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ACTION PLAN

FY 1989-1990

EL SALVADOR

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PART I: PROGRAM STRATEGY AND OVERVIEW OF PERFORMANCE

A. Country Strategy Summary

1. Introduction

Over the past decade, civil conflict, global recession, and earthquake devastation have battered the economic and social fabric of El Salvador. The civil conflict that began in 1979 has caused extensive damage to the infrastructure and has disrupted production. In January 1981, the guerrillas had approximately 5,000 combatants. By 1983, their force had grown to over 12,000 soldiers, giving them a numerical advantage in the field over the Salvadoran Armed Forces (ESAF). The insurgents regularly engaged the ESAF in sustained, battalion-sized firefights, simultaneously, in several regions of the country. The insurgents could also effectively carry out urban terrorism campaigns, and leftist front organizations repeatedly disrupted urban activity with massive strikes and demonstrations.

Since that time, the character of the conflict has changed considerably, and there has been a dramatic shift in the relative strength of the opposing forces. Insurgent troops have decreased to 7,000 while the ESAF fighting force has grown to over 50,000 and it is much better trained and equipped than it was in the early 1980's. With rare exceptions, conflicts now take place between platoon-sized units. Although urban terrorism has been on the rise, the ability of the insurgency to disrupt activity with public demonstrations has diminished markedly. Protest marches that in the past would attract tens of thousands of people, are only drawing a fraction of that number now. On January 2, 1980, for example, the leftists massed 150,000 persons to demonstrate in support of the formation of a leftist alliance, whereas in March 1988 only several thousand people turned out to commemorate the anniversary of the death of Archbishop Romero and, indirectly, protest against the National Assembly elections. Nevertheless, it is important to point out that while the level of conflict has subsided considerably since the early 1980's, insurgency continues and guerrillas persist in their campaign to destabilize the economy through acts of terrorism and attacks against vital infrastructure.

In addition to the political conflict, on the economic front, the prosperous era of the 1970's, with its 5.4% average annual rate of economic expansion, did not portend the depths to which the economy would recede in the 1980's. While in the midst of financing the war against insurgents, the economy was dealt a severe blow by the global recession that began in 1980. Because of this recession, the international prices declined sharply as did the demand for Salvadoran manufactured exports. As a result, real Gross Domestic Product (GDP) declined by 23% through 1983.

While contending with the twin burdens of the war and the global recession, the economy suffered yet another reversal when a massive earthquake struck the capital of San Salvador in October 1986. In addition to the human suffering (i.e., 1,500 persons killed, 10,000 persons injured and over 300,000 persons left homeless) the quake caused approximately \$1 billion in physical damage -- much of which affected vital infrastructure

(e.g., roads, water systems, the electrical grid) that had to be replaced to restore order and economic activity in the capital.

In the midst of these circumstances, El Salvador continues to defend itself against insurgents and struggles to consolidate a civilian-led democracy. Clearly, substantial, lasting economic and social progress are vital to the survival of the country's new democracy. The GOES must move quickly to implement earthquake reconstruction activities, stimulate production of traditional exports, develop new exports, consolidate the agrarian reform and improve agricultural productivity.

On the social front, the GOES must continue to address basic human needs. Access to, and the quality of, primary education must be improved. Serious deficiencies in the health services system must be addressed and housing shortages must be eliminated. Development of a stronger local government system and legislative branch are critical, and all political parties must cooperate to foster an improved, more equitable judicial system. Finally, the military must continue to respect the constitutionally-elected government and basic human rights of all Salvadorans.

2. Mission Development Strategy

The goals of the USG economic assistance program to El Salvador remain consistent with the recommendations of the National Bipartisan Commission on Central America (NECCA). Our program seeks to: (1) stabilize both a deteriorating economy, and a fragile social situation; (2) facilitate structural adjustments to achieve recovery and sustained economic growth; (3) broaden the benefits of growth; and (4) strengthen those institutions that underpin the democratic process. To achieve these goals, the Mission is employing a two-track strategy that addresses both short and long-term concerns. The emphasis of Track I (short-term) is to arrest the economic downslide, curtail further deterioration of essential social services and deal with the people displaced by the war. Track II (long-term) focusses on bringing about sustainable economic growth. We have already initiated activities relative to both tracks and we are pursuing the objectives simultaneously. Providing that progress continues toward defeating the communist insurgency and toward consolidating democracy, which is dependent on USG assistance levels, which currently does not look bright (especially military assistance), the Mission anticipates that the short-term phase will last through FY 1990. At that time, long-term activities will take over in full force and guide our efforts through the Central American Initiative (CAI) stretch-out period, FY 1992, and beyond.

This dual strategy rests on the assumption that the current decline in civil strife will continue. With hostilities under control, the altered conditions in the country will permit a change in the emphasis of the program from stop-gap measures designed to support a fragile democracy under siege to a combination of activities that will promote social reconstruction and sustainable economic growth with equity.

i) Track I - Short-Term

The key components of Track I of the strategy are a macroeconomic policy dialogue, assistance for the displaced, restoration of public services, support for the national plan and earthquake recovery.

In close association with the ESF cash transfer program, the Mission has engaged the GOES in a policy dialogue geared to bring about the adjustments needed to stabilize the economy and lay the basis for growth. For the short-term, i.e., FY 1988 and FY 1989, our policy dialogue will stress continued application of a monetary and fiscal program that will decrease inflation while simultaneously permitting moderate growth. It will include implementation of fiscal austerity measures that will decrease the overall deficit and allow monetary authorities to program credit resources to the private sector without undue pressures on prices or the balance of payments. A sampling of the austerity measures designed to reduce the fiscal deficit are: (1) public sector hiring freezes and, to the extent feasible, a reduction in overall staffing levels; (2) strict limits on salary increases; (3) an austere capital budget; and (4) improved public sector accounting for, and control of, expenditures. The short-term program will also include steps to increase revenue. In our dialogue with the GOES, we will emphasize the need to establish a more rational set of tax rates, upgrade accounting and auditing systems to improve tax collection and carry out periodical adjustments in public utility rates to improve the financial position of these utilities.

In our short-term dialogue, we will also encourage the Government to undertake certain structural adjustments that will serve as building blocks for long-term growth. For example, the Mission will emphasize the importance of issuing regulations governing the operation of free zones, finalizing establishment of a dollar accounts market, passing a new foreign investment law, liberalizing the regulations governing imports, improving the operation of the "one-stop" export center (CENTREX) and revise regulations (e.g., beneficiary rights and self-management of cooperatives) associated with the agrarian reform.

In the short-term, the USG will continue to underwrite feeding programs for the displaced. This program, however, has taken a decided shift as its focus now stresses the reintegration of the displaced population into society. It emphasizes permanently resettling the displaced, preferably by assisting them to return to their homes of origin, but also by making relocation sites available. To this end, the Mission will program dollars and local currency to provide credit for agricultural and microenterprise purposes, agricultural starter packages, and housing materials to the returnees. In addition, the Mission will continue to lobby the GOES to provide returnees with access to underutilized or unused agrarian reform lands. As the displaced leave the temporary camps established to accommodate them until they return either to their place of origin or to new locations (a process that began in 1986 and is continuing at an increasing pace), feeding and health programs will gradually phase down. By the end of CY 1988, direct A.I.D. food assistance will no longer be needed by the displaced, as their numbers will have been reduced and as the substantial World Food Program will be able to meet fully the residual needs.

In response to the continuing insurgency problem, the Mission will continue its efforts to assist the GOES to replace vital bridges, repair water systems and road networks, and restore the electrical grid. To this end, the Mission will add \$17.5 million to the ongoing Public Services Restoration project in FY 1988. This project will be amended in FY 1989 to add an additional \$40 million to continue public infrastructure restoration activities through FY 1990.

The National Plan program is a close complement to Mission efforts to assist the GOES in counteracting the economic and social problems caused by the conflict. Initiated in 1983, the Plan calls for a coordinated military-civilian effort to remove insurgents from conflictive zones, followed by activities to help local authorities restore essential services and develop newly secured areas. Using ESF-generated local currencies, the Government is reestablishing civilian authority in former conflictive zones, financing small-scale infrastructure projects through the Municipalities in Action (MEA) grant program, and training local functionaries on the provision of needed services and local revenue generation strategies. Approximately \$18 million equivalent in GOES-owned local currency has been programmed for these activities in FY 1988. It is anticipated that a similar amount will be programmed in FY 1989. In FY 1990, the programming level will go down corresponding to an expected reduction in hostilities and the capability of local government to carry out projects independently.

The final element of the short-term strategy is a rapid response to the reconstruction needs of the Metropolitan San Salvador area following the October 10, 1986 earthquake that devastated the capital. As noted above, the quake left an estimated 1,500 persons dead, 300,000 homeless and more than \$1 billion in damages. The progress achieved under the USG's initial earthquake assistance effort (Earthquake Recovery - 519-0331) appears in Section I.B. Between now and FY 1990, the Mission will implement a complementary \$100 million Earthquake Reconstruction project (519-0333). This follow-on effort will finance the construction of vital public infrastructure (e.g., markets, roads and bridges), repair damage to institutions of higher education, and continue the process of permanently resettling people left homeless by the quake. Moreover, it will provide additional credits to reestablish small businesses affected by the disaster.

ii) Track II - Long-Term

For the long-term, the Mission's macroeconomic policy dialogue will seek to deepen and expand upon the structural adjustment matrix established in FY 1988 and FY 1989 to further promote self-sustaining growth. For example, we will engage the GOES on further liberalization of the exchange rate and we will pursue other adjustments in the financial sector such as a decentralization of loan processing and a periodic review and adjustment of interest rates, so that they achieve and remain at positive, real levels. In addition, we will seek a GOES commitment to begin to privatize the banking system.

To prepare for the long-range policy dialogue, the Mission is currently developing a series of studies concerning constraints to growth of the Salvadoran economy. The first will evaluate the administration and allocative efficiency of the country's financial sector. The second will research methods to improve tax

collection. A third study, to be financed as a part of our Policy Analysis, Technical Support and Training project (519-0319), is designed to identify the price and nonprice barriers to nontraditional exports in El Salvador, including the foreign exchange regime and the system of effective protection. The results of these analyses will provide us with a practical, long-run policy agenda.

Clearly, a revitalized private sector constitutes a critical ingredient for achieving sustainable economic growth for the country over the long-term. In assisting the private sector, the US Mission has, and will continue, to stress investment in the production of nontraditional exports (agricultural commodities and drawback industries in areas like wearing apparel) to countries outside the Central American Common Market (CACM). Activities under the Industrial Stabilization project (519-0289), obligated in 1985 as the first major Mission initiative regarding the private sector, include streamlining the bureaucratic procedures associated with exporting, developing an overseas market intelligence network, and providing credit to private investors involved in export activities. Companion GOES local currency resources are financing the development of a state-owned free trade zone, and a number of A.I.D. dollar-financed pilot efforts to address the needs of the small business subsector have been undertaken. USG strategy calls for these efforts to increase in the future. In FY 1988, the Mission will launch a private sector Free Zone Development project (519-0323) to attract foreign investment, create employment, enhance foreign exchange earnings and stimulate consumer demand for locally made commodities. The Privatization of State Owned Enterprises project (519-0350), scheduled for FY 1989, will furnish the financial and human resources needed by the GOES to privatize underproductive state-owned holdings that represent a drain on the national treasury, and thereby complete a comprehensive response to the problems faced by industry.

The small business subsector will retain its priority in future USG programming. However, the Mission, building on lessons learned, will consolidate management units to concentrate on those activities that have proven successful in the past and that hold promise for the future. The technical assistance provided by the International Executive Service Corps (IESC) through project (519-0302) will be continued through FY 1989. The existing Small and Microenterprise Program (PROPEMI) (519-0304) will also be extended, until 1990. It will be followed by a small business project that will spread the availability of technical assistance and credit from metropolitan San Salvador to the rest of the nation. PROPEMI will be the principal implementing organization for the follow-on project. FEDECCREDITO will be the vehicle through which a complementary small business local currency credit line, established in FY 1988, will be channeled.

Given the potential of the agricultural sector to lead the country's economic growth by expanding employment opportunities and increasing foreign exchange earnings, the Mission has refocused its agricultural strategy to increase productivity and production through crop diversification and promotion of nontraditional exports. By promoting agribusiness development and upgrading the technology transfer system, the strategy should produce an annual growth rate of 4% in real agricultural GDP, and of 15% in nontraditional exports. The initial components of the revised agricultural strategy are already in place. The Water Management project (519-0303), obligated in FY 1985, is providing on-farm infrastructure to produce high value, nontraditional exports, especially fruits and vegetables. The Agribusiness Development project, obligated

late in FY 1987, will furnish resources for farmers and entrepreneurs to engage in the production and processing of nontraditional commodities. A FY 1988 amendment to this project will add a research and technology transfer component. Another element of the export-oriented agricultural strategy will be a Commercial Farming project (519-0351), planned for FY 1990, that will link successful agrarian reform coops and individual farms to commodity processing enterprises producing goods for export.

Complementing these efforts, the GOES will allocate additional local currency resources for the reactivation of the eastern region, and create additional credit lines to reactivate the country's central zone.

With the termination of the Agrarian Reform Sector Support and Agrarian Reform Credit projects in FY 1988, the Mission's assistance to the agrarian reform beneficiaries will take a decided shift to coincide with our agricultural diversification strategy. Credit resources available under the Agrarian Reform Financing project (519-0307), complemented by the technical assistance to be offered to Reform Coops under the FY 1990 Commercial Farming project (519-0351), will help to increase productivity of lands redistributed. However, given its importance, we will also continue to follow the land distribution question, through a local currency financed "Land Bank" activity and through policy dialogue. Nevertheless, with our emphasis on increased diversification and production and productivity, for export, as evidenced by our Water Management, Agribusiness Development and Commercial Farming projects, we expect the beneficiaries of the agrarian reform efforts to participate directly in agricultural growth efforts of the future.

There will also be shifts in the configuration of USG assistance in achieving the NECCA goal of spreading the benefits of growth. In voluntary family planning, for example, the Mission will move from supporting both private and public institutions promoting family planning services, to a greater reliance on supporting the private sector. To this end, the Private Sector Family Planning Initiatives project, a three-year effort with life of project funding estimated at \$9 million, will be authorized in FY 1989. For health and health services support, the Mission's strategy will continue to move from curative to preventive programs, and increased cost-recovery by the Ministry of Health. With the obligation of the APSISA project (519-0308) in FY 1986, the Mission has already begun to lay the basis for preventive health programs, while continuing USAID support for the purchase of pharmaceuticals and medical supplies through FY 1990. A new project in FY 1990, Private Sector Health Care (519-0999), will continue to seek ways to reduce recurrent costs to the public sector through support for private sector solutions for meeting the health care needs of industrial workers.

In education, the Mission will continue to support primary school infrastructure restoration and development for the short-term, but all new efforts will be directed to the quality of educational and vocational instruction related to the country's new, export-driven economic model and the introduction of more-efficient primary education models. A key element of this new emphasis was put into place in FY 1987 with the obligation of the Training for Competiveness and Productivity project (FEPADE) (519-0315). This project will be amended in FY 1990 to provide a technical training loan fund for qualified students and resources to upgrade the facilities of technical training institutions at the secondary school level. In addition, the

Mission is working with FEPADE and the Ministry of Education to upgrade the quality of civic instruction as a part of a curriculum revision effort under the Education System Revitalization project. A third element of the long-term strategy will be a Rural Radio Education project, planned for FY 1990, that will improve, in a cost efficient manner, the quality of instruction for approximately 1.2 million elementary school children, including some 400,000 children without access to formal schooling.

Finally, strengthening El Salvador's nascent democracy will be a very important part of the Mission's long-term strategy. Our efforts are designed to enhance the capability and effectiveness of the public bodies that form the core of the democratic process. The program has, and will continue, to direct resources to upgrade the quality of the judicial process, the free labor movement, and representative government. The chief vehicle for upgrading the judiciary is the Judicial Reform project (519-0296). Begun in 1985, the project has been instrumental in drafting legislation to revise the penal and civil codes. It has also helped the courts improve the application of justice through the creation of model courts, improvements in court administration, and the establishment of the Special Investigative and Forensic Units. In FY 1988, USAID will extend the project for two years and increase funding to continue activities into FY 1990 to overcome problems the Legislative Revisory Commission has had in securing reform proposals acted upon by the Assembly. The Amendment will incorporate additional educational/informative programs with Assembly members, as well as expand the composition of the Commission to include representatives of the private sector and the Assembly.

Through dollar financing to the American Institute for Free Labor Development (AIFLD), the USG will continue to provide assistance to farm worker organizations and urban trade unions to develop their institutional capabilities. A new grant project, slated for FY 1989, will carry this support through the CAI stretch-out period. This project will include activities to stimulate joint government, private industry and labor collaboration in the development of a new labor code, and financing for studies that labor can use to improve its collective bargaining position with management.

Finally, by drawing upon existing programs such as the Central American Peace Scholarships (CAPS), the National Plan and the regional Assembly Strengthening project, the Mission has helped to further GOES efforts to strengthen representative government. Local Government and National Assembly officials have received administrative and managerial skills training to improve their performance. These training activities, as well as support for election observers, will continue in FY 1989-1990. Additional assistance will also be provided to strengthen the National Assembly's capability to discharge its responsibilities for the oversight and investigation of white-collar crime.

B. Overview of Progress and Critical Issues

1. Economic and Social Stabilization.

This goal has been, and will remain, the focal point of the Mission's short-term strategy. By using a combination of the ESF cash transfer program and ESF local currency funded activities, both supported by a continuing policy dialogue with the GOES on issues of economic reform, we will continue our efforts to stabilize the economic and social situation and establish the conditions necessary for long-term growth. To achieve this goal, the Mission has and will continue to concentrate on three objectives.

a) Stabilize Financial Structures. During the 1980s, El Salvador has experienced continuing problems in its balance of payments. The war, a continuing loss in its competitive position with respect to other producing countries, a slump in the world prices of commodity exports, and the recent devastating earthquake have caused exports in 1987 to fall to about half of their 1980 value. Imports on the other hand, have remained at their 1980 level sustained by a high domestic demand fueled by continuing public sector deficits. Flows of medium and long-term banking capital have fallen sharply since 1980 due to unsettled conditions in world financial markets and to political unrest in the Central American region.

As noted above, a policy dialogue has accompanied the cash transfer program and has attempted to bring about adjustments to stabilize the economy and to lay the groundwork for sustained economic growth. For example, the policy dialogue for the FY 1986 ESF Program achieved a unified exchange rate system, and substantial changes in the tax structure. The policy dialogue associated with the FY 1987 ESF Program achieved a monetary program to control inflation, fiscal discipline, including increased rates for public utilities, and the introduction of a system of dollar accounts.

Policy dialogue supported by balance-of-payments assistance will continue to play an important role in FY 1988 and FY 1989. The 1988 policy dialogue has resulted in a continuation of the GOES' stabilization effort, as evidenced by the inclusion of a strict monetary and credit program in its 1988 Economic Plan. The monetary and credit program will be assisted by a number of actions designed to improve fiscal performance in 1988 such as an improved rate and tariff structure in parastatal enterprises, and expenditure restraint on the part of the Central Government. With respect to economic reactivation, the Mission has negotiated a set of measures that are important to the growth and development of the nontraditional export sector, such as: the expansion of the system of dollar accounts; import liberalization; the passage of the foreign investment law; the full implementation of the free zones regulations; and, the full operation of the one-stop export documentation center, CENTREX. In addition, we have been successful in negotiating a 17% increase in the allocation of GOES-owned local currency to the private sector credit lines.

b) Expand and Improve Infrastructure. ESF resources support the GOES efforts to keep vital infrastructure and services operating in the midst of guerrilla attacks. Since implementation began in FY 1982, the Public Services Restoration project (519-0279) has assisted a variety of entities. For example, it has helped the

Ministry of Public Works to repair 95 bridges and build 35 temporary bridges. In 1987 alone, assistance financed the repair of eight bridges and the construction of ten temporary bridges on the Pan American and Coastal Highways. It has also helped the National Electricity Authority to carry out 2,402 repair missions, 514 during 1987. The project's helicopter services and stocks of key components have, moreover, reduced repair time.

Fiscal Year 1987 funding for the National Plan, a key activity in the Mission's strategy to restore infrastructure, amounted to \$10.1 million equivalent. During 1987, the infusion of funds to local municipalities for emergency and restoration projects has stimulated an upsurge in development activity, and the Municipalities in Action (MEA) Program has become a key element of the 1988 strategy. Under this program municipalities receive grant funds to implement community improvement projects they have designed. In 1988, the MEA will account for almost all projects and funding in National Plan areas, and financing will be \$18.1 million equivalent.

An issue that must be resolved concerning the National Plan, however, is the serious financial management deficiencies of the National Commission for the Restoration of Areas (CONARA). Reacting quickly to a grave situation, the Mission and the new CONARA leadership are working on a joint effort to upgrade the Commission's accounting and financial controls capability. Professional financial monitoring technical assistance is currently in place and is carrying out a thorough review of all documentation before the CONARA director authorizes payment. Also, CONARA's financial system is being completely overhauled and within four months the Commission will have in place a complete new set of accounting and monetary control procedures and manuals that conform to professional, international standards for public sector financial management.

In addition to the war-related infrastructure development efforts, the Mission continues to assist in replacing infrastructure destroyed by the October 10, 1986 earthquake that devastated the capital of San Salvador. The ESF-financed \$50 million Earthquake Recovery project (519-0331), initiated shortly after the quake in early FY 1987, has provided credit to more than 6,900 families to rebuild their homes and to 2,300 persons to reestablish their business firms. In addition, it has furnished 35,000 families with building materials to erect temporary quarters, assisted in excess of 1,200 families to move to more habitable living sites, aided in the construction of 724 school classrooms, and implemented several score of temporary hospital works including operating rooms, clinics, markets and warehouses. The project also financed the restoration of basic life services (e.g., water, electricity and sewerage) in the city and helped construct more than 60 temporary buildings for government offices and removed 114,000 cubic meters of rubble, a process that generated approximately 900,000 person-days of work, which enabled San Salvador to "reopen" in relatively short order. The GOES and the Mission currently are concluding these recovery construction activities, liquidating accounts under the Earthquake Recovery project, and proceeding with implementing the Earthquake Reconstruction project (519-0333), funded with \$75 million from FY 1987 supplemental resources. An additional \$25 million is being programmed for this latter initiative in FY 1988.

We are also helping the GOES to attract other donors to participate in the reconstruction effort. The World Bank has recently signed a loan agreement for \$65 million for earthquake reconstruction. It is anticipated that this loan will become effective by mid-year 1988, after the GOES meets a number of conditions, such as the establishment of a Directorate General of Earthquake Reconstruction. The Japanese will also be supporting reconstruction efforts, channelling a \$10 million grant through the World Bank. In addition, the French, Italian, West German, and Canadian governments, and the Inter-American Development Bank, are planning considerable contributions.

c) Assist Displaced Persons. An estimated 230,000 people remain displaced internally by the conflict that began in 1980. The Mission has furnished food and temporary employment and otherwise provided for the basic health and shelter needs of these people. The Health and Jobs for Displaced Families project (519-0281) and PL 480 resources have financed an estimated average of 12,000 temporary jobs per month since 1985 and provided daily food rations for approximately 150,000 persons in 1987. This latter number is down from an average of 255,000 in 1986, an indication of the success of the programs to help displaced persons return to their homes of origin or otherwise become integrated into the society in new locations.

2. Long-Term Growth.

The Mission is pursuing its second goal, to accelerate economic growth and diversify production, through policy dialogue combined with an ESF Balance-of-Payments program, projects funded by Development Assistance (DA), and local currency efforts financed by ESF, PL 480 Title I and Section 416 generations. These resources finance key activities such as: 1) increasing agricultural diversification and productivity; 2) developing the private sector; and 3) promoting nontraditional exports.

a) Increase Agricultural Production. As indicated in Section I.A, the Mission is refocussing its agricultural strategy to increase productivity through crop diversification and the promotion of nontraditional exports. A.I.D. took the first steps to refocus its agricultural strategy in FY 1985 with the signing of the Water Management project (519-0303), which furnishes on-farm infrastructure to produce high-value, nontraditional export crops: fruits, vegetables, and ornamentals. Of the ten irrigation projects for which credits were provided, five have begun operations, exporting products valued at more than \$0.5 million in 1987/1988. When all ten are fully functioning, approximately 450 hectares will be under irrigated cultivation and earnings will total an estimated \$2.5 million per year in hard currency. A new project, Agribusiness Development (519-0327), obligated late in FY 1987, provides resources for farmers and entrepreneurs to engage in the processing and export marketing of nontraditional commodities. Conditions precedent to disbursement have been met, and the off-shore dollar lending facility (Trust Fund) has been established. With the dollar facility in place, backlogged credit applications will begin to move and the pace of implementation will quicken.

Agrarian Reform has, of course, been the centerpiece of the Mission's agricultural program since the early 1980's. While the program has made advances, it has not been an unqualified success. To be sure, Phases I

and III of the reform have benefitted 25.8% of the rural population by providing ownership of 23% of the land in agricultural production. Family incomes for people directly participating in the reform have also improved. Available data demonstrate that Phase I and Phase III beneficiaries have incomes that are more than 20% higher than the wide majority of rural inhabitants. Finally, land reform has had a notable social impact. It is a direct contributing factor to the improved political stability evident in the country today as compared to the early 1980's.

The area in which the reform has not succeeded concerns anticipated production increases, especially with regard to Phase I. Phase III beneficiaries have increased production of basic grains by more than 60% - production of nontraditional commodities has risen by 38%. However, on Phase I cooperatives, over 35% of the land is idle or underutilized and production levels for all basic grains and some export commodities (coffee and cotton) have fallen significantly. Nevertheless, to date 14 reform coops have been linked to agricultural commodity processors with access to international markets -- these coops are furnishing fresh produce for Quality Foods. The Mission will expand this effort of linking reform coops to markets through the technical assistance efforts to be provided by Technoserve and CIUSA.

While direct financial support to the agrarian reform will decrease significantly in FY 1988 (the only ongoing project being Agrarian Reform Financing), the Mission will continue to seek GOES agreement to a number of policy issues key to both the success of the reform and increased agricultural production. Using multiple policy dialogue opportunities (e.g., FY 1988 ESF program and local currency negotiations for financing the Land Bank), USAID will lobby for improved beneficiary rights; an increase in the number of members of existing cooperatives; the elimination of state co-management of reform coops; and, the transfer of abandoned and semi-abandoned coops to FINATA for parcelization to small farmers.

(b) Strengthen the Private Sector and Promote Exports. Clearly, a revitalized private sector is a critical ingredient for achieving sustainable economic growth. The Mission has addressed this issue in multiple ways. First, we have collaborated with the Salvadoran private sector to establish institutional mechanisms to more efficiently channel investments. A notable achievement, in this context, has been the creation of the Salvadoran Foundation for Economic and Social Development (FUSADES). In four years, FUSADES has evolved from a fledging institution to an organization that is playing a major role in our efforts to educate the private sector and that is currently implementing a diverse portfolio in excess of \$60 million. Its Export Investment and Promotion Program (PRIDEX) has already demonstrated results in generating employment and investment. While FUSADES must continue to make organizational improvements, particularly with regard to financial self-sufficiency, it shows strong indications of progress toward becoming a solid, high quality development vehicle. The Export and Investment Development Committee (CODEXI), a joint public sector-private sector body established in September 1986, has been instrumental in reducing constraints to investment for export, promoting exports and generating the beginnings of cooperation between the two sectors on the issue of expanding exports. Finally, the creation in 1987, by the GOES of CENTREX, a one-stop center for export documentation, is reducing the bureaucratic impediments to participation in overseas markets.

Our private sector effort has also demonstrated modest progress in concrete economic terms. To date, PRIDEX has generated over 5,000 new jobs, resulted in over \$16.6 million in foreign exchange earnings, and helped bring about almost \$5 million in new investment.

Finally, the USG's private sector program has been instrumental in expanding the base of support for the free enterprise system, by helping the private sector play a more positive role in reactivating the economy and by projecting that image to the populace. The Economic and Social Studies Department (DEES) of FUSADES is carrying out macro-economic and sectoral research relative to diversification of the export base and penetration of world markets, and, the Association Strengthening Program (FORTAS) of FUSADES has furnished valuable technical assistance to business associations and their constituent groups on export promotion and investment.

While these advances are significant, there are still a variety of issues to be resolved. The public sector-private sector depolarization process must be continued and accelerated. Regulations for the Export Promotion Law must be promulgated and a new Investment Law must be passed. Export promotion efforts must be increased and the GOES must turn attention to privatizing state-owned holdings.

3. Spreading the Benefits of Growth.

To help the GOES satisfy basic human needs and in keeping with NECCA recommendations, the Mission supports marginal community and low-income housing development, health and family planning services, and education and training opportunities. As noted in Section I.A, however, while support for the majority of these sectors will continue, there will be shifts in the configuration of USG assistance.

a) Increase Access to Voluntary Family Planning. The Mission pursues its objective in Family Planning by supporting El Salvador's efforts to extend voluntary family planning services. These efforts rely mainly on expanding contraceptive use and increasing overall couple years of protection (CYP). The strategy to achieve this objective employs private (Salvadoran Demographic Association) and public institutions in a complementary fashion to promote family planning services in both the rural and urban areas. Initiated in 1983, this approach has enjoyed considerable success. Through FY 1987, the Salvadoran Demographic Association project (519-0275) achieved over 90,000 CYP. In the public sector, USAID assistance under the Population Dynamics project (519-0210) increased CYP from 320,000 in 1985 to 355,000 in 1987.

b) Improve Health and Health Services. The Mission has assisted the GOES to maintain a curative health program in the face of a prolonged economic slump and the ravages of war. Since 1983, the Health Systems Revitalization project (519-0291) has supported government efforts to maintain existing levels of health care and emergency services by meeting the needs of the Ministry of Health (MOH) for essential goods and services. Through FY 1987, this project has procured in excess of \$15 million in pharmaceuticals and provided \$6 million to purchase essential medical equipment and supplies. In addition, project resources have been used to train 60 MOH employees in new pharmaceutical management procedures, paralleling efforts to

modernize the drug and medicine procurement and supply system. Over 40 MOH personnel were trained in improved laboratory diagnosis of malaria and more than 31,000 houses (98% of the target) were sprayed for mosquitos. As a result, the incidence of malaria declined by 46% between 1986 and 1987. The Health and Jobs for Displaced Persons project (519-0281) has furnished basic health care for individuals forced to relocate because of the civil strife. During the first nine months of 1987 it had given services to patients who made 225,000 visits to health clinics. Finally, a number of small, yet important projects (e.g., Assistance to Civilian Amputees), provide medical expertise and prostheses to civilian war victims.

As indicated in Section I.A, the long-term Mission health strategy is to shift from curative to preventive programs. The initial step in this process began through the Health Systems Support project (APSISA) (519-0308), which is supporting GOES efforts to extend basic health coverage to the urban and rural poor.

c) Reduce Infant and Child Mortality. In spite of prolonged civil conflict, the health status of the Salvadoran population has not declined during the 1980's, and in fact, notable improvements have been made, particularly in the area of child survival. As a result of a sustained GOES commitment to important interventions, such as immunization campaigns, the incidence of infectious diseases among children has declined significantly in recent years. For example, the number of reported cases of measles dropped from 223 per 100,000 in 1979 to 120 per 100,000 in 1984 and the number of reported cases of polio declines from 52 cases in 1981 to 19 in 1984 (the last reporting year). Immunization rates for these diseases have continued to increase in the 1983 to 1986 period; immunization rates for measles have increased from 46% to 76%, and the annual percentage of children under the age of one fully immunized for polio increased from 20% to 60%.

The Mission has played an important supportive role in the GOES' child survival program. Under the Health Systems Vitalization and Health Systems Support projects, USAID financing has enabled the GOES to purchase and install cold chain equipment, critical to keeping the vaccines safe and effective, purchased syringes and other medical supplies used in the national immunization campaigns, and financed logistical support, including vehicles and fuel, to achieve the impressive gains in immunization rates. In addition, the USAID has financed a mass media program focussing on child survival interventions (e.g., ORS) and provided institutional support to the Center for Maternal Lactation to promote breastfeeding and improved maternal child health nutritional practices.

Finally, the Community Based Rural Development program, implemented by the Save the Children Foundation, has contributed to improved child health through environmental sanitation (e.g., potable water) and directed health interventions (e.g., training of mothers in child protective behavior).

d) Improve Housing. The Mission's primary concern in the housing sector is to address the post earthquake shelter needs. A.I.D. channeled \$30 million from the Earthquake Recovery project (519-0331) into credit for temporary shelter, housing repair, and reconstruction and relocation activities that have benefitted 225,000 people. The recently authorized \$75 million Earthquake Reconstruction project (519-0333) will provide \$37 million to finance permanent repair and new housing for close to 60,000 people whose homes were severely

damaged or lost in the earthquake. In addition, GOES-owned local currencies have been used in the Government's Social Housing Program (PRONAVIPO) to construct 1,400 low income shelter units. Local currencies have also financed the installation of water systems for 2,700 families in 50 communities throughout the country.

e) Improve Educational Opportunities. The Mission seeks to restore and improve access to primary education. Under the Education Systems Revitalization project (519-0295), the USG has helped the Ministry of Education: construct and rehabilitate over 600 rural classrooms benefitting 48,000 primary school students; furnish rural primary classrooms with desks, bookcases and other essential furniture; conduct preventive maintenance training for 800 school communities; and, provide three Ministry of Education regional offices with school maintenance equipment. As noted in Section I. A, while attention to primary school infrastructure will continue with the revitalization project for the short-term, beginning in FY 88 our Education portfolio shifted its emphasis to the upgrading of vocational instruction related to the country's new, export driven economic model. To this end, the Training for Competitiveness and Productivity project, after only a very short period of implementation, has established four occupational labor management education advisory committees (electricity, masonry, industrial sewing and auto mechanics), developed seven competency based curriculum guides, completed two job training needs surveys, and conducted three courses attended by over 100 private sector executives and managers on training systems for increased productivity. In addition, the project has carried out six courses in electricity, masonry, and industrial sewing, which have produced 50 certified graduates.

f) Increase Participant Training. The Central American Peace Scholarships (CAPS) program (519-0337) promotes the development of El Salvador by exposing potential leaders to U.S. institutions and democratic values and by increasing educational opportunities for disadvantaged groups. It also counters the impact of the Soviet bloc's scholarships. Between 1985 and 1989, 2,400 Salvadorans will have received training in the U.S. A.I.D. has programmed \$5.5 million and \$7 million respectively for FY 1988 and FY 1989 for CAPS. In addition to CAPS, the Mission funds project-related training in the U.S. and third countries. In FY 1987, 200 participants benefitted. This training will continue to be a part of our long-term strategy.

