketing assistance to attract potential clients to the parks.

**OBJECTIVE No. 1: INCREASE AGRICULTURAL PRODUCTION**

**1. LAC INDICATORS/UNITS OF MEASURE:**

**Volume of Production (MT) of Selected Domestic Consumption Crops by Crop Year**

**2. PERFORMANCE UNDER LAC INDICATORS**

	<u>83/84</u> <u>Actual</u>	<u>84/85</u> <u>Actual</u>	<u>85/86</u> <u>Project</u>	<u>Actual</u>	<u>86/87</u> <u>Project</u>	<u>88/89</u> <u>Project</u>	<u>89/90</u> <u>Project</u>
<b>Volume of production of basic grains (thousands of MT):</b>							
<b>Corn</b>	437.9	520.9	543.8	489.5	565.8	588.4	621.9
<b>Beans</b>	41.7	48.0	37.9	34.1	39.4	41.0	42.6
<b>Rice</b>	42.7	62.6	75.6	68.1	78.6	81.7	85.0

**1A MISSION INDICATORS/UNITS OF MEASURE**

**Food Crop Production (000' QQ)**

**Average Annual Food Crop Growth Rate (%)**

**Traditional Export Production (000' QQ)**

**Average Annual Traditional Export Volume Growth Rate/Annum (%)**

**Coffee Export Volume (Million QQ)**

**Non-Traditional Export Production (000'QQ)**

**Average Annual Non-Traditional Growth Rate (%)**

**Total Agricultural Production (1962 colones)**

**Average Annual Agricultural Production Growth Rate (%)**

**Value of Non-Traditional Agricultural Exports (\$M)**

**Value of Traditional Agricultural Exports (\$M)**

**Non-Traditional Export/Total Agricultural Exports (%)**

2A PERFORMANCE UNDER MISSION INDICATORS

	<u>1980-84</u> <u>Average</u>	<u>85/86</u> <u>Actual</u>	<u>86/87 1/</u>		<u>87/88</u> <u>Project</u>	<u>88/89</u> <u>Project</u>	<u>89/90</u> <u>Project</u>
			<u>Project</u>	<u>Actual</u>			
Food Crop Production	15601	16948	16381	15881	17200	18060	18963
Food Crop Growth Rate	1.75	8.63	5	-6.30	5	5	5
Traditional Export Production	8543	8514	8714	8482	8888	9066	9247
Traditional Export Volume Growth Rate	1.45	-0.34	2	-2.66	2	2	2
Coffee Export Volume	3.5	2.2	2.4	2.6 <u>2/</u>	3.0	3.2	3.4
Non-Traditional Export Production	222	266	235	NA <u>3/</u>	249	264	280
Non-Traditional Growth Rate	NA	19.82	6	NA	6	6	6
Total Agricultural Production	768.3	718.2	776.7	NA <u>3/</u>	807.8	840.1	873.7
Agricultural Production Growth Rate	-3.7	-6.52	4	NA	4	4	4
Non-Traditional Agric. Export Value	13.6	26	29.4	28.1	33.6	36.3	41.8
Traditional Agric. Export Value	248	251	544	564.7	603.8	640	680
Non-Trad. Exports/Total Agric. Exports	3.5	9.8	5.1	5.0	5.3	5.4	5.8

1/ El Salvador experienced its worst drought in 30 years during the 86/87 crop year,.

2/ Estimated, harvest has not been completed.

3/ These indicators are provided by the Central Bank and are unavailable until June, 1987. The Central Bank is experiencing delays in calculating the indicators due to the earthquake and a revision of reporting categories based on a new reporting system (NAUCA II).

3. ACTUAL VS/ PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY 1987 IN LAST YEAR'S ACTION PLAN

Quarter/year\*

--- Coffee production made more profitable.

- Upward adjustment of prices by the GOES Junta Monetaria.

3Q CY86

Status: Coffee prices for 1985/86 crop were doubled over prior year prices. Production estimates suggest that the 1986/87 crop is likely to be higher than the 1985/86 crop.

--- Promote production of high value export crops (HVEC):

- Pilot processing facilities for HVEC and precision irrigation infrastructure in place.

2Q CY86

Status: \$10 million fund for above purposes established in Banco Hipotecario 7/86. Initial loan applications from private sector firms are being processed.

- Five loans for precision irrigation systems made.

3Q CY86

Status: Delayed until 1Q CY87 because of difficulties in getting the irrigation association formed and legalized.

- One pilot processing facility approved for financing.

3Q CY86

Status: Delayed until 2Q CY87 because of difficulties in getting the irrigation association formed.

- Develop, through FUSADES, feasibility studies for potential export products (e.g., cut flowers, shrimp, sesame, vanilla, watercress).

1Q CY87

Status: Feasibility studies for flowers, mushrooms, shrimp and oriental vegetables are in process.

\* As indicated on previous Action Plan.

--- Provide adequate agricultural production credit to meet the demands of the reform sector.

- Provide up to \$15 million in production credit for 1986 season.

3Q CY86

Status: Completed. Loans have been made for production credit.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

--- 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 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.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

Quarter/Year

--- The liberalization of coffee export marketing.

ongoing

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

ongoing

--- Push for internal coffee price sufficiently high to stimulate production but still yield adequate tax revenues from coffee.

ongoing

--- Push to get national agriculture bank (BFA) out of the agricultural input business.

ongoing

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

Quarter/Year

- |  |    |      |
|--|----|------|
| --- Provide technical assistance and financing to small coffee farmers who want to participate in a program for improving production technology.   | 1Q | CY87 |
| --- Develop a \$30 million agribusiness project to provide financing, policy review and development, technology transfer, and infrastructure development to support diversified export oriented agriculture. | 3Q | CY87 |
| --- One produce transportation company financed.   | 3Q | CY87 |
| --- Provide up to \$50 million in investment credit.   | 3Q | CY88 |
| --- Provide approximately 1,300 farmers and agricultural technicians with training in irrigation management to develop intensive agriculture.  | 3Q | CY90 |

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Water Management	519-0303	O	DA	18,744	G	11,720	4,300	2,724	-
Agribusiness Development	519-0327	N (FY87)	DA	30,000	G	-	2,650	4,350	5,000
Agriculture Technology Transfer	519-0335	N (FY88)	DA	20,000	G	-	-	2,000	5,000
Agrarian Reform <u>1/</u> Sector Support	519-0265	O	DA	(2,837)	G	-	(2,526)	(311)	-

1/ Non-add secondary objective, shows funding levels from 519-0265 proposes for FUSADES activities.

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Reforestation and Soil Conservation Projects	519-LC-01	O	PL ESF		LC LC	850 -	- 600	- -	- -
Agricultural Statistics	519-LC-02	O	PL ESF		LC LC	180 -	- 320	- -	- -
Irrigation Projects	519-LC-03	O	PL		LC	316	-	-	-
ENA Institutional Support	519-LC-04	O	PL		LC	50	-	-	-
Lumber and Firewood (ROCAP)	519-LC-05	O	PL		LC	100	90	-	-

## OBLIGATIONS

Title	Number	New (N) Ongoing (O)	Type of Funding	LOP (\$000)	L/G/LC	OBLIGATIONS			
						Cumulative Through FY 1986	FY 1987	FY 1988	FY 1989
Integrated Pest Management (ROCAP)	519-LC-06	0	PL		LC	100	160	-	-
PRODERIN	519-LC-07	0	PL		LC	200	-	-	-
CENTA Institutional Support	519-LC-08	0	PL		LC	200	-	-	-
Plant Health Program	519-LC-09	N (86) 0	PL ESF		LC LC	700 -	- 480	-	-
Animal Health Program	519-LC-10	0	ESF		LC	-	180	-	-
Equipment Rehabilitation (IRA)	519-LC-11	0	PL		LC	400	-	-	-
Zamorano Scholarships	519-LC-12	0	PL		LC	100	-	-	-
Real Estate Registry	519-LC-13	0 0	PL ESF		LC LC	400 -	- 200	-	-
Siembra Plan (Drought Relief)	519-LC-14	N (86)	PL		LC	6,000	-	-	-
Subsidy for Phase I	519-LC-15	N (87)	ESF		LC	-	400	-	-
Managers and Coffee Accountants Intensification Program	519-LC-16	N (87)	ESF		LC	-	300	-	-
Water Management	519-LC-17	N (86) 0	PL ESF		LC LC	750 -	- 750	-	-

## 8. NARRATIVE

Agriculture accounts for approximately 25% of El Salvador's GDP and employs about 50% of the economically active population. Traditionally an exporter of coffee, cotton and sugar cane, during the early 1970's the GOES increased emphasis on the production of basic grains for domestic consumption. As a result, production for domestic consumption increased until the late 1970's; and indices for total, as well as per capita, agricultural and food production rose rapidly. Export production, supported by favorable world prices, also continued to expand (particularly cotton). Since 1979, however, agricultural production has steadily declined as a result of civil conflict, poor world prices, reforms which disrupted production and marketing, unfavorable GOES fiscal and monetary policies, and inadequate GOES funding to agricultural support services (e.g., credit, research, technical assistance, marketing systems, etc.).

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 substitution.

The USAID's strategy from 1980 through 1985 emphasized support to the agrarian reform. Now, with the reform progressing satisfactorily, the USAID's strategy is changing to one which supports integration of the reform properties into the agricultural sector and addresses the common problems of agricultural reactivation. Reactivation and recovery in agriculture will be assisted through projects which: (1) promote the production, processing and marketing of high value, labor intensive, non-traditional agricultural products; (2) improve production of El Salvador's profitable traditional export crops (mainly coffee); and (3) increase and diversify subsistence production.

El Salvador has the opportunity to increase employment and generate foreign exchange through diversification into high value, labor intensive agriculture. Initial efforts toward diversification, financed by the Agrarian Reform Sector Support Project (519-0265), began under FUSADES' DIVAGRO program and resulted in \$28 million dollars of non-traditional exports in 1986, a 7% increase over 1985's level. DIVAGRO continues to fund pre-feasibility studies, conduct seminars and field days, promote diversification through demonstration plots, and serve as a broker for much needed technology. As a result of these efforts, several private sector projects in shrimp and flower culture were initiated during 1986. When the Water Management Project (519-0303) begins disbursements in 1987, it will support the production, processing and marketing of non-traditional agriculture crops grown under precision irrigation. With private and public sector components, Water Management is viewed as a transition project as USAID's agricultural strategy moves toward a balanced development effort. An expanded Agribusiness/Agro-industrial project (519-0327) is currently under development for FY 87.

El Salvador's traditional export crops (coffee, cotton and sugar cane) have suffered from poor world markets and the effects of unfavorable internal and external policies. El Salvador has demonstrated the capacity to produce coffee competitively, although current yields are decreasing and 1985/86 total production is about

one-half of El Salvador's potential. In FY 85, the Mission intensified its efforts to stimulate coffee production through a combination of price and marketing policy recommendations and credit. During 1986 the domestic coffee price was increased substantially and credit was provided for coffee replanting. During 1987 a small farmer coffee renovation/rehabilitation program is being started. In FY 88-89, the Mission will continue to press for marketing policy changes while supporting the renovation/rehabilitation of coffee planting through credit and technical assistance.

Cotton production during 1985-86 reached an all-time low with only about one-tenth of cotton lands in production. A recent analysis indicates that various structural changes will have to occur before cotton production in El Salvador will be competitive in the world market. These changes include a restructuring of COPAL, the Cotton Marketing Cooperative, relaxation of fertilizer and chemical import quotas, and refinancing of selected producers. The USAID will attempt to effect GOES policies which raise the costs of cotton production and affectively eliminate competitiveness.

Per capita food production in El Salvador has declined 15% since 1978 and is currently four index points lower than its 1976-78 average. This is due not only to El Salvador's 3% per annum population growth rate, but to the fact that total food production in 1985 was 9% less than in 1979. Except for rice, the average yields of all basic grains in El Salvador have remained constant since 1975-78, indicating that Salvadoran producers have reached the limits of their current, predominantly traditional, technology. Given El Salvador's land constraint, introducing modern technology is the most viable means to increase subsistence production, raise rural incomes, and free resources for diversification into cash crops. The USAID will attempt to maximize subsistence production while providing the opportunity for diversification through innovative adaptive research and technology transfer activities. An agricultural technology transfer project will begin in 1988.

The anticipated results of the Mission's three part strategy are that El Salvador will consolidate its agricultural sector, diversify its production, improve its competitive position in coffee production, and increase rural incomes and food supply. These results should lead to increased and more stable foreign exchange earnings and increased incomes and employment opportunities in rural areas, as well as in the commerce and industry with forward and backward linkages to agriculture.

Although the aforementioned AID projects will address foreseeable problems related to increasing overall agricultural production, it is the unforeseeable problems (e.g., weather, world prices, war, GOES policy commitment to agricultural growth, etc.) which portend the greatest obstacles to AID's agricultural development objectives.

OBJECTIVE No. 2: STRENGTHEN THE PRIVATE SECTOR

1. LAC INDICATORS/UNITS OF MEASURE

Private Investment as a Percentage of Gross Domestic Product  
Banking System Credit to the Private Sector (US \$ Million)

2. PERFORMANCE UNDER LAC INDICATORS

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Project</u> <u>Actual</u>		1987 <u>Project</u>	1988 <u>Project</u>	1989 <u>Project</u>
Private Investment/GDP	5.0	8.0	8.0	9.5	9.6	10.0	11.0
Credit to Private Sector (U.S. dollars)	1378.99	1421.8	1141.9	1152.8	1144.9	1160.0	1180.0
Measure Trade Weighted Exchange rate	(2.80)	(3.40)	(5.00)		(6.00)	(6.90)	(7.75)

1A MISSION INDICATORS/UNITS OF MEASURE

Credit to the Private Sector (colones million)  
Credit to the Private Sector as Percent of the Total Gross Credit

2A PERFORMANCE UNDER MISSION INDICATORS

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Target</u> <u>Actual</u>		1987 <u>Target</u>	1988 <u>Target</u>	1989 <u>Target</u>
Credit to the Private Sector (colones)	3,931.1	4,834.0	5,709.3*	5,764.0	6,869.6	7,900	8,850
Credit to Private Sector as % Total	61.4	63.6	62.0	66.0	68.0	70	72

\* 1986 Monetary Program Target.

3. ACTUAL VS. PIANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN

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

Status: Despite a major effort by AID, only marginal success was achieved in this area. No coordinated plan has been agree-upon. The Mission will continue to make every effort to reduce polarization between government and private sector.

— Association Strengthening (ASA) program of FUSADES provides 50 TA and training projects to private sector associations. 4Q CY87

Status: A head of schedule. 70 distinct activities have been carried out with 23 different associations. Examples are maquila technical training, industrial credit workshops, and creation of special units within associations to help exporters get access to credit and foreign exchange.

— Private sector credit represents at least 67% of total banking system outstanding credit. 1Q CY87

Status:

— Regulations and procedures for export credit are further streamlined by the BCR. 4Q CY87

Status: Ahead of schedule. Unified loan request and approval forms and criteria have been prepared, approved by the BCR and are being published. 3.8 million colones have been budgeted to support the effort to streamline credit and foreign exchange delivery to exporters. Foreign banks were given access to BCR export credit lines in February 1987.

\*

— \$75 million of EXIM TCIP financing utilized. 4Q CY86

Status: Through 12/31/86, \$110 million of EXIM TCIP financing was utilized.

— During FY86, local currency equivalent of \$28 million given to the private sector as follows: Industrial Credit \$20 million, Economic Development Fund \$4 million, and Short-Term Credit \$4 million. 3Q CY86

Status: These funds were reprogrammed because of the earthquake as follows : Industrial Credit \$14.6 million, Industrial Reconstruction \$ 4 million, Economic Development Fund \$5.4 million, and coffee replanting \$4 million.

--- Reduce average turn around time for processing credit applications through the financial system to 60 days.

4Q CY86

Status: Turn around time has been reduced to fifteen days in the Central Bank; the time taken in most commercial banks is 15 to 30 days.

--- With local insurance companies, establish an insurance program to cover damage caused by terrorism to productive assets of the private sector.

3Q CY86

Status: Due to delays related to the earthquake, the program was implemented in February, 1987.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

--- That GOES actions will strengthen and not weaken the free enterprise system in El Salvador.

--- 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.

5. <u>KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD</u>	<u>Quarter/year</u>
--- The encouragement of the GOES to continue an ongoing dialogue with moderate private sector and labor leaders during FY 1987 and beyond.	ongoing
--- The support of a joint high level public/private sector committee with the purpose of developing and monitoring progress towards export development plans.	2Q CY87
--- The encouragement of the private sector to play a positive role in economic reactivation.	ongoing
--- The adoption of implementing regulations governing the establishment and operation of foreign banks in El Salvador.	4Q CY87
--- The establishment and achievement of credit targets in the GOES' Monetary Program which provide adequate credit to the private sector, especially for export activities.	ongoing
6. <u>KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD</u>	<u>Quarter/Year</u>
--- TCIP of \$75 million per year.	4Q CY87
--- Medium-term credit insurance for U.S. banks to extend medium-term lines of credit to Salvadoran commercial banks.	2Q CY88
--- FOINVER for eastern region of El Salvador.	2Q CY87
--- Active AID-supported PVOs promoting development of private sector.	ongoing
--- Eliminate requirement for prior BCR approval of funds committed by commercial banks for discount line of credit.	4Q CY87

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
IESC	519-0302	0	DA	500	G	500	-	-	-
Youth Entrepreneurial Development	519-0311	0	DA	3,650	G	650	3,000	-	-
Association Strengthening Activities (FUSADES)	519-0316	0	DA	1,105	G	805	300	-	-
Private Sector Initiatives	519-0336	N(FY87)	DA	7,500	G	-	2,550	2,500	2,450
Medium-Term Trade Credit Insurance	519-0338	N(FY88)		(200,000)	*	-	-	(40,000*)	(50,000*)

\* Contingent liability derived from EXIM insured credit similar in structure to TCIP but at 5 year term.

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Private Sector Credit	519-IC-18	0	ESF		IC	9,400	45,000	-	-
Investment Insurance Program	519-IC-19	0	ESF		IC	44,000	20,000	-	-
Eastern Region Support	519-IC-20	0	ESF		IC	-	25,000	-	-

To obtain the objective of strengthening the private sector, the sharp division between the current government and the business community must be reconciled. The attitude, epitomized by President Duarte, who sees the private sector as an elitist group which still remains dangerous to democratic social transformation must be overcome. Both groups must be encouraged to engage in a dialogue which sets clear "rules of the game" within which the private sector can expand the productive capacity of the country. AID's policy is directed at encouraging the GOES to realize the vital role of the private sector and assist the private sector to work constructively within the democratic process. To accomplish this end we expect to identify and promote policy measures that free up the market economy.

AID's strategy is to encourage the public and private sectors to work together in restoring the viability of the nation. AID will support activities and programs that are conducive to: 1) streamlining local currency credit lines for export development; 2) assuring timely private sector access to foreign exchange (particularly of non-traditional exporters to hard currency markets); 3) strengthening private sector associations so they may play a positive role in the development of the country; 4) developing the public and private institutional capacity necessary to promote investment and exports.

In 1986, AID's strategy yielded notable results: For example, private sector access to credit and foreign exchange requirements for nontraditional exports was streamlined greatly shortening processing time and paperwork.

Prior to 1979 the financial requirements of Salvadoran international business were met through the direct relationship between businessmen and foreign commercial banks. From 1979 to 1986 there was virtually no foreign commercial bank financing available to the Salvadoran private sector. In 1986 the AID funded EXIM Trade Credit Insurance Program (TCIP) resolved this problem by providing \$110 million in short term import financing to Salvadoran businesses through foreign commercial banks. Thirty-eight million dollars in collateral deposits were freed and interest rates were reduced by up to three percent. El Salvador found an enthusiastic response to the program from foreign banks and leveraged insured credit with an additional 25 percent of uninsured credit with concessional terms.

In 1987, AID will continue a major credit program to strengthen private sector productive activities. In addition, AID is committed to engaging the private sector as a major force in national development and recognizes that the potential of the private sector goes beyond business to a more integrated involvement which addresses policy framework and development needs and opportunities. Direct approaches will include support for a series of seminars to be conducted by INCAE, in which the public, private, labor and military decision makers will discuss policy issues such as exchange rate policy, labor policy, production policy, and coordination of policy framework. AID will support the Export Development Committee, comprised of the Ministry of Planning and Foreign Trade, the Central Reserve Bank and four prominent businessmen. The

Committee will serve as a catalyst to obtain GOES support of export development and will develop export policies and targets. AID will also support the creation of new private sector organizations that participate with the GOES in finding solutions to the most important social problems that the country faces, such as housing and industrial relations.

In 1987 AID will expand these direct approaches through a new project, Private Sector Initiatives (519-0320), to support private sector activities in the following areas: depolarization of relationships among the various sectors of Salvadoran society, creation of employment and wealth through the private sector, privatization of social and economic services and support of these services in that context. This project will support AID's effort to broaden its involvement with the private sector in the 1988 - 89 period. It will improve the quality of services available to the Salvadoran people through increasing the direct involvement of private citizens in the social and economic development of the country. This is an essential element of the pluralism which is required for the evolution of a healthy democracy.

This project will support a sustained AID effort through 1989 to develop at least a minimum consensus among the major sectors of Salvadoran society which will permit the social, economic and political self sufficiency of the nation and support initiatives which contribute to that self sufficiency.

OBJECTIVE No. 15: SUPPORT THE AGRARIAN REFORM

1. MISSION INDICATORS/UNITS OF MEASURE

Phase I Properties Compensated (number)  
Phase III Properties Compensated (number)  
Phase I Coops Repaying Production Credit (number)  
Phase I Coop Titles Issued (number)  
Phase III Definitive Titles Issued (number)

2. PERFORMANCE UNDER MISSION INDICATORS

	<u>Baseline</u>	<u>1985</u> <u>Actual</u>	<u>1986</u>		<u>1987</u> <u>Project</u>	<u>1988</u> <u>Project</u>	<u>1989</u> <u>Project</u>
			<u>Project</u>	<u>Actual</u>			
Rural Population	2,624,528	-	-	-	-	-	-
Rural Population Affected by Phases I & III	570,162	-	-	-	-	-	-
Phase I Properties Compensated	469	311	117	95	27	-	-
Phase III Properties Compensated	6,184	1,475	2,795	950	2,520	756	-
Phase I Coops Repaying Production Credit <u>1/</u>	277	129	138	142	148	158	169
Phase I Coops Titles	317	127	85	69	63	-	-
Phase III Definitive Titles	56,188	16,992	16,000	11,086	22,267	5,632	-

1/ Numbers revised to eliminate double counting, i.e., some coops had loans with more than one bank.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN

	<u>Quarter/year*</u>
<p>--- Develop a viable solution to the problem of agrarian reform 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 repayment of emergency credits of 1981 will be frozen.</p> <p><u>Status:</u> Completed 4/86.</p>	3Q CY86
<p>--- Pay past-due cash and interest payment to former landowners and maintain a level of payments at an estimated ₡286 million over a two-year period.</p> <p>- ₡204 million compensated in 1986.</p> <p><u>Status:</u> GOES budgeted ₡40 million, which with ₡24 million from BCR, ISTA and FINATA, brought total availabilities to ₡64 million.</p>	4Q CY86
<p>--- Accelerate land titling within ISTA and FINATA.</p> <p>- Complete ISTA titling (317 titles)</p> <p><u>Status:</u> Partially complete. 63 titles still remain to be issued.</p> <p>- Accelerate FINATA titling.</p> <p><u>Status:</u> Completed.</p>	4Q CY86
<p>--- Accelerate the process of defining beneficiaries rights and obligations, specifically the recommendation by the GOES to modify the present General Agrarian Reform Law to allow cooperatives greater operational flexibility.</p> <p><u>Status:</u> The legislative package, which included five major pieces of legislation concerning the reform was to be presented to the National Assembly in 12/86, but has been delayed due to the October earthquake. The new target date is the second half of 1987.</p>	4Q CY86

\* As indicated in previous Action Plan.

- Agrarian reform institutions (MAG) to place an additional 140 professional managers and accountants (total of 250 each) on Phase I cooperatives).

Status: Behind schedule due to a reorganization (i.e., regionalization) now underway in MAG. Currently, 189 managers and 197 accountants have been placed on Phase I coops.

1Q CY87
- Cooperatives receiving agricultural extension services.

Status: Proceeding on schedule.

1Q CY87
- Increase access of agrarian reform beneficiaries to production and investment credit.

  - Establish a rediscount line in the BCR for use by the BFA and mixed banks.

Status: Completed.

4Q CY87
- Train Phase I cooperative members and leaders in cooperative leadership and management principles and techniques.

  - 50 cooperatives members exposed to U.S. marketing cooperatives.

Status: Completed.

4Q CY87
- 25 campesino leaders trained in leadership skills
  - Expose 25 women leaders from cooperatives to women-owned cooperatives in the U.S.

Status: These participants were included in the 50 coop members who went to the U.S. on CAPS scholarships.

4Q CY86

2Q CY87

4. - KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

- That if the GOES compensates the former landowners for their expropriated properties, then the tendency toward counter-reform 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 will 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.

5. <u>KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD</u>	<u>Quarter/Year</u>
--- Acceleration of Phase III land titling process and termination of Phase I titling.	ongoing
--- Enactment of Phase II implementing legislation.	2Q CY87
--- Full, up-to-date compensation by the GOES of Phase I and Phase III former landowners by end of CY 1987.	4Q CY87
--- Definition of rights and obligations of agrarian reform beneficiaries through the drafting and enactment of new legislation which was to be completed by fourth quarter CY 1986.	4Q CY87
--- Increase the number of beneficiaries of the agrarian reform.	4Q CY87
- Increase the number of beneficiaries on Phase I farms by adding members.	
- Establish a mechanism for private land purchases by small and/or landless farmers.	
--- Removal of ISTA <u>co-gestores</u> and the declaration that selected cooperatives are <u>financially</u> and <u>socially viable</u> <u>auto-gestionarias</u> .	ongoing

- 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.
  - ₡226 million compensated in 1987.
  
- Status: The Mission has budgeted an additional ₡90 million from 1987 local currency to cover this activity. (₡140 million pending disbursement from 1986 ESF local currency generations).
  
- The acceleration of titling within ISTA and FINATA.
  - The completion of ISTA titling (63 titles) 4Q CY87
  - The completion of FINATA titling (27,899 titles) 4Q CY88
- The provision of training in leadership and cooperativism to members of the Phase I cooperatives. 2Q CY87
  - 100 cooperative members exposed to U.S. marketing cooperatives.
- The placement of an additional 61 managers and 53 accountants (total of 250 each) on Phase I cooperatives by agrarian reform institutions. 2Q CY87
- 200 cooperatives receiving agricultural extension services. 3Q CY87
- The ability of Phase I cooperatives to operate independently from ISTA (i.e., ISTA co-managers removed from cooperatives) 4Q CY87
- The acceleration of diversified agriculture on Phase I cooperatives. 2Q CY87
  - Four additional Phase I cooperatives producing products for export.
- The increased access of agrarian reform beneficiaries to production and investment credit.
  - Channel an additional \$25 million for agricultural credit (investment) into the reform sector. 3Q CY88

*only item for 88/89 same frame*

- Increase the number of agrarian reform beneficiaries. 2Q CY87
- Develop pilot programs to increase the number of beneficiaries on Phase I farms
- Develop a financing mechanism (land bank) to provide credit for individual land purchases. 3Q CY87

*how financed?  
what plan*

7. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) Ongoing(O)	Type of Funding	LOP (\$000)	L/G/LC	OBLIGATIONS			
						Cumulative Through FY 1986	FY 1987	FY 1988	FY 1989
Small Producer Development	519-0229	0	ESF/DA	9,750	G	9,750	-	-	-
			ESF	7,000	L	7,000	-	-	-
Agrarian Reform Credit	519-0263	0	DA	4,325	G	4,325	-	-	-
				81,500	L	81,500	-	-	-
Agrarian Reform Sector Support	519-0265	0	DA	30,000	L	30,000	-	-	-
				16,011	G	10,200	5,811	-	-
Agrarian Reform Sector Financing	519-0307	0	DA	50,000	G	6,500	16,710	10,054	16,736
Rural Small Enterprise & Cooperative Dev.	519-0312	0	DA	3,870	G	1,050	1,500	1,320	-
Agrarian Reform	519-IC-62	0	PL		LC	4,600	-	-	-
Agrarian Reform Compensation	519-IC-63	0	ESF		LC	28,000	18,000	-	-
Reform Credit	519-IC-64	0	PL		LC	5,020	2,000	-	-
Agrarian Reform Financing	519-IC-65	0	PL		LC	5,000	-	-	-

## 8. NARRATIVE

Since 1980 the Salvadoran agrarian reform has transferred 782,000 acres of farmland to 522,000 beneficiaries and family members. Now in its seventh year, the reform has changed land tenure patterns and helped undercut radicalization of the rural poor. In the long-run, it is expected to further alter the social and productive structure, broaden the democratic support base of the GOES, and expand economic opportunity. In short, it has helped to establish the pre-conditions for democratic and economic development in many of El Salvador's rural areas.

Phases I and III of the agrarian reform have transferred 22% of the farm land in El Salvador to 24% of the rural poor. Under Phase I, the GOES expropriated 469 properties and has organized them into 317 cooperatives with 31,000 direct beneficiaries (186,000 total Phase I beneficiaries) and 542,000 acres. Phase III has distributed over 240,000 acres to 56,000 direct beneficiaries (336,000 total Phase III beneficiaries) who were formerly renters or sharecroppers without secure access to land.

During 1986 four important legislative measures were passed which strengthened the reform process and facilitated land transfer. One measure restructured the agrarian debt of beneficiaries, making it more comparable with their ability to repay; and reorganized the system of restricted accounts (coop funds controlled by the GOES) which had reduced the financial flexibility of cooperatives. As a result, 36 cooperatives were able to pay dividends totaling \$1.1 million (approximately \$200/member) and 60% of the cooperatives were judged to be creditworthy by the financial system. Two measures modernized the land registry system and permitted the registration of mortgaged properties, heretofore impossible and a bottleneck to titling. As a result, 36% of all Phase I titles issued and 50% of all Phase III titles registered occurred during 1986. Legislation defining campesinos and small farmers was enacted, facilitating the implementation of Phase II.

Phase II implementation has been underway since ratification in 1983 of the new constitution which gave owners of more than 605 acres three years to voluntarily sell off any excess over that limit or face potential expropriation after December, 1986. A 1985 survey indicated that at that time 80% of owners had already complied, although the number of beneficiaries is unknown since these were private, voluntary sales and not expropriations conducted by a GOES agency. A worst case scenario indicates that as many as 39,000 acres could still potentially be affected by Phase II, although it is more likely that the remaining area subject to expropriation is closer to 17,000 acres. Some landowners have not been able to comply because their properties are located in conflictive zones and little or no land financing is available.