4. Strengthening Democratic Institutions. The Mission strives to strengthen El Salvador's democratic institutions by enhancing the capability of the judicial system, improving the electoral process, supporting the free labor movement, and reinforcing representative government, making it more responsible to the population.

a) Judicial Reform. Under the Judicial Reform project (519-0296), we are assisting the GOES to improve the administrative, technical, and legal performance of its criminal justice system. Assistance to the Revisory Commission for Salvadoran Legislation constitutes a major component of the project. This Commission is proposing changes in such areas as the rules of evidence and criminal procedures, and legislative reforms to improve the functioning of the courts, such as establishment of a judicial career system. Since inception of the project in 1985, the Commission has completed analyses of the penal and civil codes and has submitted

draft legislation to the congress to revise the legal basis of the judiciary system. A lingering problem has been the inability of the Revisory Commission to get its legislative proposals introduced into the Legislature and subsequently acted upon. The amendment to the Judicial Reform project, currently in preparation, will address this impediment.

The project also has helped establish a Special Investigative Unit and a Forensic Unit to provide courts with the evidence and testimony needed to apply the law and impart justice. The judicial administration and training component of the project has supported training programs and equipment to improve the efficiency of court administration and improve the capabilities of judicial personnel. Four model courts and three law libraries have also been established.

b) Strengthen Labor Organizations. With prior-year assistance, AIFLD helped develop farm worker organizations and supported their role in implementing the agrarian reform program. The more recent AIFLD project (519-0321) continues support to the rural union movement and provides greater support to democratic urban trade unions through developmental, administrative and institution-building activities. To date, this project has financed 350 seminars on unionism and cooperative organization (attended by more than 12,000 members) and established a skills training center for the construction industry. Also, several participating unions (e.g., USC, CGT and ACOPAI) are sponsoring continuous literacy programs that have an average attendance of 1,500 persons per year.

c) Reinforce Representative Government. Through the National Plan, the CAPS program, and regional funding made available to assist the Legislature, mayors, other local leaders, and congressmen, have received training in skills necessary to improve the effectiveness with which they discharge their responsibilities and their responsiveness to constituency concerns. Through early CY 1988, over 200 mayors and an equal number of other municipal officials (e.g., local treasurers, recorders, and planners) have received training on the municipal code, project design and implementation, running a "town meeting" and other administrative skills. In 1987, municipalities carried out over 200 community improvement projects, and commensurate with their increased capabilities, the GOES has programmed the equivalent of \$18.1 million in local currency to continue the Municipalities in Action grant program administered by CONARA. Problems in financial control systems of CONARA, uncovered during the FY 1987, are currently being resolved, thereby permitting a continuation of this very important means for reinforcing municipal autonomy.

Congressmen have also received specialized training in public administration, and ongoing efforts are directed to the preparation of an annotated constitution. Damages sustained in the October 1986 earthquake to many of the Assembly's buildings did, however, delay work on the establishment of a data and information center; a contingency plan has now been developed and efforts to establish this information center are proceeding.

d) Election Support. The Mission assisted the GOES in the 1984 and 1985 elections by helping to develop an electoral registry system and arranging for international observers to view the election process. The GOES has revised and updated the registry and developed a laminated voter card for the upcoming elections. In addition, we supported the participation of international observers in the municipal elections of March 1988 and we will do the same for the presidential elections in 1989.

C. Matrix of Goals, Objectives and Problem Areas

<u>OBJECTIVES</u>	<u>GOALS</u>				<u>PROBLEM AREAS</u>				
	<u>Stabil- zation</u>	<u>Reforms Growth</u>	<u>Spreading Benefits</u>	<u>Democ- racy</u>	<u>Income</u>	<u>Hunger</u>	<u>Health</u>	<u>Educa- tion</u>	<u>Popula- tion</u>
1. Increase Agricultural Production		X			X	X			
2. Strengthen the Private Sector		X			X				
3. Stabilize Financial Structures	X				X				
5. Promote Exports		X			X				
7. Expand and Improve the Infrastructure	X				X				
8. Increase Access to Voluntary Family Planning Services			X				X		X
9. Improve Health and Health Services			X			X	X		
10. Reduce Infant and Child Mortality			X			X	X		
11. Improve Housing			X						
12. Improve Educational Opportunities			X					X	
13. Increase Participant Training			X					X	
14. Strengthen Democratic Institutions				X					
15. Assist Displaced Persons	X				X		X		

PART II: GOALS, OBJECTIVES AND PERFORMANCE

A. Plans by Goal and Objective

1. Economic and Social Stabilization

OBJECTIVE No. 3 STABILIZE FINANCIAL STRUCTURES

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

	1985	1986	1987		1988	1989	1990
	<u>Actual</u>	<u>Actual</u>	<u>Proj</u>	<u>Actual</u>	<u>Proj</u>	<u>Proj</u>	<u>Proj</u>
A. Consolidated public sector deficit (before grants) as a % of GDP	4.1	2.2	5.1	3.3	3.7	3.5	3.2
1. Consolidated nonfinancial	4.1	2.2	5.1	3.3	3.7	3.5	3.2
a. Central Government	3.8	3.0	5.1	3.9	3.0	2.7	2.5
b. Other	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2. Financial (BCR loses)	0	0	0	0	0	0	0
B. Consolidated nonfinancial public sector savings as a % of GDP (excluding grants)	.02	2.1	-.04	0.8	-.07	0	.1
C. Total credit expansion of the banking system (% change)	18.6	13.7	14.3	8.4	14.1	14.0	13.0
1. to public sector	10.4	3.8	15.6	8.5	9.5	0	0
2. to private sector	26.2	21.8	17.7	8.2	17.3	18.0	17.0
D. Money growth (% change in M2)	28.1	29.5	22.0	7.5	15.9	15.0	14.0
E. Current account BOP deficit as % of GDP(excluding extraordinary financing items)	-5.3	0.0	-3.1	-1.6	-2.3	-2.0	-1.5
F. Overall BOP deficit (or surplus) as % of GDP	1.2	1.8	0.0	1.1	0.6	0.0	0.0
G. Inflation (% change in index)							
1. GDP deflator	20.6	37.0	20.0	16.1	16.0	15.0	14.0
2. CPI December to December	22.3	31.9	25.9	24.9	19.0	18.0	17.0

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

All of the indicators listed above are included as targets or ceilings in the GOES annual economic programs that are supported by the Mission's ESF programs.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY-1987 AND EARLY FY-1988

	<u>Quarter/Year</u>
— 1987 economic program with targets and instruments in place. <u>Status:</u> In place on 6/1/87.	2Q FY87
— Constitute Economic Committee Technical Staff. <u>Status:</u> In place during 1987.	2Q FY87
— Targets for nontraditional exports set. <u>Status:</u> Set in the 1987 Plan at 16% increase over the 1986 level.	2Q FY87
— First quarter review of 1987 economic program. <u>Status:</u> Program was not in place during 2Q.	2Q FY87
— Increase CEL rates by at least *0.05/kwh. <u>Status:</u> Rates were increased during 1Q FY 1988 and yielded a 35% increase in revenues. Rates were also increased for ANDA and CEPA.	2Q FY87
— Form Refinancing/Recapitalization Commission. <u>Status:</u> Established for the Oriente and now being extended to the Central Region.	2Q FY87
— Negotiation of IBRD earthquake recovery loan. <u>Status:</u> A \$65 million loan was signed in November, 1988.	2Q FY87
— Attain an exchange rate of 7.00/\$1.00. <u>Status:</u> Not achieved during 1987; however a flexible rate dollar accounts market was instituted in 1987.	3Q FY87

- Boost interest rates by 3 percentage points.
3Q FY87
- Status: Interest rates were lowered by 2 percentage points due to a Presidential executive order. By 1990 we expect interest rates to be positive in real terms.
- Eliminate import prohibitions.
3Q FY87
- Status: Prohibitions and prior import deposits relaxed in 2Q88.
- IMF Standby.
3Q FY87
- Status: No program in place. This was an unrealistic expectation.
- Second quarter review of 1987 economic program.
3Q FY87
- Status: GOES conducted an evaluation in August and September 1987.
- CAESS compensation negotiated.
3Q FY87
- Status: Still under consideration. The Government has not yet asked the Supreme Court for a clarification of its last decision on the case.
- Coffee marketing privatized.
3Q FY87
- Status: A bill was presented, but vetoed by the President. This will be included in the 1989-90 Action Plan for 3Q1990.
- 1988 economic program established.
4Q FY87
- Status: Established during 2Q88.
- Investment Promotion Law.
4Q FY87
- Status: A revised version has been drafted and will be included as a planned accomplishment for the 1989-90 Action Plan.

- Introduce floating rate monetary stabilization bond. 4Q FY87
Status: No such instrument has been approved.
- CAESS compensation paid. 4Q FY87
Status: Still under negotiations.
- Third quarter review of 1987 economic program. 4Q FY87
Status: GOES published October and November evaluations.
- Regular and timely publication of economic information. 1Q FY88
Status: The flow of information has improved. The Mission is able to make periodic reviews of economic performance under the GOES economic plans.
- Review and revise 1988 economic program. 2Q CY88
Status: A Mission review of the GOES 1988 Plan has taken place. A PAAD review will take place in Washington in April 1988. 4Q CY87

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

- | | <u>Quarter/year</u> |
|--|---------------------|
| — Improve the efficiency of the financial sector. | |
| a. Complete financial sector assessment. | 4Q FY88 |
| b. Credit process decentralized. | 1Q FY89 |
| c. Loan processing in commercial banks streamlined. | 2Q FY89 |
| d. Adjustments in interest rates to positive real levels. | 3Q FY89 |
| — Examine the appropriateness of the current exchange rate regime. | |
| a. Dollar accounts fully functioning. | 3Q FY88 |
| b. Full review of option for reform of exchange rate regime. | 3Q FY89 |

	<u>Quarter/Year</u>
--- Continue to liberalize the foreign trade regime.	
a. Import restricted list reduced by 50%.	4Q FY88
b. Prior deposits for imports eliminated.	3Q FY88
c. One-stop processing for export documentation fully functioning.	4Q FY88
--- Improve the revenue performance of the nonfinancial public sector.	
a. Training program for the Court of Accounts and Ministry of Finance in place.	1Q FY89
b. New auditing system for taxpayers in place.	2Q FY89
 5. <u>KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD</u>	 <u>Quarter/Year</u>
--- Assist the GOES in restructuring the Economic Advisory Group (GAE).	1Q FY89
--- National Assembly passes investment promotion law.	4Q FY88
--- Review the rate structure for CEL, CEPA, and ANDA.	3Q FY88
--- GOES agrees to privatize 20% of coffee marketing.	1Q FY89
--- GOES agrees to privatize a further 20% of coffee marketing.	3Q FY90
--- GOES negotiates CAESS compensation.	1Q FY89
--- GOES meets targets for 1988 Economic Plan.	
a. Inflation reduced to 20%	1Q FY89
b. GDP growth at 2.5-3.0%	1Q FY89
c. Overall public sector deficit (before grants) at 3.0% of GDP	1Q FY89
--- GOES meets targets for the 1989 Economic Plan.	1Q FY90
--- Develop the 1989 GOES Economic Plan.	1Q FY89
--- Develop the 1990 GOES Economic Plan.	1Q FY90

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) Ongoing (O)	Type of Funding	LOP (\$000)	L/G/LC	OBLIGATIONS			
						Cumulative Through FY 1987	FY 1988	FY 1989	FY 1990
Balance of Payments Support	519-0348	O	ESF	NA	G	274,008	173,500	152,475	162,000
PL 480 Title I	N/A	O	PL	NA	L	272,100	42,000	35,000	35,000
PL 480 (416)	N/A	O	PL	12,000	G	4,100	7,900	0	0
Reform and Policy Planning	519-0260	O	DA	8,155	G	8,155	0	0	0
Tech Support Policy Analysis and Trng	519-0349	N	ESF	15,000	G	0	2,000	5,000	8,000
Audit Prog & Training	519-LC-24	O	PL	NA	LC	280	100	0	0
		O	ESF	NA	LC	364	0	0	0
Implementation of Analysis of Surveys	519-LC-25	O	PL	NA	LC	170	0	0	0
		O	ESF	NA	LC	0	200	0	0
Court of Accts Mod.	519-LC-89	O	ESF	NA	LC	936	0	0	0
Ordinary Budget Support	519-LC-21	O	ESF	NA	LC	97,600	20,000	20,000	20,000

7. NARRATIVE

Even though external conditions facing the economy of El Salvador worsened slightly in 1987 with respect to 1986, the GOES took a firm step in stabilizing the economy. A comprehensive economic plan was approved in May of 1987, featuring fiscal and monetary restraints and increased utility rates. The GOES succeeded in achieving most of the targets set in that plan. The rate of inflation was reduced to approximately 25% in 1987 compared to 32% in 1986, and the economy achieved a 2.6% rate of growth in GDP. Agriculture, industry and construction participated in that growth. A system of dollar accounts for nontraditional exporters was instituted, giving them priority access to foreign exchange.

The GOES 1988 Economic Plan, which will unfold during this Action Plan period, will build on the success of its predecessor. The effort to stabilize the economy will be continued. The principal target in the Plan is a further reduction in inflation of some 5-7 percentage points. Several discussions were held with the GOES on reform of the exchange rate regime, the last during the recent visit of the A.I.D. Administrator. The result of these discussions was a set of actions, consistent with the strategy stated in the summary section above, important to the reactivation of the export sector. The foreign trade and foreign exchange regimes will be liberalized through a change in the system of dollar accounts for nontraditional exporters, which would effectively allow them to sell their excess foreign exchange to importers needing it, by reducing prior deposits for imports, by passage of the foreign investment law, and through the implementation of several measures that were passed into law in previous years, such as the free zone regulations and the one-stop export documentation center, CENTREX.

Another important feature of the GOES 1988 Plan is a monetary program that will constrain credit to the public sector while expanding credit to the private sector. This goal will be assisted by the local currency program associated with ESF disbursements. Local currency resources will be allocated to private sector credit lines and to support capital expenditures in the GOES ordinary and extraordinary budgets. The 1988 ESF Program will provide support to the GOES 1988 Program by providing \$143.5 million (\$18.5 million has been impounded in a restricted reserve due to controversy surrounding the amnesty program in El Salvador) for the importation of raw materials and intermediate and capital goods for the growth of the productive sectors of the Salvadoran economy. This support is essential; without it, the GOES would not be able to meet the import requirements of the targeted rate of GDP growth. The Mission will monitor GOES progress towards the targets in the Plan and consult with the GOES Economic Team on a regular basis to discuss any areas of concern that may develop in the course of the implementation of the Plan.

The policy dialogue during this action plan period is intended to assist the GOES in further stabilizing the economy and creating the conditions for higher, self-sustaining growth. All of the accomplishments planned for the previous Action Plan, but not completed, have been included in the present Action Plan with the exception of the IMF Agreement and the floating rate monetary stabilization bond. These two are considered impractical at the present time. Those related to the GATT and the IBRD export credit loan have been transferred to the objective statement on export promotion.

The Mission will assist the GOES in framing annual economic programs and longer term programs through technical assistance to the Ministry of Planning. In 1989-90, USAID anticipates that, after two years of economic stability, the stage will be set for more extensive reforms in the Salvadoran economy. Accordingly, USAID will enter into negotiations with the GOES on further measures to reactivate the productive sectors of the economy and lead it back to export-led growth. To assist them in this effort, and to construct a practical policy dialogue agenda, USAID has begun several projects that will focus on critical sectors of the economy. The first is a program of training and technical assistance to the Ministry of Finance for the improvement of the system of tax collection. A study will examine the efficiency of the financial sector. Another will analyze the price and non-price barriers to nontraditional exports. Still another will evaluate alternative exchange rate regimes for El Salvador.

Finally, during the Action Plan period, Mission efforts to assist the GOES upgrade its financial control capability will be continued and deepened. Resources under the Technical Support, Policy Analysis, and Training project (519-0349) will be applied to enhance the performance of the Court of Accounts and the Ministry of Finance with respect to financial controls and audits.

OBJECTIVE No. 7: RESTORE AND IMPROVE THE INFRASTRUCTURE

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

Not Applicable.

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

	1985	1986	1987		1988	1989	1990
	<u>Actual</u>	<u>Actual</u>	<u>Proj</u>	<u>Actual</u>	<u>Proj</u>	<u>Proj</u>	<u>Proj</u>
<u>A. Earthquake Recovery/Reconstruction (519-0331/519-0333)</u>							
Person-days of employment (millions)	0	0	1.2	.9	0	0	0
Cubic meters of rubble removed	0	0	100,000	114,000	0	0	0
Families provided temporary building materials	0	0	31,000	36,000	0	0	0
Families relocated	0	0	1,200	1,200	0	0	0
Urbanization sites developed	0	0	8	8	2	7	6
Civil works rehabilitated in slum areas	0	0	30	28	0	0	0
Housing loans (repair and reconstruction)	0	0	6,000	7,193	8,725	7,600	2,000
Small business loans	0	0	2,000	2,336	343	228	0
Social services loans	0	0			55	0	0
City public utilities systems restored	0	0	100%	100%	0	0	0
Repairs to water distribution network	0	0	4,000	20,000 ^{1/}	0	0	0
Classrooms constructed and repaired	0	0	1,300	964	290	556	87
Repairs to health units/hospitals	0	0	5	13	1	6	3
Temporary market structures	0	0	9	9	0	5	3
Municipal and central gov. structures	0	0	0	61	0	0	0
Kilometers roads repaired	0	0	5	16	0	10	10
<u>B. Public Services Restoration (519-0279)</u>							
<u>Energy</u>							
Electricity used (GWH)	1,653	1,759	1,842	1,902	2,020	2,120	2,220
Standby generator cap used (GWH)	131	135 ^{2/}	0	3343 ^{1/}	222	0	0
Transmission lines: built (Km)	20	40	0	0	70	34	0
Distribution lines: built (Km)	224	117	463	433	395	300	300
Transmis. towers: restored (unit)	472	487	0	276	0	0	0
Power standby generated (GWH)	20	22	20	23	20	0	0

^{1/} Estimate based on surface evidence. Further investigation revealed greater damage.

^{2/} Includes 5% of total demand met through purchase of electric power from Guatemala.

^{3/} Includes 0.5% of total demand met through purchase of electric power from Guatemala.

A.I.D. PROGRAM PERFORMANCE INDICATORS (continuation from previous page)

	1985	1986	1987		1988	1989	1990
	Actual	Actual	Proj	Actual	Proj	Proj	Proj
<u>Roads and Highways</u>							
Roads: built (Km.)	29	13	16	16	10	0	0
Roads: rehabilitated (Km.)	135	2	0	0	25	100	150
Roads: maintained (Km.)	0	317	555	555	450	500	550
Bridges: restored (unit)	11	9	10	13 ^{1/}	10	0	0
<u>Potable Water</u>							
Pumping stations operating	286	287	293	287	298	303	308
Deep wells: built (unit)	0	0	0	0	4	4	4
Shallow wells/hand-pumps (unit)	0	0	35	35	337	500	750
Water systems: built (system)	0	0	0	0	2	4	6
Water systems: upgrading (system)	0	0	6	6	1	2	5
Sewer systems: upgrading (system)	0	0	0	0	0	2	5
<u>Market buildings</u>							
Markets: built (unit)	0	0	0	0	19	0	0
Markets: reconstructed (unit)	0	0	0	0	2	0	0

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1987 AND EARLY FY 1988

A. EARTHQUAKE

— Employment generation/rubble clean up: 1.2 million person days/120,000 cubic meters of rubble removed.

Quarter/Year

3Q FY87

• Status: Project generated 900,000 person days of labor and removed 114,000 cubic meters of rubble.

— Micro and small business reconstruction credit: authorize and disburse 2,000 to 2,500 loans for \$10 million by 30 March 1987.

2Q FY87

Status: Project made 2,300 small business loans for \$9.1 million.

— Housing repair and reconstruction credit: authorize and disburse up to 6,000 loans for \$19 million by 30 March 1987.

Status: Project financed 7,193 loans for over \$21 million.

^{1/} Includes the erection of eight Bailey Bridges.

- Housing materials distribution for temporary shelter: purchase and distribute wood framing and roofing materials for 31,345 families by 15 May 1987.

3Q FY87

Status: Project distributed materials to over 36,000 families.

- Public services (electricity, water, sewage, classrooms, health centers, structures facilities etc.) restored to temporary operational status: carry out major and minor earthquake repairs by December, 1987.

1Q FY88

Status: 100% of public services were restored to operational status. Critical health, education and transportation facilities restored to operational condition. Project 519-0333 will restore services to normalcy.

B. PUBLIC SERVICES RESTORATION

- Maintain strategic stockpiles of key materials.

1Q FY 88

Status: This assistance maintained a one year's supply of Bailey bridges, electric generators, transformers, electric wires, wooden poles, waterpipes, pumps and spare parts.

- Maintain special assets and trained field crews.

1Q FY 88

Status: Assistance maintained a one year's supply of heavy equipment, and trained operators and mechanics.

- Reduce electric line repair time to lessen use of foreign exchange for petroleum to run standby generators.

1Q FY 88

Status: Technicians find it difficult to estimate the time saved because of the changing tactics of the guerrillas to using antipersonal mines and pressure sensitive antihelicopter mines to obstruct repair work. Project has countered with helicopter delivered wooden poles close to site to avoid mines and hot line repair methods.

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

Quarter/Year

— GOES raises utility rates for electric and water services sufficient to meet operating costs.

3Q FY 89

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS AND INDICATORS PLANNED FOR ACTION PLAN PERIOD

A. EARTHQUAKE RECONSTRUCTION PROJECT, 519-0333

Quarter/year

— 9,600 Housing loans made.

4Q FY 90

— 575 Small Business Enterprise loans made.

1Q FY 90

— 55 Social Services loans made.

1Q FY 89

— 935 Classrooms constructed or repaired.

4Q FY 90

— 8 Markets completed.

4Q FY 90

— 10 Hospital and medical facilities constructed/reconstructed.

4Q FY 90

— 20 kilometers of highway rehabilitated.

4Q FY 90

— 15 Urbanization sites developed.

4Q FY 90

B. PUBLIC SERVICES RESTORATION PROJECT, 519-0279

— Maintain one year's strategic stockpiles of key materials, tools, equipment and spare parts.

1Q FY 89

— Reduce the time required to repair electricity outages.

1Q FY 89

— Update the 1986 damage assessment report and establish a public services damage inventory.

1Q FY 89

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) Ongoing (O)	Type of Funding	LOP (\$000)	L/G/LC	OBLIGATIONS			
						Cumulative Through FY 1987	FY 1988	FY 1989	FY 1990
Earthquake Reconstruction	519-0333	0	ESF	100,000	G	75,000	25,000	0	0
Special Dev Activities	519-0094	0	DA	NA	G	2,515	350	350	0
Public Services Rest	519-0279	0	DA	44,000	G	24,000	4,000	16,000	0
			ESF	124,100	G	89,100	11,000	10,000	14,000
			DA	10,000	G	0	6,000	0	0
			ESF	13,400	L	13,400	0	0	0
Special Investment Project	519-LC-23	0	ESF	NA	LC	16,000	0	0	0
Rehab Natl Road/Bridge Network	519-LC-43	0	PL480	NA	LC	5,558	0	0	0
			ESF	NA	LC	5,300	3,000	4,000	4,000
Rural Electrification	519-LC-44	0	PL480	NA	LC	4,200	0	0	0
			ESF	NA	LC	2,400	1,400	2,000	2,000
Installation Protection	519-LC-45	0	PL480	NA	LC	3,360	0	0	0
			ESF	NA	LC	400	1,000	800	400
Protection works investment and recurring costs for bridges	519-LC-46	0	PL480	NA	LC	1,000	0	0	0
			ESF	NA	LC	240	240	200	200
Machinery/Equipment Installation and Admin (AME)	519-LC-47	0	ESF	NA	LC	1,040	2,400	3,000	3,500
S Marcos Lempa Bridge (FENADESAL)	519-LC-93	0	ESF	NA	LC	160	160	160	160

7. NARRATIVE

A. The Earthquake

On 10 October 1986, San Salvador was struck by a major earthquake. The earthquake measured 5.4 on the Richter scale with an epicenter 5 kms. south of downtown San Salvador at a depth of 5 to 8 kms. beneath the earth's surface. The shallowness of the earthquake, its high rate of vertical acceleration and its location almost directly beneath the city were major factors contributing to the extensive damage.

The earthquake aggravated the country's existing social, economic, political and military problems by adding requirements to an already overextended government and by competing for a large share of the available financial, human and organizational resources. In financial terms, losses are documented in excess of one billion dollars. With respect to human suffering, 300,000 people were left homeless, 1,500 perished and over 20,000 persons were injured. Immediately following the earthquake, the GOES conducted a highly effective rescue and relief program.

By all accounts, initial rescue, relief and restoration activities following the earthquake were decisive, swift and successful. Relief operations began almost simultaneous with rescue measures and the center of attention were the some 300,000 people left homeless. Efforts in this area were directed toward the distribution of provisional and emergency health, shelter, food assistance. Concurrent with relief operations were the monumental tasks of assisting the injured and restoring vital public services such as electrical energy, water, communications and public transportation. Early operations were largely bi-lateral, but in short order resources were extended from numerous countries throughout the free world.

Within days following the earthquake, Congress appropriated \$50 million in recovery assistance for El Salvador, to be administered by A.I.D. for the provision of temporary solutions in the interim between relief measures and permanent reconstruction activities. The Recovery Program has provided credit to families for rebuilding their homes, credit to reestablish businesses, building materials to erect temporary shelters, basic public services, classrooms, temporary hospital wards, operating rooms, warehouses, offices and clinics, temporary public markets, municipal government buildings, and temporary offices and buildings for critical governmental programs. Furthermore, the city of San Salvador was reopened to pedestrian and vehicular traffic through the removal of rubble which generated employment. This project moved very well and was completed within its one-year time frame. Given the magnitude of damage and compared to other earthquake disasters, most observers concede that the Salvadoran Recovery project was completed in record time.

The GOES is now embarked on a much greater reconstruction effort which will entail large investments in major infrastructure for permanent repairs, new construction, and credit provisions for the restoration of private sector health, education and small businesses. The USG contributed \$75 Million from the FY 1987 supplemental resources and an additional \$25 Million in FY 1988 will be obligated for this undertaking. The World Bank has made a \$67 Million loan for a three-year program beginning in CY 1988. Significant contributions are also under final review by the French, German, Italian and Canadian Governments. These long-term reconstruction investments are also expected to begin in CY 1988.

B. Public Services Restoration

In addition to the problems caused by the earthquake of 1986, destruction of key infrastructure targets continues to be a major goal of the guerrilla strategy for economic sabotage (e.g., in January and February 1988, 119 transmission lines and poles were destroyed). The Public Services Restoration project (519-0279) provides scarce foreign exchange to obtain parts, tools, equipment and services needed to minimize the effects of 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 1987 included 514 major transmission line repairs. Project funded lighting and communications equipment complemented local currencies used to construct security enhancements at key electrical generation and substation sites. The Mission funded standby generation plant in San Miguel provided 1,598 hours of power in 1987 with a gross generation of 22,917 GWH. Eight provisional bridges using project-funded equipment and Bailey Bridge components were completed to replace bridges damaged or destroyed by guerrillas at important locations in the national highway network.

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 guerrillas attack on infrastructure, especially on the electrical system, continue at a high rate. 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 guerrillas destruction or natural disasters. Also, the heavy construction equipment procured for the Ministry of Public Works (MOP) played a major role in 1987 activities for rubble removed after the October/86 earthquake. Other high

priority uses have included rehabilitation work on streets and highways and 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 1988 will continue to stress repairs of the electrical power system which are necessitated by the level of attacks on the high voltage transmission lines. Some project commodities will be used to erect three alternate power line loops to reduce the vulnerability of the major transmission system. Fuel costs for standby electrical generator are very high (at times, they run over \$100,000 per day) and the redundant lines help to reduce the use of standby generators. GOES owned local currency for further site security enhancements will help reduce risk to guerrilla attacks at major generating and substation infrastructure.

Major projects involving this equipment for 1988 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 Mission 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. During early FY 1989, the USAID will do a comprehensive evaluation of Project 519-0279 and related local currency funded projects. This evaluation will cover the impact and accomplishments of these projects, any design or implementation problems and recommend areas where continued USG assistance may be required. In FY 1989, we will amend the project to provide for the continuing infrastructure needs, much of which are related directly to insurgent activities and indirectly to deferred maintenance as the GOES resources are dedicated to financing the war against the guerrillas.

OBJECTIVE No. 15: ASSIST DISPLACED PERSONS (DPs)

1. COUNTRY DEVELOPMENT TREND INDICATORS

Not applicable.

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

	1985	1986	1987		1988	1989	1990
	Actual	Actual	Proj	Actual	Proj	Proj	Proj
Number of integrated DP families	NA	NA	5,000	3,400	5,000	5,000	3,000
Number of displaced ('000)	390	400	300	230	180	130	80
Jobs per month ('000)	10	13	12	11	8	2	NA
Curative health services ('000)	12	50	35	52	35	5	NA
Daily food baskets (1,600 calories) ('000)	225	255	125	150	120	90	60
Supplemental food ('000)	1.2	10	7	4	2	0	NA
Works projects completed	1,055	891	900	920	500	150	NA
Returnee relocation/projects	NA	15	100	56	100	100	100
Agriculture starter packages	NA	500	1,000	7,900	10,000	5,000	NA
Shelter solutions ^{1/}	NA	NA	NA	2,390	3,000	1,500	NA
Number displaced trained ^{1/}	NA	NA	NA	337	2,500	2,000	1,000

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1987 AND EARLY FY 1988

Quarter/Year

— Reduce total number of registered displaced by up to 20% during 1987 by tightening the eligibility requirements.

4Q FY 87

- Status: The number of displaced was reduced by over 20%, (estimated 350,000 to 200,000) however additional work is needed to tighten the eligibility requirements. The World Food Program eliminated emergency assistance and only provides food-for-work rations.

— Reduce the number of workers under the FEDECCREDITO agreement 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.

3Q FY 87

^{1/} Indicator added in 1988 to reflect shift of program emphasis.

Status: The number of workers has been reduced from a peak annual average of 14,000 to an average of 11,000. The jobs program has refocused over 75% of its projects in the rural areas, which is up from the 25% figure in 1986. The CONADES Displaced Register is still in the process of being revised; however, FEDECCREDITO is utilizing the old CONADES registry where possible.

- Eliminate A.I.D.-funded health services targeted to the dispersed displaced and picked up by the MOH. In addition, close a number of Project HOPE's dispensaries where there is a duplication of services provided by the MOH. 1Q FY 88

Status: The number of Project HOPE dispensaries has been reduced from 82 to 34. Dispensaries were eliminated in locations where there is a duplication of health facilities and in areas where displaced programs have been phased out. In returnee communities where no MOH facilities are operating PVOs (e.g., World Relief and CESAD) are providing minimum health care services.

- Reduce CONADES food basket deliveries. Close selected CENAs providing supplemental feeding under the CESAD agreement where evaluations detect adequate nutritional status of the target population. 1Q FY 88

Status: CONADES averaged 125,000 displaced persons in their food distribution program in 1987, down nearly 40% from 1986 levels. CESAD closed 22^{1/2} of the 24 operating CENAs after being evaluated.

- Increase the number of works projects for the displaced returning to their homes of origin. 3Q FY 87

Status: Returnee areas are now a priority for the work program as new returnee areas are identified. All new returnee areas where assistance is being coordinated by World Relief or CESAD have had at least one work project implemented in the community.

	<u>Quater/Year</u>	<u>Status</u>
— Employment Generation Component		
- Reduce number of implementing agencies from 10 to 8. ^{1/}	2Q FY 88	0%
- Complete 5,000 employment projects.	1Q FY 89	68%
- Employ 10,000 to 12,000 Displaced Persons.	1Q FY 88	100%
- Employ 5,000 Displaced Persons returning to their homes of origin.	1Q FY 88	50%
- Identify and implement 500 employment projects for returnees. ^{2/}	1Q FY 89	10%

^{1/} Reduction of the Implementing Agencies has been revised and will take place begin the 3Q FY89.

^{2/} This goal was too optimistic and has been revised to 150 projects by 4Q FY89.

--- Health Component		
- Transfer all Project Hope health services to the MOH. ^{3/}	1Q FY 89	0%
- Eliminate all health referrals specifically targeted to the displaced.	1Q FY 89	100%
- Transfer all Project Hope dispensaries to the MOH or host communities. ^{3/}	3Q FY 88	60%
--- Nutrition Component		
- Phase out all CENA operations which only target the displaced.	3Q FY 88	90%
- Eliminate CESAD delivery of the Food Basket to the displaced.	3Q FY 88	15%
- Transfer all CENA buildings to host communities.	3Q FY 88	90%
--- Relocation Component		
- Returnee locations identified and employment projects initiated.	1Q FY 88	100%
- Agricultural starter packages provided to qualified returnees.	2Q FY 88	100%

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

Quarter/Year

- | | |
|--|----------|
| --- GOES and other Displaced Families assistance donors develop a strategy and timetable for integrating remaining displaced into society. | 4Q FY 88 |
|--|----------|

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD¹

Quarter/Year

- | | |
|---|----------|
| --- Increase access to credit for up to 5,000 permanently resettled displaced through local financial institutions. | 3Q FY 89 |
| --- Employment Generation Component: | |
| - Reduce number of service agencies working under the component from 10 to 4. | 2Q FY 89 |
| - Complete 4,500 employment projects. | 1Q FY 89 |
| - Reduce DPs employed to 2,000 per month. | 3Q FY 89 |
| - Identify and implement 150 employment projects for returnees/relocated DPs. | 4Q FY 89 |
| - Provide vocational skills training for 3,000 unable to relocate. | 3Q FY 89 |
| --- Health Component: | |
| - Phase out plan for Project HOPE prepared. | 3Q FY 88 |
| - Focus all special health activities for DPs on primary care through rural outreach with the assistance of trained health promoters. | 3Q FY 89 |

^{3/} The Project HOPE Dispensaries were not transferred to MOH but phased-out in areas where there was a duplication of services from MOH, or where the operation of the facility was no longer justified due to phase out of displaced program.

- Nutrition Component:
 - Eliminate CESAD delivery of food baskets to the displaced. 3Q FY 88
 - Transfer all CENA buildings to host communities. 3Q FY 88
- Returnee/Relocation Component:
 - All employment, training and productive projects focused in returnee/relocation sites. 2Q FY 90
 - 20,000 beneficiaries in the agricultural starter package program graduated from the humanitarian assistance programs. 2Q FY 90
- CONADES finishes updating its registration list of displaced, graduates those who have participated in productive projects thereby reducing food assistance programs, and begins to focus its efforts on only the permanently needy displaced families. 3Q FY 88

6. 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 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Health and Jobs for Displaced Persons	519-0281	0	DA/ESF DA	71,630 895	G	71,630	0 895	0	0
PL480 Title II (CESAD)	NA	0	PL480	NA	G	6,789	741	0	0
CONADES	519-LC-55	0	PL480/ESF	NA	LC	10,773	920	0	0
Food Dist. (DIDECO)	519-LC-56	0	ESF	NA	LC	3,306	200	0	0

7. NARRATIVE

Since 1979 people have been fleeing the rural areas of conflict for the more secure urban areas. By 1981, the conflict had caused 165,000 people to leave rural areas and congregate in the larger towns, away from conflict areas, located primarily along the Honduran border and the eastern region of El Salvador. This induced migration, which peaked at over 400,000 displaced persons by early 1986, increased the already high employment rates and overcrowded conditions of these cities, creating a larger burden on these communities with limited means to assist them. Since the GOES did not have the resources to deal with this problem, A.I.D., other donors, PVOs and private groups began assisting the GOES to provide a basic safety net of food, health care, shelter and jobs for these displaced people. This net has succeeded in stabilizing a situation that has enormous potential for social disruption. Nevertheless, giving these benefits to the displaced creates the conditions for dependency, and a class of welfare elites. Yet not giving these benefits to their equally poor neighbors sets up the conditions for resentment. To counter both of these undesirable outcomes, the Mission is seeking to maintain a basic humanitarian safety net in the short-term while at the same time refocussing the program on the long-term solution of reintegrating the displaced into El Salvador's economy.

The implementing agencies have become reluctant to graduate displaced from the program because they see their existence dependent on the program. Therefore, many families, who have lived as displaced for three to five years, who have become reintegrated into their new communities, and who have adequate shelter and jobs, still receive assistance, because by definition they remain displaced, and it serves the interest of the implementors to keep these families in the program. Although most people have shown sympathy for the displaced, as the assistance continues without any end in sight, the poor have begun to complain. The Mission first detected these complaints during its evaluation of the program in 1986. Interviews indicate that people poorer than the displaced feel that it is unfair that those with a higher income receive benefits while they cannot. Some of the poor have even considered displacing themselves to become eligible for such assistance.

In 1987, the Mission began to refocus the program not only to get people reintegrated but also to eliminate the dole features and graduate people from the program in order to reduce the difference between the displaced and the ordinary poor citizen and excise the resentment it breeds. The program has phased out HOPE clinics, in areas where they duplicated MOH clinics thus eliminating the special health clinics for only the displaced. The Mission, along with the World Food Program, has converted all food assistance programs from dole to food for work. The program now focusses more of its activities in secured areas where the displaced are returning voluntarily. The program provides them an agricultural package of seeds, fertilizer, insecticides, minimum housing materials and food until they harvest a crop. Food for work programs assist returnees and those permanently relocating to become productive again in agriculture or to attend training courses to develop skills for local jobs. In addition, an employment program provides minimum wage jobs for improving roads, water systems, schools and other community infrastructure. Since late 1986, the program

has established 35 permanent sites where it has integrated about 10,000 people into the economy and plans to reintegrate 25,000 more by the end of FY 1989. The program is currently developing 12 additional permanent sites on underutilized agrarian reform lands that will accommodate 15,000 people. Also, we believe that the 40% of displaced who own land are interested in returning when the security situation returns to normal.

To deal with the implementors' reluctance to graduate people from the displaced program, the Mission has set limits on assistance to two planting seasons for farmers, completion of coursework for those receiving vocational skills training, and six months for those employed in food for work activities. The Mission will audit the program regularly to ensure that these agencies have placed people on the list of graduates and to circulate the list to all agencies to prevent an increase in the "professional" displaced.

Project accomplishments in 1987 were many and significant in moving toward the long range objective of helping El Salvador reintegrate the displaced population. It completed 920 works projects employing an average of 11,000 DPs per month. HOPE personnel immunized 12,800 persons and distributed over 92,150 packages of oral rehydration salts. Project HOPE is operating 34 dispensaries in 63 settlements and its personnel average 52,000 consultations per month. Since 1985, CESAD has surpassed its goal of 25,000 foodbasket beneficiaries. During 1987, CESAD completed 253 projects in 202 communities in the Food for Work Program and an average of 30,000 displaced persons were participating in this program and receiving food baskets. The Mission is working now to develop a plan for making credit easier to obtain for returnees, many of whom have delinquent loans because they have had no means of paying them since leaving their farms.

A.I.D. 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 is devolving from Project HOPE to the Ministry of Health, as much as possible. The GOES has now taken a more active role in the overall coordinating efforts between all implementing institutions. FEDECCREDITO continues to place more emphasis on the returnee areas and targeting more projects in the rural areas. CONADES, CESAD and World Relief delivered agriculture starter packages to nearly 8,000 displaced families in a well coordinated effort last year.

2. Long Term Growth

OBJECTIVE No. 1 INCREASE AGRICULTURAL PRODUCTION

(PRODUCTION IN 000'S QQ)

1. COUNTRY DEVELOPMENT TREND INDICATORS

	1985	1986	1987		1988	1989	1990
	<u>Actual</u>	<u>Actual</u>	<u>Proj</u>	<u>Actual</u>	<u>Proj</u>	<u>Proj</u>	<u>Proj</u>
National Basic Grains (1)	16,984	15,881	17,200	14,956	18,060	18,963	19,911
National Traditional Export Crops (2)	8,514	8,482	8,498	7,117	8,668	8,841	9,018
Reform Sector Basic Grains (1)							
Phase I (2)	691	626	884	656	893	902	901
Phase III (3)	3,468	3,259	3,531	3,499	3,708	3,893	4,088
TOTAL	4,159	3,855	4,415	4,155	4,600	4,795	4,998
Reform Sector Traditional Export Crops (4)	2,427	2,106	2,256	1,984	2,301	2,347	2,394
Reform Sector Other Crops (5) increase (%)	329	404	424	N/A	496 17	600 21	750 25

(1) Includes corn, rice, beans and sorghum.

(2) Phase I basic grain production has been declining and USAID projects no more than a 1% per annum increase. Land going out of production should be converted to "Other Crops", including nontraditional export crops addressed under objective No. 5.

(3) Phase III basic grain production is projected to increase at 5% per annum.

(4) Includes coffee, cotton, sugar.

(5) Includes melons, okra, sesame, coconut, nuts, spices, etc. Although data exist for only two years, Reform Sector increases in "Other Crops" is expected to be affected by projects under objective No. 5.

2. A.I.D. PROGRAM PERFORMANCE INDICATORS 1/

	1985	1986	1987		1988	1989	1990
	<u>Actual</u>	<u>Actual</u>	<u>Proj</u>	<u>Actual</u>	<u>Proj</u>	<u>Proj</u>	<u>Proj</u>
Rural Population (millions) <u>2/</u>	2.52	2.56	2.60	2.60	2.64	2.69	2.73
Rural Pop. Affected by Phases I and III <u>3/</u> (in thousands)	570.3	570.3	570.3	570.3	618.3	678.3	738.3
Phase I Properties Compensated	311	406	433	440	469 <u>4/</u>	0	0
Phase III Properties Compensated	1,475	4,061	6,581	5,251	6,184	0	0
Phase I Coops Repaying Prod. Credit	129	142	148	158	160	172	194
Phase I Coop Titles Issued	127	196	259	229	317 <u>4/</u>	0	0
Phase III Definitive Titles Issued	16,992	34,418	56,685	42,997	73,180	0	0

1/ A.I.D. programs to achieve Objective No. 1, "Increase Agricultural Production", fall into two major categories: the promotion of nontraditional exports that are reported under Objective No. 5; and, (2) efforts to increase access to land through Agrarian Reform. The indicators associated with the Agrarian Reform are reported above:

2/ Rural Population projected to increase at 1.7% /annum.

Source: USAID Pop. Office.

3/ ISTA estimates that they will increase Phase I beneficiaries at the following rate:

1988 8,000 families = 48,000 people

1989 10,000 families = 60,000 people

1990 10,000 families = 60,000 people

4/ Remaining properties are abandoned, located in conflict areas or in litigation. Please note that these last five indicators are all cumulative figures.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY'87 AND EARLY '88

Quarter/Year

— Liberalization of Coffee Marketing.

ongoing

Status: A law which liberalized coffee marketing and made structural changes in INCAFE was passed by the Legislative Assembly in April '87, but was vetoed by President Duarte. INCAFE is working on a redraft of the law incorporating the President's comments.

— Maintenance of BCR coffee rehabilitation credit lines.

ongoing

Status: BCR coffee rehabilitation local currency credit lines have been maintained.

— Internal coffee prices high enough to stimulate production while maintaining tax revenues.

ongoing

Status: No change in internal coffee prices. Low prices and high export tax (in place of income tax) still discourage any significant investment over and above maintenance.

— Agricultural Development Bank (BFA) Relinquishes Involvement in Agricultural Input Business Activities.

ongoing

Status: The Mission has been successful at getting President Duarte to instruct the BFA to make changes in its operations to reduce administrative costs and recuperate overdue loans. However, the President stopped short of instructing the Bank to relinquish its nonbanking activities.

— Technical assistance to and financing small coffee farmers in improved production technology program.

1Q FY 87

Status: \$500,000 support was given to Instituto Salvadoreño para Investigación de Café (ISIC), and \$1 million equivalent local currency was provided in credit for improved production technology has been disbursed. Approximately 600 farmers with 600 manzanas of coffee are participating.

— Develop \$30 million agribusiness project for diversified export agriculture.

3Q FY 87

Status: Project signed for \$20 million in September 30, 1987. All major conditions precedent to disbursement have been met.

Quarter/Year

— Provide training in irrigation management to 1,300 farmers and technicians.

3Q FY 90

Status: As of March 1, 1988, approximately 125 farmers and technicians have received training.

— PROINVER for Eastern Region of El Salvador.

3Q FY 87

Status: The Investment Promotion Insurance Program (PROINVER) for the Eastern Region was established in the fourth quarter of FY 1987, as a component of the Eastern Region Reactivation Program. The fund was started with a total local currency allocation of ₡90. million. As of the first quarter, FY 1988, the program had accounted for the sale of 15 policies and the ₡ 90.0 million was fully subscribed. By a book keeping adjustment the ₡ 90.0 million has now been increased by ₡ 117.6 million and policies have been written on the additional coverage.

The Following Planned Accomplishments Derive From the 1987/88 PL-480 and 416 Agreements (Included at the request of LAC).

— To concentrate the activity of the Agricultural Development Bank (BFA) on efficient banking activities. The GOES agreed to instruct the BFA to conduct the following activities:

2Q FY 88

- a) Create the capacity within the Bank to periodically analyze the liquidity of the Bank's loan portfolio and other receivables.

Status: The BFA has established a monthly reporting system on the status of their loan portfolio.

- b) Take more aggressive action for recuperation of overdue loans and develop stricter requirements for refinancing.

Status: The BFA has assigned specific targets to its loan recovery agents and has applied its bad debt reserve toward cleaning up uncollectable loans.

- c) Develop specific plans to reduce the administrative costs of the Bank.

Status: The BFA has established specific percentages for reduction in administrative cost for 1988.

d) Investigate means to diversify the Bank's loan portfolio.

Status: The Bank created an office of agroindustry and agricultural diversification to promote innovative projects.

e) Accelerate implementation of the program to capture general deposits.

Status: BFA opened six new deposit facilities in 1987.

f) Initiate a process that will decrease the dependency of the BFA on nonbanking activities such as purchase and sale of agricultural inputs and purchase, storage, processing and sale of agricultural products.

Status: The BFA has not taken any positive steps toward reducing their nonbanking activities.

— Complete and consolidate Phase I and III of the Agrarian Reform Program.

4Q FY 88

Status: Titling and compensation under Phase I has progressed well. By the end of 1988 ISTA will have finished all but the most difficult cases.

Phase III has also progressed well.

FINATA has committed to finishing its task by June 1988.

— Determine the existence of pests that affect fruit and vegetable crops.

4Q FY 88

Status: In 1986, the GOES agreed to carry out a survey to determine the existence of pests that affect fruit and vegetable crops in the country. In an effort to open up new market opportunities for its fruits and vegetables, the GOES agreed to assign the necessary resources to implement the action plan submitted by MAG to investigate, with the cooperation of USDA, the existence of such pests and their possible eradication.

— Stop the introduction and spread of exotic diseases to El Salvador's livestock herds.

2Q FY 89

Status: In 1986, the GOES agreed to strengthen the office responsible for the implementation of the cooperative agreement between MAG and USDA, signed on February 28, 1973, in order to prevent the introduction of exotic diseases in the country. Stock farmers and workers have attended seminars and received pamphlets on the awareness of animal health measures.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	<u>Quarter/Year</u>
— Obtain legislation that permits private coffee marketing.	4Q FY 89
— Attain agreement to reduce the nonbanking activities in the BFA.	1Q FY 89
— Remove government support prices and subsidies for basic grains and milk.	3Q FY 90
— Obtain legislation which allows beneficiaries to determine their own form of ownership, production and property rights.	4Q FY 88

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	<u>Quarter/Year</u>
— Complete Phase I and III titling.	4Q FY 88
— Increase the number of Phase I cooperative members by 8,000 families.	1Q FY 90
— Implement voluntary land sale mechanism (land bank).	3Q FY 88
— 2500 small farmers placed.	
— 5000 hectares of land purchased	

- Abolish system of co-management on 50 Phase I cooperatives. 1Q FY 89
- Abolish system of co-management on 50 Phase I cooperatives. 1Q FY 90
- Divide and deed as individual parcels 24 abandoned Phase I cooperatives. 1Q FY 89
- Divide and deed as individual parcels 20 abandoned Phase I cooperatives. 2Q FY 90
- Increase access to land for currently landless rural poor.
- Place 8,000 new members on Phase I cooperatives 4Q FY 88
- Place 1,300 DP's on Phase I land (individual title) 3Q FY 88
- Place 1,700 DP's on Phase I land (individual title) 4Q FY 88
- 25 Agrarian Reform Cooperatives sign contracts with agribusinesses to produce nontraditional export crops for export. 2Q FY 89
- Production of nontraditional export crops by agrarian reform coops increased by 17%. 2Q FY 89

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) Ongoing (O)	Type of Funding	LOP (\$000)	L/G/LC	OBLIGATIONS			
						Cumulative Through FY 1987	FY 1988	FY 1989	FY 1990
Agrarian Ref Credit	519-0263	0	DA	81,500	L	81,500	0	0	0
			DA	4,325	G	4,325	0	0	0
TECHNOSERVE OPG	519-0312	0	DA	5,320	G	2,550	1,820	950	0
Ag. Ref. Financing	519-0307	0	DA	50,000	G	30,184	10,080	6,736	3,000
PVO/OPG	519-0999	N	DA	4,000	G	0	2,000	2,000	0
Commercial Farming	519-0351	N	DA	(15,000) <u>1/</u>	G	0	0	0	(6,000) <u>1/</u>

1/ Primary objective number five, nonadd this objective.

Title	Number	New (N) Ongoing (O)	Type of Funding	LOP (\$000)	L/G/LC	OBLIGATIONS			
						Cumulative Through FY 1987	FY 1988	FY 1989	FY 1990
Reforestation and Soil Conserv. Proj.	(519-LC-01)	0	PL-480/416	NA	LC	1,450	0	0	0
			ESF	NA	LC	600	0	0	0
Agricultural Statistics	(519-LC-02)	0	PL-480/416	NA	LC	886	0	0	0
			ESF	NA	LC	320	180	0	0
Lumber and Firewood (ROCAP)	(519-LC-05)	0	PL-480	NA	LC	190	0	0	0
			ESF	NA	LC	0	60	0	0
Integrated Pest Management (ROCAP)	(519-LC-06)	0	ESF	NA	LC	0	120	0	0
			PL-480	NA	LC	260	0	0	0
Animal Health Prog	(519-LC-10)	0	ESF/416	NA	LC	180	1,600	0	0
Coffee Intensification and Rehabilitation	(519-LC-16)	0	ESF/416	NA	LC	345	1,400	0	0
Agrarian Reform Supp	(519-LC-62)	0	PL-480	NA	LC	21,630	4,800	0	0
			ESF	NA	LC	0	6,060	0	0
Ag Ref Financ (0307)	(519-LC-65)	0	PL-480	NA	LC	5,000	5,000	5,000	2,000
Ag Reform Cred (0263)	(519-LC-64)	0	PL-480	NA	LC	44,100	100	0	0
Land Bank (FINATA)	(519-LC-87)	0	416	NA	LC	0	4,000	0	0
Agrarian Reform Compensation Fund	(519-LC-63)	0	ESF	NA	LC	46,000	0	0	0

7. NARRATIVE

The Government in power in 1980 envisioned three major goals for the Agrarian Reform: a) greater political stability; b) more equitable land and income distribution; and, c) increased and diversified agricultural production. Phases I and III of the reform have benefitted 25.8% of the rural poor population by giving them ownership to 23% of the land in farms. Family incomes on both Phase I and Phase III have risen to a point where they are about 21% higher than 90% of rural families. Political stability, despite the tumultuous times, has improved markedly from 1980. What is not so successful is the objective of increased production-- at least not in Phase I. Phase III beneficiaries have increased their production of basic grains by over 60% and production of nontraditionals by about 38%. Only 11% of Phase III land is idle, this mostly due to crop rotation practices. Phase I statistics however are not so positive. More than 35% of the land is idle or under utilized and production of all basic grains, cotton and coffee have fallen dramatically. Productivity for those same products has also fallen off significantly. The production and productivity on Phase I lands have decreased because of: 1) the lack of efficient management capability for large land units; 2) the lack of access to adequate and appropriate financing; and, 3) most importantly, the lack of appropriate incentives (such as individual land ownership) to increase production.

It is clear that the Government's political and social goals are well on the way to completion assisted by several major A.I.D. projects implemented over the past seven years. What is left is arguably the most important and the most difficult task...to make the agrarian reform beneficiaries, especially those of Phase I, economically viable units contributing to the national income, generating additional rural income and employment and leading the effort to diversify the country's agricultural base.

The Mission will continue to assist the GOES to finalize the de jure process of the reform through local currency assistance to ISTA and FINATA to finalize titling and compensation under Phases I and III. Our major efforts, however will be directed toward linking reform beneficiaries with successful agribusinesses. The Mission will use its current projects, Rural Small Enterprise and Development 519-0312, Agrarian Reform Financing 519-0307, and a new start in FY 90 (Commercial Farming 519-0351) to accomplish this task.

The Phase III titling process is now computerized, and A.I.D. participation in the Land Bank financing is conditioned upon the completion of Phase III titling during the plan period. Some adjustment in the baseline will probably be necessary once the files are purged of double counting, deceased persons, etc.

Compensation to former landowners is still not up to date, but almost all outstanding cash obligations and five year bonds have been paid (which was not the case last year) and interest payments after 1988 should be manageable by the GOES. Some former landowners still are delaying compensation settlements in hope of a better price or retaining their lands.

More cooperatives than ever (158) are receiving investment credit and paying their production credit. About 170 cooperatives are classified by the banking system as "A" or "B" cooperatives, indicating they are creditworthy within the norms of commercial banking.

Project 0307, Agrarian Reform Financing, although it is primarily an investment credit project, does not exclude basic food production loans to agrarian reform beneficiaries. During 1987, the project made available \$4.5 million for food crop production which resulted in the production of over \$11.0 million of grains and other foodstuffs. It is estimated that these loans generated 90,000 person/days of labor.

With respect to key policy dialogue actions and conditionalities planned for the balance of the Action Plan period, there will be a strong emphasis on expanding the number of agrarian reform beneficiaries through a variety of measures: (1) increasing the number of members on existing cooperatives; (2) dividing and deeding individual plots of land on abandoned and semi-abandoned cooperatives; and, (3) providing financial support to a voluntary land sale mechanism (Land Bank), conditioned upon successful completion of Phase III titling.

In addition, the Mission will reiterate the need for a readjustment of the rights and obligations enjoyed by reform beneficiaries to provide them with appropriate incentives to increase production. We are seeking to add language to the proposed legislation that would give Phase I coop members the right to determine which tenure form they prefer eg. individual plots, collectives, or a combination of both. To this end, the Mission has secured agreement from ISTA to remove government managers from 50 of the more successful cooperatives. This will require eliminating or "renegotiating" the portion of the titles which defines the role of the state within the cooperatives' activities. The Mission will continue to search for other measures (e.g., removing ISTA co-managers from successful coops and clearly defining beneficiary rights and obligations) that reduce the role of the state in agriculture, and integrate the reform segment into the overall agricultural sector.

The Mission will complement the policy dialogue with project assistance to help agrarian reform cooperatives, and other small farmers, diversify their production base and produce for export. Technical assistance provided through the ongoing Technoserve OPG and the planned CLUSA OPG will aid growers in acquiring the technology needed to produce effectively nontraditional commodities. The Commercial Farming project, scheduled for FY 1990, will link these growers to agribusinesses, which have ties to overseas markets. Finally, the existing Agrarian Reform Financing project (519-0307) will furnish the farmers with the credit resources needed to employ the diversification technology.

With respect to coffee policies and production, although little was accomplished in getting either external marketing liberalized or prices to producers raised, a small pilot program to renovate or replace trees using improved varieties and technologies is in place and functioning well. Credit lines have been maintained and the Mission's policy dialogue and actions will continue to emphasize denationalizing the coffee industry.

Finally, an end of project evaluation for Project 519-0263 is scheduled for 1988. The outcome will guide implementation for Project 519-0307, especially regarding the capability of the BFA and the desirability of its participation in Project 519-0307 or the need for further institutional assistance to the BFA. An evaluation of Project 519-0265 is no longer contemplated, although a study of the impact of the Agrarian Reform itself is currently being conducted. An end of project evaluation was conducted during 1987 for Project 519-0312, and its results were incorporated into the on-going Technoserve Project.

OBJECTIVE No. 2: STRENGTHEN THE PRIVATE SECTOR

1. <u>COUNTRY DEVELOPMENT TRENDS INDICATORS</u>	1985	1986	1987		1988	1989	1990
	<u>Actual</u>	<u>Actual</u>	<u>Proj</u>	<u>Actual</u>	<u>Proj</u>	<u>Proj</u>	<u>Proj</u>
Private Investment as % of GDP <u>1/</u>	8.7	10.6	9.6	10.9	11.4	11.7	12.0
Banking System's Credit to the Private Sector							
Millions of Current Colones <u>2/</u>	4193.4	5107.6	6869.6	5528.5	6483.0	7650.0	8950.0
Millions of 1962 Colones <u>3/</u>	876.0	778.6	904.5	726.1	748.0	770.0	793.0
Percentage of Total Gross Banking System Credit Going to the Private Sector	58.4	64.0	65.4	63.0	65.3	66.0	67.0
2. <u>A.I.D. PROGRAM PERFORMANCE INDICATORS</u>							
	1985	1986	1987		1988	1989	1990
	<u>Actual</u>	<u>Actual</u>	<u>Proj</u>	<u>Actual</u>	<u>Proj</u>	<u>Proj</u>	<u>Proj</u>
Number of Small Enterprises Receiving <u>4/</u> Credit Under A.I.D. Supported Programs	6,900	6,670	7,000	15,100	10,800	13,000	15,000
Training and Technical Assistance to <u>5/</u> Small Entrepreneurs (number of persons)	14,253	19,533	25,000	10,141	12,000	14,000	15,000
A.I.D. Supported Credit to the Private Sector (\$ millions equivalent)	112.1	59.7	NA	151.2 <u>6/</u>	84.6	97.9	72.0
Percentage of A.I.D. supported Credit Going to the Small Business Sector	6.2	11.2	NA	10.0	17.7	15.7	23.6

1/ Difference in percentage numbers from last Action Plan are due to an improved source of information.

2/ All information derived from USAID/ECON. Targets for 1989/90 are consistent with projected rates of inflation.

3/ The projections reflect an increase of 3% annually, which is consistent with the projected real growth rate.

4/ A small enterprise is defined as one with less than 50 employees and US\$100,000 (equivalent) in total assets.

5/ Projections are down from last year because Project 519-0229(B) accounted for most of the training, and this Project was terminated in September 1986.

6/ The Actual for 1987 includes \$74.2 million in earthquake relief credit.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1987 AND EARLY FY 1988.

Quarter/Year

— Trade Credit Insurance Program (TCIP) of \$75 million.

1Q FY88

Status: Achieved.

— Medium-term credit insurance for U.S. banks to extend medium-term lines of credit to Salvadoran commercial banks.

3Q FY88

Status: The medium-term EXIM facility had not previously been utilized to a great extent because the importer bore the exchange risk. In the third quarter of FY 1987, the Central Reserve Bank assumed this risk. In the last quarter of FY 1987 the Mission and Eximbank renewed the program for one year and the ceiling was increased to US\$20 million (from the original US\$10). Current utilization is at US\$12 million.

— Active A.I.D.-supported PVOs promoting development of private sector.

3Q FY88

Status: Ongoing USAID-supported PVO projects include the Technical Assistance to Business (519-0302), and the Small Enterprise Development (519-0322) projects with the International Executive Service Corps (IESC). Under FUSADES, the Urban Small Business (PROPEMI) project (519-0304) provides technical assistance, training and credit to the small entrepreneur. FUSADES' Association Strengthening Activities (FORTAS) program (519-0316 and 519-0336) endeavors to institutionally strengthen the capacity of private sector business associations to provide their members important information, technical advice and the general guidance needed to maintain and improve their operations. FUSADES' Department of Social and Economic Studies (DEES) (0316, 0336) undertakes studies and analyses required to develop the conceptual and analytical basis for proposing recommendations to the GOES on policies or actions.

— Eliminate requirement for prior BCR approval of funds committed by commercial banks for discount lines of credit.

1Q FY88

Status: The BCR developed two sets of guidelines to standardize the credit application and analysis process. Although this standardization of the credit mechanism eliminates one of the major constraints to decentralization of credit approval, progress in turning over approval authority to the commercial banks continues to lag. A key constraint is the lack of competent credit analysts at the commercial bank level. However, the Central Reserve Bank is in the process of formulating a decentralization plan to be completed in the third quarter of FY 1988.

- Encourage the GOES to continue an ongoing dialogue with moderate private sector and labor leaders that will lead to the adoption of a labor code. 4Q FY89

Status: The Mission continues to encourage more open dialogue between the moderates of both the private and public sectors and labor leaders. During the current fiscal year INCAE held a series of seminars on credit policies, labor policies and policy coordination with the participation of the public, private and labor sectors. Agreement between leaders in the private and public sectors and labor for the purpose of adopting a labor code is one of the key policy dialogue actions for the current Action Plan period.

- The adoption of implementing regulations governing the establishment and operation of foreign banks in El Salvador. 1Q FY88

Status: The Mission is currently developing a scope of work for technical assistance to be provided to the GOES for the purpose of formulating regulations to govern the establishment and operation of foreign banks in El Salvador.

- Encourage the private sector to play a positive role in economic reactivation. ongoing

Status: The Association Strengthening Activities (FORTAS) Project (519-0316, 519-0336) under FUSADES endeavors to institutionally strengthen Salvadoran business associations with the objective of increasing the private sector's participation in the economy, and enhancing private sector associations' awareness of the role of nontraditional exports in promoting economic growth. As a complement to FORTAS activities, the Department of Social and Economic Studies in FUSADES works to increase awareness of public and private sectors on the need to reactivate and reorient the economy. At the moment, the Department is carrying out a study on the feasibility of privatization, and an analysis of labor legislation throughout Central America.

- Provide technical assistance and training to at least 5,000 persons in the small scale enterprise sector. 4Q FY89

Status: More than 10,000 small entrepreneurs benefitted from USAID programs during 1987.

- The Monetary Board establishes market interest rates for SSE lending through the commercial banking system. 4Q FY88

Status: No progress has been made.

<u>4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD</u>	<u>Quarter/year</u>
--- Encourage the GOES, private sector and labor leaders to reach a consensus leading to the establishment of a labor code.	4Q FY89
--- Obtain a commitment from the GOES to develop and begin implementing the CORSAIN divestiture plan.	4Q FY88
--- Obtain adoption by the GOES of implementing regulations governing the establishment and operation of foreign banks in El Salvador.	1Q FY89
--- Seek to obtain GOES approval for the establishment of at least one private financial institution in El Salvador.	1Q FY90
<u>5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD</u>	<u>Quarter/year</u>
--- Maintain TCIP level at \$100 million. (\$100 million was reached in 1Q FY88)	ongoing
--- Disburse FY87 local currency credit lines.	4Q FY88
--- Disburse FY88 local currency credit lines.	3Q FY89
--- Complete the program to strengthen four pilot credit agencies within FEDECCREDITO.	1Q FY89
--- Provide 2,000 small and micro enterprises with credit through PROPEMI.	4Q FY89
--- Expand delivery of FORTAS services to reach 50 private sector associations.	3Q FY89
--- Write 100 million colones in PROINVER investment insurance.	2Q FY89
--- Privatize two state-owned holdings.	1Q FY90
--- Establish one private financial institution.	1Q FY90
--- Expand the Junior Achievement program to reach 6,000 youths per year.	1Q FY90

6. 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 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Technical Assistance to Business (IESC)	519-0302	O	DA	500	G	500	0	0	0
Urban Small Business	519-0304	O	DA	3,000	G	3,000	0	0	0
Youth Entrepreneurial Dev.	519-0311	O	DA	650	G	650	0	0	0
Association Strengthening Activities (FUSADES)	519-0316	O	DA	1,490	G	1,490	0	0	0
Small Enterprise Dev.	519-0322	O	DA	1,000	G	1,000	0	0	0
Private Sector Initiatives	519-0336	O	DA	8,000	G	2,250	2,000	3,750	0
Privatization	519-0350	N	DA	6,500	G	0	0	1,500	2,000
Small Business Assistance	519-0318	N	DA	7,500	G	0	0	0	3,000
Council for International Development (PVO)	519-0999	N	DA	483	G	0	283	200	0
<hr/>									
Private Sector Support	519-LC-18	O	ESF	NA	LC	172,600	68,700	73,000	70,000
PVO's	519-LC-88	O	ESF	NA	LC	0	3,640	4,000	8,000

7. NARRATIVE

Today, El Salvador faces the challenge of reactivating its economy in the midst of a protracted civil conflict and an international economic situation that no longer favors the basis upon which its earlier prosperity had been built. Recent Salvadoran history, including major reforms instituted in 1980 such as the agrarian reform and the nationalization of coffee marketing and the financial sector, has left a bitter legacy of mistrust between the present governing party and the private sector. Channels must be kept open and widened between the two groups: the GOES must begin to view the private sector as the major contributor to the generation of employment and growth, and the private sector must do more toward achieving national consensus on and developing positive proposals for reactivating the economy. Furthermore, in order to achieve a national consensus, the labor sector must play a role in the process.

The Mission's policy dialogue for strengthening the private sector is directed towards modernizing the private sector and towards encouraging the GOES to realize and support the vital role of the entrepreneurial and labor sectors in economic growth and development, and to assist the private sector, including labor, to achieve higher levels of production and productivity. To this end, the Mission's interventions will focus on the following program areas: 1) depolarization of the relationships between and among the major sectors of Salvadoran society that influence economic activity; 2) privatization, including divestiture of state-owned enterprises and facilitation of private sector involvement or investment in activities heretofore within the purview of the public sector; 3) simplification of the process for accessing credit and foreign exchange by private enterprises; 4) enhancement of the private sector's capacity to contribute to improvements in economic and social policy matters, and strengthening the role of private sector associations in carrying out development activities; and, 5) elimination of constraints to the development of small scale enterprises in El Salvador.

In the depolarization area, we will continue to support forums in which the entrepreneurial, labor, and public sectors can work constructively to address policy impediments and development needs and opportunities. Direct approaches will include continued support for a series of seminars to be conducted by INCAE, in which the public, entrepreneurial, labor and other decision-making sectors can discuss policy issues such as exchange rate policy, labor policy, and stabilization/reactivation measures. The Mission will also continue to support specific committees such as the Export and Investment Development Committee (CODEXI), comprised of high-level GOES members of the economic cabinet and prominent businessmen, and the credit and foreign exchange committee, comprised of representatives from major business associations and the Central Reserve Bank (BCR).

Our efforts to support privatization will focus primarily on the provision of technical assistance to the GOES in the implementation of a divestiture plan for state-owned enterprises and real estate holdings. During FY 1988, short-term technical assistance will be provided to help in the legal review, valuation and marketing of the assets. In addition, the Mission will provide short-term technical assistance to the GOES in the development of a broader privatization strategy for the future. That strategy and supporting analysis will serve as the basis for the development of a Privatization Project (519-0350), scheduled for authorization and initial obligation in FY 1989.

Because timely access to credit and foreign exchange is essential for economic reactivation in El Salvador, the Mission will continue to support simplification of the processes for accessing credit and foreign exchange. Specifically, our efforts in the short-term will be aimed at furthering decentralization of the analysis and decision-making processes for access to the GOES local currency rediscount facilities in the BCR. Toward this end, the BCR has approved a "guide for project preparation", which unifies the criteria for preparation and presentation of credit proposals to the BCR through the commercial banks. In addition, the BCR will develop a decentralization action plan which raises the ceilings for loan amounts that the commercial banks can approve unilaterally and eliminates double analysis of credit applications (i.e. at the bank and at the BCR). As regards access to foreign exchange, the GOES has approved the use of dollar accounts for nontraditional exporters, who in turn, can use these dollars for their import needs and can sell the surplus to other importers at a mutually agreed upon premium. The GOES has also reduced the number of "nonessential" items that can be imported into El Salvador. The Mission's short-term strategy in this area is to continue to monitor the foreign exchange allocation and approval process and assist the BCR in further liberalization of the process as needed.

In 1988, the Mission and the BCR will carry out a financial sector assessment. This assessment will serve as the principal basis for the provision of technical assistance and training to the sector in order to expedite the delivery of credit and foreign exchange to private enterprises. Furthermore, the Mission will continue its policy dialogue with the GOES on the need to establish private banking in El Salvador, with a view to complementing the existing structure of the sector and, through competition with private financial intermediation, foster improved efficiency of the public commercial banks. One of our targets for FY 1990 is to obtain GOES approval of at least one private financial institution in El Salvador.

Mission support to private sector participation in the areas of economic and social policy analysis and formulation and in the development and implementation of development activities began in 1984 and will continue during the Action Plan period. The objective has been to broaden the base of support for the free enterprise system by helping the private sector play a more active and positive role in the reactivation of the economy and to project that image into the community. To that end, the USAID, through the Private Sector Initiatives (519-0336) and Association Strengthening Activities (519-0316) Projects, supports the Economic and Social Studies Department (DEES) and the Association Strengthening Program (FORTAS) of FUSADES.