Current GOES activities are concentrated on consolidating the agrarian reform. These efforts include completing the titling process, expanding the number of beneficiaries, defining beneficiaries' rights, and providing credit and technical support to the cooperatives and Phase III farmers.

USAID's current activities in support of the reform concentrate on providing credit and technical and managerial assistance, as well as completing the titling. Since FY 1980, the Agrarian Reform Credit project (519-0263) has provided production credit to reform beneficiaries and, to a lesser extent, the traditional small farm sector. Beginning in 1986, Agrarian Reform Sector Financing (519-0307) provided production and investment credit to reform beneficiaries and some strengthening of the financial system itself. During 1987, a local currency funded land financing mechanism will be established to assist many of El Salvador's small farmers purchase available land.

In FY 1986, a project amendment to Agrarian Reform Sector Support project (519-0265) focused its support on priority titling activities and extended its PACD to December 31, 1987. At that time, USAID project support to the agrarian reform in general, including titling, ends (except credit as noted above). However, earthquake damage to the land registry system, for instance, and legal challenges to some expropriations will necessitate continued support for titling and some other reform activities past the PACD. It is expected that these will be funded from local currency.

The USAID's strategy regarding the agrarian reform is to decrease the distinction between the reform and non-reform sectors. This is the most effective approach to regaining Salvadoran agriculture's competitiveness in world markets. As described in Objective No. 1, Increasing Agricultural Production, the USAID's strategy identifies and addresses the agricultural development problems which impact all producers (reform and non-reform alike) and seeks solutions for El Salvador's agricultural sector as a whole. Water Management (519-0303) is open to both reform and non-reform beneficiaries without distinction. Agribusiness Development (519-0327) and the agricultural technology transfer project to be developed during 1988 will address constraints common to the entire agricultural sector.

The expected results from USAID's strategy are increased investment on the Phase I cooperatives via Agrarian Reform Financing (519-0307) and decreased distinction between reform and non-reform project beneficiaries attaining the objective of overall agricultural development.

OBJECTIVE No. 11: IMPROVE HOUSING

1. LAC INDICATORS/UNITS OF MEASURE

New housing units constructed under AID-supported programs.  
Housing units upgraded improved under AID-supported programs.

2. PERFORMANCE UNDER LAC INDICATORS

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project</u>	<u>Actual</u>	<u>Project</u>	<u>Project</u>	<u>Project</u>
New Housing Units	754	1,128	5,220	1,174	1,400	1,450	1,950
Upgraded Units	—	629	3,000	921	3,000	5,700	10,800

1A MISSION INDICATORS/UNITS OF MEASURE

Sites and services (number of urban lots).

2A PERFORMANCE UNDER MISSION INDICATORS

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Target</u>	<u>Target</u>
Sites and services	—	—	230	—	400	900	1,000

3. ACTUAL VS PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY 1987 IN LAST YEAR'S ACTION PLAN

- |   | <u>Quarter/year*</u> |
|---|----------------------|
| --- Establish new or strengthen existing GOES housing unit.   | 3Q CY86              |
| <u>Status:</u> PRONAVIPO was established under the Vice-Ministry of Housing and Urban Development as implementing unit for GOES housing programs. |                      |
| --- Issuance of a GOES decree establishing new, lower minimum housing standards.  | 4Q CY86              |
| <u>Status:</u> Not accomplished.  |                      |

\* As indicated in previous Action Plan.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

- That if the availability of affordable progressive 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 the Vice Ministry of Housing and Urban Development's Popular Housing Program (PRONAVIPO) receives broad GOES and private sector support, then increased housing construction targets can be reached.
- That if an effective cost recovery mechanism for PRONAVIPO's funding of housing solutions is established, then increased internal funding for additional housing financing will be made available.
- 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.

5. <u>KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD</u>	<u>Quarter/year</u>
--- Strengthen and support the Office of the Vice Ministry of Housing's ability to identify priority geographic areas for upgrading, set policies, review plans of the various executing institutions, and monitor programs affecting the sector.	2Q CY87
--- Strengthen the ability of San Salvador's Municipal Council of Mayors to set policies for relocation and upgrading efforts, monitor programs affecting housing for the poor, and plan the development of neighborhood communities.	3Q CY87
--- Acceptance by GOES authorities of the principle of cost recovery as a means of reducing the costs associated with the current policy of subsidized low-income housing, thereby increasing the production of shelter solutions.	2Q CY88
--- Acceptance by GOES housing authorities of lower-cost housing solutions provided through the private sector (e.g., sites and services, self-help housing, home improvement loans, floors and roofs) appropriate for different income levels.	4Q CY87
--- Establishment by the GOES of savings and interest rates policies which prevent the decapitalization of institutions serving the housing sector and which encourage savings.	ongoing
6. <u>KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD</u>	<u>Quarter/Year</u>
--- Initiate a utility connection program coordinated through PRONAVIPO.	2Q CY87
--- Identify new urban projects through Municipal Council of Mayors.	3Q CY87
--- PRONAVIPO contracts private sector for construction of units using lower minimum housing standards.	4Q CY87
--- Contract new sites and services and core housing projects through PRONAVIPO.	4Q CY87
--- Establish three functioning PVO advisory groups for coordination of social actions affecting shelter solutions, relocation and land tenure issues.	1Q CY88
--- Achieve better uniformity in housing interest rates.	2Q CY88

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	New (N) <u>Ongoing (0)</u>	Type of <u>Funding</u>	LOP <u>(\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Housing Investment	519-HG-006A	0	HG	9,500	L	9,500	-	-	-
Guaranty	-006B			5,500	L	5,500	-	-	-
	-006C			5,000	L	-	5,000	-	-
	-006D			5,000	L	-	5,000	-	-
Urban Infrastructure	519-0339		N(FY 89)	20,000	G	-	-	-	10,000
<hr/>									
Popular Housing	519-LC-40	0	ESF		LC	1,400	3,600	-	-
Program (PRONAVIPO)									

El Salvador's housing problems stem from years of neglect to low income housing needs. Current annual housing demand of about 40,000 new units will rise to about 45,000 units annually by 1990, with formal construction satisfying less than one third of this demand. Added to this chronic imbalance is the impact of the 1986 earthquake when over 40,000 families lost their homes or suffered major damages, the great majority being low income inhabitants.

AID's strategy is to attack the structural problems which have led to the formal housing production systems serving only the better-off minority. The objectives are to set up the institutional base and develop the policies and programs which will help El Salvador meet low income shelter needs. These problems must be addressed through increased efforts to upgrade marginal communities, coordinate and expand the financial and service institutions involved in low-cost housing, and strengthen the organizations directing marginal community and low-cost housing programs. Failure to improve upon these areas will contribute to the growing number of illegal and unserviced settlements (e.g., half of San Salvador's population lives in marginal communities) as housing construction falls short of demand.

AID will use resources provided through the Earthquake Recovery Program, and the requested reconstruction program, to focus the GOES on the housing needs caused by the earthquake as well as on the structural changes required to carry out a massive reconstruction and long-term housing program. The Mission will use the recovery/reconstruction period to strengthen institutions that should play a role in housing and urban development (such as the Vice Ministry of Housing and the Municipal Council of Mayors); expand private sector participation in the sector and develop new roles for PVOs; and improve low income family access to credit for housing improvements. The initiatives begun through recovery/reconstruction, utilizing ESF dollar funding, will continue and expand with urban upgrading efforts directed toward the impoverished municipalities surrounding San Salvador.

In 1986, the Mission's policy dialogue efforts achieved the establishment of PRONAVIPO, a coordinating unit for low income solutions in the Office of the Vice Ministry of Housing and Urban Development. This key institution should expand the range of shelter solutions and services affordable to slum and tenement residents through ESF local currency funding. Other 1986 activities included the CHE/FEDECACES program which produced some 900 housing repair/new core unit solutions and the initiation of policy dialogue with the Metropolitan Council of Mayors for the planning and carrying out of all metropolitan San Salvador urban development activities.

Major activities in 1987 will focus on taking PRONAVIPO from its embryonic status to a solid, forceful institution under the Vice Ministry and initiating an urban planning capacity in the Metropolitan Mayor's Council. By focusing on the demands created by the earthquake, AID expects these Offices to respond with concrete, specific projects benefitting the urban poor. Technical assistance to these institutions is

planned to assist in prioritizing reconstruction needs and physically satisfying low income shelter demand. PVO activities, through CHF, the newly formed Fundación Habitat, and others will be aggressively developed to demonstrate workable, low-cost solutions to housing problems.

1988 and 1989 programs will build upon the 1987 program of community/shantytown upgrading, tenement house solutions, and low cost housing and home upgrading credits. Because the metropolitan area surrounding San Salvador is expected to grow substantially as the center-city reconstruction takes place, and because these areas lack community services and infrastructure due to long neglect, an Urban Infrastructure Upgrading project (519-0339) utilizing ESF dollar funding will be initiated in FY 1989. The purpose of the project will be to increase the GOES and municipal capacity to plan and implement small scale, priority infrastructure improvements resulting in new or improved infrastructure and services. AID will also build on efforts to increase PVO participation in the housing sector by increasing CHF's current home construction and repair programs through private sector institutions, and by encouraging low-cost housing programs presented by other PVOs. The combined effects of strengthening PRONAVIPO and developing a social response capability in the Mayor's Council on one hand, and implementing upgrading projects through PVOs and the private sector on the other, is expected to result in a doubling of units built and improved.

1. LAC INDICATORS/UNITS OF MEASURE

Incidence of malaria

Number of cases reported by MOH ('000)

Malaria slide positivity rate (%)

Number of outpatient consultations

Child visits per child under one year of age per year

Prenatal visits per 1000 live births

ORT packets distributed (number of packets in millions)

Children 11-13 months of age vaccinated for measles (%)

Children under two fully vaccinated (%)

Percent of population with access to clean drinking water (total, urban, rural)

2. PERFORMANCE UNDER LAC INDICATORS

	1984 Actual	1985 Actual	1986 Project Actual		1987 Project	1988 Project	1989 Project
Malaria cases	62.4	33.5	40.0	23.5	30	25	20
Slide positivity rate	24.7	21.9	18.0	13.5	18.0	16.0	14
Child health visits <u>1/</u>	1.0	1.1	1.5	1.4	1.7	2.0	2.3
Prenatal visits <u>1/</u>	876	883	900	914	1,000	1,500	2,000
ORT packets	0.65	1.9	2.5	1.5	3.0	3.5	3.5
Measles vaccinations	NA	45.9	48.0	66	70.0	75.0	80.0
Children fully vaccinated	38.7	23.0	30.0	50	65.0	70.0	75.0
Total access to water <u>2/</u>	NA	NA	NA	40.0	42.0	48.0	53.0
Urban access <u>2/</u>	75.6	71.1	NA	70.5	75.0	80.0	85.0
Rural access	NA	NA	NA	22.0 <u>3/</u>	25.0	30.0	35.0

1/ Figures differ from those provided previously because MOH now has more complete tabulations than were available previously.

2/ These estimates of population coverage are derived from numbers of water systems.

3/ Data excludes systems which have ceased to function due to lack of maintenance, destruction, etc.

1A MISSION INDICATORS/UNITS OF MEASURE

Crude mortality rate  
 Infant mortality rate/1000 live births  
 Child mortality (1-4 years) as % of total  
 Death rate/10,000 from diarrhea and dehydration (all ages)  
 Children under age 5 with 3rd degree malnutrition (%)

2A PERFORMANCE UNDER MISSION INDICATORS

	<u>1984</u> <u>Actual</u>	<u>1985</u> <u>Actual</u>	<u>1986</u>		<u>1987</u> <u>Project</u>	<u>1988</u> <u>Project</u>	<u>1989</u> <u>Project</u>
			<u>Project</u>	<u>Actual 1/</u>			
Crude Mortality rate	10.0	9.0	9.0	9.0	9.0	8.5	8.2
IMR	75	74	72	NA	70	68	63
Child Mortality	26.0	26	25.5	NA	25.0	24.0	24.0
Death rate-diarrhea & dehydration	NA	3.9	3.5	NA	3.0	2.6	2.2
Malnutrition	7.0	6.0	5.0	NA	3.5	2.0	1.8

1/ Most 1986 data are not available yet.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN

	<u>Quarter/year*</u>
<p>--- Complete initial development of automated pharmaceutical and medical supply management system.</p> <p><u>Status:</u> Completed. In addition, programs and computer equipment for pharmaceutical and medical supply inventory management were installed at the Central Matazano warehouse and the Western Region. Installation in the remaining regions will be completed by 1Q CY 1987.</p>	4Q CY86
<p>--- Train regional and central MOH staff in new pharmaceutical management system.</p> <p><u>Status:</u> Training of regional and central MOH staff will take place 1Q CY87 instead of 4Q CY86, due to organizational delays caused by the earthquake.</p>	4Q CY86
<p>--- Complete implementation and evaluation of malaria source reduction project.</p> <p><u>Status:</u> Due to GOES inability to utilize its local currency, contracts for final design of the project were delayed. The revised completion date is 1Q CY 1988.</p>	4Q CY87
<p>--- Complete malaria spray cycles of approximately 35,000 houses annually.</p> <p><u>Status:</u> Although the Malaria Division could implement only two spray cycles of 34,000 houses, malaria rates continue to decline. Blood surveys to verify declines are planned for 3Q FY 87.</p>	4Q CY86
<p>--- Complete renovation of facilities and installation of equipment purchased under Health Systems Vitalization (519-0291)</p> <p><u>Status:</u> By 4Q CY 1986, nearly \$5 million of medical equipment had been installed and was functional; renovations to vehicle and bio-med maintenance shops and regional warehouses were virtually complete. During 2Q CY 1987, the DQC Laboratory, installation of supplies and equipment and installation of prefabricated warehouses (replacing earthquake damaged facilities) and turnover X-ray equipment will be completed.</p>	1Q CY87

\*As indicated in previous year's Action Plan.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED.

- That GOES financing for the MOH is unlikely to increase substantially until the conflictive situation is ended and the national economy is growing at pre-war rates.
- That the GOES is politically committed to support cost effective management of the MSPAS and its services to the public.
- That the Salvadoran public is willing to participate with the MOH in financing the costs of reliable, quality services.
- That if the MOH management is streamlined and resources (i.e., human, technical, financial) are utilized cost effectively, then improved health care services and health status will result.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

Quarter/year

- Encourage MOH/GOES to allocate sufficient budgetary resources for preventive maintenance of physical plants, equipment, and vehicles as well as acquisition of priority pharmaceuticals, medical supplies and spare parts. 2Q CY87
- Press MOH to develop streamlined procedures for estimating commodity requirements based on level of facility and disease patterns to ensure appropriate, timely procurement and distribution of pharmaceuticals. 2Q CY88
- Encourage the MOH to develop a co-financed revolving fund to generate the resources necessary to eventually take over pharmaceutical procurements presently financed by AID. 2Q CY88
- Encourage MOH to elaborate annual and multiyear plans for allocating increased resources to preventive maintenance and spare parts acquisition. 2Q CY88
- Encourage MOH to rationalize technical and administrative personnel positions to ensure the availability of adequately trained maintenance personnel at the regional level. 3Q CY88

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

	<u>Quarter/year</u>
--- National household survey of demand and utilization of health care services.	4Q CY87
--- Complete the installation of an automated pharmaceutical and medical supply management system.	2Q CY87
--- Train regional and central MSPAS staff in new pharmaceutical and medical supply management system.	2Q CY87
--- Complete implementation and evaluation of first large malaria source reduction project.	3Q CY88
--- Restratify malaria susceptible areas based on 1984-86 data, surveys and program results.	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 CY88
--- Train 90% of clinical medical/paramedical personnel in the use of drug formularies.	3Q CY87
--- Maintain bio-medical 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)	2Q CY87
--- Complete installation of preventive maintenance procedures for selected bio-med equipment in all regions.	4Q CY87

7. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) Ongoing (O)	Type of Funding	LOP (\$000)	L/G/LC	OBLIGATIONS			
						Cumulative Through FY 1986	FY 1987	FY 1988	FY 1989
Maternal & Child Health Promotion	519-0329	0	DA	220	G	220	-	-	-
Health Systems Vitalization	519-0291	0	DA	12,225	G	12,225	-	-	-
			DA	23,380	L	23,380	-	-	-
Health Systems	519-0308	0	DA	48,000	G	14,900	12,424	12,000	8,676
Save The Children OPG	519-0300	0	DA	3,650	G	1,900	1,300	450	-
Potable Water/ Environmental Sanitat.	519-0324	N(FY88)	DA	20,000	G	-	-	5,000	6,000
Private Sector Health Care Financing	519-0340	N(FY89)	DA	19,500	G	-	-	-	2,000
New OPG's	519-0999	N	DA	3,500	G	2,000	2,000	1,000	500
-----									
Health Systems Vitalization	519-IC-28	0	PL		LC	1,680	-	-	-
Health Systems Support	519-IC-29	N	PL		LC	-	4,540	-	-
Logistic Support to Ministry of Health	519-IC-30	0	PL		LC	100	-	-	-
Nutrition	519-IC-31	0	PL		LC	100	-	-	-
		0	ESF		LC	-	100	-	-

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Drug Management	519-IC-32	0	PL		LC	280	-	-	-
Rosales Hospital	519-IC-33	0	PL		LC	2,000	-	-	-
PROSAR	519-IC-34	0	PL		LC	200	-	-	-
Malaria Control	519-IC-35	0	PL		LC	260	-	-	-
Rural Health Assistance	519-IC-36	0	PL		LC	160	-	-	-
Medical Attention to Tugurios	519-IC-37	0	ESF		LC	-	200	-	-
Remodeling, Rehabilita- tion and Equipping of Hospitals and Health Centers	519-IC-38	0	ESF		LC	-	3,000	-	-
Schools and Health Centers on Haciendas	519-IC-39	0	ESF		LC	-	400	-	-
Child Survival	519-IC-42	0	PL		LC	60	-	-	-
ISRI	519-IC-73	N	ESF		LC	-	100	-	-

Despite the civil conflict, the current health status of El Salvador's population (with the exception of those in the most conflictive areas) is not significantly worse than the preconflict period. Nevertheless, malnutrition is endemic; infant and child mortality remain high; and acute diarrhea and respiratory infections remain the major causes 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.

An eroding GOES financial base and continuing violence in El Salvador reduced the functional capacity of the MOH during 1981-1983. Facilities lacked pharmaceuticals, medical supplies and basic equipment. Systems for distribution of drugs and medical supplies, maintenance (e.g., vehicles, equipment, facilities) and service information for health management and planning, traditionally weak or ineffective, worsened. Health Systems Vitalization (519-0291) has assisted the MOH to restore a basic level of health services to the country by helping to meet its continuing requirements for pharmaceuticals and medical supplies and to improve its management of pharmaceuticals and medical supplies, vehicle and equipment maintenance, and information systems.

By the end of CY 1986, the Health Systems Vitalization Project (519-0291) had caught up and completed most programmed activities. However, the October earthquake which struck San Salvador caused damage to the Drug Quality Control Laboratory site and the Ministry's major pharmaceutical and medical supply warehouse complex requiring a four month PACD extension for their completion. This extension also permitted the completion of an emergency pharmaceutical procurement to replace drugs used during the earthquake.

During 1986, over \$15.4 million were provided in commodities and technical assistance (e.g., pharmaceuticals, medical supplies, insecticides and equipment for the malaria program, biomedical equipment, and emergency medical services equipment). The technical assistance team working with the MOH completed installation of basic systems for fleet management and vehicle maintenance, biomedical equipment repair and maintenance, drug supply management, and collection and analysis of management information at the central level.

These accomplishments under the Health Systems Vitalization project have permitted the MOH to maintain and strengthen its services in the regions despite an inadequate GOES health budget. Recent surveys have confirmed that drugs and supplies, although in less than optimum quantities and variety, are reaching the lowest level facilities and outreach workers. Because the systems are working, not only have major epidemics been avoided, but vaccine-preventable diseases are rapidly declining. The enhanced MOH capacity was demonstrated in its rapid response during the San Salvador earthquake when hospitals and public health facilities were severely damaged. Not only were services maintained, but the MOH received GOES accolades for its rapid handling and distribution of relief supplies and medicines to the population.

During FY 1986, a Health Systems Support Project (519-0308) was designed and project implementation began in FY 1987. This new project provides continued support for pharmaceuticals and health supplies, and will build upon and institutionalize the management improvements begun under the Health Systems Vitalization Project. The design and testing of cost-effective, community-based service delivery models to extend primary health care and child survival technologies in selected geographical areas will be financed and, as these service models are tested and refined during FY 1987-88, appropriate cost-effective service packages will be extended throughout the country in FY 1988-89. Among the service delivery models to be considered is that being implemented by the Save the Children OPG (519-0300) in which medical services are complemented by water supply improvements and introduction of better agricultural techniques to increase food crop production. To deal with GOES budgetary constraints, the MOH under the Health Systems Support Project will examine mechanisms by which costs of services can be recovered and/or shared with its clients. Using competency-based training programs, the skills of MOH basic health service providers and supervisors will be upgraded to deliver the tested service packages. Within the Health Systems Support Project, assistance will also be provided to continue to reduce malaria levels through focused spraying, community vector control activities and technical assistance for permanent engineering/drainage projects.

During FY 1987 complementary U.S. and Salvadoran PVO activities to provide immediate and long-term assistance to amputee victims of landmines will be developed and implemented. AID also will work with the MOH to strengthen emergency medical services at hospitals and health facilities throughout El Salvador and develop a specialized trauma management center where accident and war-related trauma cases can be efficiently treated. Also during FY 1987, AID will support increased donor coordination, drawing on regional AID/BID/PAHO/UNICEF funds, to help institutionalize immunization services which will permit future eradication of polio. A small amount of bilateral funds will support educational and mass media efforts to educate the population in basic child survival techniques, particularly in rural areas.

In FY 1988, a new Potable Water/Environmental Sanitation Project (519-0324) will be designed 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 FY 1986-FY 1987 using local currency, this project will help to increase the population's access to safe water supplies and thus help to address one of the major causes of high infant and child mortality and morbidity in El Salvador.

During FY 1989, a Private Sector Health Care Financing project is planned to promote and foster innovative health care delivery through mechanisms such as HMOs, which are sustained in whole or in part by fees and other revenues. The project will also seek to establish a revolving community drug fund which provides high quality, generic drugs to private and public sector institutions at a reasonable cost. At the same time, the project will support and expand community-based service delivery through the private sector, involving PVOs and possibly shared public/private sector resources.

OBJECTIVE No. 12: IMPROVE EDUCATIONAL OPPORTUNITIES

1. LAC INDICATORS/UNITS OF MEASURE

Increase primary enrollment ratio (percent)

2. PERFORMANCE UNDER LAC INDICATORS

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Project Actual</u>		1987 <u>Project</u>	1988 <u>Project</u>	1989 <u>Project</u>
Enrollment ratio	60	60	60	60	60	61	61

Enrollment ratios will in all probability fall during early 1987 as a result of the devastating earthquake of October 10, 1986, which destroyed or damaged approximately 1,400 classrooms affecting directly 115,000 students, or 1/5 of the total National primary school enrollment.

1A MISSION INDICATORS/UNITS OF MEASURE

Number of new classrooms constructed  
Number of reconstructed classrooms  
Number of teaches trained\*

\* Number of new textbooks distributed has been replaced with number of teachers trained as the Fourth Education Sector World Bank Loan has assumed all textbooks reproduction and distribution financing. AID will be responsible for all teacher training and will have no responsibility for textbooks reproduction and distribution.

2A PERFORMANCE UNDER MISSION INDICATORS

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Project Actual</u>		1987 <u>Project</u>	1988 <u>Project</u>	1989 <u>Project</u>
New classrooms	295	3	160	40	100	160	100
Reconstructed classrooms	--	--	500	--	500	500	500
Teachers trained	--	--	3000	--	3000	6000	6000

All new and reconstructed classrooms will be equipped and staffed.

3. ACTUAL VS/ PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY 1987 IN LAST YEAR'S ACTION PLAN

Quarter/year\*

--- Complete pilot program phase, including the construction and equipping of 40 new and 40 rehabilitated classrooms to provide access to 6,400 primary age school children.

2Q CY87

Status: Behind schedule due to delay in AID/W approval of source and origin waiver for construction and reconstruction, delays by the MOE in award of construction and reconstruction contracts, and problems with construction contractors' performance.

--- GOES contracts for the construction and equipping of new and rehabilitated classrooms (numbers non-cumulative), as follows:

- Phase I: 160 new and 500 rehabilitated classrooms serving 52,800 primary school children.

4Q CY87

- Phase II: 200 new and 400 rehabilitated classrooms serving 48,000 primary school children.

2Q CY88

- Phase III: 400 classrooms rehabilitated serving 32,000 primary school children.

2Q CY89

Status: Behind schedule due to delay in obtaining AID/W source and origin waiver for construction and reconstruction, as well as delays by MOE in planning and awarding of construction and reconstruction contracts.

--- Complete a Vocational and Technical Needs Survey

4Q CY87

Status: A vocational education technician has been recruited and will assist FEPADE, a new Salvadoran education foundation, in conducting the survey.

--- Establish a capability for providing specialized management training and services to the private sector.

1Q CY88

Status: The design phase for the Skills/Management Training for Development OPG was initiated in February, 1987.

\* As indicated in previous Action Plan.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

- That construction and reconstruction contractors will be selected based on their financial capability to perform the work.
- That construction and reconstruction materials are available in the quantities required and when needed to fulfill project objectives.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

Quarter/Year

- Increased parent involvement in public education, especially in school maintenance and in strengthening the educational process as part of education decentralization.

4Q CY89

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

Quarter/Year

New Classrooms	100	4Q	CY87
Reconstructed classrooms	500	4Q	CY87
Teachers trained	3000	4Q	CY87
Schools with maintenance	300	4Q	CY87
New classrooms	160	4Q	CY88
Reconstructed classrooms	500	4Q	CY88
Teachers trained	6000	4Q	CY88
Schools with maintenance	300	4Q	CY88
Information system	partial	4Q	CY88
Trained administrators	100	4Q	CY88
Skilled trainees*	500	4Q	CY88
Primary School Parent Associations	300	4Q	CY88
New classrooms	100	3Q	CY89
Reconstructed classrooms	500	3Q	CY89
Teachers trained	6000	3Q	CY89
Schools with maintenance	500	3Q	CY89
Information system	1	3Q	CY89
Trained administrators	300	3Q	CY89
Skilled trainees*	1000	3Q	CY89
Primary School Parent Associations	500	3Q	CY89

\* Vocational skills training project benchmarks will become more specific in future Action Plans after the Project has been designed.

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>Through FY 1986</u>	<u>OBLIGATIONS</u>		
							<u>Cumulative FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Education Systems Revitalization	519-0295	0	DA	37,600	G	23,925	2,689	8,000	2,986
Skills Management Training for Development	519-0315	N(FY87)	DA	15,000	G	-	2,000	3,450	5,000
-----									
Education Systems Revitalization	519-LC-41	0 0	PL ESF		LC LC	1,200 -	- 1,800	- -	- -

## 8. NARRATIVE

Before the conflict, 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 conflict, 800 schools have been abandoned, over 650,000 children who should be in grades 1-6 have no access to schools, 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. As a result, economic development is impeded by inadequate basic and vocational education opportunities.

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

In mid-FY 1985, the Education Systems Revitalization Project (519-0295) was initiated. The purpose of this project is to get the primary school system back to an operational level by providing new classrooms, basic equipment (desks, blackboards, etc.) and support for school repairs and maintenance, and to begin to adapt the system to the demographic changes of the last seven years. 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 completion of a 10 community pilot school maintenance program in May 1986. In addition, 890 school conservation tool kits were purchased for the MOE in November 1986, 24 school maintenance vehicles were delivered to the MOE in December 1986, and school maintenance equipment for eight regional offices was purchased in late 1986. Additionally, school furniture and equipment for 200 classrooms was purchased and stored for distribution to project schools in early 1987. The MOE had completed 60% of the construction of 40 new classrooms and had initiated the rehabilitation of 105 existing classrooms by 31 December 1986. Also, in December 1986, the MOE initiated the training of 44 teacher trainers who will be in charge of training 15,000 primary level school teachers by the end of the project. Large-scale classroom construction and reconstruction was delayed by nearly one year due to the delays in obtaining an AID/W life-of-project U.S. advertising waiver and in the MOE award of construction and in reconstruction contracts.

To accelerate program execution, AID has worked with the Presidency and the Ministry of Education in making key staff changes in the project implementation unit and in establishing a reporting structure to the Presidency which assures Ministry action. In addition, the results of a project evaluation to be conducted in early CY 1987 will be utilized to determine any further changes required in the courses of action for meeting program objectives.

In CY 1987, the Skills/Management Training for Development (519-0315) OPG 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 in domestic production and those exporting and interested in exporting. During the CY 1988-1989 period, 2,000 low-income persons are expected to benefit directly by the project through the acquisition of skills and expertise in management, modern technology and marketing as well as other skills for improving productivity and, thus, contributing to economic stabilization. To reach the beneficiaries, project resources will first be used to address the needs of a select group of Salvadoran vocational institutions as well as small, medium, and large Salvadoran firms exporting or interested in exporting to the US and other countries.

**OBJECTIVE No. 13: INCREASE PARTICIPANT TRAINING**

**1. LAC INDICATORS/UNITS OF MEASURE**

Number of persons beginning training programs:

Short-term (up to 1 yr.)

men

women

Long-term (more than 1 yr.):

men

women

**2. PERFORMANCE UNDER LAC INDICATORS**

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project</u>	<u>Actual</u>	<u>Project</u>	<u>Project</u>	<u>Project</u>
Short-term trainees	-	<u>289</u>	<u>300</u>	<u>196</u>	<u>244</u> <sup>1/</sup>	<u>100</u>	<u>600</u>
Men	-	212	196	125	138 <sup>1/</sup>	50	300
Women	-	77	104	71	106 <sup>1/</sup>	50	300
Long-term trainees	-	<u>78</u>	<u>26</u>	<u>26</u>	<u>141</u> <sup>2/</sup>	<u>120</u>	166
Men	-	51	16	16	71	60	83
Women	-	27	10	10	70	60	83

<sup>1/</sup> This figure (244) includes 94 FY-86 funded short-termers, but with departures in FY-87. Men/women ratio for this figure was: 63 men and 31 women. The 1986 short-term actual numbers and percentages for comparative purposes with FY-86 projected figures are:

Men : 188 (125 - 63) 65%

Women: 102 (71 - 31) 35%

<sup>2/</sup> This figure (141) includes 57 FY 1987-funded long-termers but with departures in FY 1987. Of the 57, 38 are men, 19 women.