Through the DEES, the private sector has the capability of analyzing the macroeconomic and social conditions of the country and can make significant technical contributions to the solution of major problems affecting El Salvador. The DEES will continue to seek broad consensus on the need to implement an economic model based on diversification of the export base and penetration of extraregional markets, particularly the U.S. under the CBI. The DEES also makes input at the sectoral level through its analysis of the policy and legal framework in El Salvador, and has been effective in disseminating information to the public.

Through the FORTAS program, support is provided for activities proposed by new and established business associations and other private organizations to improve the effectiveness of their services to their

membership, and to engage them in carrying out development initiatives. In this way, USG assistance can have a greater outreach and impact in the larger community. To date, FORTAS assistance has made possible the creation and organization of foundations involved in funding training programs for private enterprise (FEPADE), housing projects for lower income families (HABITAT), activities aimed at promoting occupational safety (FIPRO), and a program to promote the reactivation of the eastern region of the country (COMCORDE). Business associations also have received assistance from FORTAS for activities such as seminars on economic topics, invitational travel to observe shrimp cultivation and coffee industrialization in other countries, legal assistance for producers to obtain certification required to become eligible for government incentives, and planning for new or refocused endeavors. USAID will continue to support the efforts of FUSADES under this program, as well as other efforts to promote the free enterprise system, like the Junior Achievement Program, which gives high school students hands-on experience in establishing and operating their own mini-companies.

The final element of the Mission's strategy and program to promote the private sector is the development of small and micro enterprises, which are estimated to represent 99% of the total number of nonagricultural private sector enterprises in El Salvador and to account for 59% of the jobs generated. The Mission's program will provide assistance in the areas of credit, training/technical assistance, and policy analysis. In the area of credit, the Mission will continue to support the institutional strengthening of the Federation of Credit Agencies (FEDECCREDITO) through the provision of technical assistance to implement administrative improvement measures, with emphasis in decentralization and the strengthening of rural credit agencies. Short-term technical assistance will also be provided to commercial banks to improve their administrative efficiency in managing their small business portfolio (\$400 million). Under the ongoing Urban Small Business (PROPEMI) Project, FUSADES will extend its basic business administration training and credit program to other cities of El Salvador, while introducing cost-saving measures to make the credit operations financially self-sustaining. By FY 1990, these efforts will be consolidated into a new Small Business Assistance Project. Under that new start, credit will be channeled in rural areas by FEDECCREDITO and in urban areas by FUSADES, and the strategy for providing technical assistance and training will include backward and forward linkages between large or medium sized enterprises and small or micro businesses. Through these linkages, small enterprises will be helped in their production processes, and new markets will be provided by the larger companies. The project will also include a policy analysis component to advocate sound policies such as market interest rates and decentralized procedures for approving loan applications. The legal environment as it affects small enterprises will also be analyzed, and changes to existing laws will be proposed to promote development of the sector.

The USAID has not presented a small business strategy statement as an annex to this Action Plan. The Mission intends to refine its private sector strategy and incorporate it into the CDSS to be developed in the fall of 1988. A small business strategy will form part of the overall private sector strategy and will reflect the recommendations from the evaluation of the PROPEMI program of FUSADES to be carried out in the third quarter of FY88. The slightly delayed timing of the updated small business strategy will not impede the development of the Mission's new Small Business Assistance Project which has been moved from FY89 to FY90.

OBJECTIVE No. 5: PROMOTE EXPORTS

1. <u>COUNTRY DEVELOPMENT TREND INDICATORS</u>	1985 <u>Actual</u>	1986 <u>Actual</u>	1987 <u>Proj</u>	1988 <u>Actual</u>	1988 <u>Proj</u>	1989 <u>Proj</u>	1990 <u>Proj</u>
Total Value of Nontraditional Exports (goods and services)(US\$ Millions)	175.2	169.0	NA	201.3	209.7	210.8	221.8
To CACM	95.7	91.0	NA	117.0	122.3	119.0	123.2
Outside CACM	79.5	78.0	NA	84.3	87.4	91.8	98.6
Drawback Industry Exports	83.3	39.9	24.0	45.0	48.3	55.8	64.0
Value Added Drawback Industries	34.6	16.7	NA	17.5	19.3	22.3	25.6
Value of Coffee	457.9	497.2	270.0	347.0	348.0	371.6	415.4

Reliable data on nontraditional agricultural and industrial exports is not available. The 1987 actual for coffee exports represents total value of the raw coffee exported including that on consignment. Information derived from the Commercial Registry, and provided by AID/ECON.

2. <u>A.I.D. PROGRAM PERFORMANCE INDICATORS</u>	1985 <u>Actual</u>	1986 <u>Actual</u>	1987 <u>Proj</u>	1988 <u>Actual</u>	1988 <u>Proj</u>	1989 <u>Proj</u>	1990 <u>Proj</u>
<u>A.I.D. Attributed</u>							
Foreign Exchange Generated by Nontraditional Industrial Exports.	2.3	3.5	NA	8.9	9.0	12.6	18.1
Investment Generated by NT Industrial Exports	0.4	0.5	NA	1.2	2.7	10.0	14.9
Jobs Generated by NT Exports	1,851	1,779	NA	1,700	3,000	4,400	5,700
Credit to Nontraditional Agricultural Export Sector (US\$ millions)	NA	NA	3.9	3.2	14.2	16.0	18.0
Nontraditional Agriculture Exports (US\$ millions)	NA	1.2	2.1	1.9	5.0	27.0	43.0
Hectareage in Nontraditional Agribusiness Export Production	NA	NA	900	700	1,800	2,100	2,500

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1987 AND EARLY FY 1988

Quarter/Year

- 3,000 jobs per year being created in nontraditional exports outside regional markets.

1Q FY88

Status: Under the FUSADES component of the Industrial Stabilization and Recovery Project (519-0287), 5,330 jobs have been created in export industries during the period, April 1985 to December 1987. These jobs have resulted from the technical assistance and other promotion activities carried out by FUSADES' Trade and Investment Promotion Program (PRIDEX). The goal of 3,000 per year will be reached during FY 1988, and exceeded in subsequent years.

- Generation of an additional \$10 million per year in nontraditional exports outside regional markets.

1Q FY89

Status: During CY 1987, the PRIDEX Program at FUSADES funded market strategy studies for numerous Salvadoran exporting firms. These, plus the technical assistance on production and quality control provided by PRIDEX and FUSADES' Agricultural Diversification Program (DIVAGRO), to export firms, have resulted in the generation of \$8.9 million in earnings from nontraditional industrial exports and \$1.9 million from nontraditional agricultural exports, for a total of \$10.8 million in 1987.

- Generation of \$10 million per year in new investment for production of nontraditional exports outside regional markets.

1Q FY88

Status: The \$10 million target, corresponding to the Mission's projects with FUSADES, has not been reached. FUSADES' investment promotion efforts resulted in approximately \$3.2 million in new investment in the nontraditional agricultural sector and approximately \$4.9 million in new and reinvestment in the nontraditional industrial sector (\$1.2 million is new investment). The establishment of new investment credit facilities in FUSADES under the Industrial Stabilization and Recovery and Agribusiness projects in FY 1988 will stimulate investments more effectively than the mere provision of technical assistance to FUSADES' current and future clients. The passage of a new Investment Law and the establishment of a one-stop export documentation center, both discussed below, will help create a better investment climate.

- 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.

2Q FY88

Status: The proposed Investment Law was submitted to the Legislative Assembly in June, 1987 but was not approved. A revised draft of the Law will be submitted by President Duarte to the Legislative Assembly in April, 1988. Indications are that the Investment Law will be passed by the fourth quarter of FY 1988.

- The streamlining of access by the private sector to foreign exchange for imports of raw materials and capital goods required for export production.

4Q FY87

Status: Access to available foreign exchange by the private sector has been expedited as a result of the problem identification efforts of a "Working Group" composed of representatives of 10 private sector associations, the Central Reserve Bank (BCR), and the USAID. In addition, the use of dollar accounts by exporters has increased significantly due to the BCR's expansion of eligible importers that can buy the dollars from the exporters.

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

3Q FY87

Status: An additional \$65 million (\$13 million) was allocated in FY 1987 in support of private sector export activities.

- The commitment at the highest GOES level to promote nontraditional exports as a top national priority and the promulgation of policies which reflect this priority.

3Q FY87

Status: Significant progress had been achieved in this area. The Export Development Law was passed in 1986, and in 1987 implementing regulations were issued pertaining to: the register of exporters, benefits and sanctions for exporters, a one-stop export center (CENTREX), the Tax Credit Certificate (CDT), and barter and counter-trade. Another significant positive development has been the creation of the Export and Investment Development Committee (CODEXI). Formed in September 1986, CODEXI is composed of high-level GOES officials (Ministers of Foreign Trade, Finance, Economy, Planning, in addition to the President of the BCR) and five private sector leaders. In June 1987, President Duarte expressed his full support for this committee, which provides a forum for policy dialogue between the private and public sectors. CODEXI has contributed significantly to reducing the gap between the GOES and the private sector institutions directly involved in export promotion. In addition, CODEXI input and follow-up have facilitated the completion and approval of pending regulations for the Export Development Law (on free zones and the Tax Credit Certificate (CDT)); the expansion of the San Bartolo Free Zone and plans for the establishment of other free zones; proposals on incentives that the BCR could offer to exporters; and the consolidation of export processing functions in CENTREX, the one-stop export documentation processing center mentioned above.

— GATT - consistent export incentives. 1Q FY88

Status: GOES will apply in June 1988 for provisional membership in the GATT.

— One produce transportation company financed. 3Q FY87

Status: This activity was discontinued because an alternative overland shipping route through Mexico was developed.

— IBRD - industrial export credit negotiated. 4Q FY87

Status: Still under development.

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

— Encourage enactment of the new Investment Law to update and streamline the regulations for the formation of new companies and consolidation of investment incentives and codes. 4Q FY88

— Encourage the Central Reserve Bank to adopt policies and procedures which further the decentralization of the credit approval process, while simultaneously raising credit approval ceilings of the commercial banks. 4Q FY88

— Coordinate efforts between FUSADES and the Ministry of Agriculture to revise regulations and procedures relating to the development of the shrimp industry. 1Q FY89

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR THE ACTION PLAN PERIOD Quarter/Year

— All implementing regulations for the Export Development Law completed. 4Q FY88

— New Investment Law passed. 4Q FY88

— NT industrial exports to markets outside the CAQM increase by 10%. 2Q FY89

— Increases in the value of NT agricultural exports are estimated at \$5.0 million in 1988, \$27 million in 1989, \$43 million in 1990. 4Q FY90

— Creation of 3,000 new jobs per year by enterprises engaged in nontraditional export activity. 4Q FY90

— New investment of at least \$10 million through FIDEX is achieved. 4Q FY89

- A fund is created in the BCR for the development of free zones. 2Q FY89
- The development of agricultural products (e.g., shrimp, fruits, vegetables, ornamentals and spices) for export is accelerated (2,500 hectares). 1Q FY91
- The time for processing loans in the BCR is reduced from six to three months. 1Q FY90
- Contractual relationships are developed between agribusiness enterprises involved in export processing and marketing with agrarian reform cooperatives. 4Q FY89
- Two private sector free zones begin operations. 4Q FY90
- Under-roof space at the San Bartolo Free Zone is expanded by 20,000 square meters. 2Q FY89

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) Ongoing (O)	Type of Funding	LOP (\$000)	L/G/LC	OBLIGATIONS			
						Cumulative Through FY 1987	FY 1988	FY 1989	FY 1990
Industrial Stabilization	519-0287	O	DA/ESF	51,460	G	29,460	0	0	13,000
Industrial Parks and Infrastructure	519-0323	N	DA/ESF	24,000	G	0	5,655	16,345	3,000
Water Management	519-0303	O	DA	18,744	G	18,744	0	0	0
Agribusiness Development	519-0327	O	DA ESF	23,497 7,466	G G	2,650 7,466	8,138 0	8,246 0	14,500 0
Commercial Farming	519-0351	N	DA	15,000	G	0	0	0	6,000
Industrial Stabilization	519-LC-90	NA	PL480	NA	LC	2,166	920	0	0
Industrial Parks	519-LC-91	NA	PL480	NA	LC	0	3,000	1,600	0
Free Zone San Bartolo	519-LC-92	NA	ESF	NA	LC	1,200	5,000	800	0
Water Management	519-LC-17	NA	PL480	NA	LC	750	540	800	406

7. NARRATIVE

For El Salvador, with a small open economy, export growth is the lifeline to economic stabilization and recovery. The economy, however, cannot continue to depend on traditional exports (coffee, sugar, and cotton) for generating and sustaining dynamic growth. It needs to diversify and increase exports, especially those of industrial, agroindustrial, and nontraditional agricultural products. Because the CACM is no longer a viable growth market for manufactured goods, new and more competitive markets have to be penetrated by the industrial sector. Extraregional markets also have to be tapped to permit export growth in the nontraditional agricultural sector, given the limited domestic market and the need to generate foreign exchange. To enter new markets successfully, existing enterprises have to become more efficient in their production and marketing, and new investment in these types of economic activity has to be fostered. In order for this economic reorientation to happen, investment credit has to be provided, and the necessary production and marketing know-how, i.e., commercial and market information, new technologies and techniques, linkages between producers and new markets, have to be developed and supported.

The Mission's strategy for promoting economic recovery is predicated on the need to generate investment in and exports of nontraditional products, both industrial and agricultural, so that these can become the main engines of sustained growth and employment generation. Therefore, the strategy must place emphasis on the utilization of the country's highly productive, abundant and low-cost labor; it must also promote opportunities for joint ventures with El Salvador's very capable entrepreneurs; seek foreign market access; identify foreign investors; provide free zone industrial infrastructure for manufacturing concerns; and provide linkages with producers who are willing to grow nontraditional crops for agribusiness export operations.

To accomplish the export promotion strategy, the Mission's policy dialogue seeks to obtain public endorsement by the highest levels of the GOES of an export and investment program led by private sector initiatives. To this end, Mission interventions will focus on the following program areas: 1) enactment of a policy framework that is conducive to the development of new exports and investments; 2) export promotion; 3) investment promotion; and 4) establishment of support mechanisms such as terrorism insurance coverage, investment credit, and facilitation of export and investment documentation.

In the policy area, the Mission has made steady progress. A new Export Promotion Law developed by the GOES in consultation with FUSADES was approved in March 1986. The implementing regulations are now nearly complete. A new law governing international banking operations, also approved in 1986, provides a solid basis for the presence of foreign banks in El Salvador. Furthermore, the GOES, in consultation with FUSADES has completed a new law governing foreign investment, and we expect the law to be enacted in the fourth quarter of FY88. In terms of foreign exchange policy, the GOES has approved the use of "dollar accounts" for nontraditional exporters, through which exporters can meet their import needs and sell surplus foreign exchange to other importers at a mutually agreed premium. On credit policy, the GOES has agreed to continue

to make credit resources available to nontraditional exporters. All of these efforts are made possible through the Export and Investment Development Committee (CODEXI) formed in 1986, and comprised of Cabinet Ministers and prominent businessmen.

The export promotion effort was started in 1985 through the establishment of the Trade and Investment Promotion Program (PRIDEX) in FUSADES under the Industrial Stabilization and Recovery Project (519-0287). PRIDEX promotes private investment in the production and marketing of nontraditional exports and directly helps companies to export through the provision of technical assistance, technology transfer, training and market access. While PRIDEX concentrates on industrial export promotion, FUSADES' Agricultural Diversification Program (DIVAGRO) promotes exports of nontraditional agricultural products, through the provision of technical assistance, training, market access and technology transfer.

To date, these programs have generated \$16.6 million in new export earnings, 5,330 new jobs and \$5 million in new investment. To complement this effort, a new credit program has been developed to complement the efforts of PRIDEX and DIVAGRO. The Export Investment Fund (FIDEX) will provide permanent working capital, investment credit and equity financing to light manufacturing/assembly and agribusiness projects. In 1989 and 1990, our emphasis in the industrial sector will be on rapid turn-around drawback assembly, other light manufacturing, and services (data entry). In the nontraditional agricultural sector, our focus will be on increased production and foreign sales of Salvadoran products which are clearly competitive in international markets. Fruits, vegetables, ornamental plants, spices, colorants and shrimp have been identified as products of considerable promise.

Our efforts in the investment promotion area have yielded limited results thus far through the PRIDEX activities. Most of the new investment made has been done by Salvadorans. However, increasing numbers of U.S. firms have travelled to El Salvador to investigate joint venture activities and explore opportunities for direct investment. As the investment climate improves in El Salvador, the prospects are expected to improve. In 1987, MASTEX, a large apparel company with operations in the Far East, the U.S. and Europe, began operations in El Salvador, and hopes to provide contract work for 2,300 sewing machines by 1990. In 1988, AVX Ceramics, a U.S. electronic assembly firm will expand its facility in El Salvador to manufacture a line currently produced in West Germany. On the agribusiness side, a group of foreign investors is actively pursuing a banana and pineapple operation in El Salvador and Grenada; another large U.S. agribusiness concern is considering investing in mariculture in El Salvador. Our strategy is to continue to target specific companies in the U.S. who are actively seeking opportunities for investment off-shore. Through CODEXI, an investment promotion mission will visit the Far East in the fall of 1988 to identify and promote investment in El Salvador.

In order to capitalize on an improving perception of El Salvador by foreign investors, and to provide El Salvador with the tools to compete effectively with other countries in the region, the Mission will obligate a Free Zone Development Project (519-0323) in FY 1988 to further increase foreign exchange earnings and

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3. Spreading the Benefits of Growth

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

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

	1985 <u>Actual</u>	1986 <u>Proj</u>	1987 <u>Proj</u>	1987 <u>Actual</u>	1988 <u>Proj</u>	1989 <u>Proj</u>	1990 <u>Proj</u>
A. Annual Rate of Population growth	2.8	2.7	2.6	2.6	2.5	2.45	2.4
B. Percentage of couples using contraception <u>1/</u>	45%	47%	48%	48%	50%	51%	52%

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

	1985 <u>Actual</u>	1986 <u>Proj</u>	1987 <u>Proj</u>	1987 <u>Actual</u>	1988 <u>Proj</u>	1989 <u>Proj</u>	1990 <u>Proj</u>
A. Crude birth rate <u>2/</u>	37	36	35	36	35	34	33
B. CYP (In 1000) <u>2/</u>	315	320	365	370	395	415	470

1/ 1985 actual: all other figures are estimates projected from the 1978 and 1985 Demographic Health Survey. A new Demographic Health Survey will start in May, 1988.

2/ Figures are estimates based on service statistics and Demographic Health data.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY FY 1988 AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST'S YEAR ACTION PLAN:

	<u>Quarter/Year</u>
— Administration: Restructure the Special Administrative and Technical Unit (SATU).	
<u>Status:</u> Complete.	4Q FY 87
— Develop a Management Information System for all participating institutions for managing family planning/population service data and logistics.	
<u>Status:</u> Pending. Public bidding process completed.	3Q FY 88
— Information/Education/Communications: Launch a Mass Media campaign to reach 100% of the fertile population.	
<u>Status:</u> Campaign fully designed. Launch is expected in March 1988.	1Q FY 88
— Services Delivery:	
-Improve/expand the rural distribution of contraceptives program of the SDA to reach 10,000 CYP.	
<u>Status:</u> Complete.	4Q FY 87
-Incorporate private medical doctors in service delivery outreach program in order to expand coverage of voluntary family planning services by 5%.	
<u>Status:</u> Pending. Management changes in the Salvadoran Demographic Association delayed the accomplishment of this action.	4Q FY 87
-Improve the MOH rural health services to expand family planning services in health units and health centers.	
<u>Status:</u> Voluntary Family Planning Services were incorporated in 100% of the rural health centers and units of the Ministry of Health.	4Q FY 87
-Improve and expand the SDA's Social Marketing Program (SMP) to reach 40,000 CYP via small stores program and rural cooperatives.	

Status: Partially accomplished. This year, the Social Marketing Program reached 27,000 CYP, but was prevented from reaching 40,000 CYP due to a delay in receipt of contraceptives. Recent management adjustments to the SDA have been made to increase the SMP coverage by 10% over FY 87 amounts.

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

- Secure a GOES policy that reduces import tariffs on contraceptives thereby reducing the cost to the consumer, and increasing the accessibility of low cost temporary methods of contraception. 2Q FY 89

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

Quarter/Year

- Administration: Develop a functioning management information system for all participating institutions for managing family/population service data and logistics. 1Q FY 89
- Information, Education, Communications: A new Mass Media campaign reaches 100% of the fertile population. 3Q FY 88
- Services Delivery:
 - Improve/expand the Rural Distribution of Contraceptives program of the SDA to increase voluntary family planning by 10% per annum. 4Q FY 88
 - Incorporate private medical doctors into service delivery program to increase access to voluntary family planning services by 5% per annum. 4Q FY 88
 - Expand family planning services offered by MOH rural health units and health centers to include new temporary methods. 4Q FY 89
 - Improve and expand the SDA's social marketing program to increase couple-years-of-protection by 25%. 4Q FY 90

6. 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 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Salvadoran Demographic Association (OPG)	519-0275	O	DA	7,353	G	7,353	0	0	0
Population Dynamics	519-0210	O	DA	10,000	G	9,184	816	0	0
Private Family Planning Initiatives (PVOs)	519-0999	N	DA	9,000	G	0	0	2,100	3,000
Population Dynamics counterpart	519-LC-27	O	PL	NA	LC	260	200	500	0

7. 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.

A.I.D.'s population program strengthens selected Salvadoran institutions involved in population and family planning activities via management and administrative improvements. Clinical trials of new types of contraception are being conducted, and other contraceptive techniques will be widely distributed to provide couples with increased choice. The Mission also supports SDA's efforts to stimulate private sector activity through such programs as marketing contraceptives to pharmacies and small stores throughout the country. In 1987, the SDA project provided services to 10,000 women through its clinical program, to 27,000 couples through the sale of condoms and oral contraceptives via its Social Marketing Program, and to 10,000 couples through its rural distribution program. Over 500 persons were trained to conduct a mass media campaign that promoted the use of SDA clinics. The Population Dynamics project (519-0210), which supports public sector family planning programs, facilitated the provision of family planning services to 60,000 new users in the Ministry of Health and 20,000 new users in the Social Security Institute. Over 2 million promotional pamphlets and posters were printed and distributed by the MOH nationwide to government clinics.

Two evaluations were planned and carried out during FY 1987 in connection with these A.I.D.-financed population projects. The first evaluation analyzed the Population Dynamics project's special management unit (SATU), making recommendations to improve this unit's functioning. These recommendations have been carried out in a timely fashion, and project implementation has accelerated. The second evaluation provided a descriptive report on the feasibility of modifying the Salvadoran Demographic Association's Social Marketing Program to achieve greater impact. The conclusions and recommendations of this evaluation will provide the basis for the development of an SDA for-profit affiliate organization planned for a 1989 start.

In 1988, 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 60,000 new users will receive voluntary family planning from the Ministry of Health and 25,000 new users from the Social Security Institute. During the course of the year, two evaluations are also planned. The mid-project review of the Population Dynamics project to be carried out late in FY 1988, will provide us with information on the success of this public service sector project. A second evaluation will focus on rural community-based delivery schemes of the Ministry of Health, the Salvadoran Demographic Association, and other private voluntary organizations; the purpose of this evaluation is to identify strategies and programs to increase the access of the rural population to contraceptives.

The output target of the project with the SDA is to increase contraceptive coverage to 150,000 users by 1990. The Population Dynamics project inputs are expected to provide coverage for 320,000 users, which in conjunction with the SDA activities will result in a contraceptive prevalence rate of 52% by early CY 1990.

The existing family planning projects will continue into FY 1990. Late in FY 1989, the Mission will initiate a single follow-on effort to support private sector family planning initiatives. This four year, \$9.0 million project will increase private sector involvement in service delivery and will focus on rural outreach and private commercial initiatives.

OBJECTIVE No. 9: IMPROVE HEALTH AND HEALTH SERVICES

	<u>1985</u> <u>Actual</u>	<u>1986</u> <u>Actual</u>	<u>1987</u> <u>Proj</u>	<u>Actual</u>	<u>1988</u> <u>Proj</u>	<u>1989</u> <u>Proj</u>	<u>1990</u> <u>Proj</u>
1. <u>COUNTRY DEVELOPMENT TRENDS INDICATORS</u>							
A. Incidence of Malaria							
Number of cases reported by MOH ('000)	33.5	23.5	30	13.0	13.0	13	10
Malaria slide positivity rate (%)	21.9	13.5	18	6.3	6.3	5	5
B. Diarrhea							
Number of cases reported by MOH ('000)	159.2	133.1	NA	140.0	135.0	130	125
C. Percent of population with access to clean drinking water							
Urban	77.1	75.9	NA	78.0	80.0	82	84
Rural	14.6	20.1	NA	24.0	26.0	28	30
D. Percent of population with access to adequate sanitation							
Urban	57.3	55.9	NA	58.0	60.0	62	64
Rural	32.0	35.2	NA	37.0	39.0	41	43
E. Percent of population with access to primary health care services							
Urban	65.0	67.0	NA	70.0	72.0	74	76
Rural	55.0	57.0	NA	60.0	62.0	64	65

2. A.I.D. PROGRAM PERFORMANCE INDICATORS 1/

	1985	1986	1987		1988	1989	1990
	<u>Actual</u>	<u>Actual</u>	<u>Proj</u>	<u>Actual</u>	<u>Proj</u>	<u>Proj</u>	<u>Proj</u>
A. Number of persons protected against major diseases under A.I.D. - supported programs ('000)							
Diarrhea disease	5,378	5,488	5,600	NA 2/	5,700	5,800	7,000
Malaria	4,195	4,325	NA	4,440	4,600	4,700	4,852
B. Number of people served by new potable water systems under A.I.D. - supported programs (annual increments 000)	NA	NA	NA	80 3/	300	400	440
C. Number of persons served by new sanitation services under A.I.D. - supported programs (annual increments 000)	NA	NA	NA	NA	125	150	200
D. Number of civilian amputees fitted with lower limb prosthesis	NA	NA	NA	351	250	300	300
E. Number of Civilian Amputees treated in U.S.	NA	NA	NA	35	10	NA	NA
F. Number of handicapped served through ISRI ('000)	NA	NA	NA	4	5	5.5	5.5

1/ These figures differ from those provided previously; MOH now has more complete tabulations.

2/ Figures for CY 87 will not be available from the GOES until May 1988.

3/ Result of Pilot Program only; major activities begin in 1988.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY 1988.

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.

3Q FY 87

Status: MOH is slowly becoming aware of need to budget for these activities. MOH is utilizing vehicle maintenance systems established under VISISA. Maintenance of physical plants and equipment is improving with T.A. provided under APSISA. MOH has reduced number of different pharmaceuticals to be purchased with project funds; this has eliminated many nonpriority items.

- Encourage 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.

3Q FY 88

Status: A new form for estimating commodity requirements based on level of facility was developed in 1987.

- Encourage the MOH to develop a co-financed revolving fund to generate the resources necessary to eventually take over pharmaceutical procurements presently financed by A.I.D.

3Q FY 88

Status: No action to date.

- Encourage MOH to elaborate annual and multiyear plans for allocating increased resources to preventive maintenance and spare parts acquisition.

3Q FY 88

Status: Action Plans were developed in 1987 and 1988, which define preventive maintenance activities and spare parts acquisition.

- Encourage MOH to rationalize technical and administrative personnel positions to ensure the availability of adequately trained maintenance personnel at the regional level.

4Q FY 88

Status: The MOH reviewed technical personnel needs, but limitations on the establishment of new positions by the President have precluded filling these positions. The Mission has been unable thus far to convince the MOH to substitute technical positions for existing administrative personnel. As an interim measure, regional level personnel were trained in preventive and corrective electrical maintenance.

- National household survey of demand and utilization of health care services. 1Q FY 88

Status: Rescheduled for 4Q FY 1988.
- Complete the installation of an automated pharmaceutical and medical supply management system. 3Q FY 87

Status: A newly designed Basic Drug List has been computerized and implemented in all 5 Regions. Installation of the automated system in 4 remaining regions is pending arrival of MIS Advisor, scheduled for 3Q FY 1988.
- Train regional and central MSPAS staff in new pharmaceutical and medical supply management system. 3Q FY 87

Status: Sixty participants received training in new pharmaceutical management procedures.
- Complete implementation and evaluation of first large malaria source reduction project. 4Q FY 88

Status: Plans have been completed and a construction contract signed. The revised completion date is 4Q FY 1988. The evaluation has been postponed to 4Q FY89.
- Restratify malaria susceptible areas based on 1984-86 data, surveys and program results. 1Q FY 88

Status: Restratification has begun and is scheduled for completion in 1Q FY89.
- Complete targeted malaria spray cycles of approximately 33,500 houses annually. Ongoing

Status: Three spraying cycles were completed, covering approximately 31,385 houses. Malaria rates have declined 46% since 1986.
- Upgrade laboratory personnel skills to improve diagnosis of malaria in health facilities. 1Q FY 89

Status: Two training courses for forty participants were conducted on slide analysis for improving malaria diagnosis and 200,645 slides were collected thru December 31, 1987, representing a 9.86% increase over 1986.

- Train 90% of clinical medical/paramedical personnel in the use of drug formularies.

Status: Ten training courses of approximately thirty participants each were held in the Paracentral, Metropolitan, Occidental, Central and Oriental Regions on the use of the new drug formulary. The remaining personnel will be trained in 1988 and 1989.

4Q FY 87
- Maintain bio-medical equipment maintenance productivity (% work orders completed/month) at 80% monthly average.

Status: Approximately 70% of work orders are being completed/month.

1Q FY 88
- Complete renovation of facilities and installation of equipment purchased under Health Systems Vitalization Project (519-0291).

Status: All X-Ray equipment purchased under VISISA has been installed in MOH facilities; shelving for the Zacamil Unispan building has been completed and installation and calibration of DQC laboratory equipment will be completed by 2Q FY88. A contract has been signed for remodelling and relocation of the print shop which is scheduled for completion in 4Q FY88.

3Q FY 87
- Complete installation of preventive maintenance procedures for selected bio-med equipment in all regions.

Status: An inventory is currently being conducted to define preventive maintenance procedures for selected bio-med equipment in all regions.

1Q FY 88
- Improve immunization services through public health facilities.

Status: The Ministry of Health has designed a five-year immunization plan. The plan, prepared in April 1987, contains a detailed implementation plan through 1991 for a nationwide vaccination program with the MOH regular facilities.

3Q FY 87

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

- | | <u>Quarter/Year</u> |
|---|---------------------|
| — Secure MOH/GOES action to increase user fees to increase cost-recovery. | 2Q FY 89 |

- Encourage MOH/GOES to allocate increased resources to rural preventative services. 2Q FY 89
- Secure MOH/GOES commitment to allocate sufficient budgetary resources for CY 1989 preventive maintenance of physical plant, equipment, and vehicles, as well as acquisition of priority pharmaceuticals, medical supplies, and spare parts. 2Q FY 89

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

Quarter/Year

- Complete national household survey of demand and utilization of health care services. 4Q FY 88
- Complete the installation of an automated pharmaceutical and medical supply management system. 1Q FY 89
- Complete all planned malaria prevention activities including training, construction, surveys and spraying. 4Q FY 88
- Train 20 regional clinical medical/paramedical personnel in new drug inventory/ordering system. 4Q FY 88
- Maintain bio-medical equipment maintenance productivity (% work orders completed/month) at 80% monthly average. 4Q FY 88
- Fit 300 lower limb prostheses for civilian amputees in FY 88. 4Q FY 88
- Establish and equip prosthetics workshop producing 25 artificial limbs per month. 3Q FY 88
- 70 Mass Media Health Education messages prepared and aired throughout the country. 1Q FY 89
- 400 rural health (PROSAR) workers distributing ORS packets and educating mothers in their use; 1,800,000 ORS packets distributed. 1Q FY 89
- 30 emergency medical service directors trained. 2Q FY 90
- 50 laboratories in health units rehabilitated and functioning. 4Q FY 90

6. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) or Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>Obligations</u>				
						<u>Cum. Thru FY 87</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	
Health Systems Support	519-0308	0	DA	44,500	G	27,324	11,824	5,352	<u>1/</u>	0
			ESF	1,500		1,500	0	0		0
U.S. Medical Referrals	519-0343	0	DA	65	G	65	0	0		0
Knights of Malta Temporary Prosthesis Program	519-0342	0	DA	720	G	500	220	0		0
TELETON Foundation (OPG)	519-0346	0	DA	2,450	G	1,435	1,015	0		0
Health Systems Vitalization	519-0291	0	DA	10,225	<u>1/</u> G	10,225	<u>1/</u>	0		0
	519-0291	0	DA	23,380	L	23,380	0	0		0
Private Sector Health Care (PVO)	519-0999	N	DA	9,000	G	0	0	0		2,400
Health Systems Support	519-LC-28	0	PL	NA	LC	7,985	5,730	8,000		9,871
Improving Rehabilitation Service	519-LC-73	0	ESF	NA	LC	100	400	0		0

1/ Reflects reobligation of \$2.0 million in health funds to Health Systems Support Project and corresponding deobligation of funds under Health Systems Vitalization Project.

7. NARRATIVE

Despite the ongoing ravages of the war and the consequent strains on the public sector budget, health indicators in El Salvador have stabilized and several have shown some improvement. One dramatic example of this is malaria, with the number of cases having decreased by 46% in 1987. The infant mortality rate is also surprisingly low, approximately the same as that of its neighbors with the same per capita income, and despite the problems with displaced persons living in very congested areas, there have been no major epidemics.

This situation has been in no small measure the direct result of the A.I.D. and MOH efforts. Through A.I.D.'s massive infusion of funding for basic pharmaceuticals, medical supplies and emergency medical equipment, the Ministry has been able to continue to operate the majority of its primary health care facilities (Posts, Units and Centers). This has served to maintain the populace's confidence in the MOH health system during a time when the ability of the GOES to meet public service needs has fallen due to the continued heavy financial burden of the war. Alternatively, without A.I.D. assistance at this critical time the majority of MOH services would have collapsed and the rural population, already reeling under a myriad of adversities, would have felt abandoned.

This success has not come without cost and some probable negative side effects. A.I.D. financial support has been high, totalling approximately \$16 million per year (DA and LC), serving to increase the Ministry's already substantial dependence on donor agencies to finance curative and preventive care. Recognizing that the historically high levels of foreign donor support for public health services cannot be sustained, and the inability of the Government to meet the recurrent costs associated with the extensive public sector health infrastructure, the A.I.D. strategy began, in FY 1987, to prepare the Ministry of Health for a decline in donor funding. Specifically, the A.I.D. strategy seeks to help the Ministry redirect its efforts toward lower cost, preventive services, implement cost-recovery schemes, and encourage private sector solutions to health care needs wherever practicable. The Health Systems Support Project (519-0308) also continues to provide financial support for the purchase of pharmaceuticals and medical supplies and improvements in administrative, logistical and financial control systems to ensure that the public health system remains responsive to the Salvadoran population's needs.