1A. MISSION INDICATORS/UNITS OF MEASURE

Total Number CAPS Recipients (No. persons)

Total new starts

Total carry-overs

Academic Training-CAPS (No. persons)

Total new starts

Total carry-overs

CAPS Short-Term Training (No. persons)

Participant Training (No. persons)

2A PERFORMANCE UNDER MISSION INDICATORS

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Project Actual</u>		1987 <u>Project</u>	1988 <u>Project</u>	1989 <u>Project</u>
Total Number CAPS Recipients	0	<u>367</u>	<u>404</u>	<u>300</u>	<u>374</u>	<u>434</u>	<u>1,064</u>
Total new starts	0	<u>367</u>	<u>326</u>	<u>222</u>	<u>291</u>	<u>220</u>	<u>776</u>
Total carry-overs	0	0	78	78	83	214	298
Academic Training	0	<u>78</u>	<u>104</u>	<u>104</u>	<u>224</u>	<u>334</u>	<u>464</u>
Total new starts	0	<u>78</u>	<u>26</u>	<u>26</u>	<u>141</u>	<u>120</u>	<u>166</u>
Total carry-overs	0	0	78	78	83	214	298
Short-term Training	0	289	300	196	244	100	600
Participant Training	160	127	353	173	182	203	209

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN

Benchmarks are the same as the indicators.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

--- Total funding level for each fiscal year is received on a timely basis.

--- Technical divisions of USAID collaborate to reach goals of equal opportunities for women.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

None

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

See Performance Indicators.

7. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) Ongoing (O)	Type of Funding	LOP (\$000)	L/G/LC	OBLIGATIONS			
						Cumulative Through FY 1986	FY 1987	FY 1988	FY 1989
Scholarship Program (CAPS)	596-0001	0	DA/ESF	10,290	G	10,290	-	-	-
Central America Scholarship Program	519-0337	0	DA ESF	17,200	G	-	2,138 2,562	3,000 2,500	7,000 -

8. NARRATIVE:

After approximately two years of CAPS Program implementation, AID is now achieving its desired targets: a) younger participants; b) equal participation of men and women in training programs; c) fuller participation of the disadvantaged, rural sector in both long and short-term programs; and d) participation of institutions that qualify under the Gray Amendment to provide training in the United States for CAPS Scholars.

In FY 1986, in spite of the late receipt of expected funds (April, 1986), and the short lead time to obligate \$2 million in additional funds (July, 1986), AID generally reached its 1986 CAPS goals: 26 long-term undergraduate and 300 short-term scholars. Last minute drop-outs and lack of a sufficient number of alternates resulted in a shortfall of 10 short-term scholars. Because of late receipt of funds, 94 FY-86 short-term scholars departed in early FY-87. The USAID also sponsored 173 participants under its regular DA projects.

A significant achievement in FY-86 was placing participants in U.S. training institutions by awarding grant contracts directly to the training institutions in the U.S. that provide for pre-departure orientation, travel and implementation of training programs. This new strategy has had several advantages:

- Additional services provided by contractor/grantee.
- A better quality program based on contractor/mission feedback procedures.
- Significant savings, especially in the case of long-term scholars who do not need to be administered to by intermediaries.
- Contractor/grantee is more willing to satisfy the USAID's needs.

The target levels for the FY 1987-FY 1989 period reflect the continued emphasis to be given in three important training areas (e.g., long-term academic, private sector worker, local leadership) both under the CAPS and DA projects. During this period, AID expects to grant approximately 370 CAPS long-term academic scholarships (to include up to one-year of English language training for FY 1987-88 scholars; 166 long-term scholars will be sent for 12-14 months of training in FY 1989). This figure (370) is almost four times higher than the number previously planned for the same period (100). In FY 1987, 92 scholars will start Associate of Science programs in the areas of accounting, business management, repair of medical and agricultural equipment, construction management, and teaching English as a second language.

Moreover, the majority of long-term scholarships are targeted for young high school graduates who otherwise would not have an opportunity for university studies. AID intends to award a total of 370 long-term academic and 850 short-term scholarships during the FY 1987-1989 period.

For FY87, AID intends to place 10 FY-87 CAPS long-term scholars in Xavier University (HBCU) in New Orleans, Louisiana. This University is affiliated with the Consortium for Service to Latin America (CSLA) that implements a large portion of our training program in the United States. In this manner, we are planning to comply with Gray Amendment requirements.

During mid FY-87, the USAID is planning to undertake a study to develop a comprehensive follow-up program. Moreover, the results of an interim evaluation study to be conducted in mid FY-87 will contribute to planning this follow-up program for the 1,960 CAPS scholars (531 long-term and 1,429 short-term) who will have benefitted from the program during a five-year period.

**OBJECTIVE No. 8: INCREASE ACCESS TO VOLUNTARY FAMILY PLANNING SERVICES**

**1. LAC INDICATORS/UNITS OF MEASURE**

Percentage of couples using contraception

**2. PERFORMANCE UNDER LAC INDICATORS**

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Project Actual</u>		1987 <u>Project</u>	1988 <u>Project</u>	1989 <u>Project</u>
Couples using contraception *	43%	45%	46%	45%	48%	50%	51%

\* 1985 actual; all other figures are estimates projected from the 1978 and 1985 Contraceptive Prevalence Surveys (CPS) and service statistics. A new CPS will be carried out in 1988.

**1A MISSION INDICATORS/UNITS OF MEASURE**

Crude birth rate (number per 1000)  
Couple-years of Protection (CYP)

**2A PERFORMANCE UNDER MISSION INDICATORS**

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Project Actual</u>		1987 <u>Project</u>	1988 <u>Project</u>	1989 <u>Project</u>
Crude birth rate *	38	37	36	36	35	34	33
CYP (*) (in 000)	--	315	335	320	365	395	415

\* Figures are estimates based on service statistics and CPS data.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN

	<u>Quarter/year</u>
<p>--- Form a Special Administrative and Technical Unit.</p> <p><u>Status:</u> Completed.</p>	1Q CY86
<p>--- Complete an inventory of MOH contraceptives.</p> <p><u>Status:</u> Completed.</p>	2Q CY86
<p>--- Contract TA for the project.</p> <p><u>Status:</u> Partially completed. Following a public bidding, an 8(a) firm was contracted. However, personnel provided by the firm did not work out and replacement candidates will be interviewed early in CY 1987.</p>	3Q CY86
<p>--- Install a computer network for managing logistics.</p> <p><u>Status:</u> This task is pending as no logistics specialist advisor has been contracted yet. A survey of computer needs in the Salvadoran Social Security Institute will be completed during the second quarter of FY 1987 and several small computers will be purchased by the TA contractor for the participating institutions.</p>	4Q CY86
<p>--- Carry out a KAP study for the mass media program.</p> <p><u>Status:</u> Initiated during 1986, the study was divided into two parts, qualitative and quantitative. The qualitative phase was accomplished during the third quarter of CY 86 and the final study report will be ready during the second quarter of CY 87.</p>	4Q CY86
<p>--- Initiate testing of new social marketing methodologies aimed at effectively increasing the number of couple years of protection.</p> <p><u>Status:</u> An evaluation of the social marketing program carried out during the first quarter of CY86 recommended additional autonomy for this SDA program. A feasibility study of options for the program will be carried out during the first quarter of CY87. A new outreach program of sales in small stores started during late 1985 has resulted in increased access and coverage in areas not previously covered. During 1987, additional technical assistance will be provided to expand this successful component.</p>	1Q CY87

--- Incorporate private doctors into an informal family planning network as means of sharing appropriate contraceptive technologies to improve cost effective, voluntary family planning service delivery.

1Q CY87

Status: A survey was finished during the last quarter of CY86 to assess receptiveness of private medical doctors to being incorporated into a new outreach program for expanding family planning services. Based on the results of this survey, an implementation strategy will be developed in conjunction with the Salvadoran Demographic Association.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

- That if population growth can be slowed, 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.
- That rural and urban couples will choose temporary or permanent contraception methods voluntarily if increased, easy access is available in community depots, public and private clinics, and pharmacies.
- That improved management and information flow will increase program effectiveness and utilization of family planning services by Salvadoran couples.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

- Seek clear GOES (National Health Commission) policy statement on reproductive health for the country and the establishment of specific governmental targets for decreasing population growth.
- Integrate population/family planning activities into GOES primary health care programs as another means for achieving greater child survival and providing health protection to the mother.

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

Quarter/Year

--- Administration:

- Restructure the SATU. 2Q CY87
- Develop a management information system for all participating institutions for managing family/population service data and logistics. 2Q CY87

--- Information, Education, Communications.

- Launch a new Mass Media campaign to reach 100% of the fertile population. 2Q CY87

--- Services Delivery

- Improve/expand the Rural Distribution of Contraceptives program of the SDA to reach 10,000 CYP. 2Q CY87
- Incorporate private medical doctors into service delivery to reach approximately 9,200 active users. 3Q CY87
- Improve the MOH rural health services to expand family planning services in health units and health centers. 3Q CY87
- Improve and expand the SDA's social marketing program to reach 40,000 CYP via the small stores program and rural cooperatives. 4Q CY87

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Salvador Demographic Association	519-0275	0	DA	7,353	G	7,535	-	-	-
Population Dynamics	519-0210	0	DA	10,000	G	8,098	-	1,086	816
-----									
Population Dynamics	519-LC-27	0	PL		LC	60	200	-	-

## 8. NARRATIVE

The GOES has recognized for more than two decades the need for reduced population growth and for programs to provide family planning to those who request it. The Salvadoran Demographic Association (SDA), a private family planning organization, has actively supported and delivered family planning programs and services since 1962. Both the GOES and private voluntary organizations are implementing programs that positively impact on the reproductive health of Salvadoran couples, decreasing pressures caused by high population growth rates.

By 1988, AID-funded family planning programs will increase the percentage of couples actively using contraception to 50%. This will promote the Salvadoran quality of life and, in turn, spread the benefits of economic growth within the population. The strategy employed by the USAID involves institutional strengthening, technology transfer, the private sector, and policy improvements.

The population program will strengthen selected Salvadoran institutions involved in population and family planning activities via management and administrative improvements. Clinical trials of new types of contraception will be conducted, and other contraceptive techniques will be widely distributed to provide couples with increased choice. The USAID supports the SDA's effort to stimulate private sector activity through such programs as the marketing of contraceptives to pharmacies and small stores throughout the country.

In 1986, the SDA project provided services to 7,000 women through its clinical program, to 26,000 couples through the sale of condoms and oral contraceptives via its Social Marketing Program, and to 6,500 couples through its rural distribution program. Over 500 persons were trained, and a mass media campaign promoted the use of SDA clinics. The Population Dynamics Project supported the National Family Planning Program of governmental institutions, and approximately 1.7 million promotional pamphlets and posters were printed and distributed nationwide to government clinics. The program achieved 50,000 users in the Ministry of Health and 20,000 users in the Social Security Institute.

In 1987, the SDA is expected to provide services to some 8,000 women and contraceptive coverage to approximately 40,000 couples. An estimated 1,000 individuals from different organizations will be trained in population and family planning. Projections indicate that approximately 55,000 new users will be achieved by the Ministry of Health and 25,000 by the Social Security Institute.

The expected project goal of the SDA is to increase contraceptive coverage to 100,000 couple years of protection by 1988 and 150,000 by 1993. The Population Dynamics project, is expected to increase coverage from the current 46 percent to 50 percent by the end of the project. Due to the slow startup and implementation during its first year of operation, the Population Dynamics Project will probably be extended into 1989 or 1990.

OBJECTIVE No. 15: SUPPORT SMALL BUSINESS

1. MISSION INDICATORS/UNITS OF MEASURE

Number of loans approved for Small Business  
Value of loans approved ('000 colones)  
Number of jobs created as result of loans  
Number of entrepreneurs trained

2. PERFORMANCE UNDER MISSION INDICATORS

	<u>1984</u> <u>Actual</u>	<u>1985</u> <u>Actual</u>	<u>1986</u> <u>Project</u>	<u>Actual</u>	<u>1987</u> <u>Project</u>	<u>1988</u> <u>Project</u>	<u>1989</u> <u>Project</u>
Number of loans <u>1/</u>	34,157	44,664	-	49,078	55,000	65,000	75,000
Value of loans approved <u>1/</u>	250,302.5	376,254.6	-	441,433	550,000	650,000	750,000
Number of jobs <u>2/</u>	5,006	7,525	-	8,829	11,000	13,000	15,000
Entrepreneurs trained <u>3/</u>	10,400	14,253	-	19,533	25,000	30,000	35,000

1/ FEDECCREDITO, Banks and PROPEMI.

2/ Considering 1 full-time job per each \$50,000 in loans to the sector.

3/ FEDECCREDITO and IESC (519-0322) programs.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN

Quarter/Year

--- Complete a Small Scale Enterprise (SSE) Sector Assessment

4Q CY86

Status: An assessment was carried out and a draft report was submitted in September 1986.

--- Involve 10-15 associations in SSE projects.

2Q CY87

Status: 14 sub-projects with different organizations have been started under the Small Enterprise Development project. The experience from these projects has contributed to the design of the 1987 small business program.

--- Provide TA, training and credit funds benefitting SSEs (500 annually) starting mid 1987.

3Q CY87

Status: More than 1,000 entrepreneurs have already been benefitted under the activities of the Small Enterprise Development project.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

--- That if the goals established for credit levels to SSEs are to be achieved, the rates of interest charged by the financial system must be profitable, market interest rates.

--- That if healthy SSE sector growth is to be achieved, then a growing level of law and order must prevail and the political and social framework must not continue to deteriorate.

--- That if demand for the services and products of SSEs is to increase, then the real GDP growth must be positive.

--- That if real, self sustaining SSE growth is to take place, then GOES support for this sector must be based on real economic needs and technical considerations.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

	<u>Quarter/year</u>
--- Promote the development of a favorable legal environment to encourage the formalization of SSEs.	4Q FY89
--- Promote regulatory advantages for SSEs in the fields of taxation and labor.	4Q FY89
--- Promote establishment of a policy of profitable, market interest rates as well as removal of restrictions on the amount and term of loans to SSEs.	1Q FY89

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

	<u>Quarter/year</u>
---- Provide TA, training and credit funds benefitting at least 5,000 persons in the small scale enterprise sector.	3Q CY89
---- The Monetary Board establishes market interest rates for SSE lending through the commercial banking system.	3Q CY88

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Rural Small Enterprise Development	519-0286	0	DA	3,250	G	3,250	-	-	-
Urban Small Business	519-0304	0	DA	3,000	G	2,000	-	1,000	-
Small Enterprise Development	519-0322	0	DA	1,000	G	500	500	-	-
Small Business Assistance	519-0318	N(FY88)	SDA	10,000	G	-	-	5,000	2,000

## 8. NARRATIVE

The constraints to the development of small businesses in El Salvador are many. Limited access to formal credit and appropriate technologies, low levels of education, and inadequate marketing techniques are the most pressing constraints facing the sector.

There are currently a number of public and private efforts designed to support small scale enterprises in El Salvador. Although most 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 diffuse, 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 promote small businesses and thus strengthen the free enterprise system.

AID's strategy is to promote greater efficiency and effectiveness in the delivery of credit to micro and small businessmen through the decentralization and administrative improvement of intermediary institutions; to establish forward linkages with large corporations to encourage technology transfer and to facilitate market access; to support the development of training institutions to increase their capacity to service the sector; and to participate in policy dialogue with the appropriate government institutions to promote policy reforms that will encourage the development of the sector.

In the area of small enterprise development, AID committed \$28.0 million between 1980 and 1986. During FY 1986, IESC (519-0322) and FUSADES Urban Small Business (519-0304) provided technical assistance to promote small business expansion and increase 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. In mid-1986, a Small Scale Enterprise Sector Assessment was conducted. Review of the draft report led to the conclusion that available data on the SSE sector needs to be updated and that to achieve a significant impact on the sectors' development, support must be provided to a wide array of organizations.

In FY 1987, AID is initiating a concerted effort to promote small sector enterprise development. Through IESC it is currently helping 14 institutions to better assist small businesses as well as to improve small business access to credit and technical assistance. The experience gained over the past five years, the work of new institutions, and the small scale enterprise sector assessment will provide the basis for strengthening AID's assistance to this sector. This experience will be integrated with a comprehensive analysis of the factors limiting small business development (e.g. credit, technical, legal, institutional, tax). The Mission is developing a SSE strategy paper, for submission to AID/W, which lays out a multiyear program permitting AID to maximize small business outreach. The FY 1988 and 1989 program will emphasize the policy dialogue necessary to improve the climate for small business success and will promote outreach (e.g. technical assistance, training, credit) through the most promising and effective institutions serving the small business sector in El Salvador.

OBJECTIVE No. 15 STRENGTHEN THE JUDICIAL PROCESS

1. MISSION INDICATORS/UNITS OF MEASURE

- Reported homicide cases brought before courts (%)
- Conviction rate for all crimes (%)
- Law establishing National Judicial Council
- Law establishing judicial career service
- Revisory Commission draft legislation enacted by National Assembly (%)

2. PERFORMANCE UNDER MISSION INDICATORS

	<u>Baseline</u>	1985 <u>Actual</u>	1986		1987 <u>Target</u>	1988 <u>Target</u>	1989 <u>Target</u>
			<u>Target</u>	<u>Actual</u>			
Homicide cases taken to courts	13 (1980)	NA	--	--	40	50	60
Conviction rate	12.8 (1981)	15	15	--	20	30	35
National Judicial Council	--	--	Passed	No	yes	--	--
Judicial career service	--	--	--	--	yes	--	--
Commission drafts enacted by Assembly	--	-	--	--	35	75	90

3. ACTUAL VS PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY 1987 IN LAST YEAR'S ACTION PLAN

	<u>Quarter/year</u>
<p>--- Establish a National Judicial Council.</p> <p><u>Status:</u> Delayed, but under review by Revisory Commission.</p>	3Q CY86
<p>--- Establish a Judicial career service.</p> <p><u>Status:</u> Delayed, but under review by Commission.</p>	4Q CY86
<p>--- Train and incorporate trained group of persons in the Judicial Protection Unit to provide protection to trial participants.</p> <p><u>Status:</u> JPU concept significantly changed causing delays.</p>	3Q CY86
<p>--- Modify legislation to make admissible a wider range of evidence at trials.</p> <p><u>Status:</u> Partially accomplished for some crimes; rest in process.</p>	4Q CY86
<p>--- Full functioning Commission for Investigations, Investigations Unit (IU) (i.e., staff hired and trained, administrative procedures established, working on adequate number of cases).</p> <p><u>Status:</u> Accomplished.</p>	3Q CY86
<p>--- Full functioning of the Forensic Unit (FU) (i.e., full staff hired, mobile team operating, laboratory fully equipped).</p> <p><u>Status:</u> Partially accomplished. CORE personnel functioning (e.g., fingerprinting, ballistics, questioned documents, polygraph and photography); personnel for serology, mineralogy and chemistry will be recruited, trained and operational 2Q 1988. Laboratory, equipment and core staff operational by 2Q 1987.</p>	2Q CY87

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

--- That a continued consensus will hold 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, and adequate budget levels for the Office of Attorney General and Solicitor General and other key elements in the GOES justice system.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD Quarter/Year

- Press GOES authorities (investigative, prosecutorial and judicial) to process criminal cases important to U.S. interests and for progress in the human rights situation. ongoing
  
- Press for enactment of laws establishing National Judicial Council and judicial career service; changes in Decree 50, the rules of evidence and criminal procedure; the jury system; and for adequate budget levels for the judiciary and other key GOES agencies in the system of justice. ongoing
  
- Press idea that partisan political considerations should not be allowed to impede the judicial reform process. For example, the Supreme Court and the Attorney General are not of the same political party as the Assembly and Executive. As a result, both the judicial system and the Office of the Attorney General are frequently provided inadequate budget levels. ongoing

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

	<u>Quarter/Year</u>
--- Submit to Assembly draft legislation to establish a National Council on the judiciary.	4Q CY87
--- Submit to Assembly draft legislation for new Decree 50.	2Q CY87
--- Submit to Assembly draft legislation establishing a full-time judicial career service, including adequate budgetary levels to do so.	2Q CY87
--- Train and staff the Judicial Protection Unit, which is being modified conceptually, to provide protection to trial participants.	3Q CY87
--- Submit to Assembly draft legislation to change current law on rules of evidence to make admissible a wider range of evidence at trials.	3Q CY87
--- Submit to Assembly draft legislation regarding the Public Defender and legal aid systems.	2Q CY87
--- Provide training programs (long and short-term) to increase technical competence of members of the judiciary.	2Q CY88
--- Establish three law libraries.	2Q CY87
--- Develop an effective records management system to speed up judicial administration.	4Q CY87
--- Develop 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 CY87
--- Complete staffing and initiate long-term forensic training in chemistry, serology and mineralogy for Phase II of the forensic unit.	3Q CY87
--- Start construction of new judicial center to replace the one destroyed by earthquake.	2Q CY87
--- Complete U.S. training for 50 Justices of the Peace and start in-country training for remainder of JPs.	4Q CY87

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Judicial Reform	519-0296	(O)	ESF	9,234	G	9,234	-	-	-
-----									
Judicial Reform	519-LC-66	0	ESF		LC	840	1,060	-	-
Supreme Court	519-LC-67	0	ESF		LC	80	-	-	-
Attorney General	519-LC-68	0	ESF		LC	140	-	-	-
Solicitor General	519-LC-69	0	ESF		LC	100	200	-	-
Ministry of Justice	519-LC-70	0	ESF		LC	160	-	-	-

## 8. NARRATIVE

El Salvador's criminal justice system historically has been weak, and the political and economic upheavals caused by the civil conflict have further crippled it. By 1985, the homicide conviction rate, which in 1978 was 25%, had dropped to 13%; in rural areas it is as low as 4%. Despite a rising homicide rate, the number of homicide cases brought before the courts has declined steadily. In 1980, for example, the reported homicide rate hit an all time high of 6,145, but only 812 cases were brought to trial, and only 109 convictions were obtained. Investigations of crimes drag on long past the legal time limits and the accused may spend years in prison awaiting trial. The Ministry of Justice indicates that only about 10% of those in prison have been sentenced. In summary, the courts cannot be relied upon to prosecute the perpetrators of crimes, nor to provide those arrested with speedy and fair trials. As a result, acts of vengeance and vigilantism became rampant. This state of affairs came to the world's attention through publicity surrounding the murders of four American churchwomen, agrarian reform advisors, Archbishop Romero and others. Fair, speedy and impartial trials of the perpetrators of these crimes eluded the system.

Contributing to these problems is the consistent underfunding of the judicial system; unwieldy laws of evidence that have created an over-reliance on confessions to obtain convictions; intimidated judges, prosecutors and witnesses; the lack of modern investigative and forensic equipment and expertise; judges and court officers who only work half days; and antiquated and inadequate administrative systems and office equipment.

In recognition of the fundamental importance that an independent, impartial, responsive judicial system represents to a democratic society, the GOES, with U.S. assistance, has initiated a Judicial Reform effort. The goal of the GOES/AID program is to build and sustain the confidence of Salvadorans in their system of justice through the development of an independent, responsible and responsive judiciary. Although signed in July, 1984, the Project Agreement was not ratified until after the March 1985 Assembly elections which resulted in a political realignment. Enabling legislation for the Program was enacted in the late Summer of 1985. An immediate objective is to bring to justice the perpetrators of violent political crimes so well publicized by the international media. The difficulty of successfully prosecuting these old cases is not underestimated, but it is important to demonstrate clearly to all that these cases will not be forgotten and that those who violate the law will be pursued. The longer term objective is to make fundamental reforms in the system of justice itself to help assure every citizen the fullest protection of the law and security of person and property.

Progress in 1986 has been considerable. The Revisory Commission is now fully functioning and, to ensure the broadest support for its proposals, it has held eight open forums with law school faculties, political and civic groups, and other experts. It has focussed initially on revising those procedures and laws that will make an immediate improvement in the existing criminal law system (e.g. rules of evidence and procedures, a new Decree 50 Code, which was submitted to the Assembly in February, 1987, the jury system, legal defense and detention) leaving the longer-term revisions, such as merit selection of judges and judicial career service, for late CY 1987 or 1988. Several draft legislative proposals (e.g., criminal procedure, rules of evidence,

Judicial Council) have been developed for submission to the Assembly in early 1987. The Judicial Protection Unit, which provided protection during the 1984 churchwomen's trial, is being re-configured for location within the Ministry of Justice. It will consist of a small unit that will assess individual security situations and determine the appropriate means (GOES or private security resources) necessary to provide protection for judges, prosecutors, and witnesses in politically volatile criminal cases.

The Commission for Investigations is fully operative and is investigating several highly volatile political murders. Its work has been most effective on new cases where the evidence is fresh (e.g., the capture and trial of the alleged assassin of a postal union official). Overall the Commission, which consists of an executive unit, a 27-person Investigative Unit, an eight-person Forensic Unit, two lawyers and administrative support, has achieved a level of professionalism that is without equal in El Salvador. The Commission's Investigative Unit continues to receive a wide variety of training (e.g., post-bomb blast investigation, visual link analysis). The Forensic Unit has a complete complement of core staff and experts in chemistry, serology and mineralogy will be added in 1987. The Forensic Laboratory will be fully equipped and operational by April 1987.

Comprehensive improvements in judicial administration must await the recommendations of the Revisory Commission. As an interim measure, however, two new Decree 50 courts were set up to deal with a serious backlog of cases, an emergency court equipment needs assessment was made and procurement has begun. This procurement effort was scheduled for completion in late 1986, but due to conditionality constraints and the October 1986 earthquake, the process was delayed. A new administrative unit for the court system has been set up, thus releasing judges from administrative tasks. Three new law libraries will be established by March 1987, short term training for judges has been carried out, and training (U.S. and in-country) will be provided Justices of the Peace this year. Also, in 1987, in cooperation with ILLANUD, an overall management assessment of the judiciary should be completed.

The October earthquake has hampered progress in making major changes in the administration of the judiciary. Four major buildings housing over 40 courts were destroyed making it necessary to set up temporary courts in a nearby parking lot. This system is far from ideal and may become virtually impossible with the onset of the rainy season. Consequently, project funds will be reprogrammed to help establish a more suitable temporary court complex in early 1987.

During 1988 and 1989, AID will continue to support training for members of the judiciary, the Office of the Attorney General, and the Office of the Solicitor General. These will be ongoing efforts designed to increase the professionalism of the key elements in the criminal justice system. Attention will also be focussed on strengthening the bar associations, upgrading legal education, and continue to educate the public on the value of the rule of law to a democratic society. By the end of the planning period, it is anticipated that the vast majority of draft reforms will have been enacted into law, that the National Judicial Council in the judiciary and the career service will be established, that budget levels for the judiciary will be more adequate, and that the overall speed of the judicial process will be greatly increased.

OBJECTIVE No. 15 IMPROVE HUMAN RIGHTS

1. MISSION INDICATORS/UNITS OF MEASURE

Establish two Human Rights Commission offices  
 Number of politically motivated deaths per year  
 Establish two new Decree 50 courts  
 Re-establish Public Defenders Office  
 Establish legal defense system

2. PERFORMANCE UNDER MISSION INDICATORS

	1980-84	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Target</u>	<u>Target</u>
Two new offices	-	-	yes	yes	-	-	-
Political deaths*	3,860	335	250	257	200	100	50
Two Decree 50 courts	-	-	yes	yes	-	-	-
Public defender office	-	-	yes	yes	-	-	-
Legal Defense system	-	-	-	-	yes	-	-

\* Source is US Embassy Human Rights Officer.

3. ACTUAL VS/PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY 1987 IN LAST YEAR'S ACTION PLAN

	<u>Quarter/year*</u>
--- Reduce time accused persons are detained pending trial by establishing two new courts to handle Decree 50 cases.	1Q CY86
<u>Status:</u> Two Decree 50 courts established.	
--- Revisory Commission revises laws relating to the detention of suspects by the GOES security forces.	3Q CY86
<u>Status:</u> Not accomplished. Revised target date is mid-1987.	
--- Establish a Public Defenders Office within GOES.	3Q CY86
<u>Status:</u> Completed and functioning.	
--- Establish two new regional Human Rights Commission offices.	2Q CY86
<u>Status:</u> Completed and functioning.	
--- Establish a public information capability within the Human Rights Commission.	2Q CY86
<u>Status:</u> Seminars have been held and a public education campaign is being carried out.	

\* As indicated in previous Action Plan.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

- That GOES, including military and security forces, and other political forces (unions and political factions) will continue to increase their respect for human rights goals.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD Quarter/Year
- Press GOES to develop a system to reduce the Decree 50 and ordinary criminal case backlog and thus reduce the detention time for those awaiting trial. ongoing
  - Press GOES to make the government Human Rights Commission more independent, more highly respected and more effective (e.g., establish a commission made up of persons highly respected for their work in human rights, and provide commission with authority to hold hearings, make investigations and recommend changes in laws and public policy related to human rights). ongoing

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD Quarter/Year
- Reduce period of time accused persons (Decree 50 and common criminal cases) are detained pending trial by 1) adding judges and legal clerks for Decree 50 cases or by increasing their hours, and 2) by setting up a system for releasing detainees held longer than their punitive sentence would have required. 2Q CY87
  - Establish a system to provide legal assistance to persons arrested, held or otherwise detained. 2Q CY87
  - Revise the Decree 50 provisions to better protect the human rights of those accused of Decree 50 violations. 2Q CY87
  - Develop an effective method of informing the general public about human rights considerations as well as their rights and obligations under the law. 3Q CY87

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Human Rights	519-LC-71	0	ESF		LC	215	300		

## 8. NARRATIVE

The Human Rights Commission of El Salvador, established in 1983, promotes a greater awareness of, and respect for, human rights and plays a critical role in deepening the commitment of the Salvadoran people and their elected government to the process of developing an effective democracy. The Commission's work, which ranges from finding people 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 the law and justice into their own hands. It also serves an investigative function capable of determining whether GOES forces have been involved in cases of disappearances and abuses. The Commission has received local currency support under the USAID Balance of Payments program since it was established.

AID will continue to take an active role during the FY 1987-FY 1988 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 has established two additional Trial Courts within the Decree 50 court system. These two additional trial courts, in addition to other measures, should help reduce the case backlog. The Mission will also attempt to improve the effectiveness and independence of the Human Rights Commission during 1987 and 1988. This may involve recommending changes in the law that set up the Commission (e.g., providing the Commission with authority to hold public hearings, investigate cases, and make recommendations for changes in laws and public policy related to improving the human rights situation).

OBJECTIVE No. 15: STRENGTHEN REPRESENTATIVE GOVERNMENT

1. MISSION INDICATORS/UNITS OF MEASURE

Mayors and staff provided TA or training (number)  
 Assembly members visit other legislatures (number)  
 Trained Assembly members/staff (number)  
 Establish non-partisan analysis unit in National Assembly  
 Community leaders trained (number)

2. PERFORMANCE UNDER MISSION INDICATORS

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986		1987 <u>Target</u>	1988 <u>Target</u>	1989 <u>Target</u>
			<u>Target</u>	<u>Actual</u>			
Mayors/staff trained or given TA	--	--	75	170	200	200	100
Visits to other assemblies	--	--	15	7	10	10	20
Members trained	--	--	25	57	--	--	--
Community leaders trained	--	--	--	--	400	1000	1000
Non-partisan unit	--	--	--	--	yes	--	--

3. ACTUAL VS PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY 1987 IN LAST YEAR'S ACTION PLAN

--- Develop training programs for National Assembly members and their staffs, including visits to U.S. and third country legislative bodies. 4Q CY86

Status: A five day in-country seminar on parliamentary procedures was conducted for all Assembly members October 8-12, 1986, and seven Salvadoran legislators were sent to the U.S. to visit other legislators.