Another result of the war has been a dramatic increase in the number of civilians disabled, and a resulting increase in the demand for rehabilitation and other support services. The National Rehabilitation Institute was ill-prepared to meet this additional service demand. For example, the annual production of artificial limbs (15) was insufficient to meet the needs of civilians losing limbs in even a one-month period in 1987. Recognizing this problem, the Mission, working with GOES and private sector agencies, developed a rehabilitation services strategy which unites private sector efforts with public sector programs to provide a comprehensive response to the needs of the handicapped population, particularly civilian amputees with war-related injuries (e.g., mine accidents).

As part of a short-term, emergency response, the USAID provided grant support to Project HOPE to establish a medical referral program to send up to 65 complicated amputee cases to the U.S. for free medical treatment. A grant with the Salvadoran Association of the Knights of Malta complements this short-term strategy, providing financial support to fit another 600 amputees with prosthetic devices by the end of FY 1988.

Prosthetic and other rehabilitation service needs of the disabled population will be met over the long-term through the establishment of a private sector prosthetics workshop and patient support fund, as well as through the upgrading of public sector rehabilitation programs. An FY 1987 grant to the Teletón Foundation for Rehabilitation provides financial support for the prosthetics workshop, as well as a community education program and technical training programs for Salvadoran rehabilitation personnel employed at the National Rehabilitation Institute and private rehabilitation agencies.

During the Action Plan period, the Mission will continue to support the strategies described above for enabling the GOES to meet the country's health care and rehabilitation service needs. However, for the long-term we plan to disengage from direct support to public sector programs that have a curative medicine bias. Our efforts will shift toward preventive medicine programs through the private sector. To this end, in FY 1990, we will initiate a private sector health care program for industrial workers, as yet another way for ensuring adequate access to health services for low-income Salvadorans without incurring additional financial burdens for the GOES. As we withdraw from participation in public sector programs we will encourage the GOES to solicit the collaboration of other donors in financing health assistance through government dependencies.

OBJECTIVE No. 10: REDUCE INFANT AND CHILD MORTALITY

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

	1985 <u>Actual</u>	1986 <u>Actual</u>	1987		1988 <u>Proj</u>	1989 <u>Proj</u>	1990 <u>Proj</u>
			<u>Proj</u>	<u>Actual</u>			
Infant mortality rate	51.3	50	50	50	49	48	47
Child mortality rate	26	25	25	25	24	24	23

Source: Salvadoran Demographic Health Survey, 1985

2. A.I.D. PROGRAM PERFORMANCE UNDER MISSION INDICATORS

	1985 <u>Actual</u>	1986 <u>Actual</u>	1987		1988 <u>Proj</u>	1989 <u>Proj</u>	1990 <u>Proj</u>
			<u>Proj</u>	<u>Actual</u>			
Child Health Visits 1/ to A.I.D. assisted clinics	1.1	1.4	1.7	1.7	2.0	2.3	2.5
Prenatal visits (per 1,000 live births)	883	914	1,000	1,000	1,500	2,000	2,500
<u>A.I.D. assisted Vaccinations</u> (Percentage of vaccinated children less than 1 yr.) 2/							
Measles	71	75	80	75	80	85	
90							
DPT	50	50	60	53	55	60	
80							
Polio	54	60	65	65	70	75	
80							
ORS packages distributed to health facilities (000)	1,900	1,500	3,000	2,000	2,500	3,000	3,500
Malnutrition (Gomez III)	5.0%	5.0%	5.0%	4.0%	3.5%	3.0%	2.5%

1/ Per enrolled child.

2/ Percentage of target population.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1987 AND EARLY FY 1988

	<u>Quarter/year</u>
<p>--- Child Survival mass media campaign.</p> <p><u>Status:</u> A comprehensive Child Survival campaign was carried out in CY 87.</p>	4Q FY 87
<p>--- Memorandum of Understanding for Expanded Immunization Program.</p> <p><u>Status:</u> Signed.</p>	1Q FY 88
<p>--- Purchase of 1,000,000 ORS packages.</p> <p><u>Status:</u> 1,000,000 ORS packages purchased and distributed to health facilities.</p>	1Q FY 88
<p>--- Purchase of 500,000 syringes for National Vaccination Programs.</p> <p><u>Status:</u> 500,000 purchased and 250,000 used as of March 1988.</p>	2Q FY 88
<p>4. <u>KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR ACTION PLAN PERIOD</u></p>	
<p>--- Through the analysis of financial and vaccination coverage data, secure GOES agreement on the most cost effective system for immunizing Salvadoran children under two years of age.</p>	4Q FY 88
<p>--- Through the FESAL nutrition component, obtain GOES agreement on the appropriate strategies to improve the nutrition status of the maternal and child population.</p>	1Q FY 89
<p>5. <u>KEY PROJECT/PROGRAM ACCOMPLISHMENTS FOR ACTION PLAN PERIOD</u></p>	
<p>--- USAID develops a Country Child Survival Strategy.</p>	4Q FY 88
<p>--- Carry-out a Demographic Health Survey with a nutrition component.</p>	4Q FY 88
<p>--- Provide logistical support for the Ministry's Immunization Program, as called for in the Interinstitutional Coordinating Committee (IOC) Memorandum of Understanding for CY 88, i.e., purchase 300,000 additional syringes and provide financial support to purchase and repair cold chain equipment.</p>	4Q FY 88
<p>--- Develop an improved child survival tracking system.</p>	1Q FY 89

6. PROJECTS SUPPORTING OBJECTIVES

<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 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
CALMA (OPG)	519-0329	0	DA	220	G	220	0	0	0
Save the Children	519-0300	0	DA	4,825	G	3,200	880	0	0
Health Systems Support <u>1/</u>	519-0308	0	DA	(9,000)	G	(4,500)	(2,500)	(2,000)	0
PVO/OPGs (Save the Children)	519-0999	N	DA	8,000	G	0	745	1,500	2,500
Schools & Health Centers	519-IC-39	O	PL/ESF	NA	LC	2,742	0	0	0
Child Survival	519-IC-42	O	PL	NA	LC	360	0	0	0

1/ The figures shown for the Health Systems Support Project represent the amount of Project funding attributable to support for the Ministry's Child Survival Program; these are non-add.

7. NARRATIVE

As in many developing countries, morbidity and mortality data are of questionable validity and, in El Salvador, this paucity of useful health data has been exacerbated as a result of the conflict. However, El Salvador has been able to maintain the comparatively good health conditions in the country and make modest gains since 1979 in areas such as the reduction of some infectious diseases. For example, the rate per 100,000 of reported cases of measles declined from 223 in 1979 to 120 in 1984. Likewise, the number of reported cases of polio declined from 52 cases in 1981 to 19 in 1984.

The GOES commitment to child survival interventions has resulted in a generally improving situation with regard to leading child survival indicators. The annual percentage of children under age one fully immunized for polio has increased from 20% in 1983 to 60% in 1986. Immunization rates for measles for children under one also increased, from 46% in 1983 to 75% in 1986.

The 1987-1988 period demonstrated progress toward the accomplishment of Child Survival promotion. The Mission increased coordination with the international donor community, participating in the formation of an Interinstitutional Coordination Committee (ICC) composed of the Ministry of Health, UNICEF, PAHO, and other donor agencies. In addition, the USAID collaborated in the drafting and was a signatory to a Memorandum of Understanding to support an expanded, integrated national vaccination program. A.I.D. dollar funding also supported educational activities of the Center for Maternal Lactation (CALMA, Project 519-0329) to improve maternal child health through breastfeeding and an increased understanding of the nutritional needs of newborns and infants, and a Mass Media Campaign of the ICC promoting Child Survival Interventions.

During the 1989-1990 Action Plan period, the USAID will develop a Child Survival Strategy that will emphasize the coordination of public and private efforts directed to reduce infant and child mortality in El Salvador. The USAID will continue to provide support through the Health Systems Support Project to strengthen logistical systems (e.g., the cold chain) and provide commodity support critical to the success of the GOES' child survival strategy. In addition, we will encourage the Ministry to expand their strategy to include child spacing as a priority intervention.

Finally, the USAID will continue to provide support for Save the Children's Community Based Rural Development Program, which impacts on child health through directed health and environmental sanitation interventions (e.g., the introduction of potable water and training of mothers in child-protective behavior), as well as through activities designed to increase family income and thereby allow for improved, more healthy living conditions for children. This PVO activity complements the GOES' child survival strategy, by providing services in the remote eastern and northern regions of El Salvador.

OBJECTIVE No. 11: IMPROVE HOUSING

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

	1985 Proj	1986 Proj	1987 Proj	1988 Proj	1989 Proj	1990 Proj
Annual New Housing Needs	37,500	38,600	60,000	56,500	51,000	47,500
Annual Housing Upgrading Needs	24,000	25,000	56,000	45,100	37,200	31,500

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

	1985 Actual	1986 Actual	1987 Proj	Actual	1988 Proj	1989 Proj	1990 Proj
A.I.D. Supported New Housing Units ^{1/}	1,128	1,174	1,400	2,280	3,400	2,400	1,700
A.I.D. Supported Housing Upgrades	629	921	3,000	10,120	5,325	5,200	300
A.I.D. Supported Temporary Housing Units	NA	NA	NA	33,825	NA	NA	NA

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY 1988

— Strengthen and support the Viceministry of Housing and Urban Development (VMVDU).

Quarter/Year

3Q FY 87

Status: With Mission and RHUDO/CA assistance, the VMHUD successfully implemented the housing component of the Earthquake Recovery Project, designed and started implementation of the Earthquake Reconstruction Project, and continued the implementation of the ongoing Popular Housing Program (PRONAVIPO).

4Q FY 87

— Strengthen the San Salvador Metropolitan Council of Mayors (MCM) planning capabilities.

4Q FY 87

Status: With A.I.D. Grant support, the MCM planning office was established, and priority action plans developed. After the June 1988 PACD, this office will continue with municipal and GOES support.

— Acceptance by GOES authorities of the principal of cost recovery.

2Q FY 88

Status: In principal, acceptance of cost recovery by the GOES has been achieved. In practice, universal application of this principal has been hindered by the requirements of donors (both official and private) to pass donated funds on to beneficiaries as donations. Also, severe reduction in real incomes over the last several years has drastically reduced solution affordability if full cost recovery is applied.

^{1/} These indicators do not include rural housing being provided under A.I.D. support to displaced persons during FY 87, 88, 89.

- | | <u>Quarter/Year</u> |
|---|---------------------|
| <p>— Acceptance by GOES Housing Authorities of lower cost housing solutions.</p> <p><u>Status:</u> The need to be construct and/or repair significant earthquake damage has moved some of the GOES housing authorities to accept lower cost solutions (eg. the FNV and the Municipality). Others (eg. DUA & ANDA) still hold on to their traditional standards. New, stringent earthquake resistant design codes now hinder the provision of lower costs structural solutions.</p> | 1Q FY 88 |
| <p>— Establishing by the GOES of savings and interest rate policies to prevent decapitalization.</p> <p><u>Status:</u> Maximum saving interest rates still remain controlled at levels that do not encourage savings. Lending interest rates for housing have become more concessionary as a result of earthquake reconstruction lending policies.</p> | ongoing |
| <p>— Initiate a utility connection program through PRONAVIPO.</p> <p><u>Status:</u> A water service installation program serving over 2,700 families in 50 communities was successfully implemented under the PRONAVIPO.</p> | 3Q FY 87 |
| <p>— Identify new urban projects through the Municipal Council of Mayors (MCM).</p> <p><u>Status:</u> The MCM planning office has been established and staffed. Several studies have been undertaken in land use, housing, transport, watersheds, and social-economic characteristics of the population. This office has also prepared a draft "Law for Professional Practice in Construction within the Metropolitan Area", along with priority action plans for small improvement projects in traffic flow.</p> | 4Q FY 87 |
| <p>— PRONAVIPO contracts private sector for construction of units using lower minimum housing standards.</p> <p><u>Status:</u> 1,400 units in five privately developed housing projects incorporating minimum standards have been funded under the PRONAVIPO.</p> | 1Q FY 88 |
| <p>— Establish three functioning PVO advisory groups for coordination of social actions affecting shelter solutions, relocation and land tenure.</p> | 2Q FY 88 |

Status: Several PVO groups are now active in the housing area and are developing projects. No PVO advisory group has been established as planned and the Mission does not see a need for this.

--- Achieve better uniformity in housing interest rates.

3Q FY 88

Status: Progress to achieve more uniform housing finance interest rates has been adversely affected by the influx of money from many donors for earthquake reconstruction.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	<u>Quarter/Year</u>
--- GOES housing authorities establish and apply appropriate housing design standards for earthquake reconstruction projects in San Salvador.	3Q FY 88
--- GOES establishes, in conjunction with the World Bank, an adjustable payment formula that will assure a 50% return in real terms for investments in the Housing Reconstruction credit lines.	3Q FY 88
--- Establish a timetable for the "Popular Housing Program" (PRONAVIPO) to become administratively self supporting, i.e., PRONAVIPO covers its operating cost from income from projects it develops.	4Q FY 88

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

--- Provide, with RHUDO/CA support, training and technical assistance to the ENV, Savings and Loan Associations and the private builders association (CASALCO) to develop appropriate housing designs for housing reconstruction credit lines.	4Q FY 88
--- Finance and complete repairs for over 5,000 units and construct over 5,000 new housing units under Earthquake Reconstruction project.	4Q FY 90
--- Finance and complete upgrading for over 800 units and construct over 2,000 new units under the PRONAVIPO project (ESF & HG Local Currency).	4Q FY 90
--- Complete PVO projects with CHF and World Relief that will construct 680 units and upgrade over 400 units.	3Q FY 89

6. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) Ongoing (0)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>OBLIGATIONS</u>			
						<u>Cumulative Through FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Earthquake Reconst.	519-0333 <u>1/</u>	0	ESF	(39,500)	G	(36,500)	(3,000)	0	0
Popular Housing	519-LC-40	0	ESF	5,000	LC	5,000	0	0	0
Program (VMVDU)	NA	0	HG	5,660	LC	0	4,000 <u>2/</u>	1,660 <u>2/</u>	0

1/ This amount is for the housing component only of 519-0333 and is nonadd.

2/ Local Currency obligations through jointly approved Action Plans.

7. NARRATIVE

El Salvador's annual housing needs jumped drastically as a result of the 1986 San Salvador earthquake. In 1987 an estimated 60,000 new units and 56,000 housing improvements were needed. While needs will begin to taper off as a result of major housing reconstruction activities, high level requirements will remain through the action plan period. Traditionally about 14,000 to 15,000 new units a year are produced through formal construction. The remaining needs have to be met through informal family efforts usually in slum areas or illegal subdivisions lacking infrastructure services.

As a result of the 1986 earthquake, USG greatly increased its efforts and resources in housing. Since priority has been placed on recovery/reconstruction projects aimed at rapidly repairing or replacing damaged housing in San Salvador, these efforts now support the goal of economic and social stabilization as well as the goal of spreading the benefits of growth. Within the context of the reconstruction efforts, A.I.D. will continue to address key policy and structural problems affecting both formal and informal housing production. Institutional capabilities, housing finance policies, appropriate standards, infrastructure upgrading, and appropriate public/private roles continue to be major sector development concerns. Nevertheless, assuring the rapid construction/reconstruction of the housing stock will be the Missions major emphasis during the 1988-1990 period.

Due to the large increase of resources programmed for housing, the Mission supported output jumped substantially in 1987. Over 2,100 new solutions, 7,195 repaired homes and 33,825 temporary shelters resulted from the earthquake recovery project. One hundred and eighty new solutions and 3,150 upgraded homes were produced through ongoing programs (CHF and PRONAVIPO). This increased output came from being able to mobilize the capacity of many institutions including the Municipality of San Salvador, the Vice Ministry of Housing, the Directorate of Urbanization and Architecture, Urban Housing Institute, the Savings and Loan System, the Commercial Banking System, the National Water and Sewer Administration, the San Salvador Electricity Administration, and several PVO's.

During the planning period, USG will concentrate on implementation of ongoing projects (Earthquake Reconstruction, PRONAVIPO). Technical assistance, policy analysis and training needs that the Mission believes essential to longer term housing sector development will be funded out of the proposed FY 1988 Technical Assistance, Policy Analysis and Training Project (519-0349), now under design. No new A.I.D. housing project initiatives will be undertaken even though housing needs will remain high during the action plan period. Since over \$65.0 million of A.I.D. Grant resources will be placed in housing credit, approximately \$6.0 million to \$ 7.0 million in reflows will be available each year for reinvestment into housing. Additionally, USG will encourage support from other donors, such as IDB, IBRD and CABEL, to fund priority projects in this sector.

OBJECTIVE No. 12: IMPROVE EDUCATIONAL OPPORTUNITIES

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

	<u>1985</u> <u>Actual</u>	<u>1986</u> <u>Actual</u>	<u>1987</u> <u>Proj Actual</u>		<u>1988</u> <u>Proj</u>	<u>1989</u> <u>Proj</u>	<u>1990</u> <u>Proj</u>
A. Primary gross enrollment ratio	91%	91%	93%	93%	94%	95%	96%
B. Primary net enrollment ratio	72%	71%	73%	73%	74%	75%	76%
C. Primary school completion rate	44%	59%	60%	60%	62%	63%	65%
D. Number of years to produce a sixth grade graduate	12.9	10.1	9.9	9.9	9.7	9.5	9.4

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

	<u>1985</u> <u>Actual</u>	<u>1986</u> <u>Actual</u>	<u>1987</u> <u>Proj Actual</u>		<u>1988</u> <u>Proj</u>	<u>1989</u> <u>Proj</u>	<u>1990</u> <u>Proj</u>
A. Number of primary-school teachers receiving in-service training	0	0	3,000	7,782	3,700	3,550	0
B. Classrooms built/rehabilitated							
1. Built	3	40	100	80	177	100	0
2. Rehabilitated	0	0	500	105	700	1,595	0
C. Persons trained under technical-vocational and nontraditional exports and management programs							
1. Technical-Vocational/and non- traditional exports							
a. Men	0	0	0	0	312	640	800
b. Women	0	0	0	0	78	160	200
2. Management							
a. Men	0	0	0	0	96	180	360
b. Women	0	0	0	0	24	60	120

3. ACTUAL VS/PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1987 AND EARLY 1988

Quarter/year

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

1Q FY90

Status: Ongoing as of February 1988, parents, teachers, and schoolchildren at 850 schools across El Salvador have been trained in preventive maintenance of schools. Each school has also received tool kit composed of 53 pieces in order to perform preventive maintenance.

- New classrooms (100 planned)
Reconstructed classrooms (500)
Teachers trained (3000)

1Q FY88

1Q FY88

1Q FY88

Status: As of February 1988, 606 classrooms have been constructed or reconstructed and delivered with 352 additional classrooms in process for a total of 958 classrooms benefitting approximately 77,000 rural elementary school children.

1,920 classrooms have been equipped with:

- 44,885 school desks
- 1,600 teachers desks and chairs
- 2,000 bookcases
- 2,000 blackboards
- 250,000 notebooks
- 40,000 dozens of pencils

7,900 teachers provided in-service training in the use of new textbooks.

10 Ministry of Education career employees began postgraduate Master's of Education Administration degree training programs.

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

Quarter/year

- Address recurrent costs by increasing the efficiency of public sector primary education planning and starting a new cost-effective interactive radio education project.
- Seek revision to GOES decree establishing tuition ceilings for private educational institutions.

4Q FY89

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

Quarter/year

A. Education Revitalization

New classrooms (177)
Reconstructed classrooms (700)
Teachers trained (3,700)
Schools with maintenance (300)
Information system (installed)
New classrooms (100)
Reconstructed classrooms (1,595)
Teachers trained (3,550)
Schools with maintenance (500)

4Q FY88
4Q FY88
4Q FY88
4Q FY88
4Q FY88
4Q FY89
4Q FY89
4Q FY89
4Q FY89

B. Vocational Training (FEPADE)

Trained administrators (120)
Skilled workers (390)
Trained administrators (240)
Skilled workers (800)
Trained administrators (480)
Skilled workers (1,000)

4Q FY88
4Q FY88
4Q FY89
4Q FY89
4Q FY90
4Q FY90

6. 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 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Education System Revitalization	519-0295	0	DA	35,040	G	27,614	6,925	501	0
Training for Prod./Compet.	519-0315	0	DA	10,000	G	2,000	0	4,359	7,141
			ESF	4,000	G	4,000	0	0	0
Interactive Radio Education	519-0357	N	DA	8,000	G	0	0	0	3,000
<hr/>									
Education System Revitalization	519-LC-41	0	PL	NA	LC	2,389	4,460	0	3,000

7. NARRATIVE:

Since 1985, the Mission has been assisting the GOES in the restoration and improvement of access to primary education. The Education System Revitalization Project (519-0295) was signed on April 18, 1985. Under this project, we are in the process of assisting the Ministry of Education with the construction of 400 new classrooms and with the reconstruction of 2,400 classrooms that have suffered damage due to the political situation since 1979. Approximately 100,000 primary school students will benefit from the 2,400 classrooms. These classrooms will be provided with furniture and teaching materials, and technical assistance to upgrade teaching materials and train teachers. While attention to primary education has focused on construction and rehabilitation of school facilities during this period, USG is working with the GOES to engage other donors in a strategy to continue these activities when USAID terminates its role at the end of the current project.

For the longer term, the Mission will continue to explore the possibilities for expanding technical and vocational training at both the secondary and post-secondary levels, as these relate to the development needs of the private sector. Also, in FY 1990, the Mission will significantly shift emphasis in the education sector by starting a new Project "Interactive Radio Education" to increase the quality, efficiency and

cost-effectiveness of education for approximately 1.2 million elementary school-aged children, as well as approximately 500,000 elementary school-aged (K-9) children without access to formal schooling. Moreover, in FY 1990, the Mission will increase assistance to the technical-vocational and management skills sector through an amendment to the existing FEPADE Cooperative Agreement (519-0315), providing additional inputs at the post-secondary level to further enhance El Salvador's technical human resource base in order to stimulate increased nontraditional exports and productivity in general. FEPADE will also play a significant and important role in our long-term education strategy of establishing private and public sector linkages in education.

The policy dialogue agenda for the education sector planned for the action period consists of two key action areas, which combined, will assist to improve the quality, efficiency, and cost effectiveness of both public and private education. The following policy dialogue actions are consistent with our goal of improving educational opportunities.

1. Reducing Recurrent Costs: Several interventions will be undertaken, e.g. introducing new high-level decision-making management tools to improve the quality of education planning, and planning a new Interactive Education Radio project for start-up in FY 1990.
2. Private Education - USAID will seek revision of a GOES decree establishing tuition ceilings, thereby attempting to alleviate a constraint in the self-financing of private education in El Salvador.

At the same time, decentralization efforts will continue under the current Education System Revitalization project, to stimulate regionalization of the education bureaucracy and increase the active participation of school parents in preventive maintenance of school facilities and overall responsibilities for education at the local level. In addition, under our ongoing project we will give attention to upgrading the quality of instruction through the revision of certain curricula (e.g., civics).

OBJECTIVE NO. 13: INCREASE PARTICIPANT TRAINING

1. COUNTRY DEVELOPMENT TREND INDICATORS:

Non Applicable.

2. A.I.D. PROGRAM PERFORMANCE INDICATORS 1/

	1985 <u>Actual</u>	1986 <u>Actual</u>	1987		1988 <u>Proj</u>	1989 <u>Proj</u>	1990 <u>Proj</u>
			<u>Proj</u>	<u>Actual</u>			
CAPS Recipients (Long-term)							
New Starts	54	50	141	138	15	388	0
Carry Overs	54	104	224	221	226	768	1,063
CAPS Recipients (Short-term)							
New Starts	289	196	244	147	53	900	250
Carry Overs	289	196	244	147	53	900	250
TOTALS							
New Starts	343	246	385	285	68 ^{3/}	1,288 ^{4/}	250
Carry Overs	343 ^{2/}	300	468	368	279	1,668	1,313
<hr/>							
PARTICIPANT TRAINING							
United States	93	89	125	132	213	198	NA
Third Country	34	71	57	68	71	79	NA
TOTALS							
	<u>127</u>	<u>160</u>	<u>182</u>	<u>200</u>	<u>284</u>	<u>268</u>	

1/ For male-female breakdown see Country Training Plan Annex.

2/ Mission is correcting the previously reported figure of 78 long-term academic scholars for FY 1985. Twenty-four (24) of these 78 actually departed for U.S. training in FY 1986. The total CAPS trainees for FY 1985 has been corrected accordingly.

3/ This figure (68) includes 15 FY 1987 funded long-termers and 53 FY 1987 funded short-termers, but with departures in FY 1988.

4/ Because of RFP procedures for FY 1988 program, all FY 1988 funded scholars will depart for U.S. training in FY 1989. This figure (1,288) is distributed as follows:

	<u>LONG-TERM</u>	<u>SHORT-TERM</u>	<u>TOTAL</u>
FY 1988	188	300	488
FY 1989	200	600	800
TOTALS	<u>388</u>	<u>900</u>	<u>1,288</u>

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1987 AND EARLY FY 1988

Benchmarks are the same as the indicators.

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

None.

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

See Performance Indicators.

6. PROJECTS SUPPORTING OBJECTIVE

<u>Title</u>	<u>Number</u>	<u>New (N) or Ongoing (O)</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/ LC</u>	<u>Obligations</u>			
						<u>Cum. Thru FY 87</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Central American Peace Scholarship Program	597-0001	0	DA ESF	11,638 8,065	G	5,400 4,900	0 0	0 0	0 0
Subtotal				19,703		10,300	0	0	0
Central American Peace Scholarship Program	519-0337	0	DA ESF	11,638 8,065	G	2,138 2,562	3,000 2,500	4,000 3,000	2,500 0
Subtotal				19,703		4,700	5,500	7,000	2,500
Total for Central American Peace Scholarship Program	NA	NA	NA	30,000		15,000	5,500	7,000	2,500
LAC Training Initiatives Reg.	598-0622.04	0	DA	570	G	570	0	0	0

7. NARRATIVE

A. CLASP Training:

In FY 1987, 202 additional scholarships were funded, as follows: 81 recent outstanding high-school graduates began a three-year program (one year English Language Training and two years of academic studies) leading to Associate of Applied Science degrees in accounting, business administration, agricultural mechanics, construction management, electronic repair, and medical equipment repair; 15 teacher trainers from the Ministry of Education, private universities, and private language institutions began a one-year training program in teaching English as a second language; 50 rural local leaders (physical education teachers) were trained for two months in methods of increasing community participation in physical education and recreation programs; and 56 rural community leaders participated in six-week programs to plan and administer local community development projects.

Beginning in FY 1989, increased emphasis was given to "Experience America" activities, which provide increased opportunities for CAPS Scholars to study, observe, and participate in American democratic and pluralistic society.

For Fiscal Years 1988 and 1989, the target levels reflect the continued emphasis to be given to disadvantaged rural youth, especially women and to student leaders. In FY 1988, USAID will provide 188 long-term scholarships in the agriculture and rural development sector and 300 short-term scholarships for student leaders. In FY 1989, 200 long-term and 600 short-term scholarships will be provided. Mission emphasis will remain in training individuals in the agricultural and rural development sector for long-term and additional student and local leaders for short-term training.

The Mission plans to conduct an interim evaluation of The CAPS Project during the 4th Quarter of FY-88 to determine whether the project is meeting its goal, purpose, and "Experience America" objectives.

B. NON-CLASP Training:

In addition to the major CAPS project, we continue to emphasize project-related participant training and we continue to explore cost savings, as, for example, with holding on English language training in-country. In FY 1987, 200 persons received short-term training (2-4 weeks) in the areas of health, agriculture, education, public services restoration, productivity, and competitiveness. For the period FY 1988 - FY 1989, USAID plans to provide project-related training to 411 persons in the U.S., and 141 in third countries, under existing projects. We shall also provide long and short term training to at least 200 salvadorans under the Technical Support Project (519-0349) between mid-FY 1988 and FY 1990.

4. Strengthen Democratic Institutions

OBJECTIVE No. 14: STRENGTHEN DEMOCRATIC INSTITUTIONS

1. COUNTRY DEVELOPMENT TRENDS INDICATORS 1/

	1985	1986	1987		1988	1989	1990
	<u>Actual</u>	<u>Actual</u>	<u>Proj</u>	<u>Actual</u>	<u>Proj</u>	<u>Proj</u>	<u>Proj</u>

Not Applicable.

2. A. I. D. PROGRAM PERFORMANCE INDICATORS

	1985	1986	1 9 8 7		1988	1989	1990
	<u>Actual</u>	<u>Actual</u>	<u>Proj</u>	<u>Actual</u>	<u>Proj</u>	<u>Proj</u>	<u>Proj</u>

ODI

Judicial personnel trained	0	150	500	603	650	700	0
Mayors/staff trained	0	170	200	250	500	400	400
National Assembly members trained	0	57	NA	NA	60	60	60
Eligible voters voting (%)	80	80	NA	NA	80	85	NA
Democratic Union members trained	0	6,200	6,200	12,000 <u>2/</u>	12,000	0	0

NPD

Numbers of persons served by new potable water systems (CONARA) ('000)	NA	46	60	77	139	139	139
Number of persons served by new sanitation services (CONARA) ('000)	NA	42	50	72	126	126	126

1/ Under this multifaceted Mission objective, efforts are on-going in the areas of: strengthening the judicial process; improving human rights; strengthening representative government; supporting the electoral process; and, strengthening the democratic labor movement. However, in the interest of brevity and contrary to last year's Action Plan, these "sub-objectives" are being collapsed into a single objective for Action Plan reporting purposes. As such, the content of the categories that follow are reduced considerably from what was reported last year. The items that do appear are considered by USAID to be most reflective of the efforts to attain the overall objective of strengthening democratic institutions in El Salvador.

2/ Increase in output due in large measure to change in training policy, i.e. giving shorter courses to more people at same budget expenditure.

2. A.I.D. PROGRAM PERFORMANCE INDICATORS (CONTINUATION)

	1985	1986	1987		1988	1989	1990
	<u>Actual</u>	<u>Actual</u>	<u>Proj</u>	<u>Actual</u>	<u>Proj</u>	<u>Proj</u>	<u>Proj</u>
<u>NPD</u>							
Number of persons given primary health care through combined Civic Action activities (medical and dental attention for populations not assisted on a regular basis due to the security situation) ('000)	NA	76.5	76.5	101.6	153	153	153
Classrooms built/rehabilitated under A.I.D.-supported programs							
— Built	NA	55	50	105	189	189	189
— Rehabilitated	NA	65	60	122	219	219	219
Municipal buildings restored/constructed	NA	226	100	87	157	157	157

3. ACTUAL VS PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1987 AND EARLY 1988 IN LAST YEAR'S ACTION PLAN

	<u>Quarter/Year</u>
<u>ODI</u>	
— Submit to Assembly draft legislation to establish a National Council on the judiciary.	3Q FY 88
<u>Status:</u> Proposal drafted by Revisory Commission is being distributed to legal community and the public for review and comments. Final legislative proposal should be ready May 1988.	
— Submit to Assembly draft legislation for new Decree 50. 1/	4Q FY 88
<u>Status:</u> Draft legislation submitted February, 1987. Decree 50 no longer necessary because state of emergency no longer exists.	
— Submit to Assembly draft legislation establishing a full-time judicial career service, including adequate budgetary levels to do so.	4Q FY 88
<u>Status:</u> Draft proposal should be ready by June 1988.	

1/ Decree 50 was the law which defined criminal procedures for persons accused of crimes against the State during a State of Emergency (when normal constitutional rights had been suspended).

	<u>Quarter/Year</u>
<p><u>ODI</u></p> <p>— Training of mayors and other local governments officers under the National Association and the National Plan auspices.</p> <p><u>Status:</u> Accomplished. 250 mayors and other local officials were trained.</p>	1Q FY 88
<p>— National Association of Municipalities (ANM) becomes operative.</p> <p><u>Status:</u> ANM has initiated its activities as of Dec. 1, 1987. It has established a central office in San Salvador and is planning to establish four regional offices.</p>	1Q FY 88
<p>— Continue to encourage 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.</p> <p><u>Status:</u> Funding was included for the CCE in the ordinary budget last year, and an additional \$ 7 million emergency appropriation was provided in January, 1988, to cover a short-fall in the financing needed by the CCE to prepare for the 1988 elections. The Voter Registry updating process was completed; 1,990,000 people were included on the registry. As of February 25, 1988, 1,607,000 carnets, which a registered voter must have in order to vote, had been issued. All registered voters who had come to pick up their carnets had received them.</p>	3Q FY 88
<p>— Hold 400 seminars for 15,000 union members.</p> <p><u>Status:</u> By the first quarter of FY 1988, AIFLD had conducted 350 seminars for 12,000 union members. This was slightly lower than projected because of organizational instability inside some participating unions.</p>	1Q FY 88
<p>— Establish union sponsored skill training center for construction industry.</p> <p><u>Status:</u> This training center began classes in March 1988. Twelve week training cycles will educate 60 brick layers per cycle.</p>	2Q FY 88
<p><u>NPD</u></p> <p>— Conduct an average of 15 OCA activities per month for populations not assisted on a regular basis due to security situation.</p> <p><u>Status:</u> The number of OCA activities exceeded those planned. The increase to 19 per month was a result of more attention given to target populations during the three-month ceasefire period (Nov. 1987 to Jan. 1988).</p>	ongoing

NPD

Quarter/Year

— Restore and/or construct health facilities.

1Q FY 88

Status: 72 projects completed. Included in these projects is equipment for health facilities and 21 latrine projects. (Estimated 1,000 beneficiaries/project).

— Restore and/or construct water systems.

1Q FY 88

Status: 77 projects completed. Included are 13 projects for restoration or construction of sewage systems. Planning based on previous year actual levels did not anticipate increased priority to be given health infrastructure as project shifted to 100% Municipalities in Action (MEA) mode, whereby funds are transferred directly to municipalities for implementation of basic infrastructure restoration and construction projects.

— Restore and/or construct educational facilities (110 planned).

1Q FY88

Status: 227 rural classrooms built or rehabilitated. Planning based on previous year actual did not anticipate increased priority for this type of infrastructure at municipal level as project moved into a 100% Municipalities in Action (MEA) mode, whereby funds are transferred directly to the municipalities for implementation of basic infrastructure restoration and construction projects.

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

Quarter/Year

ODI

— Enactment by The National Assembly of laws establishing The National Council on the Judiciary and the Judicial Career System; changes in the rules of evidence and criminal procedure, and revision of the jury system.

4Q FY88

— Insure that the GOES provides adequate budget support for the Judiciary.