--- Begin training of mayors and other local government officers under National Plan auspices. 4Q CY86

Status: Accomplished, 170 mayors and other local officials were trained.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

- That a municipal development institute, ISDEM, and the Fund for Social and Economic Development (FUND) will be established by the GOES in early 1987.
- That the GOES continues to support the concept of devolving more authority on municipal governments.
- That the targeting of mayors by insurgent forces remains focused primarily in the conflictive areas.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

Quarter/Year

- Press the GOES and the National Assembly to establish and adequately fund ISDEM and the Municipal Fund. 2Q CY87
- Press GOES to continue to strengthen the autonomy of municipal governments. ongoing

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

Quarter/Year

- National Association of Municipalities (NAM), currently inoperative, becomes operative. 4Q CY87
- ISDEM enabling legislation is enacted and ISDEM begins to provide training and TA to municipalities. 3Q CY87
- The municipal FUND is established. 4Q CY87
- Two regional associations of mayors established. 4Q CY87
- 200 mayors and other local officials trained. 4Q CY87
- 400 local leaders trained. 4Q CY87

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Local Government Strengthening	519-0242	N(FY87)	DA	10,000	G	-	2,350	3,900	3,750
New OPG	519-0999	N(FY87)	DA	375	G	-	375	-	-

## 8. NARRATIVE

Strengthening representative government is a vital element in AID's overall goal of advancing the democratic process in El Salvador. This effort focuses on both the National Assembly, where the primary aim is to increase legislative professionalism, and at the municipal level, where the primary aim is to devolve more authority to municipal officers and to increase their capability to provide basic services to their citizens.

National Assembly: During 1986 AID supported with a \$500,000 grant, a series of training efforts to increase the professionalism of the Assembly and to establish a legislative data bank. In 1987-1988 AID is planning to support the establishment of a non-partisan legislative counsel unit to assist in the development of public policy and laws in a more orderly, rational manner.

Municipal Government: Encouraging the GOES to devolve greater authority on local government will continue to be a key element in AID's policy dialogue agenda. AID's interest and support has already shown dividends: a new municipal code was enacted in March, 1986, virtually all the mayors elected in 1985 (the first such election in 50 years) and some municipal officials were trained, a municipal reform planning unit was formed, and a small local currency funded municipal grant program was begun. In March 1987, the legislation establishing the Municipal Development Institute (ISDEM) was passed. This Institute will provide technical assistance and training for municipal officials and administer all funds provided municipalities from whatever source (e.g., the coffee export subsidy or the proposed Inter-American Development Bank loan). Legislation creating a Fund for Social and Economic Development (FUND) to support municipal projects is still before the National Assembly. As drafted, the FUND will allocate 2% of the national budget (approximately \$13 million) to municipalities on a per capita basis, with smaller municipalities receiving three to four times more per capita than larger ones.

To assist the GOES establish and consolidate the legal and procedural framework necessary to carry out its goals of providing more autonomy to the municipalities, AID has provided a \$45,000 grant to support a planning team which is developing the procedural and policy structure for the ISDEM and the FUND. Through the Strengthening Local Government project (519-0242) scheduled to begin in mid-1987 and run through 1989, further AID support is being planned to ensure that ISDEM will have the long-term capacity to provide technical assistance and training to municipal officials and community leaders. Once ISDEM and the FUND are established, the IDB plans to develop a project for a \$20 million loan to ISDEM for municipal projects.

The USAID has also provided support to strengthen the National Association of Municipalities (NAM), which until recently had been dormant, so that it can effectively represent all municipalities, their issues and problems; and, equally important, can promote and defend the overall municipal reform process. Some AID-funded initial training for potential NAM and ISDEM leaders and members has already taken place using municipal experts from the Brazilian Institute for Municipal Administration (IBAM) and a contract with the United School of America.

AID is also seeking to increase the capability of municipal officials to effectively provide needed services to their citizens. This will be done primarily by a technical assistance and training unit in ISDEM. Apart from the larger departmental capitals, most municipal officials are not prepared to carry out the increased responsibilities or manage larger sums of money contemplated under the reform program. Under the FY 1986 Central American Peace Scholarship Program, AID sent 100 local officials, mostly mayors, to the United States to visit local governments to gain a better understanding of effective administration and management techniques. In addition, the National Commission for Restoration of Areas (CONARA) has carried out training to help municipalities in conflictive zones design and manage small municipal projects. Additional training, carried out in conjunction with the National Association of Municipalities, is focussing its training on municipalities in the non-conflictive zones.

Finally, AID will, in the short-term before ISDEM becomes fully operational, expand the coverage and type of public services made available in municipalities. Working through CONARA, AID has already started a pilot project, Municipalities in Action, using local currencies to fund small municipal projects in the range of \$6,000, such as potable water systems, public sanitation, and community centers. There are plans to expand this effort to small municipalities in non-conflictive zones. Whenever possible, projects will be designed to support other training efforts.

Despite the many important efforts being made by the USAID to strengthen the democratic process, El Salvador, today, remains an enclave society in which there exists little objective interchange of ideas on political, social and economic issues. What little interchange there is, moreover, tends to be strident and uncompromising. Without a process and an environment that fosters open dialogue, the possibility of reaching a "reasoned consensus" on major issues will continue to allude the Salvadoran society, forcing the debating parties to the extremes. To address this problem, the USAID in 1987 will develop an OPG with CENITEC, a non-profit "centerist" institution designed to foster open discussions among the often combative sectors of Salvadoran society on vital national issues. Initial start-up funding will be provided to help CENITEC develop an operational strategy and methodology to carry out activities over the planning period which promote "reasoned" consensus on basic problems that confront Salvadoran society.

OBJECTIVE No. 15 SUPPORT THE ELECTORAL PROCESS

1. MISSION INDICATORS/UNITS OF MEASURE

New Voter Registry set up  
 Eligible Voters actually voting (%)  
 Political power transferred peacefully

2. PERFORMANCE UNDER MISSION INDICATORS

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Target</u> <u>Actual</u>		1987 <u>Target</u>	1988 <u>Target</u>	1989 <u>Target</u>
New Voter Registry	--	--	--	--	yes	--	--
Eligible voters voting (%)	80	80	--	--	--	80	85
Power transferred	yes	yes	--	--	--	yes	yes

3. ACTUAL VS/PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY 1987 IN LAST YEAR'S ACTION PLAN

	<u>Quarter/year*</u>
--- Review of the Electoral Law and procedures by the Central Elections Council (CCE) and adoption of a new national voter registry.	4Q CY86
<u>Status:</u> The new Voter Registry is close to completion; about 90% has been completed as of February, 1987. This will, however, be an ongoing activity as there is a constant need to update the registry.	
--- Develop a public education program on civic awareness and voter responsibility to be conducted by the CCE and civic organizations.	4Q CY86
<u>Status:</u> In connection with the update of the Voter Registry and the development of a new Voter Card, the CCE has undertaken a significant public education and awareness program designed to get people to register and sign up for the Voter Card.	

\* As indicated in previous Action Plan.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

--- That all sectors of Salvadoran society will continue to support the electoral process and that the GOES will provide adequate budget levels so that the Voter Card phase of the process can be completed and the Electoral Registry can be properly maintained and updated.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

--- Continue to press the GOES to provide adequate funding from the ordinary budget to support the CCE effort to complete and maintain the Voter Registry and to carry out the process of providing each citizen with a Voter Card. (The Voter Card phase may not be completed, however, in time for the 1988 elections for Mayors and Members of the National Assembly). 2Q CY88

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD

	<u>Quarter/Year</u>
--- Free, open elections held in 1988 for Mayors and Members of the National Assembly with at least eighty percent (80%) of eligible voters voting.	2Q CY88
--- Free, open elections held in 1989 for President, with at least eighty-five (85%) percent of eligible voters voting.	2Q CY89
--- Eligible voters will have been provided with new Voter Cards in time for the 1989 Presidential elections.	2Q CY89

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Election Council	519-LC-72	0	ESF		LC	400	-	-	-

8. NARRATIVE

AID's overall objective is to continue to build the Salvadoran people's confidence in the integrity of the electoral process, a key element in the democratization process. AID has supported the GOES Central Election Council's (CCE) efforts to establish and maintain the electoral registry and institute a new national voter registry to replace the current "cedula" system.

During 1986, local currencies and technical assistance were provided to the CCE to establish a single national voter registry and voter card system prior to the CY 1988 national elections. The Registry is virtually completed, but progress on providing all eligible voters with a Voter Card has been slower than anticipated, a delay that cannot be attributed solely to the October earthquake.

AID's role in these activities has been reduced due to a GOES Presidential decision to require the CCE to obtain its funding through the Ordinary Budget rather than use ESF local currency generations. Unclear at this time is whether this policy will continue and, thereby, reduce direct AID involvement in the electoral process as the 1988 elections approach. AID is, however, carefully monitoring the activities of the CCE, particularly its budgetary levels, to ensure that the upcoming elections are not impeded by lack of technical assistance or lack of funds.

OBJECTIVE No. 15 STRENGTHEN THE DEMOCRATIC LABOR MOVEMENT

1. MISSION INDICATORS/UNITS OF MEASURE

Membership in democratic unions  
 Membership in non-Democratic unions  
 Establish umbrella organizations of Democratic unions  
 Labor leaders trained  
 Rank and file trained

2. PERFORMANCE UNDER MISSION INDICATORS

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project</u>	<u>Actual</u>	<u>Project</u>	<u>Project</u>	<u>Project</u>
Membership in democratic unions	-	180,000	180,000	186,000	190,000	-	-
Membership in non-democratic unions	-	50,000	45,000	45,000	40,000	-	-
Umbrella organizations	-	-	yes	yes	-	-	-
Leaders trained	-	-	100	212	225	-	-
Rank and file trained	-	-	250	6,000	6,000	-	-

3. ACTUAL VS PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY 1987 IN LAST YEAR'S ACTION PLAN

	<u>Quarter/year*</u>
<p>--- Carry out courses in politics and democratic ideology for trade union leaders and members.</p> <p><u>Status:</u> From June 1986 to January 1987, 202 seminars were held involving 4,429 participants.</p>	1Q CY89
<p>--- Support production of publications and press releases to promote and increase the strength of democratic unions.</p> <p><u>Status:</u> UNOC averages two press releases per month and CTD publishes a monthly newsletter. Also 600 union members sponsored a major conference on the GOES tax proposal.</p>	1Q CY89
<p>--- Support the Conferedación de Trabajadores (CTD) and other democratic urban unions.</p> <p><u>Status:</u> AIFLD supported the development, in March 1986, of UNOC, an umbrella organization of democratic unions. AIFLD provides ongoing support to both UNOC and CTD.</p>	1Q CY89
<p>--- Carry out vocational training programs and sponsor scholarships to encourage democratic union membership and increase employment.</p> <p><u>Status:</u> Some scholarships have been provided with National Endowment for Democracy funds and by the George Meany Center. The plan to carry out vocational training has not moved along as quickly as planned. A limited manpower needs assessment was carried out as well as a feasibility study of an in-country training program for the construction industry. A proposal will be considered in 1Q CY87.</p>	1Q CY89
<p>--- Carry out income-generating projects and set up a small-projects revolving fund to support campesino organizations.</p> <p><u>Status:</u> This activity has been held up pending satisfaction of a condition precedent regarding an accounting of a prior campesino revolving fund.</p>	1Q CY87

\* As indicated in previous Action Plan.

--- Give financial support to each of the 25 AIFLD-supported cooperatives to hire management staffs. 1Q CY89

Status: Accomplished. These management teams are now operating on all 25 coops.

--- Represent campesino beneficiaries before FINATA in resolving titling conflicts. 1Q CY89

Status: In process; however, a legal staff of four people will be added in early CY87 to the current conflict resolution team as most of the problems are legal in nature.

--- Establish a group of 24 promoters to organize grupos solidarios to provide outreach to Phase III beneficiaries. 1Q CY89

Status: Accomplished.

--- Extend AIFLD literacy program one year. 1Q CY89

Status: Accomplished. AIFLD supports three union literacy programs which provide training to approximately 1,250 participants per month.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED

--- That AIFLD will be able to work actively in the urban labor sector without additional threats or concern for safety due to a general deterioration of security conditions.

--- That the GOES will continue to foster a climate of openness in which the democratic labor movement can grow and work effectively.

--- Continued existence of UNOC, with some additional membership growth.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD

This has not been an area of policy dialogue for AID to date.

6. <u>KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD</u>	<u>Quarter/Year</u>
--- Develop an urban labor strategy to assist AID and AIFLD to evaluate current efforts and undertake new activities where needed.	3Q CY87
--- Hold approximately 400 seminars for 15,000 rank and file members, with a higher percentage of urban members.	4Q CY87
--- Establish an in-country union-sponsored manpower skills training program for the construction industry.	4Q CY87
--- Strengthen UNOC by establishing a UNOC-sponsored political training program.	2Q CY87
--- Increase the percentage of urban workers in on-going training and scholarship programs.	4Q CY87

7. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
AIFLD OPG	519-0321	0	DA	10,650	G	2,500	2,500	2,900	2,750

## 8. NARRATIVE

As part of the AID goal of strengthening the democratic process in El Salvador, considerable support has been provided the democratic labor movement through a cooperative agreement with AIFLD. Increasing the capacity and the strength of the democratic labor movement is important not only because it bolsters the basic right of free association, but also because unions make it possible for employees to better their wages and working conditions. Moreover, unions are key to the development of an effective system of "Industrial Jurisprudence" in which both employees and management, through the collective bargaining process, are able to work out their differences in a rational, peaceful and predictable manner.

In recent years, AID's support for the democratic union movement through AIFLD has focused primarily in rural areas with emphasis on organizing campesino unions and providing overall support for the agrarian reform movement, particularly for Phase I and Phase III beneficiaries. Under the 1986 cooperative agreement with AIFLD, greater support is being focused on the urban trade union movement with the aim of increasing their technical and political professionalism. During 1986, for example, 300 seminars for over 10,000 union members were held; UNOC began a program of issuing two press releases per month on key labor issues; the CTD started publishing a monthly news letter; and a conference of unions was held to discuss a proposed GOES tax package. The CGT and ACOPAI have sponsored literacy programs which have involved over 1,250 persons monthly. Legal support through ACOPAI and the UCS has provided ongoing assistance to land reform beneficiaries with titling problems.

In terms of overall support for the labor movement, AIFLD continues to provide administrative and other support to the CTD and the UNOC, which have played a key role in promoting the goals and ideals of the democratic, free labor movement. This support has had dividends in that both SIPES and ACOPAI have joined UNOC officially.

For 1987, with the help of the International Masonary Institute of Washington, D.C., AIFLD plans to establish an in-country skills training program focusing primarily on the construction industry which, because of the earthquake of October 1986, is expanding considerably. Also, planned for 1987 is a UNOC-sponsored training program on political action to increase the political skills and sophistication of unions so that they can use the electoral political system rather than be used by it. AID plans, in early CY 1987, to develop an urban labor strategy to assist AID and AIFLD to evaluate current activities and develop new ones for 1988-89 that will further bolster and strengthen the democratic labor movement in urban centers.

The FY 1986, Cooperative Agreement with AIFLD will be fully funded in FY 1989. USAID will, however, consider continuing assistance to AIFLD if a new proposal is submitted and our budget situation permits continued support.

**B. SPECIAL ANALYSES**

**1. New Project Descriptions**

NEW PROJECTS AND AMENDMENTS

TITLE	NUMBER	NEW (N) OR AMENDMENT (A)
<u>FY 1987</u>		
Agribusiness Development	519-0327	N
Industrial Parks and Infrastructure	519-0323	N
Youth Entrepreneurial Development	519-0311	A
Small Enterprise Development	519-0322	A
Association strengthening Activities	519-0316	A
Private Sector Initiatives	519-0336	N
Public Services Restoration	519-0279	A
Industrial Stabilization and Recovery	519-0287	A
<u>FY 1988</u>		
Potable Water/Environmental Sanitation	519-0324	N
Small Business Assistance	519-0318	N
Agriculture Technology Transfer	519-0335	N
Medium Term Trade Credit Insurance	519-0338	N
<u>FY 1989</u>		
Private Sector Health Care Financing	519-0340	N
Urban Infrastructure Upgrading	519-0339	N
Tax Administration Advisory Assistance	519-0326	N

NEW PROJECT DESCRIPTION

Country: El Salvador  
Objective: No. 1, Increase Agricultural Production  
Project: 519-0327, Agribusiness Development  
Appropriation Account: DA/Agriculture  
Functional Account: 103/FN  
LOP: \$30.0 million Grant  
Descriptor: 000  
PID Scheduled to be Reviewed  
and approved in the field: March, 1987

Description:

The Project purpose is to increase production and export of non-traditional agriculture crops. The principal outputs will include: (1) Increased financial investment for non-traditional crops at production, processing and marketing levels; (2) Marketing expertise developed and utilized in participating institutions and firms; (3) Improved transportation logistics system developed and functioning; (4) Increased availability of needed technology and expertise; (5) Policy studies developed.

Potential Policy Issues:

The overall investment climate in agribusiness as it relates to government tax, fiscal and economic policies will be an issue in project development and implementation.

Narrative:

The project goal is to support economic recovery in El Salvador by increasing foreign exchange earnings and employment. Attaining this goal will result in greater employment opportunities in the fields of production, processing and marketing of non-traditional, agricultural export products. The increase in exports will, in turn, lead to greater foreign exchange earnings. In the long-run it is important that El Salvador exploit its

comparative advantages of a relatively low cost labor supply and a strong entrepreneurial inclination among agricultural producers. Assumptions prerequisite to attaining the project goal are that world market conditions will maintain at a level permitting El Salvador to capitalize upon its comparative advantages and that the security situation in areas targeted for project activities will at least not deteriorate in the near term, and eventually improve.

The technical constraints to achieving the project purpose include a lack of credit, market information, infrastructure (especially transportation), and appropriate technology and expertise. The production, processing and marketing of high value, non-traditional agricultural crops will be supported. The coordinated availability of project resources which address the above constraints within a supportive policy framework will allow infant industries to achieve their own critical mass for sustained development.

The output of increased investment recognizes the need for producers of non-traditional crops to invest their own resources in production ventures as well as have access to sufficient credit. The development of new industries emphasizing the advancement of non-traditional, mostly exotic, crops from their current infant stage will require increased capital investment in fixed assets from the production through the marketing phases, and it will necessitate production credit for the higher operating costs associated with expanded, diversified, high value export crops. In order to ensure increased aggregate credit to support project activities, the total amount of credit made available by the project must be in addition to that currently available through existing lines of agricultural credit. If a credit mechanism similar to existing GOES lines is utilized, a successful credit element will require a GOES willingness to relax quote excessive feasibility unquote standards for activities which are new and perceived as risky.

Marketing expertise developed and utilized, will be evident by penetration into new markets such as Europe and the Pacific Rim or increased penetration into existing markets in North America. This requires an ongoing effort by those implementing the Project to assess market opportunities vis-a-vis El Salvador's competitive advantages and continuously provide up-to-date information to producers. Initially, it will be necessary to provide technical assistance in international marketing so that Salvadoran producers are responding to realistic market niches and demand, rather than presuming them to exist.

An improved transportation logistics system will help to reduce costs and provide a wider variety of transportation services for producers. Early in project implementation it will be necessary to evaluate transportation service and rates relative to those of other countries and firms, investigate volume incentive contracts or subsidies and assess alternative transportation modes and patterns. Management skills in commodity trafficking and logistics need to be developed within the implementing institution(s).

The output of greater availability of appropriate technology and expertise should translate into improved yields and increased quantities of exportable products. Successful technology transfer for the undeveloped industries involving non-traditional crops will require both capital and human resources and a realization that results may take several growing seasons. Emphasis will be on transferring technology from those external sources which are already utilizing it for production or are in the business of extending agricultural technology in the specific areas needed.

The output of policy studies developed will provide a basis for addressing the constraints which are to be included in the policy dialogue. GOES policies which may reduce fiscal and tax constraints to producers and increase economic incentives will be studied and reviewed by A.I.D. and GOES decisionmakers.

<u>Inputs:</u>	<u>Life of Project (\$000's)</u>	
	<u>A.I.D.</u>	<u>Non A.I.D.</u>
1. Technical Assistance	7,000	1,000
2. Training	3,000	500
3. Credit	18,000	6,000
4. Other costs	<u>2,000</u>	<u>250</u>
Total	30,000	7,750

PROJECT AMENDMENT DESCRIPTION

**Country:** El Salvador

**Objective:** No. 2, Strengthen the Private Sector

**Project:** 519-0311, Youth Entrepreneurial Development

**Appropriation Account and Category:** DA/Selected Development Activities,  
Health

**Functional Account:** 106/SDA, 108/HE

**LOP Funding:** \$3.65 million (G)

**Descriptors:** 800, Aa

**Scheduled to be Reviewed  
and Approved in the Field:** March 1987

**Description:** The purpose of this project, authorized for \$1.0 million in August 1985, is to offer Salvadoran youth first-hand, practical exposure to private enterprise. By doing this, viable economic opportunities are being presented to youth, especially critical in conflictive areas. The current project is assisting the expansion efforts of Junior Achievement programs in the cities of San Salvador, Sonsonate, Santa Ana, and San Miguel. The proposed project amendment would provide support for the construction of five regional centers, the acquisition of additional equipment, and an expansion of the current programs of the Youth Entrepreneurial Development Association (APROSJU). Since the project's initiation, approximately 5,700 Salvadoran youths have participated in the APROSJU's activities. The majority of these youths are from middle and lower socioeconomic groups. In the various programs, emphasis is placed upon instilling the economic principles which are the basis of the free enterprise system.

**Potential Policy Issues:** None.

**Narrative:** The proposed project amendment would provide additional support for four main components:

A. The Junior Achievement program in San Salvador/Santa Tecla: APROSJU will continue to expand its activities in San Salvador and Santa Tecla. The project will finance the construction of a new center on a site recently purchased by APROSJU in Santa Tecla. The facility will house both the national center and the regional center for Santa Tecla. It is expected that at the end of the project, approximately 2,300 youths per year in San Salvador and 800 in Santa Tecla will enroll in the Junior Achievement program.

B. The Regional Program: APROSJU will purchase or construct four regional centers in San Miguel, Santa Ana, Sonsonate and another location to be determined. The project will finance the necessary equipment and construction or acquisition costs of the buildings. APROSJU will finance the acquisition of the land with counterpart funds. The new infrastructure will enable APROSJU to expand its Junior Achievement program to reach at the end of the project approximately 1,140 youths per year in Sonsonate, 750 in Santa Ana, 750 in San Miguel and 150 at the fourth location.

C. APROSJU funds several activities which complement the standard Junior Achievement program. It has a computer literacy program which will benefit several hundred high school students per year in San Salvador and regional centers. APROSJU also offers an applied economics course taught at the high school level. This course was obtained from the Junior Achievement parent association in the United States. Under the project amendment, APROSJU would finish the translation of the applied economics course, currently being offered in English, and introduce it in Spanish at several metropolitan high schools.

D. EXEJES: Support will be provided to strengthen EXEJES, an organization comprised of former Junior Achievement participants. EXEJES will expand its program to the cities where the Junior Achievement program exists, create a job placement center for EXEJES members, establish technical libraries, and publish a monthly information bulletin. EXEJES will also continue with its special activities, including counseling services for Junior Achievement participants, imparting business courses in schools nationwide, and administering a loan program for the creation or expansion of small and microenterprises by the EXEJES members.

APROSJU has generated a great deal of enthusiasm and support in El Salvador. Private companies provide financial sponsorships for its activities, and APROSJU is careful to cover its costs before initiating activities. One of the project's objectives is to enable APROSJU to continue to cover costs while greatly expanding the program. By providing financing for construction and equipment expenses, at the end of the project, APROSJU will be in a financial position to cover recurrent costs.

The project is consistent with the Agency's efforts to promote the private sector. The project falls within the Mission's objectives of strengthening the private sector and spreading the benefits of growth through the promotion of small business. Because the project supports the outreach programs of a local PVO which benefit disadvantaged youth, grant financing is recommended. In addition to the \$3.0 million in A.I.D. funds requested, APROSJU will contribute the local currency equivalent of \$1.5 million as its counterpart contribution.

The major outputs will be: a) over 10,000 youths enrolled in the Junior Achievement program; b) over 5,000 youths completing computer literacy training; c) Five Junior Achievement centers constructed and equipped in different cities; and d) continued self-sufficiency of APROSJU at an expanded level of activity.

PROJECT AMENDMENT DESCRIPTION

Country: El Salvador

Objective: No. 15, Support Small Business

Project: 519-0322, Small Enterprise Development

Appropriation Account and Category: DA, Selected Development Activities

Functional Account: 106/SDA

LOP Funding: \$1.0 million (G)

Descriptors: 800, Aa

Scheduled to be Reviewed  
and Approved in the Field: April 1987

Description: The purpose of this ongoing project is to create employment and income opportunities in the small business sector, thereby contributing to the country's economic reactivation and recovery efforts. The project will constitute a broadening of A.I.D.'s efforts vis-a-vis the private sector and a spreading of the benefits of growth. Under the project, selected pilot efforts of private enterprises and other Salvadoran organizations to promote the development of small scale enterprises are being tested and evaluated. The results of these efforts will be used in the design of Small Business Assistance, a new FY 1988 project. The proposed project amendment will continue to assist in the sector's development by carrying out activities with business associations, promoting linkages to large and medium enterprises, supporting the activities of selected banks with respect to small scale enterprise, and aiding PVO's in providing credit and training to small businesses. The proposed amendment would add \$500,000 in funding and provide for an extension of the PACD of up to one year to allow for continuity between this project and the new Small Business Assistance project.

Potential Policy Issues: Interest rates to small and microenterprises are currently subsidized, and subloan terms and amounts are regulated. The lack of market rates and flexible terms contributes to the perception on the part of financial institutions that this type of lending is not profitable.

Narrative: The implementing organization will continue to be the International Executive Service Corps (IESC). The project is designed to test and evaluate selected pilot efforts of private enterprises and Salvadoran organizations to promote the development of small and microenterprise. Twelve activities or sub-projects have been launched with different organizations thusfar; twelve more are planned for FY 87.

The sub-projects fall under four broad categories. Through business associations, assistance has been provided to small and microentrepreneurs to market their products and obtain credit from the banking system. Business linkages to large and medium enterprises have been created, providing small firms with technical assistance in developing new products, finding a market for them and obtaining credit to finance the new operations. In the area of credit, the project supports the small business lending operations of selected banks and provides resources to private voluntary organizations which serve to establish guarantee funds at commercial banks for lending to the smaller microenterprises. In the area of training, the project has worked with several universities to provide courses in general administration to small and microentrepreneurs.

The project is consistent with A.I.D.'s efforts to promote the private sector and increase employment and income opportunities. It supports A.I.D.'s efforts to promote the economic recovery of El Salvador and to provide assistance to the small business sector, which is largely comprised of low and middle income segments of the population.

The expected project outputs are: 500 new jobs generated; 1,000 new loans approved for the local currency equivalent of \$2.0 million; and 500 persons trained.

Given the nature of the project and the low income levels of the targetted recipients, \$1.0 million in grant financing is recommended.

In terms of timing, the project amendment is scheduled for Mission approval in April 1987.

PROJECT AMENDMENT DESCRIPTION

**Country:** El Salvador

**Objective:** No. 2, Strengthen the Private Sector

**Project:** 519-0316, Association Strengthening Activities

**Appropriation Account and Category:** DA, Selected Development Activities

**Functional Account:** 106/SDA

**LOP Funding:** \$1.145 million (G)

**Descriptors:** 800, Aa

**Scheduled to be Reviewed  
and Approved in the Field:** May 1987

Description: The purpose of the project is to promote the private sector and foment its growth. In addition, the project is designed to broaden the private sector's involvement in the economic revitalization process and enables A.I.D. to assist a wide range of private organizations and individuals. This will be accomplished by strengthening key business associations and supporting their activities. Additional support will be provided to FUSADES, the Salvadoran Foundation for Social and Economic Development, to continue this program of general business association strengthening activities.

Potential Policy Issues: None.

Narrative: Salvadoran business associations have been identified as an important mechanism for providing Salvadoran business with timely information, technical advice, and general guidance needed to continue and expand operations in the current business environment in El Salvador, and to establish the basis for future exports of their products. This activity is designed to provide short-term technical assistance and training materials through FUSADES to the business associations to improve their capacity to provide general information and training to their members.

FUSADES has developed a library of video tapes and other didactic materials for use by participating business associations. The project amendment will enable FUSADES to cosponsor approximately 25-30 seminars and workshops in conjunction with the business associations during the project period. Training for associations' members and personnel, institutional development, research, and related activities will also be continued. Traditionally, business associations in El Salvador have not been involved in promoting development activities. The associations have not been active in promoting the broader interests of El Salvador, or even of the private sector as a whole. This project is designed to address this development problem. As such, the project is directly supportive of the Mission's objective of supporting the private sector.

Additional grant funding is requested because the principal project activities are technical assistance and training, and the beneficiary associations are non-profit organizations.

## NEW PROJECT DESCRIPTION

**Country:** El Salvador

**Objective:** No. 2, Strengthen the Private Sector

**Project:** 519-0336, Private Sector Initiatives (OPG)

**Appropriation Account and Category:** DA, Selected Development Activities

**Functional Account:** 106/SDA

**LOP Funding:** \$7.5 million (G)

**Descriptors:** 800, Aa

**Proposal Scheduled to be Reviewed  
and Approved in the Field:** July 1987

**Description:** The purpose of the project is increase the participation of the private sector in the social and economic development of El Salvador. The project will support a sustained Mission effort through 1990 to develop at least a minimum consensus among the major sectors of Salvadoran society which will permit the social, economic, and political self sufficiency of El Salvador and support initiatives contributing to this. Various project activities undertaken by private sector groups which promote general social and economic improvements will be supported. Through a cooperative agreement with a PVO, the Mission will support initiatives which pursue one or more of the following objectives:

- depolarization of relationships among sectors;
- private sector employment and wealth generation, particularly in the conflictive areas of the country; and
- private sector involvement in the provision of social services and development activities.

**Potential Policy Issues:** The ideological orientation of the GOES emphasizes state control and views the increased involvement of the private sector with suspicion.