1Q FY89

— Obtain GOES agreement to make the government Human Rights Commission more independent and more effective (e.g., establish a commission made up of persons highly respected for their work in human rights, and provide the commission with the authority to hold hearings, make investigations, and recommend changes in laws and public policy related to human rights).

4Q FY88

— Assure that the autonomy of municipal governments is strengthened by the Assembly's passage of funding for ISDEM, the Municipal Fund, and the Municipal Tax Code.

1Q FY89

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

	<u>Quarter/Year</u>
<u>ODI</u>	
--- National Assembly approves legislation that:	
-- Establishes a National Council on the Judiciary.	4Q FY88
-- Reforms to the jury system.	4Q FY88
-- Reforms to evidentiary proof (rules of evidence).	4Q FY88
-- Reforms on Constitutional Justice.	4Q FY88
--- Judicial Administration and Judicial Training:	
-- Training of judicial personnel (judges, staff, prosecutors and public defenders), (150 persons).	3Q FY88
-- Establish a management information system for the Judiciary.	2Q FY89
-- Model courts (five) established.	4Q FY88
-- SIU and Attorney General given training in investigating white collar crime.	4Q FY88
--- Human Rights:	
-- Increase by at least 10% the number of members of the armed forces and police receiving human rights training. (1987, 22,000 persons, 1988 24,000 persons).	1Q FY88
--- Representative Government:	
-- 500 mayors and other local officials trained.	1Q FY89
-- 60 National Assembly members and staff trained.	1Q FY89
-- Assembly library and data bank established.	4Q FY88
--- Democratic Unions:	
-- Basic union training courses will be given to 12,000 union members during the year.	1Q FY89
<u>NPD</u>	
--- 540 Combined Civic Action Activities.	4Q FY 89
--- 1080 Combined Civic Action Activities.	4Q FY 90
--- 189 Health Facility Infrastructure Projects.	4Q FY 89
--- 378 Health Facility Infrastructure Projects.	4Q FY 90
--- 208 Water and Sewage Infrastructure Projects.	4Q FY 89
--- 416 Water and Sewage Infrastructure Projects.	4Q FY 90
--- 234 Classrooms built.	4Q FY 89
--- 567 Classrooms built.	4Q FY 90
--- 329 Classrooms rehabilitated.	4Q FY 89
--- 657 Classrooms rehabilitated.	4Q FY 90

6. 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 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
<u>ODI</u>									
Judicial Reform	519-0296	O	ESF	12,324	G	9,234	1,000	2,500	0
Nat'l Assoc. of Municip. (NAM)	519-0177	N	DA	150	G	150	0	0	0
CENITEC	519-0334	N	DA	600	G	600	0	0	0
AIFLD OPG	519-0321	O	DA	10,650	G	5,000	2,900	1,000	3,000
Strengthen Elections	519-0999	N	ESF	490	G	0	0	490	0
Strengthen Assembly	519-0999	N	ESF	490	G	0	0	465	0
Judic'l Ref'm Supp't	519-LC-66	O	ESF	5,141	G/LC	3,308	760	980	0
Attorney General	519-LC-68	O	ESF	1,325	LC	440	525	360	0
Solicitor General	519-LC-69	O	ESF	700	LC	300	200	200	0
Human Rights Commission	519-LC-71	O	ESF	1,084	LC	465	319	300	0
<u>NPI</u>									
Combined Civic Action (CONARA)	519-LC-94	O	ESF	NA	LC	1,400	1,000	1,000	1,000
Restoration and Projects (CONARA)	519-LC-57	O	ESF	NA	LC	12,879	15,560	15,560	15,560
		O	PL	NA	LC	689	0	0	0
Emergency Projects (CONARA)	519-LC-58	O	ESF	NA	LC	600	600	600	600
		O	PL	NA	LC	400	0	0	0
Administration (CONARA)	519-LC-60	O	ESF	NA	LC	520	840	840	840
		O	PL	NA	LC	516	0	0	0

7. NARRATIVE

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/USG 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 and efficient and effective corollary agencies. Although signed in July, 1984, the Project Agreement was not ratified until after the March 1985 Assembly elections that 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.

Considerable progress has been achieved in every area of implementation. The Revisory Commission is working on priority legislation established for each major area of study (Penal, Civil and Organic/Administrative law). The Commission identified revision of Decree 50 and immediate reforms to the penal codes as its initial priorities. In the Organic/Administrative field a Management Assessment of the Judiciary and the creation of a Council on the Judiciary were selected as the top priorities. Thus far, four proposals have been forwarded to the Legislative Assembly by the Revisory Commission, and at least three more will be submitted by May 1988. As anticipated, adoption by the Legislative Assembly of the Commission's legislative proposals has been a sensitive and complicated process, one whose success can by no means be assumed.

Although the technical quality of the work of the Revisory Commission has been excellent, concern has been expressed within both GOES and the Mission over the difficulty in achieving the actual passage of laws through the Assembly. Conversations are being held among all parties concerned formulating a strategy to assure timely passage of the proposed legislation. This is a major issue for the project amendment to be signed in the summer of 1988.

Significant progress has been attained in efforts to streamline and improve the system of judicial administration. Four new first instance tribunals (two Decree 50, two Mercantile) were established under the auspices of the project. The establishment of these tribunals helped to reduce significantly the backlog of cases awaiting processing. AID/W had requested from the Mission, specific quantifiable targets for reducing the backlog of cases in the Decree 50 special courts. This request has been rendered mute by the general amnesty of October 1987. This amnesty has virtually emptied the jails of Decree 50 cases.

Three new law libraries (San Salvador, San Miguel and Santa Ana) began operations in June 1987. A new administrative unit was established by the Supreme Court. The Supreme Court's printing office was established and, after a ten-year interruption, publication of the important judicial gazette was resumed. Procurement and distribution of commodities for the tribunals continues. The Supreme Court's training unit was established and a comprehensive training program for the judiciary is being implemented. GOES legal personnel have been participating regularly in training courses in El Salvador and abroad.

During 1988 and 1989, the Mission 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 continuing 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 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.

The Judicial Reform Project No. 519-0296 was evaluated in November of 1987. The evaluation report has been most useful to the Mission. For instance, upon recommendation of the evaluation team, the chief of the Supreme Court has been made a legal representative of the project and the Judicial Protection Unit has been redesigned to place it under the Commission on Investigations. The project will be amended in July of 1988 to increase the LOP funding by \$4.5 million and extend activities into FY 1990.

In another area, 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, guerillas, or by other 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. This Commission has received GOES owned local currency support since it was established.

The effectiveness of the CDH has also been improved; two new offices (Usulután and San Francisco Gotera) were opened, bringing to six the number of regional offices in operation. These offices attended to over one thousand two hundred citizen inquiries. Victims of the FMLN mines were directed to appropriate medical case, and abuses by public security forces were brought to the attention of the President and commanding officers for resolution. Additionally, during the past year, the CDH gave one-week human rights courses to over 24,000 members of the police and armed forces. This is considered one of the key elements contributing to the noticeable improvement in the conduct of the public security forces.

In the area of strengthening representative government, the Mission in 1986 provided a \$500,000 grant designed to increase the professionalism of the members and staff of the Legislative Assembly. In 1986 a legislative training seminar was successfully conducted with the participation of all members of the Assembly. In 1987 steps were taken to begin to establish a data bank center in the Assembly and to publish an indexed and annotated constitution. In 1988, the 60 new Legislative Assembly members will receive training in their new roles. Given that the Assembly has a legitimate oversight role in dealing with the proper functioning of government organizations, technical assistance will be offered to help the Assembly deal effectively with allegations of corruption and mismanagement.

Progress has also been made in devolving greater authority to local governments: a new Municipal Code was enacted in March, 1986; virtually all the mayors elected in 1985 (the first such election in 50 years) were trained; a municipal reform planning unit was formed; and a small local currency funded municipal grant program was completed.

The Mission has also provided support to strengthen the National Association of Municipalities, which until recently had been dormant, so that it can effectively carry out its role of representing municipalities and promoting the municipal reform process. After receiving some initial A.I.D.-financed training, the Association, with a \$150,000 grant from A.I.D., has begun to carry out its own technical assistance and training activities.

Corollary USG.-financed activities have supported the same goal of increased autonomy and effectiveness of municipal governments. Under the Central American Peace Scholarship Program, the Mission sent 206 local officials, mostly mayors, to the United States in FY 1986 and FY 1987 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 projects (see below). Additional training, carried out in conjunction with the National Association of Municipalities, is focusing its training on municipalities in the non-conflictive zones.

The Mission also continues to support the development of an open and fair electoral process. In the past, the USG has supported the GOES Central Elections Council's (CCE) efforts to establish and maintain a credible voter registry. A new national registry, as well as a voter card system, have now been established.

All funding for the electoral process, except for the international observers program, has been provided through the GOES' ordinary budget. A.I.D. provided a sub-grant of \$320,000 to the Ministry of Foreign Relations to finance observers for the 1988 elections. International observers serve to reinforce the Government's own efforts to ensure that elections are free of corruption and that all eligible voters have access to the polls. They also serve as a channel for publishing the fact that elections in El Salvador are run fairly and are a viable alternative to violent means for social change. The Mission anticipates

that it will provide an additional \$500,000 for the international observers program for the 1989 Presidential elections.

Finally, as part of the Mission's 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. An institutional mechanism will be sought to permit a continuous dialogue/communication among unions, the government, and the private sector.

In recent years, A.I.D.'s support for the democratic union movement through AIFLD has focused primarily in rural areas. Now, greater support is being focused on the urban trade union movement with the aim of increasing their technical and political professionalism. During 1987, for example, 350 seminars for over 12,000 union members were held of which 7,000 were urban union members. The UCS, CGT and ACOPAI have sponsored literacy programs which have involved over 1,500 persons monthly. Legal support through ACOPAI and the UCS has provided ongoing assistance to land reform beneficiaries with titling problems. The present Agreement allows for AIFLD to fund productive projects by cooperating unions. And, with the help of the International Masonry Institute of Washington, D.C. and the Salvadoran Association of Construction Contractors, AIFLD has established an in-country skills training program focusing primarily on the construction industry. The Mission plans, in late CY 1988, to use the new A.I.D. urban labor strategy to assist A.I.D. 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.

NPD

The GOES strategy, known as the National Plan, calls for a coordinated effort by GOES ministries to strengthen local authorities and help them restore essential services, and promote development, 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 to provide humanitarian, combined civic action, and development assistance to the targeted communities.

A.I.D. is giving continued priority to the GOES' National Plan efforts by assisting CONARA to re-establish and strengthen municipal governments in former conflict areas. As part of this task, technical assistance and training is provided to municipal officials so that they may identify, design and implement small to medium size infrastructure projects and provide improved basic social services. Local municipal authorities are being trained in basic needs assessment, project development and implementation, and overall leadership techniques.

In 1987, CONARA moved to strengthen its support of these multiple objectives by establishing four regional offices to more effectively respond to technical assistance needs of the municipalities. Simultaneously, CONARA moved to an exclusive MEA (Municipalities in Action) modality whereby project request and implementation becomes the sole responsibility of the municipality.

To assure that CONARA can adequately administer its funds, USAID is working closely with the commission to install financial controls and monitoring systems of professional quality. We are also assisting CONARA in upgrading its human resource capacity in accounting and financial management.

Part II. B. PROGRAM SUMMARY

1. Summary Program Funding Table

Dollar Program by Functional Account
(\$000)

<u>Project Title and No.</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
<u>ARDN</u>			
519-0000 Program Development and Support	750	537	500
519-0279 Public Seviles Restoration	0	6,000	0
519-0281 Health/Jobs for Displaced Families	895	0	0
519-0307 Agrarian Reform Financing	10,080	6,736	3,000
519-0312 Technoserve	1,820	950	0
519-0321 AIFLD	2,900	0	0
519-0327 Agribusiness Development	8,138	8,246	14,500
519-0337 C.A.Peace Scholarships Program	3,000	2,000	0
519-0351 Commercial Farming	0	0	6,000
519-0999 Council for Int.Devlp. (COMCORDE)	283	250	0
519-0999 AIFLD OPG	0	1,000	3,000
519-0999 PVO/OEGS	2,000	2,000	0
	<u>29,866</u>	<u>27,719</u>	<u>27,000</u>
Grants	29,866	27,719	27,000
Loans	0	0	0
Subtotal	29,866	27,719	27,000
<u>POPULATION</u>			
519-0000 Program Development and Support	200	200	200
519-0210 Population Dynamics	816	0	0
519-0999 Pvt. Family Planning Init (PVOs)	0	2,100	3,000
	<u>1,016</u>	<u>2,300</u>	<u>3,200</u>
Grants	1,016	2,300	3,200
Loans	0	0	0
Subtotal	1,016	2,300	3,200

Dollar Program by Functional Account
(\$000)

<u>Project Title and No.</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
<u>HEALTH</u>			
519-0000 Program Development and Support	300	518	600
519-0279 Public Services Restoration	4,000	10,000	0
519-0308 Health Systems Support	11,824	5,352	0
519-0342 Knights of Malta - Amputees	220	0	0
519-0346 TELETON Foundation	1,015	0	0
519-0999 Pvt. Sector Health Care (PVO)	0	0	2,400
519-0999 PVO/OPGS (Save the Children)	0	1,500	2,500
Grants	17,359	17,370	5,500
Loans	0	0	0
Subtotal	17,359	17,370	5,500
<u>CHILD SURVIVAL</u>			
519-0300 Save the Children	880	0	0
519-0999 PVO/OPGS (Save the Children)	745	0	0
Grants	1,625	0	0
Loans	0	0	0
Subtotal	1,625	0	0
<u>EDUCATION</u>			
519-0357 Interactive Radio Education	0	0	3,000
519-0000 Program Development and Support	100	500	359
519-0295 Education System Revitalization	6,925	501	0
519-0315 Training for Productivity and Comp.	0	4,359	7,141
519-0337 C.A. Peace Scholarships	0	2,000	2,500
Grants	7,025	7,360	13,000
Loans	0	0	0
Subtotal	7,025	7,360	13,000

* Assumes USAID obtains reob authority for \$2.0 million in grant funds to be deobligated under 519-0291.

Dollar Program by Functional Account
(\$000)

<u>Project Title and No.</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
<u>SELECTED DEVELOPMENT ACTIVITIES</u>			
519-0296 Judicial Reform	0	1,000	0
519-0000 Program Development and Support	900	551	650
519-0094 Special Development Activities	350	350	350
519-0287 Indus. Stab. & Recovery	0	0	9,000
519-0318 Small Business Assistance	0	0	3,000
519-0323 Industrial Parks/Infrastructure	5,655	4,800	3,000
519-0336 Private Sector Initiatives	2,000	3,750	0
519-0350 Privatization	0	1,500	2,000
519-0999 PVO/OPGS (AIFLD)	0	1,000	1,000
Grants	8,905	12,951	19,000
Loans	0	0	0
Subtotal	8,905	12,951	19,000
GRANTS	65,796	67,700	67,700
LOANS	0	0	0
TOTAL D.A.	65,796	67,700	67,700

Dollar Program by Functional Account
(\$000)

<u>Project Title and No.</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
<u>ECONOMIC SUPPORT FUND</u>			
519-0279 Public Services Restoration	11,000	10,000	14,000
519-0287 Indust. Stab. & Recovery	0	0	4,000
519-0296 Judicial Reform	1,000	2,500	0
519-0323 Industrial Parks/Infrastructure	0	11,545	0
519-0333 Earthquake Reconstruction	25,000	0	0
519-0337 C.A. Peace Scholarships Program	2,500	3,000	0
519-0348 Balance of Payments Support	143,500	152,000	158,000
519-0349 Tech.Supt., Policy Anal., and Trng.	2,000	5,000	8,000
519-0350 Privatization	0	0	1,000
519-0999 Strengthen Legis. Assembly	0	490	0
519-0999 Strengthen Elections (Pres.)	0	465	0
Grants	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>
Loans	0	0	0
Subtotal	185,000	185,000	185,000
P.L. 480, Title I	47,300	35,000	35,000
P.L. 480, Title II	6,478	4,843	3,547
Section 416	7,900	0	0
PROGRAM TOTAL	<u><u>312,474</u></u>	<u><u>292,543</u></u>	<u><u>290,247</u></u>

2. Summary Project List by Objectives

PROJECT TITLE AND NUMBERS	OBJECTIVES														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Dollar Funded Projects															
Agrarian Reform Financing (519-0307)							P								
Agrarian Reform Credit (519-0263)							P								
Technoserve (519-0312)							P								
PVO/OPG's ARDN (519-0999)							P								
Int Exec Service Corps (519-0302)									P						
Urban Small Bus (519-0304)									P						
Youth Entrepreneurial Dev (519-0311)									P						
FUSADES Assoc Strengthening (519-0316)									P						
Small Business Assistance (519-0318)									P						
Small Enterprise Dev (519-0322)									P						
Private Sector Initiatives (519-0336)									P						
Privatization (519-0350)									P						
Council for Int Dev (CONCORDE) (519-0999)									P						
Reform and Policy Planning (519-0260)										P					
Balance of Payments Support (519-0348)										P					
Tech Suppt, Pol Anal and Trng (519-0349)										P					
PL-480, Title I										N/A					
Section 416										N/A					
Industrial Stab and Recov (519-0287)															P
Agribusiness Development (519-0327)							S								P
Water Management (519-0303)							S								P
Industrial Parks and Infra (519-0323)															P
Commercial Farming (519-0351)							S								P
Special Dev Activities (519-0094)															P
Public Services Rest (519-0279)															P
Earthquake Reconstruction (519-0333)															P
															S

PROJECT TITLE AND NUMBERS	OBJECTIVE														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Dollar Funded Projects (continued)															
Population Dynamics (519-0210)								P							
Salvadoran Demographic Assoc (519-0275)								P							
Private Family Planning (PVO) (519-0999)								P							
Health Syst. Vitalization (519-0291)									P						
Health Systems Support (519-0308)									P	S					
Knights of Malta (519-0342)									P						
U.S. Medical Referrals (519-0343)									P						
TELETON Foundation (519-0346)									P						
Pvt. Sect. Health Care PVO (519-0999)									P						
CALMA PVO (519-0329)											P				
Save the Children (519-0300)											P				
PVOG/OPGS (Save the Children) (519-0999)											P				
Education Systems Revitalization (519-0295)												P			
Trng. for Prdctvty and Comp (519-0315)												P			
Interactive Radio Educ. (519-0357)												P			
Central Am Peace Schol (519-0337)													P		
Cent Am Peace Scholr REG (597-0001)													P		
LAC Trng. Init. REG (598-0622.04)													P		
Judicial Reform (519-0296)														P	
AIFLD (519-0321)														P	
Nat'l Assn. Munip. (NAM) (519-0177)														P	
CENITEC-OPG (519-0334)														P	
Strengthen Elections (519-0999)														P	
Strengthen Legislative Assembly (519-0999)														P	
Health and Jobs for Displd Persons (519-0281)															P
CESAD (Title II) N/A															P

PROJECT TITLE AND NUMBERS	OBJECTIVE																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
Local Currency																	
Reforestation and Soil Cons																(519-LC-01)	P
Agricultural Statistics																(519-LC-02)	P
Lumber and Firewood (ROCAP)																(519-LC-05)	P
Integrated Pest Management (ROCAP)																(519-LC-06)	P
Animal Health Program																(519-LC-10)	P
Coffee Intensification																(519-LC-16)	P
Agrarian Reform Support																(519-LC-62)	P
Agrarian Reform Compensation																(519-LC-63)	P
Agrarian Reform Credit (0263)																(519-LC-64)	P
Agrarian Reform Financing (0307)																(519-LC-65)	P
Land Bank (FINATA)																(519-LC-87)	P
Private Sector Support																(519-LC-18)	P
PVO's																(519-LC-88)	P
Auditing Program and Training (SETEFE)																(519-LC-24)	P
Impl of Analysis of Surveys																(519-LC-25)	P
Court of Accounts (Modernization)																(519-LC-89)	P
Ordinary Budget Support																(519-LC-21)	P
Water Management																(519-LC-17)	P
Industrial Stabilization																(519-LC-90)	P
Industrial Parks																(519-LC-91)	P
Free Zone San Bartolo																(519-LC-92)	P
Special Investment Project																(519-LC-23)	P
Rehab Natl Road/Bridge Network																(519-LC-43)	P
Rural Electrification																(519-LC-44)	P
Instalation Protection																(519-LC-45)	P
Protection Works for Bridges																(519-LC-46)	P
Machine/Equipment Administration (AME)																(519-LC-47)	P
S Marcos Lempa Bridge (FENADESAL)																(519-LC-93)	P

PROJECT TITLE AND NUMBERS	OBJECTIVE														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Local Currency (continued)															
Population Dynamics (519-LC-27)								P							
Health Syst. Suppt. (519-LC-28)									P						
ISRI (519-LC-73)									P						
Schools and Health Cen on Haciendas (519-LC-39)										P					
Child Survival (519-LC-42)										P					
Popular Housing (PRONAVIPO) (519-LC-40)											P				
Program (VMVDU) NA											P				
Education System Revit (519-LC-41)												P			
Judicial Reform Support (519-LC-66)															P
Restoration and Projects (CONARA) (519-LC-57)															P
Emergency Projects (CONARA) (519-LC-58)															P
Administration (CONARA) (519-LC-60)															P
Combined Civic Action Proj's (CONARA) (519-LC-94)															P
Attorney General (519-LC-68)															P
Solicitor General (519-LC-69)															P
Human Rights Commission (519-LC-71)															P
CONADES (Assistance to Displ.Famls) (519-LC-55)															P
Food Distribution (DIDECO) (519-LC-56)															P

PART II.C. SPECIAL PROGRAM ANALYSES

1. New Project and Amendment Descriptions

FY 1989 NEW PROJECT DESCRIPTION

GOAL: Long-Term Growth

OBJECTIVE: No. 2, Strengthen the Private Sector

PROJECT: 519-0350, Privatization

PROJECT FUNDING (\$000): FY 89: \$1,500 (G); LOP: \$6,500 (G)

DESCRIPTORS: 800, Aa

FUNCTIONAL ACCOUNT(S): Selected Development Activities
Economic Support Fund

A. Relationship to A.I.D. Country Strategy/Objectives: The Privatization Project will provide the Mission with another vehicle for assisting its efforts to strengthen the private sector and to increase the participation of the private sector in the economy. The Project, by its very nature, will work toward increasing efficiencies in the public sector and reducing the drain on public sector finances that certain public enterprises and activities now represent.

B. Relationship to Host Country and Other Donors: The GOES has expressed interest in reducing the holdings of CORSAIN, the public sector holding company, and in privatizing certain other activities now carried out by the public sector. No other donors are involved in this area at the present time.

C. Conformance With Agency and Bureau Policies: The Project is fully consistent with A.I.D.'s efforts to increase utilization of the private sector and to develop viable financing schemes for meeting the recurrent costs of enterprises now managed by the public sector.

D. Project Description: The goal of the Project is to increase the efficiency of the public sector and to increase the participation of the private sector in the economy. The purpose of the Project is to assist the GOES in its privatization and divestiture efforts. Technical assistance, training, and invitational and observational travel will be financed under the following Project components: Strategy Formulation, Operational Support, the Legal and Policy Framework, and Promotion/Marketing.

Under the Strategy Formulation component, the GOES' short, medium, and long-term strategy for privatization will be developed. The Operational Support component will finance the expenses of the Project implementation unit and Project costs related to the valuation of enterprises/activities and public sales thereof. The Legal and Policy Framework component will, for example, deal with legislation permitting privatization and the required implementing regulations. The last component, Promotion/Marketing, including public awareness campaigns, is essential to the planned privatization efforts. Major Life of Project outputs include: development of a privatization strategy and an implementation plan and schedule for privatization activities, privatization of CORSAIN and other state-owned properties such as CAESS and INCAFE, and the establishment of an implementation unit for privatization activities.

A Project Grant Agreement will be signed with the Ministry of Planning; Project implementation will be the responsibility of an inter-ministerial privatization working group assisted by a Project-financed technical assistance team. Funds will be obligated using a Handbook 3 assistance instrument.

E. Mission Management: The Project will be managed by the Mission's Private Sector Office using existing staff.

F. Requests for Approval: Given the absence of major policy issues and the Mission's capabilities to design and implement this Project, authority to approve the PID and the PP in the field is requested at this juncture.

G. Potential Issues: Privatization is considered a highly sensitive, gradual process that must be pursued in consultation with GOES officials and presented in a way that emphasizes its social content. A preliminary diagnosis of prospects for privatization in El Salvador was conducted in February 1988; additional analysis in 1988 will lead to the design of the PID and PP in 1989.

H. AID/W TDY Support for Project Development: None projected.

I. Estimated PID Approval: January 1989 PP Approval: April 1989.

FY 1989 NEW PROJECT DESCRIPTION

GOAL: Spreading the benefits of growth.

OBJECTIVE: No. 8, Increase access to voluntary family planning services.

PROJECT: 519-0999, Private Family Planning Initiatives

PROJECT FUNDING: (\$000) FY 89: \$2,100 (G) LOP: \$9,000 (G)

DESCRIPTORS: 400, Ee

FUNCTIONAL ACCOUNT: Population (POP)

A. Relationship to A.I.D. Country Strategy/Objectives: The major challenge to increasing the use of voluntary family planning services in El Salvador is expanding access in semi-urban and rural areas. This Project constitutes the USAID's response to this constraint, focussing on the use of private sector channels, such as private voluntary organizations, private clinics, and pharmacies, to increase family planning services and the range of contraceptive methods available to rural and semi-urban populations.

B. Relationship to Host Country and Other Donors: Various multinational agencies have expressed the desire to provide assistance to the Ministry of Health (MOH) in the area of family planning. With the A.I.D.-financed public sector family planning program scheduled to end in 1990, A.I.D.'s sector strategy is to focus the limited A.I.D. funding for population activities on fostering the development of private sector entities offering family planning services. Such programs offer a more cost-effective means for delivering these services than public sector organizations.

C. Conformance with Agency and Bureau Policies: A.I.D.'s policy paper on population assistance emphasizes support to the private sector, which is designed to capitalize on the flexibility and innovativeness of the private sector in the search for new and better ways to make safe, effective and acceptable contraceptives widely available.

D. Project Description: The goal of the Project is to improve the quality of life and health of the Salvadoran population and reduce the population growth rate. The purpose of the Project is to increase access to voluntary family planning services in semi-urban and rural areas of El Salvador through expanded private commercial and rural outreach activities. This three year Project includes support for programs of the Salvadoran Demographic Association, a registered Salvadoran PVO, and the Colegio Medico, the private physicians association of El Salvador most engaged in family planning services. A.I.D. support for the Salvadoran Demographic Association will be focussed on increasing rural and semi-urban service availability, through financing for the operation of rural outreach services and private clinics. Complementing this initiative, A.I.D. will provide grant funding

for the Colegio Medico to train physicians in new contraceptive methods and support physicians and pharmacies in offering the full range of high quality contraceptive methods currently available through the expansion of commercial retail sales programs. Total life of Project funding is estimated at \$6.0 million, based on an annual funding level of \$1.0 million per organization. Funds will be obligated through the use of two Handbook 13 assistance instruments (probably cooperative agreements).

E. Mission Management: The USDH Population Officer in the Health, Population, and Nutrition Office, will be the project manager. He will be assisted by a Salvadoran FSN already on staff.

F. Requests for Approval: AA/LAC approval, per Chapter 2 of Handbook 13, is requested to limit the solicitation for requests for assistance to the Salvadoran Demographic Association and the Colegio Medico — the two proposed implementing entities for the program. The Salvadoran Demographic Association, a registered Salvadoran PVO, is the only PVO in El Salvador engaged in family planning activities on the scale required to implement this Project and has an established, effective rural outreach and clinic program, currently receiving A.I.D. support. This activity would also be a follow-on activity to an ongoing A.I.D.-financed project. The Colegio Medico, as noted earlier, is the Salvadoran physicians association representing the majority of family planning service providers; this Association, by virtue of its membership, also has extensive contacts with the national network of pharmacies. The Project will be designed to capitalize on this network of physicians and pharmacies, as the most cost-effective means for disseminating information on contraceptive technology and expanding contraceptive marketing. No other private sector entity has such a well-established network.

G. Potential Issues: Phase-out of A.I.D.-dollar assistance to the public sector.

H. A.I.D./W TDY Support for Project Development: None needed.

I. Estimated PVO Proposal Approval: May 1989

FY 1989 NEW PROJECT DESCRIPTION

GOAL: Strengthen Democratic Institutions

OBJECTIVE: No. 14, Strengthen democratic institutions.

PROJECT: 519-0999, Labor Union Development - AIFLD OPG

PROJECT FUNDING: (\$000) FY 89: 2,000 (G) LOP: \$ 6,000 (G)

DESCRIPTORS: N/A

FUNCTIONAL ACCOUNTS: Agriculture, Rural Development and Nutrition
Selected Development Activities

A. Relationship to A.I.D. Country Strategy/Objective: Strengthening democratic institutions is one of the USAID's four major programmatic goals. In striving to strengthen El Salvador's democratic institutions, the USAID provides support to enhance the capability and effectiveness of public bodies that are at the core of the democratic process, while also increasing the effective democratic involvement of the general populace. One such initiative has been support for strengthening farm workers organizations and urban trade unions. This proposed FY 1989 project will continue this critical support to the urban and rural labor union movement.

B. Relationship to Host Country and Other Donors: This project is consistent with the GOES policy supporting the development of free, democratic trade unions. No other donors are currently providing assistance in this area.

C. Conformance with Agency and Bureau Policies: This project will utilize a registered PVO, the American Institute for Free Labor Development (AIFLD), as the primary implementing agency, which will involve other U.S. private sector organizations, such as the International Masonry Institute, as appropriate.

D. Project Description: The goal of the project is to extend and deepen the qualitative commitment of the Salvadoran population to democratic practices and values. The purpose is to strengthen and expand free and democratic trade union organizations in El Salvador, in both the urban and rural sectors. A.I.D. funding will support: i) a continuation of financial and technical assistance for administrative, political education, and institution-building activities of urban and rural trade union organizations; and, ii) technical assistance to assist unions in carrying out studies on labor productivity and other topics for use in collective bargaining or the preparation of draft policies and legislation pertaining to the labor code, occupational safety, and other issues of importance to the labor movement. Emphasis will be given to reducing the polarization between labor and management and building a more effective working relationship between the parties, as well as to the development of training programs and other member services which enhance the operation and effectiveness of unions. Funds will be obligated using a Handbook 13 assistance instrument with AIFLD.

E. Mission Management: This Project will be managed by the Office of Democratic Initiatives with existing staff.

F. AID/W Approval: USAID/El Salvador requests the AA/LAC's approval, per Chapter 2 of Handbook 13, to limit the solicitation of proposals to AIFLD.

G. Potential Issues: None.

H. Estimated PVO Proposal Approval: March 1989

FY 1989 NEW PROJECT DESCRIPTION

GOAL: Spreading the Benefits of Growth

OBJECTIVE: No. 10, Reduce infant and child mortality.

PROJECT: 519-0999, Rural Health and Environmental Sanitation Program -
Save the Children Federation OPG

PROJECT FUNDING: (\$000) FY 89: \$1,500 (G); LOP: \$8,000 (G)

DESCRIPTORS: 500, Cc

FUNCTIONAL ACCOUNTS: Health
Child Survival

A. Relationship to A.I.D. Country Strategy/Objectives: Since 1983, USAID's health portfolio has focussed primarily on the provision of medicines and medical supplies to maintain basic health and emergency services provided by the public sector. Throughout this period USAID has also provided support for a select group of private voluntary organizations to augment public health care services in the remote northern and eastern regions of the country. This project will finance the continuation of the excellent program of the Save the Children Federation to bring potable water to rural communities and to improve health care practices, including improved environmental sanitation.

B. Relationship to Host Country and Other Donors: Save the Children will contribute at least 25% of the total project costs, and will work in coordination with Ministry of Health personnel in the national vaccination campaign and the rural health aide program.

C. Conformance with Agency and Bureau Policies: This project is consistent with A.I.D.'s policy to support the development programs of PVOs in areas consistent with the Mission's Country Development Strategy.

D. Project Description: The goal of the project is to improve the health, economic and environmental conditions of low-income families in El Salvador. The purpose of the project is to improve maternal and child health in selected low-income communities in the Eastern and Northern regions of El Salvador. A.I.D. funding for this four year project will provide the required technical assistance, equipment, and training to introduce potable water to beneficiary communities, improve maternal and child health through the practice of ten child-protective behaviors, improve environmental sanitation, and increase family income and thereby allow for improved, more healthy living conditions for children. Funds will be obligated using a Handbook 13 assistance instrument with the Save the Children Federation.

E. Mission Management: This project will be managed by an existing project manager in the Office of Infrastructure and Regional Development.

F. AID/W Approval: USAID/El Salvador requests the AA/LAC's approval, per Chapter 2 of Handbook 13, to limit the solicitation of proposals to the Save the Children Federation.

G. Potential Issues: None.

H. Estimated PVO Proposal Approval: January 1989

FY 1989 PROJECT AMENDMENT DESCRIPTION

GOALS: Economic and Social Stabilization
Spreading the Benefits of Growth

OBJECTIVES: No. 7, Expand and improve the infrastructure.
No. 9, Improve health and health services.

PROJECT: 519-0279, Public Services Restoration (Amendment)

PROJECT FUNDING: (\$000) FY 89: \$26,000 (G), LOP: \$146,500 (\$133,100 (G), \$13,400 (L))
(\$ 40,000 (G) added)

DESCRIPTORS: 800, Cc

FUNCTIONAL ACCOUNTS: Agriculture, Rural Development and Nutrition
Health
Economic Support Fund

A. Conformance with Agency and Bureau Policies: The special circumstances facing El Salvador, i.e. guerrilla destruction on infrastructure, continue to require that A.I.D. actively support infrastructure restoration and rehabilitation as a means of stabilizing the economic life of the country. This Project also addresses Agency and Bureau interest in promoting community health and child survival.

B. Project Description: The Project supports GOES efforts to restore public services interrupted as a result of the continuing political conflict within the country. Project funds are used to finance foreign exchange costs of imported goods, spare parts and equipment, as well as technical services, required for the restoration of economic infrastructure damaged by guerilla sabotage or through insufficient maintenance.

As the strength of the commitment of the Salvadoran people to democracy has become evident and the size of the guerilla movement has been reduced, greater emphasis has been given by the insurgents to attacks directed against the nation's physical infrastructure, with increased targetting of public utilities in the metropolitan San Salvador area. Most affected are the electrical system and the national road system. In 1988, for example, resources provided under this Project enabled the GOES to replace over 275 transmission towers and electrical poles, over 400 electrical lines, and 13 bridges damaged in guerilla attacks, while at the same time repairing over 550 kilometers of road. Unfortunately, all indicators point to a continuation of the present strategy of sabotage and terrorist attacks directed against the country's economic infrastructure as a means for fracturing the still relatively young democracy in El Salvador.