Narrative: The Mission is committed to engaging the private sector as a major force in national development. It realizes that the potential of the private sector goes beyond business to a more integrated involvement which addresses a broader spectrum of development needs and opportunities of El Salvador. The private sector in El Salvador is not composed of large institutions which are structured to manage AID projects, and engaging the private sector in development projects within the traditional A.I.D. project system requires a great deal of institution building. In most cases, new initiatives with the private sector are by nature too small to warrant the time and effort required to develop and authorize an AID project. It is bureaucratically difficult for the Mission to finance the new activities which must be developed if it is to engage the private sector in a significant way. These opportunities in an unstructured environment must be addressed quickly to take advantage of circumstances which are in constant evolution. AID is not structured to do this easily.

Therefore, the Mission will develop in 1987 a new project to support private sector initiatives which promote social and economic development and lessen dependency on the GOES for improving the quality of Salvadorans' lives. The project resources will be managed by a U.S. PVO with operations in El Salvador.

The project addresses several development problems in El Salvador. First, the divisive nature of Salvadoran society leads to an inefficient allocation of national and private resources. Secondly, the project will give priority to stimulating productive activity in the conflictive areas, thereby offering viable economic alternatives to residents of these areas. Finally, it will improve the quality of services available to the Salvadoran people through increasing the direct involvement of private citizens in the social and economic development of the country. This is an essential element of the pluralism which is required for the evolution of a healthy democracy.

Activities will be funded as sub-grants to diverse groups, associations, or institutions. Illustrative activities include:

1. Depolarization:

- Support to INCAE to provide a series of 24 seminars on foreign exchange policy, labor policy, production policy and policy integration. The seminars would be coordinated by an intersectorial group including representatives from labor, business, government, the military and political parties. AID would not fund seminars for the military.
- The FUSADES private sector association strengthening program which increases the capacity of business associations to provide technical services to their members;
- The FUSADES economic studies program which provides competent apolitical analysis of economic and social issues of national importance.

**2. Creation of Wealth and Employment:**

- The efforts of apolitical private sector groups to develop business opportunities in the conflictive areas of El Salvador.
- Support for the creation of a Salvadoran stock exchange.
- The creation of a loan fund to assist the graduates of El Salvador's Junior Achievement programs to establish their own businesses.

**3. Social Services and Development Activities:**

- Private initiatives to provide housing, health, education and other services to workers in private free zone industrial parks thereby making the export development effort socially sustainable.

Because the project will consist of numerous technical assistance sub-grants with a variety of private institutions, grant financing is recommended. The project is currently scheduled for development and approval in the field in July 1987.

NEW PROJECT DESCRIPTION

Country: El Salvador  
Objective: No. 9, Improve Health and Health Services  
Project: 519-0324, Potable Water/Environmental Sanitation  
Appropriation Account and Category: DA/Health  
Functional Account: 108/HE  
LOP: \$20.0 million (Grant)  
Descriptor: 500  
PID Scheduled to be Reviewed  
and Approved in the Field: January, 1988

Brief Description: The project purpose is to increase the access of rural people to potable water and sanitation services. The goal is to improve health status. The project will help community dwellers by renovating or providing hand pumps, protected cisterns and small water systems, and by assisting rural communities to develop appropriate systems for garbage and excreta disposal. The project would benefit approximately 200 communities annually.

Potential Policy Issues: None.

Narrative: Access to adequate supplies of water is a basic human right. The lack of adequate water and sanitation services, particularly in rural areas, is a major contributor to gastro-intestinal health problems in El Salvador. Bringing modern water systems to rural communities has been a costly and low priority activity. Damage to existing systems has left many small communities with inadequate access to potable water. Also, the relocation of people due to the conflictive situation has overloaded traditional garbage and excreta disposal systems in rural towns and small communities. The result is an unhealthy and crowded environment for large segments of the rural population. This project will focus on increasing the access of rural dwellers to water and sanitation services while strengthening community capacity to maintain the systems.

Lack of potable water and adequate garbage and excreta disposal are primary underlying causes of diarrheas and gastro-intestinal diseases which are a leading cause of infant and child deaths and illness. The promotion of oral rehydration salts prevents deaths due to dehydration, but does not prevent the diarrheas and gastro-intestinal infections which usually cause them. Increased access to water, along with appropriate education in hygiene and in garbage and excreta disposal, will also reduce prevalent eye and skin infections.

The Project will provide technical assistance to agencies administering domestic water programs (i.e., the Ministry of Health (PLANSABAR) and ANDA), and concentrate on removing the existing backlog of water projects already requested from these agencies. A team of five to six engineers will review proposals for technical feasibility, help prepare specifications and other information needed for bids, and assist agencies to select the most feasible projects and solicit bids. Such 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 drill wells and install handpumps. Well-drilling would affect up to 2,000 communities a year, with one to four handpumps being placed in a community. A small, independent office would be established to liaise between the GOES and USAID, 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 assist communities to make necessary repairs. This maintenance and repair program would include a technical assistance component which would coordinate community-level interventions with Ministry of Health and ANDA personnel.

Since the project would have only limited impact on health unless there are also changes in water handling practices, personal and community sanitation attitudes and actions, the technical assistance would work with community leaders and local groups to design and implement systems which promote appropriate garbage and waste disposal as well as provide information on prevention and treatment of diarrhea. Recognizing that community involvement and participation are critical to any long term success, the final project design would draw on successful experience in other countries for necessary techniques and procedures. The project would also include an education and training component to promote acceptable water handling practices. Funds for this component would come from technical assistance and training line items.

This project complements other USAID and GOES efforts to improve health status, restore basic community services and enhance community participation in development. The project also complements A.I.D. policies on domestic water and sanitation, health, institutional development, recurrent costs and local organizations in development. The provision of A.I.D. resources in the form of a grant for technical assistance, training and commodities is consistent with A.I.D. 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

## NEW PROJECT DESCRIPTION

**Country:** El Salvador  
**Objective:** No. 15, Support Small Business  
**Project:** 519-0318, Small Business Assistance  
**Appropriation Account and Category:** DA, Selected Development Activities  
**Functional Account:** 106/SDA  
**LOP Funding:** \$10.0 million (G)  
**Descriptors:** 800, Aa  
**PID Scheduled to be Reviewed  
and Approved in the Field:** December, 1987

**Description:** The purpose of the project is to increase employment and income opportunities for the lower and middle income segments of the Salvadoran population by promoting and assisting small scale private enterprise. It will contain three components: financial assistance, training/technical assistance, and policy dialogue.

**Potential Policy Issues:** Current interest rates for small and micro business loans are not market rates; therefore, this type of lending is not perceived as profitable by the commercial banks. In addition, there are restrictions on subloan amounts and terms. The project will endeavor to change these conditions, as this issue is considered critical to project success.

While not deemed as critical as the former issue, the project will also seek the establishment of an adequate legal and regulatory framework which facilitates formal establishment of small and micro business and an apprenticeship law which encourages the hiring and training of unemployed unskilled workers.

**Narrative:** The project will have three major components in the areas of finance, technical assistance and training, and policy dialogue. It is contemplated that a registered U.S. PVO will be identified to serve as the implementing entity for the project.

The grantee will work with selected local institutions to channel credit to small and microenterprises under the finance component. Technical assistance and other inputs required to facilitate and encourage lending to small scale enterprises will be provided via selected banks which deal with the more sophisticated small scale enterprises. Funds for credit, equipment and technical assistance will be provided to support the efforts of local PVO's working with the smaller microenterprises.

Under the technical assistance and training component, support to selected organizations would be made to enhance their ability to provide information and advice on selecting appropriate production processes and equipment as well as the follow-up technical assistance needed by the target group. Business linkages to promote technology transfers from large and medium enterprises to small and microbusinessmen will also be supported.

Under the policy dialogue component, the project will promote the development of a legal environment conducive to formalizing small scale enterprises. Specifically, regulatory advantages for small scale enterprises in the fields of taxation and labor law, the establishment of a policy of market interest rates, and the removal of restrictions on subloan amounts and terms will be sought.

The proposed project is consistent with A.I.D.'s objective to promote broad based economic development and recovery in El Salvador by providing assistance to the small business sector, which is largely composed of low and middle income segments of the population. By addressing unemployment and underemployment and low income problems, the project responds to NBCCA recommendations to increase employment, incomes, and industrial production.

The project outputs will be: 1) increased capability of institutions to serve small and microenterprises; 2) creation and/or expansion of small businesses; 3) increased productivity of small scale enterprises; 4) improved legal and policy framework; 5) employment generation; and 6) trained entrepreneurs. At the moment it is not possible to quantify these outputs.

Because of the type of activities contemplated, grant funding is recommended. The project is currently scheduled for Mission development and approval in FY 1988.

## NEW PROJECT DESCRIPTION

Country: El Salvador  
Objective: No. 1, Increase Agricultural Production  
Project : 519-0335, Agriculture Technology Transfer  
Appropriation account: DA/Agriculture  
Functional account: 103/FN  
LOP: \$20.0 million grant  
Descriptor: 000  
PID Scheduled to be Reviewed  
and Approved in the Field: December, 1987

Description: Agriculture's role as the mainstay of El Salvador economy is perhaps reflected by the fact that historically the country's level of economic activity has been determined by the price fluctuations and production shifts of its traditional commodities---coffee, cotton, and sugar. Because in recent years these export crops have been and continue to be adversely affected by, inter alia, low export prices, they cannot be depended upon to generate and sustain economic growth. The country needs to increase production and productivity of coffee and basic grains and diversify its productive base. Economic revitalization, food security, and the success of agrarian reform farms depend upon adapting and disseminating new technology for producing traditional farmers, and reform beneficiaries point to a lack of production know-how, market linkages, and relative scarcity of irrigated land as major constraints to increasing production and diversifying agriculture. While market linkages and irrigation development are being addressed in on-going and planned Mission projects, as well as IDB-financed activities, the development of agriculture technology to support agricultural diversification and increase production has not been done in any significant fashion.

At present, El Salvador has the rudiments of an excellent public and private agriculture technology support system. There are private and public educational institutions which train agrónomos and ingenieros agrónomos. The Center for Agricultural Technology (CENTA) and several private sector agribusinesses provide research and extension services for traditional export crops, as well as for domestic staples (corn and beans). This expertise must be upgraded and greater emphasis placed on agricultural diversification. The existing agricultural research, extension and education system is not in a position to set off vigorously in this new direction. The necessary know-how --new technologies and cultural practices -- have to be developed or adapted, and this new knowledge has to be disseminated to farmers.

Potential Policy Issues: Ways to increase production incentives of Salvadoran farmers will be an important policy issue during project design and implementation.

**Narrative:** The purpose of this project is to upgrade and expand public and private agricultural research, extension and education services. By supporting efforts in these areas, this project will provide the basis for balanced and rapid dissemination of new technology for non-traditional and traditional agricultural products. Specifically, the project will:

1. Finance research into new crops/products with export potential by private sector producer associations with research facilities or capabilities. CENTA would also receive funding for establishing a division which works solely on non-traditional crop varieties. Collaborative research and exchange activities between local participating groups and international research organizations would also be funded under the project.
2. Reorganize the extension division of CENTA to decentralize its operations. Regional offices would be staffed and equipped and given the authority to make operational decisions for providing better and more frequent technical assistance/information to traditional and Agrarian Reform farmers in non-traditional crop production.
3. Strengthen the national agricultural school and private universities through the provision of technical and financial assistance for development of new curricula and better teaching materials to produce better-trained, more highly-skilled agricultural technicians. Particular emphasis would be placed on teaching communication skills to future extension personnel.
4. Support improvements in CENTA's research and extension activities aimed at overcoming some of El Salvador's most pressing problems of traditional agriculture such as coffee rust, cotton pests, low-yielding varieties of basic grains, lack of diffusion of hybrid seed, and general low production of improved seed varieties.
5. Train researchers, extension personnel, agricultural educators, and agricultural program managers in U.S. universities and provide technical assistance from a U.S. Land Grant University to assist in developing research, extension and training programs.

With the exception of an IDB loan to the Ministry of Agriculture (MAG) for improved cattle production, no other donors are providing assistance in the agriculture research, extension and education areas.

The direct beneficiaries of this project will be the public and private sector organizations involved in agricultural development who provide technical services to the approximately 391,000 economically active traditional and Agrarian Reform farmers.

**Relationship to Mission Strategy, NBCCA Recommendations, and Appropriate Policy Dialogue Interests:** The NBCCA recommendations for accelerated agricultural development are focused on diversifying production and export and for lessening dependence on food imports through a variety of programs such as the Agrarian Reform, provision of credit, expansion of rural infrastructure, and a sharp increase in research and extension services. The USAID's strategy for agriculture is focused on laying the base for agricultural diversification and intensification. The proposed project supports directly the NBCCA recommendations and the Mission's strategy by developing the technological resources to support increased agricultural productivity and diversification.

PROJECT AMENDMENT DESCRIPTION

Country: El Salvador  
Objective: No. 15, Restore Public Services  
Project : 519-0279, Public Services Restoration  
Appropriation account: ESF  
LOP: \$95.6 million Grant  
\$13.4 million Loan  
Descriptor: 800  
Agreement Amendment: December, 1987

Description: Additional funding of \$19 million will be needed in FY 1988 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. The purpose of the Public Services 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.

Potential Policy Issues: No major policy issues are anticipated at this time.

Narrative: 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), \$20 million (December 1985) and \$11 million (March 1987). The total authorized LOP funding is \$89 million. The current request will increase LOP funding to \$108 million (loan and grant combined).

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 \$19 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). The primary objective is the repair of existing infrastructure and restoration of services rather than the replacement of infrastructure and facilities. Some rehabilitation activities are proposed where a simple or temporary repair is no longer adequate.

The \$19 million would be obligated in the first quarter FY 1988. The advertising waiver contained in the Project Authorization, as amended, should be continued to permit rapid procurement of emergency repair parts and equipment.

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 DESCRIPTION

Country: El Salvador  
Objective: No. 5, Promote Exports  
Project: 519-0323, Industrial Parks and Infrastructure  
Appropriation Account and Category: DA, Selected Development Activities  
Functional Account: 106/SDA  
LOP Funding: \$6.0 million (G); \$6.0 million (L)  
Descriptors: 800, Aa  
PID Scheduled to be Reviewed  
and Approved in the Field: February, 1988

Description: The purpose of the project is to support the development of export industrial parks to increase foreign exchange earnings and employment opportunities in El Salvador. The project would consist of technical assistance to develop private export processing zones (EPZ), and credit to finance the importation of machinery and equipment for EPZ infrastructure.

Potential Policy Issues: None.

Narrative: The proposed project complements the Mission's Industrial Stabilization and Recovery (519-0287) Project, as well as other efforts to promote investment, joint ventures, and exports. It also reinforces the GOES' efforts to promote free trade zones. It is consistent with the NBCCA objectives of increasing industrial production, strengthening the private sector, promoting exports, expanding and improving infrastructure, and increasing employment. The project supports the Mission's and the GOES' economic reactivation and reorientation efforts by addressing infrastructure and employment considerations -- both of which are major development problems in El Salvador.

El Salvador's economy needs to shift further from import substitution to export-led growth, using labor-intensive manufacturing activities if it is to successfully attain renewed and sustained development. In making this

transition, El Salvador has several advantages: an easily trained, highly productive labor force; a strong entrepreneurial tradition; abundant energy; recent legislation which promotes export processing zones (EPZ); and private sector programs which provide technical and marketing assistance to entrepreneurs interested in penetrating new markets. Lacking, however, is the existence of efficiently managed industrial parks which offer investors preconstructed industrial shells, adequate utilities, and other support services. The two major project components would be technical assistance and credit. The technical assistance would be provided throughout the various stages of EPZ site design, development, and operation to ensure cost-effective operations and prudent management of the private export processing zones. Because Salvadoran law has only recently permitted the establishment of private export processing zones, the country lacks expertise in this area.

The project also proposes to make available flexible financing for private development of EPZ's. Major capital investments in power and communications equipment, water and waste disposal systems, and other supporting infrastructure will be required. Currently, there is no dollar financing available in El Salvador for this type of capital investment. Project resources will be complemented by other resources from the private investors and developers involved in project activities.

While it is not certain who the implementing organization(s) will be, a group of Salvadoran investors interested in EPZ development has been identified.

The expected project outputs are 1,500 new jobs in assembly industries to be located in private export processing zones and the creation of at least one private export processing zone.

A loan/grant split is recommended for project financing. Grant funds are required to finance the proposed technical assistance, while loan financing is most appropriate for the credit component of the project.

The project is scheduled for PID and PP review and approval in the Mission in FY 1988.

NEW PROJECT DESCRIPTION

Country: El Salvador  
Objective: No. 3, Stabilize the Economy  
Project: 519-0338, Medium Term Trade Credit Insurance  
Appropriation Account and Category: NA (Guaranty Program, EXIM)  
LOP Funding: \$200 million Contingent Liability  
Descriptors: 800, Aa  
Scheduled to be Reviewed  
and Approved in AID/W: FY 1988

Description: The purpose of the project is to assist the productive sector in increasing production and productivity by facilitating access by the Salvadoran private sector to medium term financing from foreign banks for imports from the United States. The project will also contribute to reestablishing commercial relationships between the Salvadoran private sector and foreign banks. The project would finance five year trade credit insurance from the Export-Import Bank (EXIM) to guarantee medium term lending by U.S. banks to Salvadoran firms for imports from the U.S. The project would carry a contingent liability for the credit insured.

Potential Policy Issues: None.

Narrative: Project activity would consist of medium-term lending guaranteed by EXIM, which in turn would be backed by A.I.D., to Salvadoran firms to finance imports from the U.S. of raw materials, intermediate goods, agricultural goods, and other production inputs required by the productive sector.

Prior to 1979 the financial requirements of Salvadoran international business were met through the direct relationship between businessmen and foreign commercial banks. From 1979 to 1986 there was virtually no foreign commercial bank financing available to the Salvadoran private sector. In 1986, A.I.D. funded the EXIM Trade

Credit Insurance Program (TCIP), which provided \$110 million in short term import financing to Salvadoran businesses through foreign commercial banks. Thirty eight million dollars in collateral deposits were freed and interest rates were reduced by up to three percent. El Salvador found an enthusiastic response to the program from foreign banks and leveraged the insured credit with an additional 25 percent of uninsured credit with concessional terms.

Medium-term credit insurance to foreign banks would be provided for private sector imports. A.I.D. would incur a contingent liability on commercial bank credit insured under the program. The end user would pay a flat front end fee of approximately 2.8 percent. The program would begin in 1988 and would operate for at least four years with increasing leverage on participant commercial banks as their experience demonstrates El Salvador's ability to meet its financial obligations. The Mission would like to participate in a regional medium term credit insurance program but would develop a bilateral program if necessary.

The project is consistent with Agency and regional policies and strategies designed to promote economic growth in general and the private sector in particular. The credit facility will help maintain and/or improve employment levels, improve the country's foreign exchange position, and increase export trade and foreign exchange earnings. This is consistent with the Mission's strategies for economic reactivation by enabling the productive sector to continue functioning and to grow. In this manner, the project contributes to the objective of stabilizing financial structures. The new insurance program would complement the Trade Credit Insurance Program, which finances similar imports but is only available on a short-term basis.

It is anticipated that at least \$250 million in medium-term financing for the Salvadoran private sector will be provided, and that at least five U.S. banks will become substantially involved in the program. Expected project outputs are: a) increased availability of foreign exchange for priority imports, b) reestablishment of commercial banking ties between Salvadoran and U.S. commercial banks, and c) increased imports from the U.S. as items previously sourced in Europe or Asia will be procured from the U.S. under the program.

A.I.D./Washington assistance and approval will be required to establish the medium-term trade credit insurance program. The approval date is to be determined upon approval of the concept.

NEW PROJECT DESCRIPTION

Country: El Salvador  
Objective: No. 9, Improve Health and Health Services  
Project Title and Number: 519-0340, Private Sector Health Care Financing  
Appropriation Account and Category: DA/Health  
Functional Account: 108/Health  
Total LOP (\$000): \$19.5 million Grant  
Descriptor: 500, Cc  
PID Scheduled to be Reviewed  
and Approved in the Field: December, 1988

Brief Description: The Project will promote and strengthen self-sustaining, community and privately-based health care delivery mechanisms which will extend cost-effective health care to the population and enhance access to basic pharmaceuticals at reasonable costs. The Project will include three components: (1) development of pre-paid or HMO-type comprehensive health care service organizations; (2) development of a community pharmacy program providing generic drugs at reasonable prices; and (3) incentive grants to local private and voluntary organizations to re-orient their health services to child survival and preventive care priorities while increasing their self-sufficiency.

Potential Policy Issues: Revisions may be necessary to GOES policies regarding the regulation and registration of pharmaceuticals to facilitate the registration of generic products manufactured by Salvadoran companies.

Narrative:

This Project will complement the Health Systems Support Project (519-0308) through support for the establishment and enhancement of self-sustaining community and privately-based health care delivery mechanisms which extend cost-effective health care to the population and increase access to basic pharmaceuticals at a reasonable price. Effective access to government provided health care services is limited by GOES budgetary constraints which

impede the flow of optimum quantities of basic medicines and health care services to the population. Initial studies indicate, however, that many Salvadorans are willing to pay for quality health services, but at the present time the costs are prohibitive. Evidence also indicates that employers would be willing to contribute to the costs of health care services for their employees to avoid interruptions and costly delays resulting from employee absences due to illness or time spent waiting for treatment from the public health care system.

Drawing on a planned 1987 national survey of health expenditures and health-seeking behavior, USAID will determine the extent to which pre-paid or HMO-type comprehensive health service plans can respond to Salvadoran health care needs and achieve self-financing status. Pre-project design work will include studies to determine the adaptability of the HMO-type model developed for employee associations to informal institutions such as community organizations and cooperatives. Pre-project design work will also include a careful review of implementation modalities as the Project may require the creation of a new non-profit organization to manage project activities and provide a flexible, non-governmental vehicle for establishing HMO-type health care plans.

The second component would seek to establish a self-financing community pharmacy program to increase the availability and affordability of basic medicines. Project funds would be utilized to establish a revolving drug fund which would purchase large quantities of basic medicines for subsequent sale to community pharmacies, HMO-type plans, and other health care institutions at cost plus a small percentage fee to cover the administrative costs of the revolving fund. Ideally, the bulk of these basic pharmaceuticals would be purchased from local manufacturers, rather than from more expensive foreign sources. A study of the pharmaceutical industry planned for 1987 will help to determine the extent to which these basic pharmaceutical requirements can be met by local manufacturers and/or generic products.

Finally, the Project would include incentive grants to local PVOs to re-orient their health care services to emphasize preventive care and child survival interventions as priorities, while at the same time helping these PVOs increase their self-sufficiency. For example, it is common practice within El Salvador for local PVOs to provide free medical care, including medicines, to individuals. A small charge, even if only C1.00 (\$0.20), would, however, help to offset the costs of these health care services, which are at present largely supported through international charitable donations.

This Project complements Agency health policy which mandates development and implementation of cost-effective, and self-sustaining activities which enhance child survival, reduce morbidity, and increase effective access to health care. It also responds to AID policy encouraging private sector involvement in health care financing and increased participation of PVO health care agencies in basic health and child survival programs.

NEW PROJECT DESCRIPTION

Country: El Salvador  
Objective: No. 11, Improve Housing  
Project: 519-0339, Urban Infrastructure Upgrading  
Appropriation account: ESF  
LOP: \$20.0 million Grant  
Descriptor: 800  
PID Scheduled to be Reviewed  
and Approved in the Field: Mission Review, November, 1987

Description: The Project will improve the quality of life for lower income Salvadoran families. The goal will be achieved by increasing the availability of community infrastructure and services (water, wastewater, roads, streets, community markets, sites with services) to low income Salvadorans and will strengthen the capabilities of public and private sector institutions providing these services to respond to current and future needs.

Potential Policy Issues: Matching the high cost of imported construction materials and land costs with the capacity to repay use of grant funds to capitalize implementing institutions; inter-agency coordination.

Narrative: The 1986 San Salvador earthquake forced the GOES to closely inspect municipal infrastructure and delivery of services. While the density of the city itself resulted in significant attention to urban problems, the impact was also apparent in surrounding municipalities making up the metro area, specifically: Mejicanos, Cuscatancingo, Ayutuxtepeque, Ciudad Delgado, Ilopango, Soyapango, San Marcos, Antiguo Cuscatlán, and Panchimalco. These areas are populated by families with lower median incomes levels than the city itself, and have long lived with substandard services.

In 1987, the creation of the Popular Housing Office (PRONAVIPO) in the Vice-Ministry of Housing and Urban Development (VMUDU) established a unit responsible for housing and infrastructure services for those beyond the reach of the formal financial system. Similarly, the Mission initiated grants to the newly formed Metropolitan Council of Mayors (CMA) to set up a planning group and begin strengthening their capacity to implement urban authority granted under the 1986 Municipal Code. This project seeks to build upon the momentum established by

these fledging institutions and result both in physical outputs improving the quality of life of the Salvadoran people, and in stronger municipal groups contributing to decentralization of authorities.

Project inputs would fund technical assistance to the CMA to strengthen their capacity to evaluate, plan and administer small scale community infrastructure projects and services. It would support PRONAVIPO's efforts to implement and fund these activities in slums, marginal communities and newly zoned areas while seeking cost recovery on selected services:

<u>Inputs</u>	<u>\$000</u>	<u>Outputs</u>
Technical Assistance	2,000	Increased capacity - MCA/ PRONAVIPO
Training	1,000	Increased Skills - over 600 persons
Subproject activities	16,500	400 Community Improvements
Equipment	<u>500</u>	-----
Total	20,000	

The project will train administrators, technical personnel, and implementing units at the community level in how to better manage a physical process as well as respond to citizens needs. The means of verification will be an increase in services and in the quality and pace of implementation over the life of project.

NEW PROJECT DESCRIPTION

**Country:** El Salvador

**Objective:** No. 3, Stabilize the Economy

**Project:** 519-0326, Tax Administration Advisory Assistance

**Appropriation Account and Category:** DA/Selected Development Activities

**Functional Account:** 106/SDA

**LOP Funding:** \$3.0 million (G)

**Descriptors:** N/A

**PID Scheduled to be Reviewed  
and Approved in the Field:** November 1988

**Description:** The purpose of the project is to assist the GOES to promote economic stabilization and social development through administrative reforms and improvements of the tax administration system. The project would build upon the ongoing Reform and Policy Planning Project (519-0260) which has assisted the GOES to formally establish an Economic Analysis Unit and to finance technical assistance 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. The proposed project is considered necessary to build upon the initial work of the Unit in the area of improved fiscal administration.

**Potential Policy Issues:** Elements of the GOES' current tax structure and policies discourage private productive investment. Prior to moving forward with this project, such policies must be reformed.

**Narrative:** Among the economic problems which the GOES must address is a persistently high fiscal deficit (6.4 percent of GDP in 1984 and an estimated 5.8 percent of GDP in 1985). Both external and internal factors have contributed to the problem during the past several years. 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 tax evasion.

In recognition of these problems, the GOES requested AID assistance in 1986 to review the tax structure and increase revenues. AID responded by financing the short term services of two teams of experts. One team worked with the GOES on analyzing the tax structure and policies, and the other carried out an assessment of the tax administration system. The tax policy advisers recommended reforms to the tax structure which would, among other things, lower the very high marginal rates of income taxes to more realistic levels and promote private productive investment. The tax administration experts recommended organizational and administrative reforms which would increase revenues without the imposition of new or higher taxes.

Since the provision of the technical assistance, the GOES announced new tax measures which run counter to the policy recommendations. The new tax package, announced in December 1986, has generated widespread protest by the private sector, and the GOES has had to re-examine the measures.

The development of the proposed project will depend on the GOES' willingness to reform the tax structure and policies in order to encourage savings and investment. Assuming that such policy reform is secured, the proposed project would provide technical assistance, training and additional computer equipment to modernize the administrative systems to make them more efficient and cost-effective. These inputs would be provided during a three-year period to the Ministry of Finance. In the interim, should additional technical assistance be required in the tax policy area, such services would be financed under the Mission's Reform and Policy Planning Project.

The first goal of the AID strategy in El Salvador is to assist the GOES to maintain social and economic stability. In the short term, AID's objectives are to help El Salvador reduce its balance of payments and fiscal deficits and to help the GOES in making sound macro-economic policy choices. Over the longer term, AID's objective is to assist El Salvador in becoming financially more self-reliant. The proposed project would contribute to achieving these objectives by: 1) encouraging prior action toward tax policy reforms which help stimulate increased economic activity; and 2) helping the GOES to increase its revenues and decrease the fiscal deficit. Since the major project inputs would consist of technical assistance and training, The provision of AID resources in the form of a grant is consistent with AID guideline on "Terms of Aid."

At this stage, it is expected that the major project outputs would consist of approximately \$150 million in additional local currency revenues that would be collected through improved administrative methods, as well as the establishment of a more efficient, cost-effective system of tax administration.

PROJECT AMENDMENT DESCRIPTION

Country: El Salvador

Objective: No. 5, Promote Exports

Project: 519-0287, Industrial Stabilization and Recovery

Appropriation Account and Category: ESF

LOP Funding: \$39.46 million (G)

Descriptors: 800, Aa

Scheduled to be Reviewed  
and Approved in the Field: June 1989

Description: The purpose of this ongoing project is to stimulate growth in the non-traditional export sectors of the Salvadoran economy, resulting in increased levels of employment, income, investment, and foreign exchange earnings. Technical and financial support is being provided to both public and private sector entities to enhance and expand non-traditional exports. Assistance to date has included technical assistance, technology transfer, institutional strengthening, and training. In addition, efforts to establish the appropriate policy and legal framework for non-traditional exporters have been funded. FUSADES, the Salvadoran Foundation for Economic and Social Development, is implementing the private sector component. MICE, the Ministry of Foreign Commerce, implements the public sector component in coordination with MIPLAN, the Ministry of Planning. Originally approved in September 1984 for \$9.46 million, the Project was amended on August 28, 1986 to provide more emphasis on the development of export-oriented light manufacturing/ assembly operations in El Salvador. The Project Amendment provided for a \$20.0 million increase in funding and a two year extension of life of the project. The new \$10.0 million requested under the proposed project amendment would provide additional support to FUSADES and the GOES to increase their capacity to support non-traditional export development; the division of new monies among project components will be based on the ongoing implementation of the project and an assessment of future needs. A PACD extension of two years is also contemplated.

Potential Policy Issues: While not critical to project success, the enactment of a new Investment Law to streamline, update, and standardize existing regulations and codes and to increase access to foreign exchange earnings on the part of exporters would notably facilitate attainment of project objectives.

Narrative: Under the private sector component being implemented by FUSADES, an export and investment service has been established to provide timely information and technical support to help augment non-traditional exports to extra-regional, markets. In addition, FUSADES and the Mission are in the process of establishing an investment fund to help meet some of the medium and long-term financing needs of industrial export projects.

The public sector component funds GOES initiatives to develop the competitive legal and policy environment needed to augment non-traditional exports to extra-regional markets. It also supports the creation of mechanisms which facilitate private sector production and marketing of the type of exports targetted. A GOES/private sector commission has been created to generate broad-based national support for export and investment promotion.

The project is consistent with NBCCA recommendations to increase industrial production, exports, investment, and employment. In addition, the promotion of non-traditional exports is an important element of AID's development strategy in El Salvador. This activity generates employment and foreign exchange earnings, both critical to economic stabilization and recovery efforts. Achievement of this objective primarily through a private institution is consistent with Agency efforts to promote private sector participation in the economy and the development process. Efforts to improve GOES policy support for non-traditional exports are in keeping with AID's interest in promoting rational policies which are conducive to export development.

The major development problems being addressed are high unemployment and the critical shortage of foreign exchange. The current economic orientation toward production and marketing for domestic and CACM markets is a structural problem being addressed, as the project attempts to reorient the economy. Because of its non-traditional export orientation, the project directly supports the Mission's export promotion objective.

In terms of outputs, it is anticipated that 14,000 new skilled and unskilled jobs will be generated over the life of the project.

Given the positive economic impact said employment creation would provide, the Mission is contemplating amending the Project to provide further funding and a time extension. \$10.0 million in grant funds would be added to continue the project for an additional two years. The additional resources would be made available under both the GOES and the private sector components. Because the implementing entities would be FUSADES, a local, private, non-profit organization and the GOES, grant funding is recommended. Due to El Salvador's critical economic situation, grant funding is prudent.

The proposed \$10.0 million increase in LOP funding would bring total LOP funding to \$39.46 million. The amendment will be sent to AID/W for review and approval sometime in FY 1989.

NEW PROJECT DESCRIPTION

Country: El Salvador  
Objective: No. 15, Restore Public Services  
Project : 519-0320, Public Services/Infrastructure Rehabilitation  
Appropriation Account: ESF  
LOP: \$60.0 million Grant  
DESCRIPTOR: 800  
PID Scheduled to be Reviewed  
and Approved in the Field: June, 1988

Description: 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.

Potential Policy Issues: No major policy issues are anticipated at this time.

Narrative: 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, A.I.D. 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 local 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 deteriorating 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 to 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 big 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.

A.I.D. 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).

This project is consistent with and supportive of A.I.D.'s strategy for economic stabilization and recovery.

The GOES will contribute significant resources to support this project. The project will be designed and implemented in close collaboration with other donors whose involvement will be helpful in meeting major infrastructure rehabilitation needs in El Salvador.

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

El Salvador

7x FF-89 A.P

2. P.L. 480 Narrative

Title II

The purpose of the Food For Peace (PL-480 Title II) Program is to provide continuing support to nutritionally "at risk" segments of the population whose well being and living standards have worsened through unstable political and economic circumstances.

The major thrust of the FY 1988-89 Title II Program will be to assist the Salvadoran displaced person population reintegrate into the socio-economic mainstream through Food For Work (FFW) projects that emphasize primarily income producing activities and vocational training programs. The displaced persons program will have a component that has been specifically designed as a FFW reintegration program with procedures for phasing out program recipients as they become self-reliant. The number of displaced persons receiving PL-480 Title II commodities through the CONADES/World Food Program and the CESAD/AID programs at the beginning of FY-87 was 227,000. This is being gradually reduced to an expected level of 175,000 beneficiaries by the end of the fiscal year.

The goal for FY 1988 is to further reduce the number of displaced persons receiving food assistance as they graduate from the food for work programs. The remaining recipients who are 'at risk' nutritionally will be incorporated into the GOES-Directorate of Community Development (DIDECO)-FFW program or the maternal-child Catholic Relief Services/CARITAS nutritional assistance program.

The DIDECO FFW program, which heretofore had been directed exclusively toward the urban marginal poor, will be expanded to incorporate more rural communities. An effort to promote reforestation has begun and, in collaboration with the Ministry of Agriculture and Livestock (MAG), will be expanded. The Salvadoran Evangelical Committee for Relief and Development (CESAD) has been working with AID in a malaria control program, which has a lot of promise. The underlining theme of the Title II Program, in addition to providing nutritional support, is economic stabilization through income producing activities and the construction of badly needed infrastructure in the poorer communities.

In FY 1987 approximately \$10.2 million (CIF value) will be allocated to the Title II Program, including the CRS-CARITAS, DIDECO and CESAD Programs, which are detailed in the following table:

<u>SPONSOR</u>	<u>PROGRAM</u>	<u>RECIPIENTS</u>	<u>VOLUME M.T.</u>	<u>COST (FOB) \$</u>	<u>COST (CIF) \$</u>
CRS	MCH	130,000	5,952	1,492,088	2,123,000
DIDECO	FFW	154,500	16,850	3,067,926	4,987,395
CESAD	FFW-DP	42,500	5,428	1,397,761	1,940,561
DIDECO	DISASTER	<u>500,000</u>	<u>4,623</u>	<u>831,000</u>	<u>1,151,500</u>
TOTAL		827,000	32,853	6,788,775	10,202,456

Most FY 1987 regular program activities were halted for several weeks due to the October earthquake. AID responded to the emergency by providing 4,623 M.T. of Title II commodities to 500,000 earthquake victims. Most programs began functioning normally by mid-December. Ongoing nutritional needs for earthquake victims will be provided by the regular feeding programs, plus other donor emergency feeding programs. Transfer authorization agreements have been signed with DIDECO and CESAD for FY 1987-88. The main feature of the DIDECO agreement is increased emphasis on food for work income producing activities. The CESAD agreement calls for a 100% phase over from emergency feeding for unregistered displaced persons to RW development activities. In addition, CESAD will present a strategy for training and phasing out the displaced persons program.

With respect to Child Survival activities being supported by Title II program, CRS-CARITAS is providing nutritional assistance as well as nutritional education for 120,000 MCH beneficiaries. CRSAD, through their GENA Programs, is providing supplementary food assistance and medical surveillance to 10,000 at risk recipients with 1st, 2nd, and 3rd degree malnutrition. In addition, through a program with the MOH, the RFP program is providing nutritional support to 1,500 at risk recipients through 50 MOH nutritional centers.

In FY 1988-89, \$7.725 and \$7.725 million, respectively is requested to continue the phase over from emergency displaced nutritional assistance to more developmentally oriented programs which support AID strategy of economic reintegration for the economically indigent Salvadoran population. In FY 1986-87 AID provided technical assistance to DIDECO and is providing ongoing IA to CONADES in the areas of logistical and financial management, as well as improved management systems. It is expected that this assistance will continue into FY 1988 and will go far in developing an institution to better provide the necessary support and programs to phase out of emergency feeding for the displaced. Our long-term strategy is to reinforce the DIDECO-CONADES institutions to a level where CONADES can terminate its emergency feeding for displaced persons and merge with DIDECO under the Ministry of Interior aegis to provide quality nutritional and development assistance for the Salvadoran rural and urban poor.

Given the reduced DA budget for the present and future fiscal years, AID will put an added emphasis on monetization. A successful 206 Monetization Program has just been terminated. Other monetization programs, however, will be evaluated for appropriateness and compatibility with the El Salvador program strategy. Monetization of the 416 Food for Progress Program is an area where creative programming activities can be fruitfully explored to provide additional fiscal support for AID and PVO development programs.

Title I

AID's purpose in providing Title I resources in El Salvador is 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 ESF resources are negotiated as a package with the GORS 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, \$230.1 million have been loaned to the GORS for the importation of U.S. agricultural products. The original and follow-on Agreements have provided the GORS 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 GORS to the private sector and local currencies generated from the sales are used to support a variety of development activities.

In FY 1986, \$44 million was made available to the GORS. The Agreement included seven specific self-help measures to be taken by the GORS including: the adoption of new incentives for private sector investment in agribusiness; the improvement of procedures for processing credit for production; the adoption of measures to encourage production and diversification of non-traditional export crops; the adoption of measures to complete and consolidate phases I and II of the agrarian reform; the undertaking of specific measures to stop the introduction and spread of exotic diseases to El Salvador's livestock herds; the adoption of measures to determine the existence of pests that affect fruit and vegetable crops; and the adoption of measures to improve the storage conditions for agricultural imports. San Salvador 3341, dated March 16, 1987, reported on the progress toward accomplishment of these objectives.

For FY 1987, a Title I Agreement for \$36 million is expected to be signed in March 1987. An additional \$6 million is expected to be signed in mid-CY 1987. For FY 1988 and FY 1989, Title I resources are being requested for the same commodities for an equivalent of \$41 million for each year. A summary of the commodities and dollar cost estimates for the FY 1986-FY 1989 period follows:

	FY 1986		FY 1987		FY 1988		FY 1989	
	MT \$(mill.)		MT \$(mill.)		MT \$(mill.)		MT \$(mill.)	
Wheat	148,000	20	100,000	12	120,000	15	130,000	17
Vegetable Oil	18,500	11.5	28,000	12	22,000	11	18,000	9
Tallow	39,000	12.5	38,000	12	38,000	15	38,000	15
TOTAL								
		44		36		41		41

The use of RY 1987 Title I local currency generations has already been negotiated with the GOES to complement that program the RY 1987 funds were signed in February 1987. Unexpended prior year funds will be used to finance the activities until the RY 1987 local currency is generated. Under the goal of economic stabilization, local currencies will support the National Plan, public services restoration, the displaced persons program, and GOES institutions. Under 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. Under broadening the benefits of growth, agrarian reform support (including credit), health and education sector activities will be supported. Under democratic initiatives and human rights, local currencies will be used to improve and streamline the Salvadoran judicial system.

### 3. Local Currency

AID's objective regarding local currencies generated from ESR, Section 416, and PL 480 Title I is to channel these resources, inasmuch as possible, to further the four Jackson Plan goals. As such, these resources complement and reinforce the DA projects, projected ESR activities, PL 480 and HG contributions. The CY 1986 Local Currency Program was funded by the colon equivalent of disbursements from FY 1984-RY 1986 ESR (\$270.2 million) and RY 1981-RY 1986 PL 480 Title I (\$74.4 million) allocations. The Program, in addition to the RY 1986 ESR and PL 480 allocations, incorporated prior year unexpended funds for ongoing activities into one consolidated program. The local currency resources supported a total of 105 subprograms (i.e., economic stabilization - 29, economic recovery - 38, broadening the benefits of growth - 29, democratic initiatives - 9).

The CY 1987 Local Currency Program will include a new source of funding, Section 416. The ESR and PL 480, Title I programs have already been negotiated with the GOES, and will be funded by colones generated by the RY 1987 Balance of Payments Project (\$157 million), the RY 1987 PL 480 Title I Agreement (\$36 million) and its proposed Amendment No. 1 (\$6 million), and the unexpended balance from the CY 86 Local Currency Program (\$423.8 million). The CY 1987 Program will support 66 subprograms (i.e., economic stabilization - 19, economic recovery - 17, broadening the benefits of growth - 13, democratic initiatives - 7). The unexpended balance from CY 86 will be used to finance the CY 87 activities until the FY 1987 funds are generated, and will be reprogrammed for the same objectives in mid-CY 87. The local currency to be generated from the Section 416 will also be used to support Jackson Plan goals. Program negotiations will be carried out in March of 1987 and a Memorandum of Understanding will define their use.

Operationally, the 1987 local currency program 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.

### a) Budgetary Support

AID's principal purpose in this area 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 AID financed projects; activities related to or supportive of the overall AID portfolio; counterpart contributions to other donor projects; the National Plan; agrarian reform, health, education, and infrastructure repair; and judicial reform.

b) 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. The CY 1986 Local Currency Program initiated a private sector domestic investment reinsurance program to encourage increased private sector investment in the Salvadoran economy. In CY 1987, most of the support to the private sector is oriented toward increasing investment in the Eastern area of the country which has been the most affected by the conflict. The emphasis of the CY 1987 Program on the private sector directly reinforces USAID's private sector strategy in El Salvador.

c) 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 AID Mission.

In FY 1988 and FY 1989, an equivalent in local currencies of \$213.4 million (ESF - \$164.5, PL 480 - \$41, Section 416 - \$7.9) and \$211 million (ESF - \$169, PL 480 - \$41) are expected to be generated. Although it is too early to determine the subprogram and discrete line item activity breakdown for these resources, AID will continue its present local currency strategy.

In order to ensure that local currency generations are utilized for agreed upon purposes, the USAID dedicates a considerable amount of personnel time in negotiating and monitoring the ESF and PL 480 Agreements and MOUs. The Development Planning and Programming office negotiates the content of the programs with the GORS and is responsible for monitoring implementation. This requires the part time (25%) of one USDH, the full time of one RSN DH Program Specialist, and the part time (50%) of one RSN PSC. The Technical Divisions work closely with GORS implementing entities in developing Action Plans for the discrete line item activities in the GORS' Extraordinary Budget and, subsequently, in monitoring the implementation of each. That portion of local currency channeled through the GORS' Ordinary Budget funds agreed upon line items in the Government budget and then is reimbursed once expenditures are made and reviewed by AID. In addition, USAID staff reviews the status of all activities on a monthly basis, discussing implementation bottlenecks with the GORS, and preparing internal and required AID/Congressional reports.

4. Mortgage, Pipeline, and Budget Analysis

S U M M A R Y  
MORTGAGE AND PIPELINE ANALYSIS  
(\$000)

Country: EL SALVADOR

FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY <u>1/</u>
TOTAL FOR COUNTRY					
86		805,599	559,627	245,972	181,335
87		1,153,986	1,048,422	105,554	173,962
88		1,455,125	1,381,237	73,888	131,398
89		1,755,398	1,700,560	54,938	119,050

1/ Favorable Action by Congress on the \$155 million of the \$300 million FY 1987 Central America Supplemental request would allow further reduction of the mortgage level.

MORTGAGE AND PIPELINE ANALYSIS  
(\$000)

NOTE: MISS Accounts are not included  
in this table. They are shown in the  
Summary Program Funding Table by  
functional accounts.

Country: EL SALVADOR

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LGF	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EDY	MORTGAGE EDY
<b>Objective: No.1 - Increase Agricultural Production</b>					
<b>Project: 519-0303 - Water Management - FN - 6</b>					
86	18,744	11,720	226	11,494	7,024
87		16,000	13,712	2,308	2,724
88		18,744	17,712	1,032	0
89		18,744	18,744	0	0
<b>Project: 519-0327 - Agribusiness Development - FN - 6</b>					
86		0	0	0	0
87	30,000	2,850	1,500	1,350	27,350
88		7,000	4,500	2,500	23,000
89		12,000	9,000	3,000	18,000
<b>Project: 519-0335 - Agricultural Technology Transfe. - FN - 6</b>					
86	0	0	0	0	0
87	0	0	0	0	0
88	20,000	2,000	1,500	500	18,000
89		7,000	6,000	1,000	13,000
<b>Sub Total</b>					
86		11,720	226	11,494	7,024
87		18,850	15,212	3,638	29,074
88		27,744	23,712	4,032	41,000
89		37,744	33,744	4,000	31,000

MORTGAGE AND PIPELINE ANALYSIS  
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FR	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EDY	MORTGAGE EDY
Objective: No. 2 - Strengthen the Private Sector					
Project: 519-0302 - International Executive Service Corps (IESC) - SD - G					
86	500	500	103	397	0
87		500	500	0	0
88		500	500	0	0
89		500	500	0	0
Project: 519-0311 - Youth Entrepreneurial Development - SD/EH - G					
86	3,650	650	258	392	3,000
87		3,650	2,758	892	0
88		3,650	3,650	0	0
89		3,650	3,650	0	0
Project: 519-0316 - FUSADES Association Strengthening - EH/SD - G					
86	1,105	805	101	704	300
87		1,105	1,001	104	0
88		1,105	1,105	0	0
89		1,105	1,105	0	0
Project: 519-0335 - Private Sector Initiative - SD - G					
86	0	0	0	0	0
87	7,500	2,550	1,500	1,050	4,950
88		5,050	3,500	1,550	2,450
89		7,500	5,000	1,500	0
Sub Totals:					
86		1,650	462	1,453	3,000
87		7,805	5,159	2,046	4,950
88		10,305	6,755	1,550	2,450
89		12,755	11,255	1,500	0

2025-2026  
(000)

EL	LEF	CUMULATIVE OBLIGATIONS	CUMULATIVE ADJUSTED EXPEND.	PIPELINE EOY	REPTORGE EOY
Objective No. 3 - Stabilize Financial Structures					
Project: 519-0240 - Reform and Policy Planning - SD - B					
51		8,155	7,253	3,010	4,242
57			8,155	6,010	2,142
58			8,155	8,155	0
59			8,155	8,155	0
Project: 519-0326 - FY86 Balance of Payments - ES - B					
55		117,000	117,000	70,000	47,000
57		157,000	274,000	274,000	0
58		147,500	421,500	421,500	0
59		139,000	560,500	560,500	0
Project: 519-0328 - Tax Administration Advisory Assistance - SD - B					
51		0	0	0	0
57		0	0	0	0
58		0	0	0	0
59		3,000	2,000	1,500	500
Project: P.L. 480, Title I - PL480 - L					
52			230,100	230,100	0
57			272,100	272,100	0
58			313,100	313,100	0
59			354,100	354,100	0
Total					
51			354,152	313,110	51,042
57			590,255	550,110	40,145
58			760,155	740,755	19,400
59			914,155	924,155	0

MORTGAGE AND PIPELINE ANALYSIS  
(1000)

FY	LOF	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Objective: No.5 - Private Exports					
Project: 519-0287 - Industrial Stabilization and Recovery - ES - G					
85	39,460	16,460	3,822	12,638	23,000
87		24,460	18,822	5,638	15,000
88		29,460	24,822	4,638	10,000
89		34,460	30,822	3,638	5,000
Project: 519-0323 - Industrial Parks and Infrastructure - ES - G/L					
85	0	0	0	0	0
87	0	0	0	0	0
88	12,000	6,000	4,000	2,000	6,000
89		12,000	11,000	1,000	0
Sub Total					
85		16,460	3,822	12,638	23,000
87		24,460	18,822	5,638	15,000
88		35,460	28,822	6,638	15,000
89		46,460	41,822	4,638	5,000

MORTGAGE AND PIPELINE ANALYSIS  
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FR	LDP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Objective: No.8 - Increase Access to Voluntary ----- Family Planning Services					
Project: 519-0210 - Population Dynamics - FN -G					
86	10,000	8,098	25	8,073	1,902
87		9,164	6,025	3,159	816
88		10,000	8,025	1,975	0
89		10,000	10,000	0	0
Project: 519-0275 - Salvadoran Demographic Association - FN -G					
86	7,353	7,353	2,948	4,405	0
87		7,353	4,448	2,905	0
88		7,353	6,448	905	0
89		7,353	7,353	0	0
Sub Total					
86		15,451	2,973	12,478	1,902
87		16,537	10,473	6,064	816
88		17,353	14,473	2,880	0
89		17,353	17,353	0	0

MORTGAGE AND PIPELINE ANALYSIS  
(\$000)

FY	LOF	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCURED EXPEND.	PIPELINE EDY	MORTGAGE EDY
----- Objective: No. 9 - Improve Health and ----- Health Services					
Project: 519-0291 - Health Systems Vitalization - HE - 6					
86		35,605	35,605	24,614	8,991
87			35,605	35,605	0
88			35,605	35,605	0
89			35,605	35,605	0
Project: 519-0300 - Save the Children - FH/HE - 6					
86		3,650	1,900	1,136	764
87			3,200	2,336	864
88			3,650	3,650	0
89			0	0	0
Project: 519-0308 - Health Systems Support - HE - 6					
86		48,000	14,900	0	14,900
87			27,324	12,000	15,324
88			39,324	24,000	13,324
89			48,000	40,000	8,000
Project: 519-0324 - Potable Water/ Environmental Sanitation - HE - 6					
86		0	0	0	0
87		0	0	0	0
88		20,000	5,000	3,000	2,000
89			11,000	9,000	2,000

1998-1999  
Budget

	CONCURRENCE PROVISIONS	CONCURRENCE ACCUMULATED EXPEND.	PIPELINE EXP.	CONCURRENCE EXP.
Operations: W&F - Improve Health and Health Services				
Project: 519-0340 - Private Sector Health Care Financing - HE - G				
66	0	0	0	0
67	0	0	0	0
68	0	0	0	0
69	19,500	2,000	1,500	500
				17,500
Project: 519-0325 - Maternal and Child Health Promotion - HE - G				
66	220	220	0	220
67		220	220	0
68		220	220	0
69		220	220	0
Project: 519-0999 - New OPG's - HE - G				
66	0	0	0	0
67	3,500	2,000	1,500	500
68		3,000	2,500	500
69		3,500	3,000	500
Sub-totals:				
66		52,626	27,750	24,675
67		28,349	51,661	16,526
68		66,759	70,975	19,924
69		100,355	55,325	11,000

MORTGAGE AND PIPELINE ANALYSIS  
(\$000)

FR	LDP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE E0Y	MORTGAGE E0Y
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Objective: No. 11 - Improve Housing

Project: 0519-0339 - Urban Infrastructure Upgrading - ES - G

E6		0	0	0	0
E7		0	0	0	0
E8		0	0	0	0
E9	20,000	10,000	6,000	4,000	10,000

Sub Total

E6		0	0	0	0
E7		0	0	0	0
E8		0	0	0	0
E9	20,000	10,000	6,000	4,000	10,000

MORTGAGE AND PIPELINE ANALYSIS  
(3000)

FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EDY	MORTGAGE EDY
Objective: No. 12 - Improve Educational Opportunities					
Project: 0519-0295 - Education Systems Revitalization EH - G					
86	37,600	23,925	10,000	13,925	13,675
87		26,614	21,000	5,614	10,986
88		34,614	30,000	4,614	2,986
89		37,600	33,500	4,100	0
Project: 519-0315 - Training for Private Sector Development - EH - G					
86	0	0	0	0	0
87	15,000	2,000	1,000	1,000	13,000
88		5,450	4,000	1,450	9,550
89		10,450	9,050	1,400	4,550
Sub Total:					
86		23,925	10,000	13,925	13,675
87		28,614	22,000	6,614	23,986
88		40,064	34,000	6,064	12,536
89		48,650	42,550	5,500	4,550

MORTGAGE AND PIPELINE ANALYSIS  
(\$000)

FY	LGF	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EDY	MORTGAGE EDY
Objective: No.13 - Increase Participant Training					
Project: 595-0001 - Central American Peace Scholarship Program EH/ESF - 6					
85	10,290	10,290	7,140	3,150	0
87		10,290	10,290	0	0
88		10,290	10,290	0	0
89		10,290	10,290	0	0
Project: 519-0337 - Central American Peace Scholarships - EH/ES - 6					
85	0	0	0	0	0
87	17,200	4,700	3,500	1,200	12,500
88		10,200	8,000	1,200	7,000
89		17,200	16,200	1,000	0
Sub Total					
85		10,290	7,140	3,150	0
87		14,590	13,790	1,200	12,500
88		20,450	19,290	1,200	7,000
89		27,490	26,490	1,000	0

MORTGAGE AND PIPELINE ANALYSIS  
(\$000)

FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCUMULATED EXPEND.	PIPELINE EDY	MORTGAGE EDY
Objective: No. 15 (A) - Others (Restoration of Public Services)					
-----					
Project: 519-0279 - Public Services Restoration - ES - B/L					
86	108,000	78,000	51,041	26,959	30,000
87		89,000	75,000	14,000	19,000
88		108,000	100,000	8,000	0
89		108,000	108,000	0	0
Project: 519-0320 - Public Services Restoration/ Infrastructure Rehabilitation - ES - G					
86	0	0	0	0	0
87	0	0	0	0	0
88	0	0	0	0	0
89	20,000	20,000	12,000	8,000	40,000
Sub Total					
86		78,000	51,041	26,959	30,000
87		89,000	75,000	14,000	19,000
88		108,000	100,000	8,000	0
89		128,000	120,000	8,000	40,000

MORTGAGE AND PIPELINE ANALYSIS  
(\$000)

FY	LGF	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCUMULATED EXPEND.	PIPELINE EDY	MORTGAGE EDY
Objective: No. 15 (B) - Others (Assist Dispalced Families)					
Project: 519-0291 - Health and Jobs for Displaced Persons - ES/SD/HE - 5					
86	71,805	66,905	34,255	32,850	4,900
87		69,205	46,255	22,950	2,600
88		71,805	58,255	13,550	0
89		71,805	57,805	4,000	0
Project: P.L. 480, Title II - PL 480 - 6					
86		4,750	4,750	0	0
87		11,539	11,539	0	0
88		19,264	19,264	0	0
89		26,989	26,989	0	0
Sub Total					
86		71,655	39,005	32,850	4,900
87		80,744	57,794	22,950	2,600
88		91,069	77,519	13,550	0
89		98,794	94,794	4,000	0

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	YR	CUMULATIVE OBLIGATIONS	CUMULATIVE DISBURSEMENTS	EXPIRING EST	UNEXPENDED EST
Project No. 15 (C) - Others (Support National Plan)					
Project: 500-0049 - Special Development Activities - 50 - 5					
	55	1,357	830	475	0
	57	1,707	1,400	307	0
	58	2,057	1,807	250	0
	59	2,407	2,207	200	0
Total					
	55	1,357	830	475	0
	57	1,707	1,400	307	0
	58	2,057	1,807	250	0
	59	2,407	2,207	200	0

MORTGAGE AND PIPELINE PROJECTS  
(\$000)

FY	LDP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCURED EXPEND.	PIPELINE EDY	MORTGAGE EDY
-----					
Objective: No. 15 (D) - Others (Earthquake Recovery)					
-----					
Project: 519-0330 - Emergency Shelter Support - OFLA - G					
86	0	0	0	0	0
87	300	300	300	0	0
88		300	300	0	0
89		300	300	0	0
Project: 517-0331 - Earthquake Recovery-Reconstruction - Supplemental - G					
86	0	0	0	0	0
87	50,000	50,000	50,000	0	0
88		50,000	50,000	0	0
89		50,000	50,000	0	0
Project: 519-0999 - New OPG's - SB - G					
86	0	0	0	0	0
87	1,000	1,000	500	500	0
88		1,000	1,000	0	0
89		1,000	1,000	0	0
Sub Total					
86		0	0	0	0
87		51,300	50,800	500	0
88		51,300	51,300	0	0
89		51,300	51,300	0	0

MORTGAGE AND PIPELINE ANALYSIS  
(\$000)

FY	LDP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCURED EXPEND.	PIPELINE EDY	MORTGAGE EDY
-----					
Objective: No. 15 (E) - Others (Support the Agrarian Reform)					
-----					
Project: 519-0265 - Agrarian Reform Sector Support - FN - 6					
66	46,011	40,200	21,611	18,569	5,811
67		46,011	41,589	4,422	0
68		46,011	46,011	0	0
69		46,011	46,011	0	0
Project: 519-0307 - Agrarian Reform Sector Financing - FN - 6					
66	50,000	6,500	0	6,500	43,500
67		23,210	10,000	13,210	26,790
68		33,264	23,264	10,000	16,736
69		50,000	45,000	5,000	0
Project: 519-0312 - Rural Small Enterprise and Cooperative Development - ESF/FN - B/L					
66	3,870	1,050	224	825	2,820
67		2,550	1,200	1,350	1,320
68		3,870	3,870	0	0
69		3,870	3,870	0	0
Project: 519-0229 - Small Producer Development - FN - 6					
66	16,750	16,750	12,075	4,675	0
67		16,750	16,750	0	0
68		16,750	16,750	0	0
69		16,750	16,750	0	0

MORTGAGE AND PIPELINE ANALYSIS  
(\$000)

Fr	LDP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EDY	MORTGAGE EDY
Objective: No. 15 (E) - Others (Support the Agrarian Reform)					
Project: 519-0263 - Agrarian Reform Credit - FN - G/L					
86	85,825	85,825	73,134	12,691	0
87		85,825	65,625	0	0
88		85,825	65,625	0	0
89		85,825	65,825	0	0
Sub Total					
86		150,325	107,044	43,281	52,131
87		174,346	155,364	16,982	28,110
88		185,720	175,720	10,000	16,736
89		202,456	197,456	5,000	0

MORTGAGE AND PIPELINE AD-LES  
(\$000)

FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCURED EXPEND.	PIPELINE EDY	MORTGAGE EDY
Objective: No. 15 (F) - Others (Support Small Business)					
Project: 519-0286 - Rural Small Enterprise Development - FM - 6					
86	3,250	3,250	3,078	172	0
87		3,250	3,250	0	0
88		3,250	3,250	0	0
89		3,250	3,250	0	0
Project: 519-0304 - Urban Small Business - SD - 6					
86	3,000	2,000	314	1,686	1,000
87		2,000	1,600	400	1,000
88		3,000	3,000	0	0
89		3,000	3,000	0	0
Project: 519-0322 - Small Enterprise Development IESC - SD - 6					
86	1,000	500	145	355	500
87		1,000	900	100	0
88		1,000	1,000	0	0
89		1,000	1,000	0	0
Project: 519-0316 - Small Business Assistance - SD - 6					
86	0	0	0	0	0
87	0	0	0	0	0
88	10,000	5,000	3,000	2,000	5,000
89		10,000	6,000	4,000	0
Sub Total					
86		5,750	3,537	2,213	1,500
87		6,250	5,750	500	1,000
88		12,250	10,250	2,000	5,000
89		17,250	15,250	4,000	0

MORTGAGE AND PIPELINE ANALYSIS  
 (\$000)

FY	LDP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Objective: No. 15 (6) - Others (Strengthen the Judicial Process)					
Project: 519-0296 - Administration of Justice - ES - 6					
86	9,234	9,234	1,257	7,977	0
87		9,234	7,234	2,000	0
88		9,234	9,234	0	0
89		9,234	9,234	0	0
Sub Total:					
86		9,234	1,257	7,977	0
87		9,234	7,234	2,000	0
88		9,234	9,234	0	0
89		9,234	9,234	0	0

MORTGAGE AND PIPELINE ANALYSIS  
(\$000)

FY	LOF	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EDY	MORTGAGE EDY
Objective: No. 15 (I) - Others (Strengthen Representative Government)					
Project: 519-0242 - Local Government Strengthening - EH/SD - G					
86	0	0	0	0	0
87	10,000	2,350	1,000	1,350	7,650
88		6,250	5,250	1,000	3,750
89		10,000	9,000	1,000	0
Project: 519-0999 - New OPB's - EH - G					
86	0	0	0	0	0
87	375	375	275	100	0
88		375	375	0	0
89		375	375	0	0
		375	375	0	0
Sub Total					
86		0	0	0	0
87		2,725	1,275	1,450	7,650
88		6,525	5,625	1,000	3,750
89		10,375	9,375	1,000	0

MORTGAGE AND PIPELINE ANALYSIS  
(\$000)

FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Objective: No. 15 (K) - Others (Strengthen the Democratic Labor Movement)					
Project: 519-0321 - AIFLD - FN/SD - G					
86	10,650	2,500	1,378	1,122	8,150
87		5,000	3,978	1,022	5,650
88		7,900	7,000	900	2,750
89		10,650	10,050	600	0
Sub Total					
86		2,500	1,378	1,122	8,150
87		5,000	3,978	1,022	5,650
88		7,900	7,000	900	2,750
89		10,650	10,050	600	0

Country: EL SALVADOR

SUMMARY PROGRAM FUNDING TABLE  
Dollar Program by Functional Account  
(\$000)

<u>Project Title and No.</u>	G/L	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
<u>ARDN</u>				
519-0000 Program Development and Support	G	550	477	450
519-0265 Agrarian Reform Sector Support	G	5,811	0	0
519-0321 AIFLD	G	1,850	1,500	1,500
519-0303 Water Management	G	4,300	2,724	0
519-0307 Agrarian Reform Financing	G	16,710	10,054	16,736
519-0312 Technoserve	G	1,500	1,320	0
519-0327 Agribusiness Development	G	2,650	4,350	5,000
519-0335 Agricultural Technology Transfer	G	0	2,000	5,000
519-0281 Displaced Families	G	0	1,600	0
Grants		<u>33,371</u>	<u>24,025</u>	<u>28,686</u>
Loans		0	0	0
Subtotal		<u>33,371</u>	<u>24,025</u>	<u>28,686</u>
<u>POPULATION</u>				
519-0000 Program Development and Support	G	200	284	200
519-0210 Population Dynamics	G	1,086	816	0
519-0275 Salvadoran Demographic Associat.	G	0	0	0
Grants		<u>1,286</u>	<u>1,100</u>	<u>200</u>
Loans		0	0	0
Subtotal		<u>1,286</u>	<u>1,100</u>	<u>200</u>

SUMMARY PROGRAM FUNDING TABLE  
Dollar Program by Functional Account  
(\$000)

<u>Project Title and No.</u>	<u>G/L</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
<u>HEALTH</u>				
519-0000 Program Development and Support	G	374	450	450
519-0281 Displaced Families	G	0	1,000 <sup>3/</sup>	0
519-0300 Save the Children	G	1,300 <sup>1/</sup>	450	0
519-0308 Health Systems Support	G	12,424 <sup>2/</sup>	12,000 <sup>4/</sup>	8,676
519-0324 Potable Water	G	0	5,000	6,000
519-0340 Priv.Sct.Health Financing	G	0	0	2,000
519-0999 New OPG's	G	2,000	1,000	500
Grants		16,098	19,900	17,626
Loans		0	0	0
Subtotal		16,098	19,900	17,626
<u>EDUCATION</u>				
519-0000 Program Development and Support	G	2,250	469	500
519-0242 Local Government Strengthening	G	1,000	1,900	1,750
519-0295 Education Systems Revitalization	G	2,689	8,000	2,986
519-0311 Empresarios Juveniles	G	3,000	0	0
519-0315 Training for Private Sector Devl.	G	2,000	3,450	5,000
519-0999 New OPG's	G	375	0	0
519-0337 CAPS Scholarship Program	G	2,138	3,000	7,000
Grants		13,452	16,819	17,236
Loans		0	0	0
Subtotal		13,452	16,819	17,236

Includes Child Survival Funds as follows:

- 1/ \$932,000
- 2/ \$3.0 million
- 3/ \$1.0 million
- 4/ \$4.0 million

SUMMARY PROGRAM FUNDING TABLE  
Dollar Program by Functional Account  
(\$000)

<u>Project Title and No.</u>	<u>G/L</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
<u>SELECTED DEVELOPMENT ACTIVITIES</u>				
519-0000 Program Development and Support	G	2,347	1,363	1,659
519-0094 Special Development Activities	G	350	350	350
519-0242 Local Government Strengthening	G	1,350	2,000	2,000
519-0260 Reform and Policy Planning	G	903	0	0
519-0281 Displaced Families	G	1,300	0	0
519-0304 Urban Small Business OPG	G	0	1,000	0
519-0316 Association Strengthening	G	300	0	0
519-0318 Small Business	G	0	5,000	2,000
519-0321 AIFLD	G	650	1,400	1,250
519-0322 IESC Small Enterprise Devlpmt.	G	500	0	0
519-0326 Tax Administration	G	0	0	2,000
519-0999 Cooperative Housing Foundt. OPG	G	1,000	0	0
519-0336 Private Sector Initiatives	G	2,550	2,500	2,450
Grants		<u>11,250</u>	<u>13,613</u>	<u>11,709</u>
Loans		0	0	0
Subtotal		<u>11,250</u>	<u>13,613</u>	<u>11,709</u>
Grants		75,457	75,457	75,457
Loans		0	0	0
TOTAL DA		<u>75,457</u>	<u>75,457</u>	<u>75,457</u>

SUMMARY PROGRAM FUNDING TABLE  
Dollar Program by Functional Account  
(\$000)

<u>Project Title and No.</u>	G/L	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
<u>ECONOMIC SUPPORT FUND</u>				
519-0000 Program Development and Support	G	1,000	0	0
519-0279 Public Services Restoration	G	11,000	19,000	0
519-0281 Displaced Families	G	1,000	0	0
519-0287 Industrial Recovery	G	8,000	5,000	5,000
519-0320 Public Services Restoration/ Rehabilitation	G	0	0	20,000
519-0323 Industrial Parks/Infrastrucure	G	0	3,000	3,000
519-0323 Industrial Parks/Infrastrucure	L	0	3,000	3,000
519-0328 FY86 Balance of Payments	G	157,000	147,500	139,000
519-0337 CAPS Scholarship Program	G	2,562	2,500	0
519-0339 Urban Infrastructure Upgrading	G	0	0	10,000
Grants		180,562	177,000	177,000
Loans		0	3,000	3,000
Subtotal		180,562	180,000	180,000
<u>P.L. 480, TITLE I</u>	L	42,000	41,000	41,000
<u>P.L. 480, TITLE II</u>	G	6,789	7,725	7,725
OFDA Relief Fund	G	2,653	0	0
519-0330 OFDA Emergency Housing	G	325	0	0
519-0331 Salv. Earthquake Recovery Prog.	G	50,000	0	0
 PROGRAM TOTAL		 357,786	 304,182	 304,182

## 6. Women in Development

The Government of El Salvador is aware that economic potential is sacrificed by limiting women's roles in society. Here women are recognized both as agents and beneficiaries of the development process. In the public sector, women occupy positions as ministers in the national government, as representatives in the National Assembly, as governors of departments, and as mayors of cities. The Secretariat for External Foreign Assistance is itself comprised largely of women in key administrative positions managing the government agencies which implement AID and other donor programs. Women are also active in the private sector. For example, a high proportion of small and medium sized export firms are owned and operated by women.

At the same time, AID understands the importance of ensuring women's participation in its programs, and continues to seek more effective ways to incorporate women into the development process. The Mission's policy is to focus on women without isolating them from the mainstream of development activities, and to design projects with attention to the ways in which a specific activity can promote women as full participants and beneficiaries. The following projects are examples of this policy.

The Central American Scholarship Project is providing U.S. educational opportunities to nontraditional groups in El Salvador, emphasizing the selection of women. The CAPS project will make available approximately \$27.5 million in scholarships to more than 1,800 Salvadorans over the life of the project. The Mission actively recruits women as recipients and gives them preferential points in the selection process. To date, a total of 102 female scholars have received training versus 188 males.

The Overseas Educational Fund, a private voluntary organization with expertise in training women, has received a grant of \$24,000 to help expand business operations in 40 groups of displaced women in San Vicente. Already engaged in a variety of micro and small scale enterprises, approximately 200 women will take courses in basic accounting, production, marketing, and management to benefit from this project. In order to participate in credit programs, women will also receive training in loan application procedures. The project will later expand to identify community leaders and, through the CAPS program, will send 15-20 women to the United States for training in community development. Although the majority of women are working in traditionally female enterprises such as poultry, food preparation and production, and handicrafts, AID views this project as a good example of one which promotes income opportunities for women through the provision of skills training and accessible credit.

The Employment Generation component of the Earthquake Recovery Program has earmarked \$1 million for the rehabilitation and reconstruction of market pavilions, the great majority of which are owned and operated by women.

The International Planned Parenthood Federation, an affiliate family planning association, receives funds both directly and indirectly from AID. The Mission's cooperative agreement is \$7.5 million with all project resources directed to women. The counterpart of this project, the Salvadoran Demographic Association, supports women's activities and women's groups, one of which is the Damas Voluntarias, an influential organization whose members are described as the "Margaret Sangers of El Salvador," working as they do in communities to promote women's health and rights to family planning. Also, presently in draft is a population policy paper developed within several GOES institutions which recognizes women's rights to improved health and family planning.

CALMA, an affiliate of La Leche League, has received a \$100,000 grant to promote breast feeding and nutrition education in the maternal population. With an emphasis on private voluntary organizations, CALMA provides support to major institutions throughout the country. All project resources are directed to women.

The Program for Displaced Women, a component of the Emergency Program for Health and Jobs for Displaced Families, is currently benefitting 63 women. Through a cooperative agreement with OEF for \$464,392, women are trained to analyze their communities with an eye to what micro business opportunities might exist. The project helps the women form solidarity groups and gives them loans for productive enterprises. Another component of the emergency program is Nutrition and Supplementary Feeding, an activity which benefits approximately 200 women with two weeks of training in nutrition followed by employment in the 21 supplementary feeding centers throughout the country.

The United Schools of America last year in Florida trained 25 women from cooperatives. This year a second group of 25 women will attend. Through FESACORA, a campesino organization, the Rural Development Office specifies that 50 percent of any training group funded by AID will be women. Finally, in a recent report on the agrarian reform, 2,539 members of cooperatives from all areas of the country were reported to be women. These are not dependent members, but members in their own right and while this figure represents only 10 percent of the total membership, it is thought to be an encouraging number of women.

A not so encouraging number of women received participant training through the Mission. All participant training programs are expected to provide opportunities for women, but in FY 86, of the 162 people trained, only 30 were women. Moreover, of the 39 participants trained to date in FY 87, none were women. These figures are disappointing and call for project managers to take measures with their host country counterparts to propose more women as participants.

The majority of women in El Salvador still face major problems in many aspects of their lives. AID will continue an integrative approach which stresses incorporating women into the mainstream of development activities with select women-specific projects complementing its effort.

A. Management Strategy

Critical Issues

- Approval of new FY 1987-1988 projects.
- Need for more PSC staff.
- Pressing need to upgrade office space and security.
- Better AID/W recruitment of qualified USDH staff.
- More AID/W consideration to current staff in El Salvador (promotions, onward assignments).
- Resolution of USDH payroll problems.
- Additional OE funds.
- TCN contracting rules.

The following narrative sections contain a discussion of these and other management issues.

Potential to Manage Program

In global program terms, FY 1987 has been a year of fleshing out the program strategy approved by AID/W two years ago and adding a major element to address the exigencies of the earthquake. The major area of program expansion, apart from earthquake activities, has been the area of Democratic Initiatives (municipal development, the Institute of Political Development, etc.). The next several years should see no further expansion in terms of major activities initiated. There will be continual adjustments to the program, however. The first steps have been taken in reducing and shifting the USAID agricultural program from a single-minded focus on agrarian reform to a more balanced agricultural development program. This year's Small Business Strategy, revised Displaced Persons Strategy and last year's Industrial Development Project Amendment examine what the USAID has been doing and attempt to focus and strengthen existing program areas. The National Plan activities have been reviewed and several changes are proposed to strengthen this area. Their adjustment process will continue.

One significant management problem which exists is the need to coordinate and integrate Program activities. AID (and the USAID) is structured along functional lines because of a Congressional charter (i.e., functional accounts). There is a major need to focus and integrate activities at the field level.

In order to meet the above requirements, changes are being made to the Mission's organization and staffing. These changes are discussed below. In addition, some more generalized measures have been undertaken to upgrade Mission staff in both quantity and quality.

## Organizational Changes

During FY 1987, USAID/El Salvador has changed its organizational structure as indicated below:

1. Established two new offices
2. Established the Special Assistant to the Director (Earthquake Reconstruction)
4. Realigned the functions of the Office of General Development
5. Eliminated the Office of Human Resources and Humanitarian Assistance
4. Eliminated the Special Assistant to the Director (National Plan)

Establishment of Offices: The two new offices are the Office of Housing and Urban Development and the Office of Health and Population. The Office of Housing and Urban Development will manage USAID programs involved with improving living conditions related to shelter and ancillary services for El Salvador's marginal and lower income families, especially as these have been aggravated by the October earthquake. It will be the focal point for the formulation of basic shelter policy, related institutional development, and the implementation of shelter and community improvement programs.

The health and population sections together with the PL 480 program have been pulled out of HR/HA to form the separate Office of Health and Population. This office is being established to provide greater focus to USAID activities aimed at developing Salvadorean health, nutrition, PL 480 Title II, and population programs.

A new Special Assistant to the Director for Earthquake Reconstruction has been added. This office is responsible for the overall management, coordination and reporting of the Recovery and Reconstruction Program. The execution of specific components of the program fall on the technical divisions (principally the new Housing Office and the General Development Office), the Controller's Office and, to a lesser extent, the Health and Education offices.

Realignment of Functions: The functions of the Office of General Development will be realigned to incorporate the National Plan (CONARA), formerly a staff function of the Director's Office, and the Displaced Persons Program, formerly a Division of the Office of HR/HA. It will retain the employment generation, public services restoration/rehabilitation, potable water development, and other infrastructure activities.

A change of focus of this office to include the planning and monitoring of regional development is under active consideration. This function would help to ensure that area infrastructure and social service projects are rationally planned, mutually reinforcing, and that effective implementation takes place, e.g., health facilities have pharmaceuticals and schools have supplies and teachers. Options to changing the functions of GDO from primarily engineering to regional development are the establishment of a separate office or to incorporate these functions into the Program Office.

Elimination of HR/HA: The Office of Human Resources and Humanitarian Assistance will be abolished and all functions of this office will be incorporated under the newly-established offices as indicated in paragraphs 1 and 2 above.

## Staffing

In staffing, the following changes are underway. Over the last year, the Office of Democratic Initiatives has been expanded by two FSN positions and will be expanded by another US PSC and at least one more FSN PSC. In addition, an Office of Housing and Urban Development has been established consisting of one USDH, three PSCs and two FSNs. There may be additional FSNs required in this office. Under the Office of the Special Assistant to the Director for Earthquake Reconstruction, a US PSC has been added along with a TCN PSC and an FSN. Increased priority will also be given to the National Plan. This unit (currently a Special Assistant to the Director) will be placed in an expanded General Development Office and the unit's staff will be augmented by two US PSCs and three FSNs. Incorporating this unit into the GDO and changing the focus to regional development will assure better coordination between infrastructure activities and National Plan activities. The shift in agriculture will require a reduction both in institutional contract and FSN employees heretofore managing the agrarian reform and a shift from a US PSC to a USDH to manage the agribusiness development program.

As a result of these changes, the staff has increased from 166 last year to 229 this year. We foresee the number of USDH staying the same at 39, but an increase of 34 PSC (TCNS/FSNs) is required over the next two years. A significant effort has been made to upgrade technical office chief positions with more experienced senior officers. In addition, the Projects Office staff has been strengthened with PSCs and new FSN positions. The Program Office function has been significantly changed to give more emphasis to strategy review, evaluation, and reporting. The grades of USDH jobs have been upgraded to provide additional incentives for attracting qualified USDH employees to El Salvador. Given the relatively small number of USDH, it has been Mission policy not to accept trainees.

## Operating Expenses

As a result of the October 10, 1986 earthquake and the subsequent addition of \$100 million in earthquake recovery and reconstruction funds an increase in OE funds will be needed. AID will have to rebuild and re-equip office facilities. In addition to the budgeted \$1,653,400 in OE dollar costs (pre-earthquake) and the \$4,554,600 in Trust Fund colones costs, an additional \$2,241,700 in OE dollar funds are necessary for costs associated with the earthquake, plus the increase in staff needed to administer the additional funds. The major portion of these extra funds (\$1,782,000) is needed for the construction of temporary office space while the remainder is needed for equipment, contracts for services and infrastructure, security supplies and materials, and additional travel/transportation. Without these additional funds and personnel, the USAID with its staff housed in inadequate (e.g., hot, inadequately equipped, and unsecure) quarters, will not be able to properly administer the existing program without severe difficulties.

Office Space: In the past three years the USAID had corrected a deplorable office space situation. The AID Annex to the Embassy had been put into use, one floor of the Embassy had been remodeled and the ten-story CONSESA office had been leased and upgraded. For the first time since 1980, USAID had adequate and

reasonably secure office space. As a result of the earthquake, AID effectively lost all of this office space. The new AID-funded Embassy Annex was needed by other U.S. agencies which required a higher level of security; the Embassy mezzanine was totally lost due to the collapse of the upper floors; and the CONSESA Building was abandoned due to heavy damage and potential structural failure in future earthquakes. The USAID now occupies an 18 unit townhouse complex rented by the Embassy and an adjacent building previously occupied by Project Hope. In addition, contractors previously co-located in the CONSESA Building, are now located in offices throughout the city. Working conditions within these poorly designed temporary townhouse buildings are poor. Productivity has decreased, while the program level as a result of the earthquake reconstruction effort has increased. IG/SEC has found that the main townhouse complex does not meet minimal security standards. New office facilities, whether temporary or permanent, must be obtained as soon as possible. In addition, a significant expenditure of OE funds will be necessary just to maintain adequate levels of productivity in the present facilities. Until new facilities are obtained, which we estimate will take close to a year, the Mission has made plans to install equipment necessary to increase productivity at its present location. Airconditioners have been ordered, the power is being upgraded to accommodate the extra loads, the VS-100 computer will be brought back on line, and additional temporary office space nearby will be rented.

#### Recruitment

The USAID has experienced a severe problem in recruiting qualified personnel for key positions within the Mission. In spite of the monetary and other incentives at post, it has been impossible to fill certain positions in a timely manner, i.e., Financial Management Officer, Program Officer, Deputy GDO, etc. In addition, the lack of Spanish language capability in the recruited staff has caused large gaps in the Mission's staffing while officers receive training to meet the essential language requirements of the position (see Exhibit A). We suggest that AID/W establish a task force to address the recruitment/training problem experienced by the Mission.

The USAID would also recommend that the official policy of giving special consideration to employees serving in El Salvador be reiterated, not only in special consideration in onward assignments, but also instruction to the promotion panels that it is beyond their scope to make judgements on the "developmental legitimacy" of certain USAID/ES positions (they have done this consistently in the past). Furthermore, we believe, notwithstanding the open assignment process, that "world-wide availability" should be enforced in the case of El Salvador and applied to capable Spanish-speaking officers.

#### Portfolio Consolidation

The AID Program is intentionally broad gauged to meet the extraordinary needs of the country at a particularly critical time. There is an ideological struggle underway in El Salvador. The new democracy must be seen as responsive to its people and the GOES program plays a key role in helping the GOES make democracy a viable alternative for its citizens. The program areas over the last 18 months have been carefully selected and added to meet this need as well as to continue to deepen the democratic process (e.g., municipal

development). This last year an unforeseen event, the earthquake, has added to these needs. In addition, the USAID has had to be continually prepared to absorb significant amounts of funds on very short notice while keeping pipelines of existing projects to a minimum. For example, the USAID was called in August 1986 and told to be prepared to absorb \$155 million of a \$300 million Central America Supplemental. It was again informed to do so in November. Given the needs and resource levels, concentration does not necessarily mean less activity. Notwithstanding these requirements, an effort has been made to maintain focus and concentration. The USAID has consistently resisted significant pressure to initiate such programs as university level development activities, adult education, medical faculty support, industrial safety, and generalized public administration. Tax Administration has been postponed until the economic policy environment improves. A concerted effort is being made to assess and strengthen existing program areas. The Small Business Strategy, Agribusiness Strategy and last years Industrial Development Strategy have essentially reviewed what the USAID has been doing and attempted to strengthen and focus these program areas. The increased emphasis on the National Plan is an attempt to strengthen that existing program.

If the Mission is forced to consolidate to a greater extent than is indicated in this Action Plan, we would consider eliminating projects in the following order: 1) Support to Small Business, 2) Private Sector Health Care Financing, 3) Tax Administration Assistance, and 4) Agriculture Technology Transfer.

#### FSN Utilization and Compensation

The size and complexity of the USAID/El Salvador Program requires the services of highly educated, experienced FSN executives to complement a limited U.S. Direct Hire workforce. The USAID feels that the present local compensation scale does not reflect the level of salaries which permit us to be competitive with the private sector and therefore seriously limits our ability to recruit high caliber FSNs.

The last full scale salary and classification survey was conducted in 1983. Since that time, the USAID program has expanded to the point that FSNs are now occupying key positions as project managers and, as such, are responsible for many decisions associated with multimillion dollar programs. Those responsibilities are commensurate with the responsibilities of Direct Hire American employees working in smaller AID programs. Further, a number of the companies which were originally included in the survey have become public and do not offer salaries and benefits now found in the private sector. Therefore, the level of USAID responsibility is not being adequately matched and we are unable to offer salaries to attract private sector talent and expertise.

USAID/ES requests a new wage and classification survey which will develop a list of survey companies which best represent the kinds of positions and levels of responsibility required by the USAID. Once a better match is made of positions and salaries, the level of our compensation scale will increase and allow us to become competitive with the private sector in attracting and recruiting Salvadoran professionals and executives.

### TCN Contracting Rules

Because of the security situation and the need to limit USDH exposure here, the Mission has hired a significant number of highly qualified TCN professional employees. In this market the USAID not only competes with the private sector (including the US private sector), but also with international organizations. We have tried to keep Mission support for these TCN PSCs in line with that provided for US employees. Recently we have found some contradictions between our efforts and AID handbooks regarding TCN allowances. We believe that USAID/ES is not the only Mission trying to do more with TCNs and that provisions in AID Handbook 14 regarding TCN PSCs benefits should be updated to keep Missions competitive.

### USDH Payroll Problems

The USAID has experienced numerous payroll problems for our 39 direct-hire employees. Differentials have been eliminated in cases or have not been paid despite numerous calls and cables to FM. In one case, it took as long as eight months to get an individual's pay corrected. This has caused a serious morale problem. AID/W should initiate a procedure to assure that payroll problems receive prompt attention and action. Another option would be to decentralize the payroll process to the USAID level.

### Disbursement Process

The use of the regional disbursing office in Mexico city has not proven to be effective and the USAID believes that consideration should be given to granting check signing authority to the USAID certifying officer. The dynamics of USAID/ES require the ability to disburse quickly in response to emergency situations. The recent earthquake and subsequent recovery program have demonstrated how AID, as the major donor, must be able to respond quickly to emergency situations. Our experience with RAMC has been less than satisfactory: hours of staff time have been spent tracking down disbursements, following up on checks never received by vendors, and other such activities. This time could have been spent on more beneficial and productive tasks.

### OE Trust Funds From ESF Program

USAID plans to maintain its present level of 25 million colones in OE and project support Trust Funds from the ESF program. Given other pressing needs for local currencies, a request for more than 25 million colones is infeasible at this time. Due to conditionalities placed on the ESF balance of payments program, the timing of local currency replenishment of the Trust Fund may not be reliable and AID/W must be ready to meet the gap. A cut of 35 percent in ESF funding would have no effect on the Trust Fund balance as the Mission plans to maintain its funding at 25 million colones each fiscal year.

### Management Deficiencies

Recent audits have indicated that the program is well managed, nevertheless there are some areas in which the USAID feels a greater degree of monitoring is necessary. Program-wide there is a need for staff to make more field visits and end-use checks on project assistance. In the National Plan area, for example, more FSN staff will be added to the General Development Office to increase the USAID's monitoring capability of this important and politically sensitive program. Further, more trips will be made by helicopter to reach project sites inaccessible by road due to the security situation, despite their high cost (over \$1000 per flight).

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OFFICE	1. Incumbent 2. Replacement	January	February	March	April	May	June	July	August	September	October	November	December
		CONT	1. Davison 2. Iatham										
HUD	1. Bricker 2. Baier												
ODI	1. Wilkinson 2. Kitson												
PRJ	1. Boyd 2. No candidate 1. Cloutier 2. Pastic												
HR/HA	1. D. Enos 2. J. Naponick 1. Gibson 2. Thorton 1. Kelley 2. No Replacement												
GDO	1. PDeinken 2. Stephenson 1. Vacant 2. Moseley												
OET	1. Vacant New Position 2. Chatman												

EXHIBIT A continued

OFFICE	1. Incumbent	January	February	March	April	May	June	July	August	September	October	November	December
	2. Replacement												
RDO	1. Vacant New Position												
	2. Skowronski										ETA 9/87		
DIR	1. Gomez												
	2. Bassford												
	1. Witherell												
	2. Heard												
	1. Ruelas												
	2. No Replacement												
DPPO	1. Vacant (Prog Off)												
	2. No candidate												
	1. Veith (Dep Prog. Off)												
	2. No candidate												

## PART II, B.

STAFFING REQUIREMENTS  
WORKFORCE TABLE FOR FY 1987/88/89

I. <u>OFFICE</u>	<u>USDH</u>	<u>USRES H</u>	<u>USPSC</u>	<u>FNDH</u>	<u>FNPSC</u>	<u>TOTAL</u>
Director	4	0	0	2	0	6
Economics	1	0	0	2	4	7
Management	4	0	3	5	59	71
Controller	3	0	3	9	23	38
Program	2	1	0	3	3	9
Projects	6	1	2	2	6	17
General Development	2	0	0	5	10	17
Housing Urban Development	1	0	0	1	2	4
Private Sector	1	0	0	2	6	9
Agriculture	5	0	0	6	10	21
Health Population	4	0	0	2	7	13
Democratic Initiatives	2	0	0	1	4	7
Education	2	0	0	3	5	10
<b>TOTAL.</b>	<b>37</b>	<b>2</b>	<b>8</b>	<b>43</b>	<b>139</b>	<b>229</b>

Note: 1. Proposed positions were counted.  
2. Includes FS/PSCs transferred from Commisary Contract effective December 1, 1986.

II. Manpower Contract (FY 87/88/89).

EXO - 30

C. Operating Expenses

EXPENSE CATEGORY	FY 1988-1989 ACTION PLAN EL SALVADOR (25519)				FY 1986 ACT. (\$ 000)				FY 1987 EST. (\$ 000)				FY 1988 REQUEST (\$ 000)				FY 1989 REQUEST (\$ 000)					
	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST	DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST	DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST	DOLLARS	TRUST FUNDS	TOTAL BUD	UNITS	UNIT COST
U.S. DIRECT HIRE	U100		3,293.6	12.0	3,305.6			3,967.1	0.0	3,967.1			4,094.1	0.0	4,094.1			4,619.2	87.2	4,706.4		
U.S. CITIZENS BASIC PAY	U101*	110	2,026.0		2,026.0	37.0	54.8	2,104.0		2,104.0	37.0	56.9	2,104.0		2,104.0	37.0	56.9	2,524.8		2,524.8	37.0	68.2
PT/TEMP U.S. BASIC PAY	U102*	112	35.0		35.0			33.8		33.8			33.8		33.8			40.6		40.6		
DIFFERENTIAL PAY	U103*	116	709.1		709.1			748.2		748.2			748.2		748.2			897.8		897.8		
OTHER AID/W FUNDED CODE 11	U104*	119	30.9		30.9			32.1		32.1			32.1		32.1			38.5		38.5		
OTHER MISSION FUNDED CODE 11	U105	119	0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0		
EDUCATION ALLOWANCES	U106	126	0.0	8.9	8.9	39.0	0.2	25.0	0.0	25.0	30.0	0.8	27.5	0.0	27.5	30.0	0.9	0.0	87.2	87.2	0.0	ERR
RETIREMENT-U.S. DIRECT HIRE	U107*	120	164.9		164.9			203.1		203.1			203.1		203.1			245.8		245.8		
LIVING ALLOWANCES	U108	428	0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0		
OTHER AID/W FUNDED CODE 12	U109*	129	51.5		51.5			53.4		53.4			53.4		53.4			64.9		64.9		
OTHER MISSION FUNDED CODE 12	U110	129	45.3	3.1	48.4			56.6	0.0	56.6			60.0	0.0	60.0			50.2	0.0	50.2		
POST ASSIGNMENT - TRAVEL	U111	212	13.7	0.0	13.7	7.0	2.0	108.0	0.0	108.0	17.0	6.4	125.0	0.0	125.0	13.0	9.6	74.5	0.0	74.5	13.0	5.7
POST ASSIGNMENT - FREIGHT	U112	220	54.9	0.0	54.9	7.0	7.8	378.0	0.0	378.0	17.0	22.2	390.0	0.0	390.0	13.0	30.0	185.6	0.0	185.6	13.0	14.3
HOME LEAVE - TRAVEL	U113	212	45.5	0.0	45.5	23.0	2.0	55.0	0.0	55.0	17.0	3.2	65.0	0.0	65.0	22.0	3.0	151.3	0.0	151.3	22.0	6.9
HOME LEAVE - FREIGHT	U114	220	21.8	0.0	21.8	23.0	0.9	52.0	0.0	52.0	17.0	3.1	89.0	0.0	89.0	22.0	4.0	182.7	0.0	182.7	22.0	8.3
EDUCATION TRAVEL	U115	215	1.0	0.0	1.0	1.0	1.0	2.7	0.0	2.7	3.0	0.9	3.0	0.0	3.0	3.0	1.0	3.3	0.0	3.3	3.0	1.1
R AND R TRAVEL	U116	215	26.9	0.0	26.9	22.0	1.2	15.2	0.0	15.2	17.0	0.9	35.0	0.0	35.0	10.0	3.5	17.2	0.0	17.2	10.0	1.7
OTHER CODE 215 TRAVEL	U117	215	67.1	0.0	67.1	20.0	3.4	100.0	0.0	100.0	20.0	5.0	125.0	0.0	125.0	20.0	6.3	142.0	0.0	142.0	20.0	7.1
F. N. DIRECT HIRE	U200		0.0	587.8	587.8			906.1	0.0	906.1			0.0	990.4	990.4			0.0	1,058.3	1,058.3		
BASIC PAY	U201	114	0.0	474.2	474.2	46.0	10.3	659.0	0.0	659.0	43.0	15.3	0.0	0.0	0.0	43.0	ERR	0.0	797.7	797.7	43.0	18.6
OVERTIME, HOLIDAY PAY	U202	115	0.0	31.4	31.4	4.6	6.8	65.9	0.0	65.9	5.0	13.2	0.0	719.2	719.2	5.0	ERR	0.0	67.8	67.8	5.0	13.0
ALL OTHER CODE 11 - FM	U203	119	0.0	60.3	60.3			88.9	0.0	88.9			0.0	72.5	72.5			0.0	80.3	80.3		
ALL OTHER CODE 12 - FM	U204	129	0.0	21.9	21.9			92.3	0.0	92.3			0.0	97.2	97.2			0.0	112.5	112.5		
BENEFITS FORMER FM PERSONNEL	U205	130	0.0	0.0	0.0			0.0	0.0	0.0			0.0	101.5	101.5			0.0	0.0	0.0		
CONTRACT PERSONNEL	U300		331.9	708.4	1,040.3			673.0	1,203.9	1,876.9			720.0	1,325.3	2,045.3			782.0	1,477.0	2,259.0		
PASA TECHNICIANS	U301	258	0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0		
U.S. PSC - SALARY/BENEFITS	U302	113	331.9	0.0	331.9	6.0	55.3	673.0	0.0	673.0	8.0	84.1	720.0	0.0	720.0	8.0	90.0	782.0	0.0	782.0	8.0	97.8
ALL OTHER U.S. PSC COSTS	U303	255	0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0		
F.N. PSC - SALARY/BENEFITS	U304	113	0.0	623.4	623.4	68.0	9.2	0.0	1,053.9	1,053.9	123.0	8.6	0.0	1,160.3	1,160.3	123.0	9.4	0.0	1,302.0	1,302.0	139.0	9.4
ALL OTHER F.N. PSC COSTS	U305	255	0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0		
MANPOWER CONTRACTS	U306	259	0.0	85.0	85.0			0.0	150.0	150.0			0.0	165.0	165.0			0.0	175.0	175.0		
JCC COSTS PAID BY AID/W	U307*	113	0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0		
HOUSING	U400		28.5	866.2	892.6			3.7	861.2	864.9			226.3	975.0	1,201.3			124.4	930.0	1,054.4		
RESIDENTIAL RENT	U401	235	0.0	481.6	481.6			0.0	538.0	538.0			0.0	564.9	564.9			0.0	592.9	592.9		
RESIDENTIAL UTILITIES	U402	235	0.0	31.2	31.2			0.0	66.6	66.6			0.0	79.9	79.9			0.0	91.8	91.8		
MAINTENANCE AND RESERVATION	U403	259	0.0	92.9	92.9			0.0	79.3	79.3			0.0	95.2	95.2			0.0	113.5	113.5		
QUARTERS ALLOWANCE	U404	127	0.0	0.0	0.0	0.0	ERR	0.0	0.0	0.0	0.0	ERR	0.0	0.0	0.0	0.0	ERR	0.0	0.0	0.0	0.0	ERR
RESIDENTIAL FURNITURE/EQUIP	U405	311	13.3	25.2	38.5			0.0	0.0	0.0			147.6	1.0	148.6			90.7	11.0	101.7		
TRANS./FREIGHT - CODE 311	U406	220	13.1	0.0	13.1			0.0	0.0	0.0			75.0	0.0	75.0			30.0	0.0	30.0		
SECURITY GUARD SERVICES	U407	259	0.0	235.3	235.3			0.0	177.3	177.3			0.0	234.0	234.0			0.0	120.8	120.8		
OFFICIAL RESIDENCE ALLOWANCE	U408	254	0.0	0.0	0.0			1.7	0.0	1.7			1.7	0.0	1.7			1.7	0.0	1.7		
REPRESENTATION ALLOWANCES	U409	252	2.1	0.0	0.0			2.0	0.0	2.0			2.0	0.0	2.0			2.0	0.0	2.0		