This two year, \$40 million Project Amendment responds to the continued need for U.S. financial support to maintain the GOES capability to restore vital public services which have been interrupted both through the direct efforts of the guerilla insurgency, and indirectly, through the reduced capability of the GOES to finance repairs needed to keep the electrical grid operational, roads open, and water systems functioning. Needed repairs and maintenance work on the national highway system, for example, has led to the failure of the road system in many areas and there is an urgent need for road resurfacing to prevent further massive road base failures. The National Water Authority (ANDA) has also suffered severely from guerilla attacks and lacks the resources to restore water, storm and sewer systems to maintain an adequate level of public services, particularly in areas where displaced populations have sought refuge from the conflict. An estimated 25% of the resources provided under this Amendment would be used to restore urban and rural water systems, an element critical to protecting the Salvadoran populace from the decline in health conditions normally found in countries torn by internal conflict.

The proposed grant funding of the Project is consistent with A.I.D.'s Guidelines on Terms of Aid, as (i) this project yields broadly diffused social benefits for which full cost recovery is not practical, and (ii) the U.S. has a strong proprietary interest in the activity. In addition, the provision of these funds on a loan basis would only exacerbate the government's present financial condition, increasing the country's already high debt service ratio (currently 36%).

<u>Actual and Estimated Outputs</u>	1985	1986	1987		1988	1989	1990
	<u>Actual</u>	<u>Actual</u>	<u>Proj.</u>	<u>Actual</u>	<u>Proj.</u>	<u>Proj.</u>	<u>Proj.</u>
Electric Use (GWH)	1,653	1,759	1,842	1,902	2,020	2,120	2,220
Standby generator capacity, % of total	6.7	8.8	0	17.6	11	0	0
Pumping Stations operating	286	287	293	287	298	303	308
Bridges restored	11	9	10	13	10	0	0
Water systems completed	—	—	—	—	7	5	5
Handpumps installed	—	—	35	35	185	460	460
Wells constructed	—	—	35	35	185	460	460
Roads restored/rehabilitated /maintained (km)	164	332	571	571	485	600	700

The Project works with the Ministry of Public Works, the National Electric Authority, the National Water Authority, and other public service agencies. These agencies will execute some activities through private sector contracting.

Obligation of funds would be effected through an Amendment to the bilateral grant agreement in accordance with procedures outlined in Handbook 3.

- C. Mission Management: An FSN engineer is the project officer, supervising five FSN/PSC engineers.
- D. Potential Issues: Continuation of waiver of formal advertising for procurements.
- E. A.I.D./W TDY Support for Project Development: None anticipated.
- F. Estimated PP Supplement Approval: October 1988.
USAID/El Salvador will cable a PP Supplement to the Bureau to support the request for PACD extension and an increase of LOP funding.

FY 1990 NEW PROJECT DESCRIPTION

GOAL: Long Term Growth

OBJECTIVE: No. 1, Increase agricultural production

PROJECT: 519-0351, Commercial Farming

PROJECT FUNDING: (\$000) FY 90: 6,000 (G) LOP: \$15,000 (G)

DESCRIPTORS: 000, Aa

FUNCTIONAL ACCOUNT: Agriculture, Rural Development and Nutrition

A. Relationship to A.I.D. Country Strategy/Objectives: The Mission's strategy views the diversification of agricultural production as a means for both achieving increased agricultural production and increased foreign exchange earnings. The USAID's strategy has, heretofore, been focussed on the establishment of private enterprises engaged in the processing and export of non-traditional crops, with the impact on agricultural productivity resulting from the backward linkages from these agribusinesses. Phase I cooperatives represent some of the most productive lands in El Salvador, yet only a few are currently involved in the production of non-traditional crops for export. This project focusses on bringing Phase I agrarian reform cooperatives into the production-for-export market by making these cooperatives efficient producers for the export market.

B. Relationship to Host Country and Other Donors: This Project supports GOES efforts to diversify agricultural production and increase the productivity of agrarian reform cooperatives. No other donors are presently active in this area.

C. Project Description: The goal of the project is to increase foreign exchange earnings and create employment by promoting the production of non-traditional agricultural products for export on Phase I cooperatives. The purpose is to assist Phase I cooperatives to produce non-traditional export crops and work with agribusinesses processing and exporting such products. This project will identify 60 to 70 of the best cooperatives and help them to develop linkages with agribusinesses processing non-traditional agricultural products for export. A.I.D. funding will be used to provide technical assistance in management and agronomic techniques so that cooperatives become suppliers of quality products to satisfy the export processors' demands. In addition, cooperatives will be provided assistance in linking up with sources of production and investment credit, agricultural inputs, and other specialized technical assistance available. Funds will be obligated through assistance instrument(s) to registered PVO(s).

D. Mission Management: A Project Manager in the RDO office will oversee Project Implementation.

E. Potential Issues: PD-15.

F. Estimated PID Approval: July 1989 PP Approval: January 1990

FY 1990 NEW PROJECT DESCRIPTION

GOAL: Spreading the Benefits of Growth

OBJECTIVE: No. 12, Improve Educational Opportunities

PROJECT: 519-0357, Interactive Radio Education

PROJECT FUNDING: (\$000) FY 90: \$3,000 (G) LOP: \$8,000 (G)

DESCRIPTORS: 600, Dd

FUNCTIONAL ACCOUNTS: Education and Human Resources (EHR)

A. Relationship to A.I.D. Country Strategy/Objectives: Consistent with the growing evidence that education contributes significantly and positively to increased agricultural and industrial productivity, employment, health (including reduced family size), and receptivity to technical change and modernization, an important objective of the Mission's strategy is to improve educational opportunities for Salvadorans. This Project focusses on increasing access of Salvadorans to basic education through the introduction of interactive radio education programs, a proven cost-effective means for expanding educational opportunities, particularly in rural and more remote areas. As such, this new project contributes to the overall goal of spreading the benefits of growth.

B. Relationship to Host Country and Other Donors: The Ministry of Education will be the primary host-country cooperating entity, with substantial involvement of the Ministry of Culture and Communications. Given the Project's emphasis on the development of more cost-effective mechanisms for expanding access to primary education, it is fully consistent with current GOES efforts.

The private sector will be encouraged to participate in promoting the project and contributing toward its operation. Other donors, such as IBRD and the IDB, and local government will be encouraged to assist the GOES in meeting any continuing need for financial support for school construction and repair, as well as in contributing textbooks and other educational materials to improve the quality of education.

C. Project Description: The goal of the Project is to increase access of the Salvadoran populace to high quality basic education. The project purpose will be to establish an interactive radio education program for elementary-aged school children. As such, the proposed Project will shift emphasis away from the short-term construction/reconstruction and system revitalization objectives of the existing Education Systems Revitalization Project to a focus on improving access, quality, and efficiency of educational programs through the introduction of interactive radio, a more cost-effective and appropriate educational technology for El Salvador.

Primary beneficiaries of the Project will be the approximately 400,000 elementary school-aged children not now served by the formal education system. Radio programs will, however, also provide supplementary instruction to school children enrolled in the formal school system, and special programs will be designed to upgrade teacher skills.

A.I.D. grant resources will finance: (1) technical assistance for project planning and implementation, (2) commodities, including radio equipment and vehicles; and (3) training for technical and managerial personnel from the cooperating entities.

D. Mission Management: An existing project manager in the Office of Education and Training will manage the new project.

E. Potential Issues: The respective roles of the Ministry of Education, the Ministry of Culture and Communications, the Private Sector, and local communities.

F. Estimated PID Approval: October 1989

Estimated PP Approval: February 1990

FY 1990 NEW PROJECT DESCRIPTION

GOAL: Long-Term Growth

OBJECTIVE: No. 2, Strengthen the Private Sector

PROJECT: 519-0318, Small Business Assistance

PROJECT FUNDING: (\$000) FY 90: \$ 3,000 (G); LOP: \$ 7,500 (G)

DESCRIPTORS: 800, Aa

FUNCTIONAL ACCOUNT(S): Selected Development Activities
Economic Support Fund

A. Relationship to A.I.D. Country Strategy/Objectives: Given the large percentage of the Salvadoran private sector that small and microenterprises represent, long-term equitable economic growth prospects must include their increasing participation in the economy. The Project is a means of increasing incomes and employment opportunities for the small and microenterprise sector.

B. Relationship to Host Country and Other Donors: The Inter-American Development Bank has also recognized the importance of this sector, and has provided assistance to the Salvadoran Foundation for Social and Economic Development for the latter's small business assistance program in the country's Eastern region.

C. Project Description: The goal of the Project is to promote economic development and to increase the participation of small scale enterprise in the economy. The purpose of the Project is to increase the incomes and employment opportunities of small scale enterprise in rural and urban areas. As currently envisioned, the Project would entail Cooperative Grant Agreements with two implementing entities — the Federation of Cooperative Credit Agencies, FEDECCREDITO, and the Salvadoran Foundation for Social and Economic Development, FUSADES. FEDECCREDITO will channel credit and technical assistance to small scale enterprises in rural areas, while the Small and Microenterprises Program (PROPEMI) at FUSADES will be expanded to assist entrepreneurs in urban areas throughout the country. Both the FEDECCREDITO and FUSADES' program will, however, have been refined to include more economical means of assisting the target group of enterprises, reflecting recommended program modifications stemming from the FUSADES' evaluation and the Robert R. Nathan team's findings on FEDECCREDITO's operations.

D. Mission Management: The Project will be managed by a Project Manager in the Mission's Private Sector Office.

E. Potential Issues: (1) Institutional capacity of FUSADES. (2) Spin-off of PROPEMI from FUSADES. (3) FEDECCREDITO continued commitment to administrative reforms to streamline credit delivery.

F. Estimated PID Approval: February 1990

PP Approval: June 1990.

FY 1990 PROJECT AMENDMENT DESCRIPTION

GOAL: Long-Term Growth

OBJECTIVE: No. 5, Promote exports.

PROJECT: 519-0327, Agribusiness Development

PROJECT FUNDING: (\$000) FY 90: \$15,000 (G); LOP: \$35,000 (G)
(\$15,000 added)

DESCRIPTORS: 000, Aa

FUNCTIONAL ACCOUNT(S): Agriculture, Rural Development and Nutrition
Economic Support Fund

A. Relationship to A.I.D. Country Strategy/Objectives: The Agribusiness Development Project is the Mission's main private sector project which is designed to foment the development of nontraditional agricultural exports. As such, it complements other Mission efforts to promote manufacturing/light industrial exports; both form part of the Mission's strategy of encouraging export-led economic growth through the promotion of investment in, and exports of, nontraditional products to extraregional markets.

B. Relationship to Host Country and Other Donors: The Project supports GOES efforts to diversify the export sector, thereby reducing dependency on a few traditional agricultural export commodities. No other donors are presently active in this area.

C. Project Description: The goal of the Project is to increase employment and foreign exchange earnings. The purpose of the Project is to increase the production and export of nontraditional agricultural products.

The Project, which is implemented by the Salvadoran Foundation for Social and Economic Development, FUSADES, provides technical assistance, training, and credit to private enterprises in El Salvador for the production and export of nontraditional agricultural products, thereby increasing foreign exchange earnings and employment. In addition, institutional support for FUSADES is provided. The Amendment will provide additional resources for the agribusiness investment credit facility, and will expand the target group/eligible uses of the credit fund to include investments for on-farm irrigation systems.

D. Mission Management: The Project will continue to be managed by a Project Manager in the Mission's Rural Development Office.

E. Potential Issues: (1) Institutional capacity of FUSADES, particularly vis-a-vis functioning of the offshore trust fund. (2) Spin-off of the Agricultural Technology Unit of FUSADES.

F. Estimated PP Amendment Approval: June 1990.

FY 1990 NEW PROJECT DESCRIPTION

GOAL: Spreading the Benefits of Growth

OBJECTIVE: No. 9, Improve health and health services

PROJECT: 519-0999, Private Sector Health Care

PROJECT FUNDING: (\$000) FY 90: \$2,400 (G) LOP: \$9,000 (G)

DESCRIPTORS: 500, Cc

FUNCTIONAL ACCOUNT: Health

A. Relationship to A.I.D. Country Strategy/Objectives: Since FY 1983 USAID financing in El Salvador to improve health services, except for rehabilitation services, has been directed towards improvements in the services provided by the Ministry of Health (MOH). The ongoing Health Systems Support project, with a PACD of FY 1991, will continue to provide essential support to the MOH through the FY 1989/90 programming period.

A significant percentage of the Salvadoran population (10-20%), however, depends on the social security system (ISSS) for health care services. Due to the inefficiencies of this system, many workers associations and firms (e.g., the Teachers Association and bottling companies) have established arrangements with private physicians groups to provide basic health care (i.e, outpatient care). Studies by the Foundation for the Prevention of Industrial and Occupation Risks (FIPRO) demonstrate that productivity losses due to worker absences for medical reasons greatly exceed the combined total of a firm's contribution to social security and the cost for subscription-type programs with private physicians groups. Given the drain on productive sector resources this results in, and continued USAID support for industrial recovery and growth, the proposed FY 1990 private sector health care project focusses on institutionalizing a subscription-based health insurance program in El Salvador.

B. Relationship to Host Country and Other Donors: This program would work in coordination with the social security system to increase the quality of health care, while reducing the cost to individuals, firms, and the ISSS.

C. Project Description: The goal of the project is to improve the health of low-income Salvadorans. The purpose is to reduce industrial health hazards and establish a subscription-based health insurance plan which provides cost-effective medical services of a preventive and outpatient nature for industrial workers and others. This three-year project will consist of three components: (i) establishment of plan guidelines, which includes

technical and financial assistance to enable FIPRO to establish plan guidelines and administrative arrangements and carry out a limited promotional campaign with industry; ii) assistance to physician groups, which includes technical assistance to strengthen the administrative capacity of physician groups and establishment of a loan program for the purchase of equipment to meet minimal service requirements of the plan (e.g., laboratory facilities); and iii) expansion of industrial safety programs, as part of a comprehensive preventive health care service package to improve worker health by reducing industrial and occupational health and safety hazards.

USAID will negotiate a grant with FIPRO in FY 1990 to (i) support the expansion of their technical assistance and training programs for firms and employee associations and (ii) oversee the establishment of the national health insurance agency. Once the national health insurance program is established in an insurance agency(ies), FIPRO will serve as the executing agency, providing funding in the form of a subgrant to the health insurance agency for its initial operating costs and promotional activities.

D. Mission Management: A project manager with experience in private sector health care programs will be hired for this Project.

E. Potential Issues: Ability to negotiate administrative arrangements with ISSS.

F. Estimated PVO Proposal Approval: May, 1990

FY 1990 PROJECT AMENDMENT DESCRIPTION

GOAL: Spreading the Benefits of Growth

OBJECTIVE: No. 12, Improve Educational Opportunities

PROJECT: 519-0315, Training for Productivity and Competitiveness

PROJECT FUNDING: (\$000) FY 90: \$7,141 (G) LOP: \$20,000 (G)
(\$ 6,000 added)

DESCRIPTORS: 600, Dd

FUNCTIONAL ACCOUNTS: Education and Human Resources (EHR)
Economic Support Fund (ESF)

A. Relationship to A.I.D. Country Strategy/Objectives: With the conclusion of the Education Systems Revitalization project in FY 90, the USAID's strategy in the Education Sector will emphasize the development of training programs to fuel the export-led economic growth strategy being pursued. This project supports the vocational training program of the Salvadoran Foundation of Entrepreneurs (FEPADE), which is designed to meet the immediate training needs of firms in El Salvador, with special emphasis on nontraditional export enterprises.

B. Relationship to Host Country and Other Donors: The USAID sees renewed interest by other donors in providing economic and humanitarian assistance. In promoting such investment, USAID will be phasing out our support for areas consistent with other donor interests, such as public education.

C. Project Description: The purpose of the ongoing Training for Productivity and Competitiveness Project is to develop or upgrade the human resources needed by the Salvadoran private sector for increasing production, productivity and competitiveness through the establishment of special training programs and linkages between the productive sectors and educational institutions. Attainment of the purpose will promote achieving the Project's goal, which is to contribute to economic recovery and extend the benefits of economic growth by assisting in the development of the Salvadoran private sector.

This Amendment will extend the project life for two years and increase life of project funding by \$6.0 million. The additional funding will expand the efforts of FEPADE to upgrade vocational-technical training programs offered by Salvadoran universities, and to provide greater access to these educational programs. Specifically, this Project amendment will: (1) expand the educational credit program operated by FEPADE which provides

educational loans to needy students enrolled in priority vocational/technical programs; (2) upgrade the capabilities of vocational/technical schools, through the provision of teacher fellowships and grant resources to expand facilities; and (3) expand collaborative efforts of FEPADE and selective universities to develop special technical programs in areas needed by private enterprise, especially the export sector.

D. Mission Management: The project manager in the Missions Office of Education and Training (OET) will continue to monitor project progress.

E. Potential Issues: None.

F. Estimated FVO Proposal Approval: May 1990

FY 1990 PROJECT AMENDMENT DESCRIPTION

GOAL: Long-Term Growth

OBJECTIVE: No. 5, Promote exports.

PROJECT: 519-0287, Industrial Stabilization and Recovery

PROJECT FUNDING: (\$000) FY 90: \$13,000 (G); LOP: \$51,460 (G)
(\$22,000 added)

DESCRIPTORS: 800, Aa

FUNCTIONAL ACCOUNT(S): Selected Development Activities
Economic Support Fund

A. Relationship to A.I.D. Country Strategy/Objectives: The Industrial Stabilization and Recovery Project is a cornerstone of the Mission's efforts to rekindle export-led growth with increased private sector participation in the economy, by promoting foreign and domestic investment in the nontraditional export sector.

B. Relationship to Host Country and Other Donors: The Project supports GOES efforts to create a policy and legal framework for promoting investment and exports. No other donors are currently active in this vital area.

C. Project Description: The goal of the Project is to accelerate economic growth and diversify the economy to attain higher levels of employment, income, investment, and foreign exchange earnings. The purpose of the Project is to stimulate the nontraditional export sectors of El Salvador, resulting in increased levels of employment, income, investment, and foreign exchange earnings.

The Project consists of two components, one with the GOES, which is implemented by the Ministry of Foreign Trade, MICE, and the other with the Salvadoran Foundation for Social and Economic Development, FUSADES. Support to MICE consists of technical assistance, training, policy studies and strategy formulation, and support to improve operations at the country's public sector free zone at San Bartolo. The private sector component consists of operational support for FUSADES' export and investment promotion program, PRIDEX, and a dollar-denominated credit fund for investment in manufacturing/light industrial operations, including drawback. Previous Project activities in support of economic research and the strengthening of Salvadoran business associations have been phased out of this Project.

This Amendment will finance the continuation of the current program of activities with MICE and FUSADES for a three year period; \$15.0 million of the \$22.0 million in increased LOP funding will be used to augment the credit facility.

D. Mission Management: The Project will continue to be managed by a Project Manager in the Mission's Private Sector Office.

E. Potential Issues: (1) Institutional capacity of FUSADES. (2) Spin-off of PRIDEX.

F. Estimated PP Amendment Approval: March 1990.

PROJECT DOCUMENTATION AND DEVELOPMENT SCHEDULE

<u>DOCUMENTATION REQUIREMENTS</u>	<u>FY 1989</u>												<u>FY 1990</u>												
	<u>OC</u>	<u>NO</u>	<u>DE</u>	<u>JA</u>	<u>FE</u>	<u>MR</u>	<u>AP</u>	<u>MY</u>	<u>JN</u>	<u>JL</u>	<u>AG</u>	<u>SE</u>	<u>OC</u>	<u>NO</u>	<u>DE</u>	<u>JA</u>	<u>FE</u>	<u>MR</u>	<u>AP</u>	<u>MY</u>	<u>JN</u>	<u>JL</u>	<u>AG</u>	<u>SE</u>	
<u>A. FY 1989</u>																									
<u>NEW PROJECTS</u>																									
<u>1. Privatization (519-0350)</u>																									
PID Team Arrives	XX																								
PID Approval (USAID)				XX																					
PP Team Arrives					XX																				
PP Approval (USAID)								XX																	
Obligation										XX															
Approved documentation to AID/W																							XX		
<u>2. Balance of Payments (519-0355)</u>																									
PAAD Development/Approval (USAID)					XX																				
AID/W Approval/Authorization						XX																			
Obligation										XX															
<u>3. Private Family Planning Initiatives (519-0999)</u>																									
Concept Paper Review (USAID)						XX																			
Proposal Review and Approval (USAID)																									
Obligation																									
Approved Documentation to AID/W																									XX
<u>4. Labor Union Development AIFLD OPG (519-0999)</u>																									
Concept Paper Review (USAID)						XX																			
Proposal Review and Approval (USAID)																									
Obligation																									
Approved Documentation to AID/W																									XX

PROJECT DOCUMENTATION AND DEVELOPMENT SCHEDULE

<u>DOCUMENTATION REQUIREMENTS</u>	<u>FY 1989</u>												<u>FY 1990</u>											
	<u>OC</u>	<u>NO</u>	<u>DE</u>	<u>JA</u>	<u>FE</u>	<u>MR</u>	<u>AP</u>	<u>MY</u>	<u>JN</u>	<u>JL</u>	<u>AG</u>	<u>SE</u>	<u>OC</u>	<u>NO</u>	<u>DE</u>	<u>JA</u>	<u>FE</u>	<u>MR</u>	<u>AP</u>	<u>MY</u>	<u>JN</u>	<u>JL</u>	<u>AG</u>	<u>SE</u>
<u>FY 1989 (continued)</u>																								
5. <u>Rural Health and Environmental Sanitation Program - Save the Children OPG (519-0999)</u>																								
Concept Paper Review (USAID)												XX												
Proposal Review and Approval (USAID)												XX												
Obligation												XX												
Approved Documentation to AID/W												XX												
<u>PROJECT AMENDMENTS</u>																								
1. <u>PUBLIC SERVICES RESTORATION (519-0279)</u>																								
PP Supplement Cabled to AID/W 6/88																								
PP Supplement Approved AID/W												XX												
Obligation												XX												
Approved Documentation to AID/W												XX												

PROJECT DOCUMENTATION AND DEVELOPMENT SCHEDULE

DOCUMENTATION REQUIREMENTS	FY 1989												FY 1990											
	OC	NO	DE	JA	FE	MR	AP	MY	JN	JL	AG	SE	OC	NO	DE	JA	FE	MR	AP	MY	JN	JL	AG	SE
B. FY 1990																								
<u>NEW PROJECTS</u>																								
1. <u>Commercial Farming (519-0351)</u>																								
PID Team Arrives								XX																
PID Approval (USAID)								XX																
PP Team Arrives										XX														
PP Approval (USAID)																				XX				
Obligation																				XX				
Approved documentation to AID/W																					XX			
2. <u>Interactive Radio Education (519-0357)</u>																								
PID Team Arrives									XX															
PID Approval (USAID)																				XX				
PP Team Arrives																				XX				
PP Approval (USAID)																				XX				
Obligation																				XX				
Approved documentation to AID/W																					XX			
3. <u>Balance of Payments (519-XXXX)</u>																								
PAAD Development/Approval (USAID)																					XX			
AID/W Approval/Authorization																					XX			
Obligation																						XX		
Approved Documentation to AID/W																						XX		
4. <u>Small Business Assistance (519-0318)</u>																								
PID Team Arrives																					XX			
PID Approval (USAID)																					XX			
PP Team Arrives																						XX		
PP Approval (USAID)																							XX	
Obligation																							XX	
Approved Documentation to AID/W																							XX	

C.2. FOOD AID

1. Relationship to overall country strategy

Food aid assistance has become a key element in arresting El Salvador's economic downslide and in supporting its development. In FY-1988, for example, food aid is saving El Salvador almost \$50.0 million in foreign exchange and the \$42.0 million equivalent in local currency derived from selling commodities is providing resources against nine mission objectives (in million US\$): agricultural production, \$5,250; strengthen private sector, \$.4; stabilize financial structures, \$.2; promote exports, \$12.46; infrastructure, \$11.9; family planning, \$.2; health, \$5.73; and education, \$5.86. This local currency provides \$22.95, \$7.9, and \$6.4 million in counterpart respectively to A.I.D., IDB, and IBRD projects and contributes \$5.65 million for priority development activities of the Ministry of Agriculture. The local currency section of each objective identifies the specific activities financed with PL-480 and 416 funds.

PL 480 food commodities are helping to fill the gap in food availability created by: 1) the country's inability to import sufficient amounts of food from its own scarce foreign exchange; 2) the increasing demand for food created by the over 300,000 displaced persons from the conflict areas; 3) the need to provide food assistance to the poorest marginal population of El Salvador; and 4) the decrease in the production of some crops, like cotton.

2. Country food situation

The political violence since 1979 has disrupted the economic system of the country and caused serious dislocations in the productive sector. A large area of the country can not be used for the production of agricultural goods. As a result, in the 1988-1990 time frame, it is anticipated that the country will not be able to either produce sufficient commodities, nor make available hard currency to pay for its food import needs. Thus, the GOES, will continue to look to the U.S. assistance for the provision of basic food commodity imports. This is specially true for wheat, the major commodity imported under the PL 480 program, El Salvador is not a wheat producer, but prior to 1980, it was able to meet domestic demand by means of commercial imports. However, since 1980 when the PL 480 Title I Program began, the GOES has not had the available hard currency to pay for such imports. Unless the economy changes significantly, the GOES will continue to depend on the PL 480 wheat imports. In relation to edible oil, during the 1970's cotton (and the related cottonseed oil) was an important export, but now it accounts for less than three percent of the agricultural output, and no more than one percent of exports. In the last ten years the area of cotton planted has been reduced from approximately 76,000 hectares to 14,000 hectares. This sharp decline was due to the armed conflict and decrease in international export prices. The production of cottonseed oil has dropped accordingly. El Salvador produces no tallow, although it is widely used in the production of lard, margarine and animal feed. The importation of tallow adds a significant burden to the country's balance of payment deficit and debt-service rates. The inclusion of tallow in the PL 480 program is a significant help in relieving the BOP situation of El Salvador.

The country's food situation is summarized in the following chart: (data supplied by Ministry of Agriculture, Direccion General de Economia Agropecuaria as of February 1988).

El Salvador's Country Food Situation
Agricultural Year 1987-1988
Basic Grains (M.T.)

	<u>Corn</u>	<u>Beans</u>	<u>Rice</u>	<u>Sorghum</u>
Beginning Stock (7/1/87)	115,955	8,445	2,486	5,755
Production	571,632	24,136	25,773	25,645
Imports	22,000	13,045	14,609	-
Available Supply	709,587	45,627	42,868	31,400
Domestic Demand	540,000	54,545	45,000	140,000
Reserve	45,000	9,091	3,773	11,818
Balance	124,587	-18,009	-5,904	-120,418

3. Proposed food assistance levels

A. Title I

During the 1988-1990 period the need for PL 480 resources will continue at levels consistent with prior year allocations. These levels are required to maintain a stable economic base to promote social and political development in El Salvador. The FY 1989 request for PL 480, therefore, will be approximately of \$35.0 million.

Since the inception of the PL 480 Program in 1980, including FY-1987, the amount of \$266.9 million has been provided to the GOES on a concessional loan basis for the importation of U.S. agricultural products. These funds permitted the GOES to maintain a constant supply of wheat, edible oil and tallow. The agricultural commodities are sold by GOES to the private sector and the local currency generated from the transactions, is jointly programmed by the GOES and USAID/El Salvador and used to promote the adoption of appropriate economic policies, support economic stabilization, funding development activities and implement self-help measures.

The FY-1988 agreement was signed in March 1988 for the amount of \$26.0 million. However, the total FY-1988 estimated amount is of \$47.3 million. (See San Salvador No. 3653, dated March 17, 1988.) An amendment to the agreement in the amount of \$21.3 million is expected to be signed on/about May 1988.

Following is a summary of the estimated amount in millions of dollars and in metric tons, for FY-1987 through FY-1990.

	<u>FY-1987</u>		<u>FY-1988</u>		<u>FY-1989</u>		<u>FY-1990</u>	
	<u>\$</u>	<u>MT</u>	<u>\$</u>	<u>MT</u>	<u>\$</u>	<u>MT</u>	<u>\$</u>	<u>MT</u>
Wheat	11.9	99,616	13.3	100,500	12.5	96,154	12.5	96,154
Vegetable Oil	7.6	18,000	13.5	25,000	10.0	18,400	10.0	18,400
Tallow	10.5	30,327	13.4	37,200	12.0	35,294	12.0	35,294
Protein Meal	4.9	20,200	-	-	-	-	-	-
Yellow Corn	1.9	23,900	-	-	-	-	-	-
Subtotal	<u>36.8</u>		<u>40.2</u>		<u>35.0</u>		<u>35.0</u>	
			7.1 ^{1/}					
Total	36.8		47.3		35.0		35.0	

1/ Corresponds to the FY 1987 carry-in amount.

B. Section 416

Section 416 of the legislation authorized the donation of surplus dairy products for humanitarian purpose on a one-time-basis. The U.S. Government decided that El Salvador due to the disadvantage by the imposition of a sugar quota is eligible to receive certain Title II commodities, including grains, to compensate for the foreign exchange loss incurred by the reductions in its sugar quota. Under this program, referred to as "Sugar Offset", El Salvador in 1987 imported 35,000 M.T. of Title II corn with a total value of \$4.1 million, and in 1988 will import up to 48,000 MT for an estimated amount of \$7.9 million.

The local currency funds generated through this program are utilized to finance projects that contribute to the development of poor rural areas to permit greater accessibility of the population to the benefits of development. The FY 1987 funding was used to finance thirteen different agricultural development activities, among which we can cite Reforestation and Soil Conservation, Coffee Intensification, Plant and Animal Health, Statistics, Land Tenure, Integrated Rural Development, Agrarian Reform, etc. Upon arrival of commodities in El Salvador, they are sold to the private sector at current market prices, and the local currency generated from the sale is deposited in special account and used to finance the above mentioned activities. The GOES submits to the U.S. Government quarterly reports showing that funds have been used for the agreed purposes.

primary source of humanitarian food
and rice to displaced families and
y. During FY-1987, 32,853 metric tons
were administered by USAID/El Salvador.
Total 827,000 Salvadoran

Program for Displaced Persons.

Estimates for FY-1988 through FY-1990.

<u>Cost</u> (FOB)	<u>\$ Cost</u> (CIF)
,402,088	2,123,000
,067,926	4,987,395
,397,761	1,940,561
<u>831,000</u>	<u>1,151,500</u>
,788,775	10,202,456

FY-1988

CARITAS	MCH	130,000	6,873	1,391,410	2,168,059
GOES-AID		147,000	12,210	2,188,950	3,568,793
CESAD		<u>31,000</u>	<u>2,551</u>	<u>452,458</u>	<u>740,721</u>
		308,500	21,635	4,032,818	6,477,573

FY 1989

CARITAS	MCH	130,000	7,622	2,021,400	2,822,200
GOES-AID	FFW	<u>105,000</u>	<u>6,700</u>	<u>1,250,000</u>	<u>2,020,500</u>
TOTAL		245,000	14,322	3,271,400	4,842,700

1990

CARITAS	MCH	<u>100,000</u>	<u>6,700</u>	<u>1,766,500</u>	<u>2,546,500</u>
TOTAL		100,000	6,700	1,766,500	2,546,500

The community development aspect of the Title II Feeding Program has been extremely beneficial to the Salvadoran poor. El Salvador continues to suffer from a lagging economy which in turn has caused significant unemployment and under employment. USAID/El Salvador is currently providing humanitarian assistance to approximately 75,000 marginal and urban poor through successful highly visible community development programs with DIDECO and CESAD. The objective of these programs is to provide urgently needed self-help assistance to individual communities through basic community development projects that the GOES cannot finance. To date, community housing, feeder roads, village streets, bridges, sewerage canals and wells have been built or repaired. In addition to the expansion of infrastructure, income generating projects have also been emphasized. Within the latter activity, successful community gardens have been planted, fish ponds, hog and poultry raising projects are functioning, all of which have provided badly needed income to subsistence level beneficiaries. A third, but equally important development program has been vocational training, under which many Salvadorans received training in basic horticulture practices, chicken raising techniques, vegetables preservation and the production of rope and baskets. Through the community development aspect of the Program, program beneficiaries have acquired dignity, self-respect, confidence and self-reliance. Community participants have also learned the benefits of team work, community action, and organization.

USAID/El Salvador is providing food assistance for one relief and two development programs through the GOES - Directorate of Community Development (DIDECO). In FY-87 16,850 Mts. of food were delivered to 154,000 beneficiaries as follows:

DIDECO - FW	85,000
FEDECCREDITO - DP	17,000 (Phased out in May 1988)
CONARA-RELIEF (Combined Civic Action)	52,000

The DIDECO FFW program provides assistance to about 85,000 urban marginal residents monthly to work in environmental sanitation, small productive enterprises, potable water, drainage, access roads and vocational training activities. The Displaced Persons Program is completing its third year of operation, provides a food supplement to displaced persons that work on community projects. The CONARA Civic Action allocates food for humanitarian relief in areas where CONARA considers there is urgent need, as a result of the conflictive situation.

Catholic Relief Services/CARITAS, under the Mother Child Health program, providing food commodities to approximately 130,000 beneficiaries, per month. Program beneficiaries target pregnant and lactating mothers and children under five. Nutritional education and basic health education lectures are given to the mother. CARITAS also distributes food to children in orphanages and schools as well as old age homes.

The Salvadoran Evangelical Committee for Relief and Development (CESAD) is providing assistance to 30,000 nonregistered displaced persons under a food-for-work (food basket) program. In addition, 1,000 nutritionally vulnerable beneficiaries are receiving supplementary food assistance.

4. Potential disincentive effects

In February 1988, a Mission funded study on the impact of food imports on local producers began. When completed (April of 1988), the study will help guide the GOES and USAID/ES in defining and implementing an appropriate food security policy. The study will assess:

- how food imports are affecting local production,
- whether increasing imports are the result of decreased production or whether decreasing production is the result of increased imports,
- the appropriate mix of imports and local production for El Salvador that will maintain the employment, incomes and food security that local production generates and yet maintain adequate supplies.

5. Current host-country food policies and key reforms

PL 480 resources are tied to ESF resources in the negotiation of needed economic and social reforms. The FY-1987 agreement provided the GOES \$36.8 million and included six specific self-help measures as follows: 1) Improve immunization services; 2) Provide financial and administrative support to complete phase I and III of the Agrarian Reform; 3) Concentrate the activity of the Agricultural Development Bank - BFA - on efficient banking activities; 4) Promote the private sector investment in agribusiness; 5) Carry out a plant health program; and 6) Carry out an animal health program.