OFFICE RENT	US01	234	0.0	180.5	180.5		0.0	87.1	87.1		0.0	95.8	95.8		0.0	104.5	104.5					
OFFICE UTILITIES	US02	234	0.0	24.7	24.7		0.0	22.4	0.0		0.0	24.6	24.6		0.0	27.2	27.2					
BUILDING MAINT./RENOVATION	US03	259	0.0	239.0	239.0		0.0	41.4	41.4		0.0	45.5	45.5		0.0	49.8	49.8					
OFFICE FURNITURE/EQUIPMENT	US04	310	36.2	40.3	76.5		97.7	0.0	97.7		140.0	0.0	140.0		37.4	83.0	120.4					
VEHICLES	US05	312	0.0	0.0	0.0	0.0	ERR	49.5	0.0	49.5	3.0	16.5	75.0	0.0	75.0	3.0	25.0	0.0	84.0	4.0	21.0	
OTHER EQUIPMENT	US06	319	67.9	8.9	76.8		207.3	0.0	207.3		388.7	1.7	390.4		79.1	2.0	81.1					
TRANSPORTATION / FREIGHT	US07	220	9.0	1.0	10.0		73.5	0.0	73.5		117.8	0.0	117.8		80.2	0.0	80.2					
FURN/EQUIP/VEH REPAIR/MAINT.	US08	259	0.0	39.0	39.0		0.0	195.2	195.2		0.0	214.8	214.8		0.0	283.9	283.9					
COMMUNICATIONS	US09	230	0.0	91.2	91.2		0.0	30.0	30.0		0.0	33.0	33.0		0.0	36.0	36.0					
SECURITY GUARD SERVICES	US10	259	0.0	400.7	400.7		278.7	54.9	333.6		0.0	367.0	367.0		0.0	467.2	467.2					
PRINTING	US11	240	0.0	6.3	6.3		0.0	1.6	1.6		0.0	2.0	2.0		0.0	2.5	2.5					
SITE VISIT-MISSION PERSONNEL	US12	210	0.0	0.0	0.0	0.0	ERR	0.0	30.6	30.6	293.0	0.1	0.0	30.6	30.6	293.0	0.1	0.0	40.3	40.3	319.0	0.1
SITE VISIT-AID/ PERSONNEL	US13	210	36.5	0.0	36.5	24.0	1.5	28.7	0.0	28.7	24.0	1.2	105.8	0.0	105.8	72.0	1.5	40.5	0.0	40.5	28.0	2.9
INFORMATION MEETINGS	US14	210	20.1	0.0	20.1	21.0	1.0	35.8	0.0	35.8	21.0	1.7	35.8	0.0	35.8	21.0	1.7	49.6	0.0	49.6	22.0	2.3
TRAINING ATTENDANCE	US15	210	47.3	0.0	47.3	12.0	3.9	26.3	0.0	26.3	12.0	2.2	26.3	0.0	26.3	12.0	2.2	37.6	0.0	37.6	14.0	2.7
CONFERENCE ATTENDANCE	US16	210	30.5	0.0	30.5	19.0	1.6	27.5	0.0	27.5	19.0	1.4	27.5	0.0	27.5	19.0	1.4	39.1	0.0	39.1	22.0	1.8
OTHER OPERATIONAL TRAVEL	US17	210	5.4	0.0	5.4	1.0	5.4	1.1	0.0	1.1	1.0	1.1	1.1	0.0	1.1	1.0	1.1	2.3	0.0	2.3	4.0	0.6
SUPPLIES AND MATERIALS	US18	240	93.2	231.7	324.9		48.0	183.7	231.7		57.6	202.1	259.7		68.6	220.4	289.0					
FAAS	US19	257	0.0	171.7	171.7		0.0	213.4	213.4		0.0	234.7	234.7		0.0	255.6	255.6					
CONSULTING SVCS. - CONTRACTS	US20	259	0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0					
MBT./PROF. SVCS. - CONTRACTS	US21	259	0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0					
SPEC STUDIES/ANALYSES - CONT.	US22	259	76.9	0.0	76.9		0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0					
ALL OTHER CODE 25	US23	259	9.8	255.8	265.6		16.8	115.2	132.0		45.3	126.7	172.0		22.2	152.0	174.2					
<b>TOTAL D.E. EXPENSE BUDGET</b>			<b>4,086.8</b>	<b>3,865.2</b>	<b>7,949.9</b>		<b>6,440.8</b>	<b>3,040.6</b>	<b>9,459.0</b>		<b>6,061.3</b>	<b>4,669.2</b>	<b>10,730.5</b>		<b>6,066.2</b>	<b>5,276.9</b>	<b>11,343.1</b>					
RECONCILIATION			3,017.4	231.7	3,189.1		3,174.6	213.4	3,388.0		3,174.6	234.7	3,409.3		3,812.4	255.6	4,068.0					
SECTION 636(c)	320		0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0					
<b>OPERATING EXPENSE REQUIREMENTS U000</b>			<b>1,069.4</b>	<b>3,633.5</b>	<b>4,760.8</b>		<b>3,266.2</b>	<b>2,827.2</b>	<b>6,071.0</b>		<b>2,886.7</b>	<b>4,434.5</b>	<b>7,321.2</b>		<b>2,253.8</b>	<b>5,021.3</b>	<b>7,275.1</b>					
LOCAL COST SUPPORT INCLUDED ABOVE			TOTAL NO. ADP WORK STATIONS		35	TOTAL NO. ADP WORK STATIONS		51	TOTAL NO. ADP WORK STATIONS		57	TOTAL NO. ADP WORK STATIONS		63	TOTAL NO. ADP WORK STATIONS		63					
			TOTAL NUMBER OF PC'S		16	TOTAL NUMBER OF PC'S		22	TOTAL NUMBER OF PC'S		26	TOTAL NUMBER OF PC'S		30	TOTAL NUMBER OF PC'S		30					
F.N. PSC - SALARY/BENEFITS	U304	113	623.4																			
ALL OTHER F.N. PSC COSTS	U305	255	0.0																			
MANPOWER CONTRACTS	U306	259	85.0																			
SITE VISIT-MISSION PERSONNEL	US12	210	0.0																			
<b>TOTAL LOCAL COST SUPPORT</b>			<b>708.4</b>																			
<b>OBJECT CLASS 210 TRAVEL</b>			<b>139.8</b>	<b>0.0</b>	<b>139.8</b>		<b>119.4</b>	<b>30.6</b>	<b>150.0</b>		<b>196.5</b>	<b>30.6</b>	<b>227.1</b>		<b>169.1</b>	<b>40.3</b>	<b>209.4</b>					
Dollars Required for Local Currency Expenses			0.0				1,185.0				0.0				0.0							
Exchange Rate Used (November 1, 1986)			equals \$ 1.00																			
Estimated Wage Increase							x 120				x 120				x 120							
Estimated Price Increase							x 120				x 120				x 120							

#### D. EVALUATION PLAN

During FY 1986 over 20 evaluations and special studies were conducted, many of which focused on measuring achievement of program and sectoral objectives as well as determining future strategy. An assessment of the displaced persons situation in mid-1986 reached the conclusion that a significant number of displaced families were, or were considering, returning to their places of origin. The identification of this "returnee" movement became the catalyst for a significant reorientation of the Health and Jobs for Displaced Persons project (519-0281). Although the basic safety net of assistance will continue to be provided to needy displaced families, AID will also assist those displaced families who voluntarily wish to return home or relocate in another place. AID, working with the GOES and PVOs, will provide agricultural starter packages to returning displaced families along with job opportunities in the new locations. AID believes that this approach is a major step in achieving the permanent reintegration of the displaced population into the productive economy and society at large.

A number of special assessments and studies have laid the foundation for the development of new projects or have provided project alternatives for AID to consider. A study on Education Decentralization identified the system of "patronatos" or parent associations as the best vehicle to increase community participation in education. AID now plans to implement a series of activities in 1987 to promote and develop the patronatos associations and thereby help foster the concept that increased local participation and authority is beneficial to the education process.

An economic and social impact assessment of the agrarian reform currently in process is expected to provide AID with important information on how the reform has affected the living standards and social attitudes of the beneficiaries as well as other rural poor who were not direct beneficiaries of the reform. This information will be used to assess whether the reform is achieving its objectives of increasing economic opportunities and altering the rigid social structure which has prevailed for so many years.

Currently for 1987 AID is planning some 16 evaluative activities, the bulk of which will be directed at existing projects. Early calendar year evaluations of the PRIDEX component of 519-0287, Industrial Stabilization and recovery and the FORTAS component of 519-0316 Association Strengthening will determine the success of these sub-projects in promoting and supporting private sector export activities which are a major thrust of the AID strategy in reaching the goal of economic recovery and growth.

Evaluations of 519-0295 Education Systems Revitalization, 519-0210 Population Dynamics, and 519-0303 Water Management will focus on implementation constraints and will include, in the two former cases, institutional analyses of the implementing agencies. The evaluation of CAPS will assess both the implementation and initial impact of the first two years of this regional program. The USAID plans to "buy-in" to the centrally-funded evaluation contract to ensure El Salvador-specific concerns are addressed. The results of the evaluation will not only help with future implementation, but will also provide the USAID data useful in developing its scholar follow-up program. A reassessment of CONARA, the National Plan implementing agency, will be conducted in mid-1987 as a follow-up to an organizational analysis conducted in 1986. The purpose of the reassessment is to determine if institutional changes made in the past year are having a positive impact on program implementation.

During FY 1987 AID also plans to develop an overall strategy on employment. Two studies on employment (one on employment statistics and the other on the effect of the earthquake on employment in San Salvador) were conducted in 1986. In addition, the Ministry of Planning is in the process of analyzing data collected in a 1985 household survey. Building on these surveys, AID with outside assistance, will develop a comprehensive employment strategy, reflecting all the AID and GOES activities which impact on the employment problem.

The Mission currently plans to conduct five evaluations in FY 1988 and four in 1989. 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 performance indicators developed for each objective area. Plans for broad, cross-sectoral evaluations or assessments will be made based on priorities at the time and the results of programs currently underway.

FY 1986  
EVALUATION REPORT

<u>PROJECT No. &amp; TITLE</u>	<u>PLANNED</u>		<u>ACTUAL</u>		<u>UPDATE</u>		<u>REASONS/ISSUES</u>
	<u>FY 86</u>	<u>FY 86</u>	<u>FY 86</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 87</u>	
	<u>START</u>	<u>TO AID/W</u>	<u>START</u>	<u>TO AID/W</u>	<u>START</u>	<u>TO AID/W</u>	
	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	
<u>Existing Projects</u>							
519-0265 Agrarian Reform Sector Support	1	2	1	1 (87)			
519-0275 Salvadoran Demographic Association	1	2	2	1 (87)			
519-0275 SDA Social Marketing Component	--	--	2	1 (87)			
519-HG-006 Housing Guaranty	--	--	3	4			
519-0281 Project Hope	--	--	4	2 (87)			
Hacienda Reactivation	2	3	4	1 (87)			
519-0229 Small Producer Development	4	4	--	--	3	4	Analysis of FEDECREDITO
519-0291 Health Systems Revitalization	4	1(87)	--	--	2	4	End of project

FY 1986  
EVALUATION REPORT

<u>PROJECT No. &amp; TITLE</u>	<u>PLANNED</u>		<u>ACTUAL</u>		<u>UPDATE</u>		<u>REASONS/ISSUES</u>
	<u>FY 86</u>	<u>TO AID/W</u>	<u>FY 86</u>	<u>FINISH</u>	<u>FY 87</u>	<u>TO AID/W</u>	
	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	
<u>New Project Development</u>							
519-0279 Public Services Damage Assessment	2	4	2	3			
Private Sector Damage Assessment	3	4	3	4			
Small Scale Enterprise Sector Assessment	2	4	3	1 (87)			
Private Sector Training Assessment	3	4	2	3			
<u>New Program Initiatives</u>							
Potable Water Assessment	2	2	2	3			
Tax Administration Assessment	3	4	3	3			
Municipal Development Assessment	--	--	3	3			
Education Decentralization Study	--	--	3	3			

FY 1986  
EVALUATION REPORT

<u>PROJECT No. &amp; TITLE</u>	<u>PLANNED</u>		<u>ACTUAL</u>		<u>UPDATE</u>		<u>REASONS/ISSUES</u>
	<u>FY 86</u>	<u>TO AID/W</u>	<u>FY 86</u>	<u>FINISH</u>	<u>FY 87</u>	<u>FINISH</u>	
	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	<u>(QTR.)</u>	
<u>Program Strategy</u>							
Agribusiness	3	4	4	2 (87)			
Housing Strategy	--	--	4	--	--	2	Revision due to earthquake
Displaced Persons Assessment	3	4	3	--	--	2	
CACM Strategy	3	4	4	--	--	3	
<u>Jackson Plan Goals</u>							
Social Impact of Agrarian Reform	3	3	--	--	--	--	Combined with Economic Impact of Agrarian Reform
Economic Impact of Agrarian Reform	3	3	4	--	--	3	
CAPS	3	4	--	--	3	3	
Employment	4	1 (87)	3	3	--	--	Two employment studies completed; additional studies will be conducted in FY 1987
<u>Institutional Assessments</u>							
FSV Assessment	--	--	3	3			
FEDECACES Assessment	--	--	3	4			
CONARA Analysis	--	--	3	3			

FY 1986  
EVALUATION REPORT

PROJECT No. & TITLE	PLANNED		ACTUAL		UPDATE		REASONS/ISSUES
	FY 86	TO AID/W	FY 86	FINISH	FY 87	TO AID/W	
	(QTR.)	(QTR.)	(QTR.)	(QTR.)	(QTR.)	(QTR.)	
<b>Existing Projects</b>							
519-0229 Small Producer Development	4	4	--	--	3	4	Look at FEDECREDITO
519-0281 Overseas Education Fund	--	--	--	--	2	3	Evaluate success of business
519-0287 Industrial Stabilization and Recovery	--	--	--	--	2	3	Focus on PRIDEX
519-0316 Association Strengthening	--	--	--	--	2	3	FORTAS component
519-0295 Education Systems Revitalization	--	--	--	--	2	3	Implementation constraints
519-0291 Health Systems Revitalization	4	1 (87)	--	--	2	3	End of project
CALMA	--	--	--	--	2	3	Review of nutrition centers
519-0210 Population Dynamics	--	--	--	--	3	3	Institutional constraints
CAPS	3	4	--	--	3	3	Look at 1985-86 program with USAID buy-in

FY 1986  
EVALUATION REPORT

<u>PROJECT No. &amp; TITLE</u>	<u>PLANNED</u>		<u>ACTUAL</u>		<u>UPDATE</u>		<u>REASONS/ISSUES</u>
	<u>FY 86</u>	<u>TO AID/W</u>	<u>FY 86</u>	<u>FINISH</u>	<u>FY 87</u>	<u>TO AID/W</u>	
	<u>START</u>	<u>(QTR.)</u>	<u>START</u>	<u>(QTR.)</u>	<u>START</u>	<u>(QTR.)</u>	
519-0296 Judicial Reform	--	--	--	--	3	3	Formative evaluation
519-0303 Water Management	--	--	--	--	3	3	Formative evaluation
National Plan	--	--	--	--	3	3	Institutional/operational analysis
<u>Program Strategy</u>							
Agriculture	--	--	--	--	1	2	Submitted with Action Plan
Small Business	--	--	--	--	1	2	Submitted with Action Plan
Housing	--	--	--	--	2	2	Revision due to earthquake
Urban Labor	--	--	--	--	2	3	Focus AIFLD activities

FY 1988-FY 1989  
EVALUATION PLAN

<u>PROJECT No. &amp; TITLE</u>	<u>DATE LAST EVALUATION COMPLETED</u>	<u>FY 88</u>		<u>FY 89</u>		<u>REASONS/ISSUES</u>
		<u>START (QTR.)</u>	<u>FINISH (QTR.)</u>	<u>START (QTR.)</u>	<u>TO AID/W (QTR.)</u>	
519-0307 Agrarian Reform Financing	--	1	2	--	--	Formative
519-0304 Urban Small Businessess	--	2	3	--	--	Impact assessment
519-0312 Technoserve	8/85	3	4	--	--	End of project
519-0300 Save the Children	FY86-internal Evaluation	2	3	--	--	Formative
519-0308 Health Systems Management	--	2	3	--	--	
519-0281 Displaced Persons	--	3	4	--	--	Assessment of strategy reorientation
519-210 Population Dynamics	6/87	--	--	1	2	End of project
519-0296 Judicial Reform	--	--	--	1	2	Impact
519-0327 Agribusiness Development	--	--	--	2	3	Mid-term
CAPS	5/87	--	--	3	4	Look at first five years
519-0242 Local Government Strengthening	--	--	--	3	4	Mid-term

E. 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 \$4,005,039 were awarded to qualifying Gray Amendment firms in FY 1986. This represents 17% of the total amount contracted. The following table provides a list of contracts awarded during FY 1986 in support of the Gray Amendment. Based on our FY 1987 procurement base and actions completed in the first part of the fiscal year, the Mission projects a 15 to 19% use of qualified Gray Amendment firms.

<u>GRAY AMENDMENT CONTRACTOR NAME</u>	<u>PROJECT TITLE</u>	<u>AMOUNT OF CONTRACT</u>	<u>DATE OF CONTRACT</u>
El Salvador Exports	Health Systems Vitalization	\$ 1,840.00	03/26/86
Janice Alvarado	Central American Peace Scholarships	4,057.00	03/31/86
Servicios Tecnicos del Caribe	Agriculture Diversif. Program	264,500.00	04/01/86
Consolidated Distributors of America	Health Systems Vitalization	30,659.35	04/23/86
Health Information Designs	Population Dynamics	1,904,576.00	07/01/86
Consolidated Distributors of America	Health Systems Vitalization	24,786.00	05/05/86
Comprehensive Marketing	Reform and Policy Planning	124,911.00	06/02/86
Jose Luis Diaz	PD&S - Agriculture	5,000.00	10/24/85
Contracting Corporation of America	PD&S - Agriculture	2,208.00	11/28/85
Harris Jaffri	PD&S - Agriculture	2,700.00	12/15/85
Janice Alvarado	Central American Peace Scholarships	4,096.00	11/27/85
Juarez and Associates	Education Systems Revitalization	22,300.00	01/19/86
José Luis Diaz	Agrarian Reform Sector Support	150,000.00	02/01/86
Juarez and Associates	Salvadoran Demographic Association	68,080.38	02/06/86
RONCO (SBA)	Health Systems Vitalization	69,000.00	06/04/86
Contracting Corporation of America	Agrarian Reform Credit	174,946.00	02/10/86
United School of America	PD&S, Education	24,900.00	02/10/86
CLUSA	PD&S, Agriculture	3,954.00	05/27/86
Consolidated Distributors of America	PD&S, Special Dev. Activities	97,268.00	06/16/86
Contracting Corporation of America	PD&S, Special Dev. Activities	1,000.00	06/18/86
RONCO	Educ. Systems Revitalization	122,446.00	05/01/86
CLUSA	Reform and Policy Planning	99,980.00	07/01/86
United Schools of America	PD&S, Special Dev. Activities	123,650.00	07/15/86
Miami Institutional Technology	Agriculture Diver. Program	20,469.20	07/15/86
United Schools of America	Central American Peace Scholarships	449,600.00	07/15/86
El Salvador Exports	PD&S, Health	33,137.00	08/15/86
A&C Export Corporation	PD&S, Population	126.00	07/28/86
Consolidated Distributors of America	Health Systems Vitalization	63,484.00	09/22/86
Construction Services Internat.	Salvadoran Demographic Association	12,403.25	09/22/86
Consolidated Distributors of America	Salvadoran Demographic Association	54,837.52	09/24/86
Arthur Young	PD&S, Special Dev. Activities	44,124.00	10/06/86
TOTAL GRAY AMENDMENT		\$4,005,038.70	
TOTAL DA \$23,555,124.17			
PERCENTAGE OF GRAY AMENDMENT: 17.01%			

ANNEX A

ALTERNATE FUNDING LEVELS  
FY 1986 - FY 1987

- I. Given the current Action Plan levels and the limited absorptive capacity of the country to implement projectized assistance, USAID/El Salvador is not requesting major increases in funding above Action Plan levels at this time. An additional consideration is that favorable action by Congress on the \$155 million of the \$300 million FY 1987 Central America Supplemental request would further modify our proposed Alternative Funding Levels. Proposed programming of Supplemental funds are discussed in Section II below.

USAID/El Salvador proposes funding level increases of \$20.0 in ESF in FY 1988 and FY 1989 and a funding level increase of \$13 million in DA for FY 1989. Even considering several new project starts, the Mission projects a pipeline reduction of 78% from \$245.9 million in FY 1986 to \$54.8 million in FY 1989. At the projected obligation rates, USAID/El Salvador's mortgage will decrease 35% from \$181.3 million in FY 86 to \$118.0 million in FY 1989. Requested ESF funding increases would provide additional balance of payments support. DA funding would be used to decrease the FY 1989 mortgage level in new projects where implementation can easily be accelerated.

- A. FY 1988. In the current Action Plan, Balance of Payments support declines from \$157.0 million in FY 1987 to \$147.5 million in FY 1988. However, expected short-term declines in coffee prices and resulting tax losses can be expected to generate increased central government deficits and inflationary pressures if the GOES resorts to financing through monetary expansion. The additional \$20.0 million in ESF funding would be combined with currently budgeted funds for disbursement against policy actions aimed at reducing the deficit and stabilizing monetary policy.
- B. FY 1989. In FY 1989, ESF funding would be utilized in the same manner as in FY 1988. If Mission policy analysis demonstrates that El Salvador can begin eliminating its tax bias against exports at that time, funds will be used to leverage the policy dialog emphasizing export oriented fiscal reform. DA funding of \$13.0 million is proposed as follows:
1. DA/ARDN of \$6.0 million would be added to Agribusiness Development (519-0327) to fund management contracts with U.S. firms who will be contracted to provide the technology and TA necessary to organize new export-oriented agro-industries and to help finance local business to produce and process non-traditional post crops. These activities would be accelerated by one year.
  2. DA/HN of \$7.0 million would be added to Private Sector Health Care Financing (519-0340) currently planned to start in FY 1989. This level of funding would permit the Mission to advance the project start date by four months, complete required feasibility studies and provide the initial capitalization of the revolving basic drug fund designed to increase access to basic pharmaceuticals at lower prices.

II. USAID/El Salvador intends to allocate the proposed FY 1987 ESF Supplemental to the following projects/activities.

A. Balance of Payments Support: \$40.0 million.

Supplemental Balance of Payments assistance will help El Salvador through a very difficult year in 1987. Coffee export revenues will be well below (i.e., more than \$60.0 million) 1986 levels, and no other export will make up for the shortfall. Debt service obligations are still relatively high for the year. A \$40.0 million supplemental should enable the Government to hit its modest 2.5% GDP growth target for 1987 with no loss of reserves -- assuming that earthquake reconstruction needs are fully covered by disbursements of earthquake related external finance. Absent the Balance of Payments Supplemental, attainable growth without reserve loss would be reduced by 0.5 to 1.0 percentage points.

B. Restoration of Public Services (519-0279): \$9.0 million.

USAID will allocate \$9.0 million to the Public Services Restoration Project for the procurement of commodities and assistance to Government agencies to carry out high priority repair and reconstruction activities as a result of damage by the guerrillas. If these funds are not provided, the GOES capacity to carry out these repairs would be greatly reduced.

C. PVC's/OPG's (519-0999): \$6.0 million.

We are planning to allocate \$6.0 million to New OPG's to enable us to respond to requests from U.S. and local PVO's for OPG assistance. One OPG with Save the Children (SCF) would support efforts of SCF to organize poor urban families living in tenements to buy or lease on a long term basis the properties where the tenements are located and to improve their housing conditions. A local PVO, the Fundación Habitat, is also seeking USAID assistance for low income housing programs. Other possible OPG's with local PVO's which could be funded include rehabilitation and expansion of rehabilitation services, private sector health and/or population services, and initiatives to improve private sector labor-management relations. Should the supplemental funding not materialize, the USAID would not be able to respond to some of all of these potentially worthwhile activities without re-prioritizing its planned project development portfolio.

D. Earthquake Reconstruction: \$100.0 million.

A major program to assist the GOES to accelerate earthquake reconstruction programs will be undertaken with supplemental funding. The Mission's strategy is discussed in the Earthquake Reconstruction Concepts paper forwarded to AID/W in early March.









## ANNEX C

### ACRONYMS

ACOPAI	- Integrated Agricultural Cooperative Association.
AIFLD	- American Institute for Free Labor Development.
APRE	- MOE's Special Project Management Unit.
BCR	- Central Reserve Bank.
BOP	- Balance of Payments.
CACM	- Central American Common Market.
CAESS	- The Light Company of San Salvador
CALMA	- Center for Lactating Mothers
CAPS	- Central American Peace Scholarship Program.
CBI	- Caribbean Basin Initiative.
CCE	- Central Elections Council.
CENA	- Center for Educational and Nutritional Assistance.
CENTA	- MAG's National Center for Agricultural Technology.
CERN	- Center for World Nutrition.
CESAD	- Salvadoran Evangelical Committee for assistance.
CONADES	- National Commission for Displaced Persons.
CONARA	- Commission of National Reconstruction.
COPAL	- Cotton Marketing Cooperative
CREM	- National Committee for Metropolitan Reconstruction.
CRS	- Catholic Relief Services.
CTD	- Democratic Workers Confederation.
DIDECO	- Directorate for Community Development.
DP	- Displaced Persons.
EXIM	- Export Import Bank.
FEDECCREDITO	- Federation of Credit Unions.
FEPADE	- Private Sector Foundation for Educational Development.
FINATA	- National Agricultural Land Financing.
FORTAS	- Association Strengthening Activities.
FUND	- Fund for Social and Economic Development.
FUSADES	- Salvadoran Foundation for Economic and Social Development.
GATT	- General Agreement on Tariffs and Trade.
GDP	- Gross Domestic Product.
GOES	- Government of El Salvador.
IBAM	- Brazilian Institute for Municipal Administration.

IBRD  
IDB  
IESC  
INCAFE  
IPPF  
IRA  
ISDEM  
ISSS  
ISTA  
IVU  
JPU  
MAG  
MINPLAN  
MOU  
MSPAS  
NAM  
NBCCA  
ORE  
PRIDEX  
PRONAVIPO  
PROPEMI  
PVO  
REDO  
SDA  
SETEFE  
SIDES  
SIU  
SSE  
TA  
TCIP  
UCS  
UNOC  
UNTS  
USPA  
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PSP 257

- World Bank.
- Interamerican Development Bank.
- International Executive Service Corps.
- National Coffee Institute.
- International Planned Parenthood Foundation.
- Institute for the Regulation of Provisions.
- Municipal Development Institute.
- Social Security Institute.
- Agrarian Reform Institute.
- Urban Housing Institute.
- Judicial Protection Unit.
- Ministry of Agriculture and Livestock.
- Ministry of Planning.
- Memorandum of Understanding.
- Ministry of Public Health and Social Welfare.
- National Association of Municipalities.
- National Bipartisan Commission on Central America.
- Office of Special Resources.
- Trade and Investment Promotion Services.
- Popular Housing Program.
- Program for Small and Micro Businesses.
- Private Voluntary Organization.
- MAG's Rural Enterprise Development Office.
- Salvadoran Demographic Association.
- MINPLAN's Technical Secretariat for External Financing.
- Industrial Syndicate of El Salvador.
- Special Investigative Unit.
- Small Scale Enterprise.
- Technical Assistance.
- Trade Credit Investment Program.
- Salvadoran Campesino Union.
- National Union for Campesino Workers.
- National Unity of Salvadoran Workers.
- US Department of Agriculture.
- World Food Program.