6. Special Programs

The Mission considers that the large volume of imported Title II commodities has caused a dependency by some program beneficiaries and has also caused a potential disincentive to the local agricultural sector. For this reason, a phase down strategy of Title II commodity levels is being prepared. Some of the major actions that have been taken under the strategy are:

- A. DIDECO. The USAID/DIDECO FFW Program will be reduced by 50% in FY 1988, consequently the number of beneficiaries will be progressively reduced from 85,000 recipients to 42,500. The Civic Action Program will continue at least until April 1989. There are no plans to continue FFW the feeding component beyond the December 31, 1988 PACD.
- B. CESAD. The program will be terminated in FY-1988, and the number of beneficiaries will be reduced from 31,000 to zero. For FY-1989 there will be no CESAD feeding Program.
- C. CRS/CARITAS. The recommendation is to maintain the Program at the actual level of 130,000 beneficiaries, because of the priority nature of the program.

7. Mission Management Arrangements

The PL 480 Title I program is jointly managed by the office of the Agricultural Attache, (AGATT), by the Economic/Commercial Section (ECON/COMM) of the Embassy and the USAID Mission in El Salvador. The local agricultural specialist has the responsibility of day-to-day monitoring, reviewing GOES' official requests and transmitting them to AID/W.

USAID has the responsibility of developing the self-help measures with the GOES and reporting to AID/W, as well as programming and monitoring the local currencies generated. All correspondence regarding Title I, except routine, operational cables, are cleared by the three above-mentioned agencies.

The local agricultural specialist, in consultation with the AGATT office and USAID, assists the GOES in the preparation of the annual Title I Program request. The agricultural specialist and USAID work with the Ministry of Agriculture analyzing the commodity supply and demand situation and in determining the proposed commodity mix. USAID takes the lead in analyzing the economic and disincentive aspects of the annual program, while the agricultural specialist is responsible of making sure that adequate storage facilities exist.

The three agencies share the responsibility for conducting negotiations on the PL 480 Title I Agreement with the GOES. The agricultural specialist, with support from USAID and ECON/COMM prepares all documentation related to the Agreement.

In regards to the PL 480 Title II, Congress has assigned full responsibility to USAID and the Food for Peace Office is in charge of all related matters to programming, reporting and monitoring.

With respect to the Section 416 Program including the Sugar Quote Reduction, USAID acts as USDA's agent in the implementation of this program, and is responsible for identifying eligible organizations that participate in the program, and for developing and negotiating specific Agreements. The AGATT provides assistance to determine the commodity mix. USAID has the responsibility of programming and reporting the utilization of any local currency generated by the Section 416 Program.

C. 3. STRENGTHEN FINANCIAL MANAGEMENT

El Salvador is a high risk environment for A.I.D. because of the war and of the traditional administrative control weaknesses in governmental organizations. This situation is further exacerbated by the high levels of program funding in both dollars and local currency. The Mission's current portfolio is implemented with the assistance of more than 140 separate implementing entities. The Mission emphasizes and will continue to emphasize improving the internal controls and administrative procedures of implementing entities.

On the dollar side, the Mission has initiated greater use of local U.S. CPA affiliated firms, with the assistance of the nonfederal audit program of the Regional Inspector General in Tegucigalpa. Initially, the Mission has planned seven nonfederal audits and will complete them by the end of this fiscal year. In subsequent years we expect to audit in one form or another every project. We currently emphasize indigenous private voluntary organizations, in compliance with the Financial Manager's Integrity Act.

For maximum benefit, both the Mission and RIG/A/T have agreed to utilize local CPA firms where cost effective. Basically, we are recommending more concurrent auditing. It is our objective to have these nonfederal audits performed in accordance with generally accepted auditing standards as promulgated by the U.S. Comptroller General. This approach will require increased quality on the part of the contracted local U.S. CPA affiliates.

The Mission will award audit contracts only to those firms that have improved their standards. With the assistance of the RIG, we have just completed a prequalification survey of each Salvadoran affiliate of U.S. CPA firms; only three of the eight firms closely approximate the quality required. We will strive for greater competition and will, if necessary, compete contracts with affiliates in neighboring countries that meet the standards. Mission management, realizing the seriousness of the issue, augmented the Controller's office with two U.S. financial analysts during FY 1988.

The local currency program in El Salvador has burgeoned during this decade. From a modest beginning of \$2.9 million in PL 480 Title I in 1980, the program topped \$200 in FY 1987. This growth has brought a quantum increase in complexity. Economic Support Funds, PL 480 and Section 416 provide counterpart for A.I.D. and other donor projects, fund other activities of interest to the GOES and the USG, and provides budget support. In addition, GOES local currency finances credit lines for the Salvadoran private sector through the national banking system. Currently, more than 80 discrete activities receive local currency.

As the program has grown in size and complexity, the GOES, in collaboration with the Mission, has carried out a continuing program to reduce the possibility of mismanagement and misappropriation of local currencies to the absolute minimum. A critical first step in this program was the creation in 1983 of the Secretariat for the

Programming of Extraordinary Resources (SETEFE) within the Ministry of Planning. The creation of SETEFE grew out of the joint recognition by the GOES and A.I.D. that the Ministry of Finance did not have the ability to expedite the investment of the large quantity of funds that had become available, nor could it develop such ability within a reasonable time. Accordingly, the GOES established SETEFE and assigned it the task of programming and monitoring the entire A.I.D. assistance package for the Salvadoran public sector.

SETEFE's charter includes the responsibility to carry out external audits of the discrete activities financed by local currency. The Mission, in cooperation with RIG, has provided the GOES with a three-part program to improve accountability over the local currency program. First, SETEFE has adopted the government auditing standards published by the U.S. Comptroller General and has agreed to employ only prequalified, US-affiliated CPA firms. Second, SETEFE has adopted a comprehensive system to monitor the audit function and to implement audit recommendations in a timely fashion. A recent review of a sample of 35 SETEFE audits show that SETEFE had implemented almost 70% of the recommendations.

Third, A.I.D. will continue to provide technical assistance and training to the Court of Accounts, which is the GOES supreme auditing entity for both the ordinary and extraordinary budget to the Ministry of Finance, and to SETEFE. A.I.D. is programming \$1.5 million and the GOES is programming the local currency equivalent of US\$1.14 million for this effort.

The purpose of this technical assistance and training is to modernize the Court of Accounts and make it more efficient. Of 12,000 Court of Accounts employees, nearly 700 have received some form of A.I.D. financed training. We intend to augment this assistance to include personnel from the Ministry of Finance. We will coordinate this effort with both the LAC Regional Financial Management project and use additional assistance provided by ROCAP.

C.4. LOCAL CURRENCY

Balance of payments support has become the most important element of A.I.D.'s program in confronting El Salvador's macroeconomic problems. In FY-1988, for example, ESF and food aid will save El Salvador \$223.4 million (the amnesty issue keeps in doubt the receipt of \$18.5 million of this) in foreign exchange: ESF, \$173.5 and food aid, \$49.9 million. Besides the \$7.0 million that A.I.D. will receive for its OE trust fund, the ESF and food aid will provide \$197.9 million equivalent in local currency to support ten mission objectives (in millions US\$): agricultural production, \$16.1; private sector, \$43.64; stabilize financial structures, \$42.66; promote exports, \$40.62; infrastructure, \$37.93; family planning, \$.2; health, \$9.13; education, \$4.46; strengthen democracy, \$2.04; and \$1.12 to assist displaced persons. Of the local currency devoted to the private sector and exports, \$68.0 million go into credit lines.

Local currency will provide \$25.0, \$13.5, \$6.4 and \$2.66 million in counterpart respectively to A.I.D., IDB, IBRD, and French-sponsored projects and will contribute \$62.35 million to priority development activities of the GOES. It will also contribute \$20.0 million to El Salvador's national budget. If received, the Mission and the GOES plan to use for private sector activities the \$18.5 million dependent on the amnesty issue. The local currency section of each objective identifies the specific activities receiving local currency financing.

All local currency received under each agreement goes into a separate account at the Central Bank (BCR). Undisbursed balances of funds assigned to implementing agencies also remain in the BCR, in project specific accounts. The Mission has been setting up and monitoring special accounts for a number of years. Both Mission and GOES personnel have become accustomed to working with the accounting arrangements needed to meet statutory requirements.

This year the Mission has begun to refine the local currency programming process and to reduce the number of management units. As indicated above, Mission and GOES priorities have moved most local currency into private sector credit lines or development projects. In the recently completed joint programming exercise for FY-1988, the Mission and the Ministry of Planning (MIPLAN) used these priorities: (1) counterpart for A.I.D. projects, (2) counterpart for other donor projects, (3) private sector assistance, (4) GOES development projects. Programming on a project basis increases control of funds and helps A.I.D. to insure funding for priority development projects.

The Implementing agencies receive local currency only in accordance with an action plan approved by MIPLAN and A.I.D. A.I.D. fulfills its monitoring responsibilities by analyzing and approving action plans, by requiring progress reports on activities carried out under action plans, and by requiring MIPLAN to conduct periodic audits and end use checks of resources. With respect to local currency attributed to the national budget, A.I.D. and the Ministry of Finance agree on line items to receive funding. The Ministry of Finance provides A.I.D. periodic reports on expenditures. For funds used by the Mission under its trust fund arrangement, it reports uses of funds to the GOES as requested by the GOES.

LOCAL CURRENCY UTILIZATION

(\$000)

SOURCES

FY 87

A.	USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC. 416	OTHER	TOTAL
	HG BUDGET GENERAL	0	0	0	0	0		0
	HG BUDGET ATTRIBUTED	38,000	0	0	0	0		38,000
	HG CONTRIBUTION TO AID PROJ.	1,804	18,490	0	0	0		20,294
	HG CONTRIBUTION TO OTHER DONOR PROJ.	7,500	13,171	0	0	0		20,671
	HG MANAGED L/C PROJ. (GOVT OR PRIVATE)	108,696	6,339	0	0	4,100		119,135
	USAID MANAGED L/C PROJ.	0	0	0	0	0		0
	A.I.D. OE TRUST FUND	5,000	0	0	0	0		5,000
	A.I.D. PROJ TRUST FUND	0	0	0	0	0		0
	SECTION 108	0	0	0	0	0		0
	OTHER	0	0	0	0	0		0
	TOTAL	161,000	38,000	0	0	4,100		203,100
B. CHANNEL FOR ASSISTANCE *								
	PUBLIC SECTOR	78,000	31,000	0	0	4,100		113,100
	PRIVATE SECTOR **	83,000	7,000	0	0	0		90,000
	T O T A L	161,000	38,000	0	0	4,100		203,100

* Determined by organization primarily responsible for managing the local currency resources and delivery of goods and services.

** These funds are for private sector credit lines (\$67 mill), agrarian reform compensation fund (\$18 mill) but are passed through the Central Reserve Bank (BCR) and A.I.D. OE Trust Fund (\$5 mill).

LOCAL CURRENCY UTILIZATION

(\$'000)

SOURCES

FY 88

A.	USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC. 416	OTHER	TOTAL
	HG BUDGET GENERAL	0	0	0	0	0	0	0
	HG BUDGET ATTRIBUTED	20,000	0	0	0	0	0	20,000
	HG CONTRIBUTION TO AID PROJ.	2,040	22,950	0	0	0	0	24,990
	HG CONTRIBUTION TO OTHER DONOR PROJ.	8,260	11,800	0	0	2,500	0	22,560
	HG MANAGED L/C PROJ. (GOVT OR PRIVATE)	136,200	7,250	0	0	5,400	0	148,850
	USAID MANAGED L/C PROJ.	0	0	0	0	0	0	0
	A.I.D. OE TRUST FUND	7,000	0	0	0	0	0	7,000
	A.I.D. PROJ TRUST FUND	0	0	0	0	0	0	0
	SECTION 108	0	0	0	0	0	0	0
	OTHER	0	0	0	0	0	0	0
	TOTAL	173,500	42,000	0	0	7,900	0	223,400
B. CHANNEL FOR ASSISTANCE *								
	PUBLIC SECTOR	94,860	37,000	0	0	7,900	0	139,760
	PRIVATE SECTOR **	78,640	5,000	0	0	0	0	83,640
	T O T A L	173,500	42,000	0	0	7,900	0	223,400

* Determined by organization primarily responsible for managing the local currency resources and delivery of goods and services.

** These funds are for private sector credit lines (\$73 mill) but passed through the Central Reserve Bank (BCR), private voluntary organizations (\$3.64 mill) but passed through the Ministry of Planning (SETEFE) and A.I.D. OE Trust Fund (\$7 mill).

LOCAL CURRENCY UTILIZATION

(\$000)

SOURCES

FY 89

A.	USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC. 416	OTHER	TOTAL
	HG BUDGET GENERAL	0	0	0	0	0	0	0
	HG BUDGET ATTRIBUTED	20,000	0	0	0	0	0	20,000
	HG CONTRIBUTION TO AID PROJ.	2,000	25,000	0	0	0	0	27,000
	HG CONTRIBUTION TO OTHER DONOR PROJ.	20,000	0	0	0	0	0	20,000
	HG MANAGED L/C PROJ. (GOVT OR PRIVATE)	103,475	5,000	0	0	0	0	108,475
	USAID MANAGED L/C PROJ.	0	0	0	0	0	0	0
	A.I.D. OE TRUST FUND	7,000	0	0	0	0	0	7,000
	A.I.D. PROJ TRUST FUND	0	0	0	0	0	0	0
	SECTION 108	0	5,000	0	0	0	0	5,000
	OTHER	0	0	0	0	0	0	0
	TOTAL	152,475	35,000	0	0	0	0	187,475
B. CHANNEL FOR ASSISTANCE *								
	PUBLIC SECTOR	65,475	25,000	0	0	0	0	90,475
	PRIVATE SECTOR **	87,000	10,000	0	0	0	0	97,000
	T O T A L	152,475	35,000	0	0	0	0	187,475

* Determined by organization primarily responsible for managing the local currency resources and delivery of goods and services.

** These funds are for private sector credit lines (\$81 mill) but passed through the Central Reserve Bank (BCR), private voluntary organizations (\$4 mill) but passed through the Ministry of Planning (SETEFE), A.I.D. OE Trust Fund (\$7 mill) and Section 108 (\$5 mill).

LOCAL CURRENCY UTILIZATION

(\$000)

SOURCES

FY 90

A.	USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC. 416	OTHER	TOTAL
	HG BUDGET GENERAL	0	0	0	0	0	0	0
	HG BUDGET ATTRIBUTED	20,000	0	0	0	0	0	20,000
	HG CONTRIBUTION TO AID PROJ.	2,000	25,000	0	0	0	0	27,000
	HG CONTRIBUTION TO OTHER DONOR PROJ.	20,000	0	0	0	0	0	20,000
	HG MANAGED L/C PROJ. (GOVT OR PRIVATE)	113,000	5,000	0	0	0	0	118,000
	USAID MANAGED L/C PROJ.	0	0	0	0	0	0	0
	A.I.D. OE TRUST FUND	7,000	0	0	0	0	0	7,000
	A.I.D. PROJ TRUST FUND	0	0	0	0	0	0	0
	SECTION 108	0	5,000	0	0	0	0	5,000
	OTHER	0	0	0	0	0	0	0
	TOTAL	162,000	35,000	0	0	0	0	197,000
B. CHANNEL FOR ASSISTANCE *								
	PUBLIC SECTOR	77,000	28,000	0	0	0	0	105,000
	PRIVATE SECTOR **	85,000	7,000	0	0	0	0	92,000
	T O T A L	162,000	35,000	0	0	0	0	197,000

* Determined by organization primarily responsible for managing the local currency resources and delivery of goods and services.

** These funds are for private sector credit lines (\$72 mill) but passed through the Central Reserve Bank (BCR), private voluntary organizations (\$8 mill) but passed through the Ministry of Planning (SETEFE), A.I.D. OE Trust Fund (\$7 mill) and Section 108 (\$5 mill).

C.5. WOMEN IN DEVELOPMENT

The Government of El Salvador is aware that economic potential is sacrificed by limiting women's roles as agents and beneficiaries of the development process. In the public sector, women occupy positions as vice-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 that implement A.I.D. 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, and women are the majority owners and operators of food markets and producers of handicrafts.

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. Unfortunately, in conjunction with the dramatic growth in the Mission's portfolio over the past few years, USAID has been unable to systematically record the impact of its overall portfolio on women (with the exception of the traditional areas of population, health and nutrition), although this impact is thought to be substantial.

For example, under the materials distribution component of the Earthquake Reconstruction Project (519-0331), it is estimated that at least 30% of the 32,000 recipient families have been female-headed; it is estimated that women are the direct recipients of 60% of all the credit and technical assistance offered under the series of projects supporting micro and small-business development; and, it is estimated that 50% of the direct beneficiaries of the Health and Jobs for Displaced Persons Project (519-0281) are females. Women, who predominate as owners/operators of market vending stalls, have also benefitted from various A.I.D.-supported projects that have constructed nine temporary markets (the Earthquake Reconstruction Project: 519-0333) and built or reconstructed twenty-one markets (National Plan projects).

The Mission recognizes the need to quantify more accurately the impact of its projects on women. To this end, USAID is exploring methodologies to collect the relevant sex-disaggregated data throughout its project portfolio. As such, more accurate and quantified data can and will be presented in next year's Action Plan.

At this time, however, the most accurate data that can be presented (outside of the traditional areas of population, health and nutrition where females predominate as direct beneficiaries) is in the important area of training and education. Specifically, the CAPS program will make available approximately \$35 million in scholarships to 2,480 Salvadoran (645 long-term and 1,835 short-term) from FY 85 through FY 90. From the beginning of the program, the Mission has actively recruited women as participants, and our performance has improved steadily in this regard since the initiation of CAPS. Overall female participation has been as follows:

FY 85	28%
FY 86	35%
FY 87	38%
Average	34%

Women participating in the short-term training has been 30% (192 of 632 trainees), whereas the percentage in long-term has been 43% (103 of 242 scholars). Moreover, the Mission is attempting to increase the overall percentage of female participants during the last two years of CAPS in order to reach the 40% target for women over the life of the project.

In addition to the CAPS Program, some 5,500 women (of 7,000 trainees) have benefitted from in-service training for primary school teachers under the Education Systems Revitalization Project (519-0295). However, women have not fared well under other Mission-sponsored participant training programs. Over the past three years, 408 men and 79 women have participated in U.S. and third country, project-related training programs. The reason for the relatively low number of female participants has been that the programs have been primarily in the area of agriculture and the participants have been drawn from the Ministry of Agriculture (with predominantly male employees) and the agricultural cooperatives (where female membership is only about 10%).

PART III: MANAGEMENT

PART III

A. MANAGEMENT STRATEGY

1. Introduction

The Action Plan, requiring programming of \$306 million in economic system to El Salvador during FY 1988 and a similar amount for FY 1989, clearly calls for a substantial Mission presence. Adherence to the management strategy described below will permit us to implement the program effectively and efficiently provided that there is a significant increase in dollar Operating Expense (OE) budget that will be complemented by the local currency given as a trust to the Mission by the GOES. The rationale for the increase in dollar OE levels will be discussed below. The management strategy for implementing the Action Plan consists of a series interrelated initiatives to enhance operational efficiencies. To wit, in carrying out our 1989-1990 Action Plan we will:

- Begin a process of consolidating our portfolio by phasing out approximately 25 dollar and local currency funded activities, while reducing the number of major new Development Assistance (D.A.) new starts.
- Concentrate staff effort on project implementation by tying Employee Evaluation Report performance to achievement of Action Plan objectives.
- Consolidate the majority of our infrastructure activities by combining the existing Mission Earthquake Reconstruction and Infrastructure Rural Development offices into one unit, Infrastructure Development, under the direction of a U.S. direct-hire.
- Further initiatives, already begun, to improve the efficiency of Mission operations. The next step will be a Mission management retreat to be held in the Spring of 1988, in which Mission operations will be discussed. The retreat will review the entire programming - implementation process to identify bottlenecks and recommend actions that would enhance operational efficiency.
- Further our commitment to staff development through training opportunities in project implementation, various specific technical fields, and management.

2. Portfolio Consolidation

To consolidate the portfolio and reduce the number of management units, USAID is putting into place a three-track tactical plan. First, we are reducing the number of major dollar-financed new starts over the next three years. In FY 1987, the Mission authorized seven new DA and ESF-funded activities. In FY 1988, we

will have only two major new initiatives, Industrial Parks and Infrastructure (519-0323) and Technical Support and Training (519-0349). The Agricultural Technology Transfer project, initially conceived as a new start, will be an amendment to an existing project. In FY 1989, the number of major new activities will be limited to three: Privatization (519-0350), Commercial Farming (519-0351), and a follow-on to the existing private sector family planning project. The infrastructure needs, to be addressed by the Public Services Reconstruction project (519-0320), previously planned as a new start in FY 1989, will be met by an amendment to the on-going Public Services Restoration effort (519-0279). For FY 1990, project design will be limited to a Private Sector Health Initiative, a new start in Education-Interactive Radio Education (519-0359) and a follow-on Small Business project. These new initiatives will be complemented by amendments to the private sector efforts: Training for Productivity (FEPADE) (519-0315), Industrial Stabilization and Recovery (519-0287) and Agribusiness Development (519-0327). Second, the Mission, beginning in 1988, is reducing the number of local currency management units. By bringing to an end activities (e.g., ORE Administration, Civil Aeronautic Authority, Geotech Research) that no longer require funding and judiciously selecting what to fund for the future, we will diminish local currency line items from 90 to approximately 70 during CY 1988. Further reduction will be carried out in 1989 and 1990. Thirdly, the Mission is accelerating project closeouts. In FY 1988, the Mission will bring to conclusion large activities e.g., Agrarian Reform Credit (519-0265) and Agrarian Reform Sector Support (519-0265) associated with the agrarian reform. As the Mission is completing its assistance to land reform, there will be no follow-on efforts to these projects. The Reform and Policy project (519-0260) will be brought to a close during the Action Plan period. Several activities associated with the Small Business subsector are also being terminated. Small Producer Development (522-0229) is being closed out; the unexpended grant balance (\$2.5 million) and is being reobligated under another project while loan balance (\$1.5) is being returned to the U.S. Treasury. The Small Enterprise Development Project (522-0322) will also be phased out during 1988. Project support for the ministries of education and health will terminate late FY 1989 and early in FY 1990. The on-going activities in these sectors (e.g. Education Revitalization (519-0295), Health Systems Revitalization (519-0291) and Public Sector Population (519-0210) will be closed out when their current PACD's have expired in FY 1990. Future Mission participation in these sectors will be channeled, in the main, through private entities. Similarly, the Mission will phase down involvement in P.L. 480 Title II programs. Existing activity with CESAD and DIDECO will be brought to a close by the end of CY 1988. Thereafter, these will remain only a reduced and declining level of food programming through CRS-CARITAS. In addition, we will phase out some, relatively small, dollar funded activities (e.g., Knights of Malta OPG (522-0342) OFDA Emergency Housing (522-0330) when their respective PACD's arrive over the course of the next year.

In combination, these actions will permit the increased concentration of scarce human and financial resources on areas that are central to the achievement of Mission objectives. Moreover, it will permit the personnel within the existing staffing level, to carry out their responsibilities without the same extreme degree of overtime that has characterized the Mission's workload in the past.

B. STAFFING

Since late FY 1987, several adjustments in the configuration of Mission staffing have been carried out. The creation of an Associate Director for Program and Project development position, has reduced the burden on the other Mission Front Office personnel, and facilitated the process of strategy formulation and project design. The responsibilities of the Special Assistant to the Director (Earthquake Reconstruction) have been melded with the existing office for Infrastructure and Regional Development. When fully staffed, the resultant new office, Infrastructure, Regional Development and Earthquake Reconstruction (IRD/ER) will be headed by a USDH Supervisory General Development Officer. The Office will consist of two major divisions: (1) Infrastructure and Regional Development, and (2) Earthquake and Reconstruction each headed by a USPSC. It will be responsible for implementation of infrastructure restoration/rehabilitation, potable water development, displaced persons, the National Plan and earthquake reconstruction. Other staffing adjustments, within the ceiling of 39 USDH, included the creation of deputy director positions in the offices of Democratic Initiatives, Private Enterprise, Education and Training and Rural Development (Agribusiness-Private Enterprise). To enhance Mission Controller capabilities USAID will add, in FY 1988, one mid-career IDI Financial Manager: a position made available by eliminating the Food for Peace slot and thereby making no net increase in the direct hire positions. In FY 1987 we used one of our 39 USDH positions to recruit a direct hire with primary responsibility for coordinating both the federal audit and the nonfederal financial review processes. It is our judgment that, given the size and complexity of the portfolio, this a prudent use of scarce USDH positions and that it will serve to reduce Mission vulnerability and will simultaneously enhance our ability to effectively comply with our financial control obligations.

While USAID/El Salvador managed to stay within the 39 USDH allocation, it was necessary to sharply increase USPSC, TCN/PSC, and FSN/PSC personnel to adequately respond to program requirements in Housing and Urban Development, Earthquake Recovery and Reconstruction, Displaced Persons, the National Plan (CONARA) and to provide greater focus on health, nutrition, PL 480 Title II, and population programs. In FY 87, we added mid-career IDI officers in EXO, CONT, and RDO, with no increase in USDH ceilings. In addition, we will acquire one GSO tandem officer part-time in EXO in FY 88. The Total Mission staff (US, FSN, TCN, PSCS), increased from 179 at the end of FY 1986 to 239 in 1987. By the end of FY 88, the level will stand at 263, and is expected to decline to 254 in FY 89 and to 244 in FY 90.

For USAID to implement its program and meet its Action Plan target in a timely fashion there must be improvements in the personnel assignment process. We cannot operate the Mission efficiently, and we cannot reduce the long standing work overload on the staff with the long gaps experienced in filling vacancies. While candidates have now been identified for the Program Officer and Deputy Program Officer positions, the slots are still vacant and they are not likely to be filled until the summer of 1988. The Program Officer job has been vacant since September 1986 and the Deputy Program Officer position has been unoccupied since

July 1987. The Deputy Private Sector Officer position was created in the summer of 1987 -- the position is still vacant and will remain so until at least the summer of 1988. The Mission will experience significant staff turnovers in 1989 and 1990, as a part of the normal rotation process. Measures must be taken now to identify and prepare qualified replacements for arrival on a timely basis.

Finally, deficient Spanish capability of key officers, especially those serving for the first time in a Latin country, continues to be a problem which must be resolved. Spanish language training in Antigua, Guatemala, limited to 12 weeks, has proven to be inadequate for officers requiring S-3, R-3 proficiency. The Mission has had to take measures (e.g., returning employees to Antigua for four to eight weeks of additional training) to bring these employees up to the language level required by their position. This has represented an extra financial burden to USAID not to mention the "down time" to the Mission while the employees were absent receiving the follow-up training. A.I.D./W must intensify its efforts to address the recruitment - training problem. We simply cannot operate efficiently unless we have replacements, with requisite language skills, on a timely basis.

OPERATING EXPENSE
DOLLAR AND TRUST FUND
STAFFING LEVEL

FY 1987

OFFICE	USDH	FNDH	IDI *	Res. H	USPSC	FNPSC **	MANPOWER CONTRACT		TOTAL
							PROF.	CLER. D/C	
DIR	5	2	0	0	0	0			7
PRJ	4	2	0	0	2	6			14
DPPO	3	3	0	0	0	3			9
ECON	1	2	0	0	0	5			8
EXO	3	7	0	0	3	53		27	93***
CONT	3	8	0	0	2	24			37
IRD/ER	1	6	0	0	1	6			14
PRE	2	2	0	0	0	7			11
RDO	5	4	0	0	0	7			16
HPN	4	2	0	0	0	4			10
ODI	3	1	0	0	0	2			6
OET	2	3	0	0	0	2			7
HUD	1	1	0	0	0	2			4
TOTAL	37	43	0	0	8	121		27	236 - 27*** 209

PD&S
STAFFING LEVEL

OFFICE	FNDH	RES HIRE	USPSC	FNPSC	TOTAL
HUD	0	0	1	2	3
TOTAL	0	0	1	2	3

* IDIs are already assigned to USDH ceilings in EXO, CONT and RDO

** Includes 4 TCN's (1 ECON, 2 HUD, 1 RDO)

*** Includes 27 manpower contract

FY 1987

PROGRAM PROJECT
STAFFING LEVEL

<u>OFFICE</u>	<u>FNDH</u>	<u>RES HIRE</u>	<u>USPSC</u>	<u>FNPSC</u>	<u>MANPOWER CONTRACT</u>			<u>TOTAL</u>
					<u>PROF</u>	<u>CLER</u>	<u>D/C</u>	
IRD/ER	0	0	5	10				15
DPPO	0	0	1	0				1
RDO	0	0	1	2				3
HPN	0	0	2	0				2
ODI	0	0	1	0				1
OET	0	0	0	5				5
TOTAL	0	0	10	17				27

OPERATING EXPENSE
DOLLAR AND TRUST FUND
STAFFING LEVEL

FY 1988

OFFICE	USDH	FNDH	IDI *	Res. H	USPSC	FNPS **	MANPOWER CONTRACT			TOTAL
							PROF.	CLER.	D/C	
DIR	5	2	0	0	0	1				8
PRJ	4	2	0	0	2	7				15
DPPO	3	3	0	0	0	4				10
ECON	1	2	0	0	0	5				8
EXO	3	7	0	2	2	56		41		111***
CONT	4	8	0	0	3	24				39
IRD/ER	1	6	0	0	1	6				14
PRE	2	2	0	0	0	7				11
RDO	5	4	0	0	0	8				17
HPN	3	2	0	0	0	7				12
ODI	3	1	0	0	0	2				6
OET	2	3	0	0	0	3				8
HUD	1	1	0	0	0	2				4
TOTAL	37	43	0	2	8	132		41		263
										- 41***
										222

PD&S
STAFFING LEVEL

OFFICE	FNDH	RES HIRE	USPSC	FNPS	MANPOWER CONT.		
					PROF	CLER	TOTAL
HUD	0	0	1	2			3
TOTAL	0	0	1	2			3

* IDIs are already assigned to USDH ceilings in EXO, CONT and RDO

** Includes 5 TCN's (1 ECON, 2 HUD, 1 RDO, 1 DPPO)

*** Includes 41 manpower contract

FY 1988

PROGRAM PROJECT
STAFFING LEVEL

<u>OFFICE</u>	<u>FNDH</u>	<u>RES HIRE</u>	<u>USPSC</u>	<u>FNPS</u>	<u>MANPOWER CONTRACT</u>			<u>TOTAL</u>
					<u>PROF</u>	<u>CLER</u>	<u>D/C</u>	
IRD/ER	0	0	9	16				25
DPPO	0	0	1	0				1
RDO	0	0	0	2				2
HPN	0	0	3	0				3
ODI	0	0	1	1				2
OET	0	0	1	4				5
TOTAL	0	0	15	23				38

OPERATING EXPENSE
DOLLAR AND TRUST FUND
STAFFING LEVEL

FY 1989

OFFICE	USDH	FNDH	IDI *	Res. H	USPSC	FNPSC **	MANPOWER CONTRACT			TOTAL
							PROF.	CLER.	D/C	
DIR	5	2	0	0	0	1				8
PRJ	4	2	0	0	1	7				14
DPPO	3	3	0	0	0	4				10
ECON	1	2	0	0	0	5				8
EXO	3	7	0	2	3	50		25		90***
CONT	4	8	0	0	3	24				39
IRD/ER	1	6	0	0	1	6				14
PRE	3	2	0	0	0	7				12
RDO	5	4	0	0	0	8				17
HPN	2	2	0	0	0	7				11
ODI	3	1	0	0	0	2				6
OET	2	3	0	0	0	3				8
HUD	1	1	0	0	0	3				5
TOTAL	37	43	0	2	8	127		25		342
										- 25***
										217

PD&S
STAFFING LEVEL

OFFICE	FNDH	RES HIRE	USPSC	FNPSC	MANPOWER CONT.		
					PROF	CLER	TOTAL
NONE							
TOTAL							

* IDIs are already assigned to USDH ceilings in EXO, CONT and RDO

** Includes 2 TCN's (1 DPPO, 1 ECON)

*** Includes 25 manpower contract

FY 1989

PROGRAM PROJECT
STAFFING LEVEL

<u>OFFICE</u>	<u>FNDH</u>	<u>RES HIRE</u>	<u>USPSC</u>	<u>FNPSC</u>	<u>MANPOWER CONTRACT</u>			<u>TOTAL</u>
					<u>PROF</u>	<u>CLER</u>	<u>D/C</u>	
IRD/ER	0	0	7	17				24
DPPO	0	0	1	0				1
RDO	0	0	1	2				3
HPN	0	0	2	0				2
ODI	0	0	1	1				2
OET	0	0	1	4				5
TOTAL	0	0	13	24				37

OPERATING EXPENSE
DOLLAR AND TRUST FUND
STAFFING LEVEL

FY 1990

OFFICE	USDH	FNDH	IDI *	Res. H	USPSC	FNPSC **	MANPOWER CONT.			TOTAL
							PROF.	CLER.	D/C	
DIR	5	2	0	0	0	1				8
PRJ	4	2	0	0	1	7				14
DPPO	3	3	0	0	0	4				10
ECON	1	2	0	0	0	5				8
EXO	3	7	0	2	3	46		25		86
CONT	4	8	0	0	3	24				39
IRD/ER	2	6	0	0	0	6				14
PRE	3	2	0	0	0	7				12
RDO	5	4	0	0	0	7				16
HPN	2	2	0	0	0	6				10
ODI	2	1	0	0	0	2				5
OET	2	3	0	0	0	3				8
HUD	1	1	0	0	0	2				4
TOTAL	37	43	0	2	7	120		25		234
										- 25***
										209

PD&S
STAFFING LEVEL

OFFICE	FNDH	RES HIRE	USPSC	FNPSC	MANPOWER CONT.		
					PROF	CLER	TOTAL
HUD	0	0	0	0			0
TOTAL	0	0	0	0			0

* IDIs are already assigned to USDH ceilings in EXO, CONT and RDO

** Includes 2 TCN's (1 DPPO, 1 ECON)

*** Includes 25 manpower contract

FY 1990

PROGRAM PROJECT
STAFFING LEVEL

<u>OFFICE</u>	<u>FNDH</u>	<u>RES HIRE</u>	<u>USPSC</u>	<u>FNPS</u>	<u>MANPOWER CONTRACT</u>			<u>TOTAL</u>
					<u>PROF</u>	<u>CLER</u>	<u>D/C</u>	
IRD/ER	0	0	7	17				24
DPPO	0	0	1	0				1
RDO	0	0	1	1				2
HPN	0	0	2	0				2
ODI	0	0	0	1				1
OET	0	0	1	4				5
TOTAL	0	0	12	23				35

C. OPERATING EXPENSES

The October 1986 earthquake displaced the A.I.D. Mission into numerous temporary offices. In October 1987, the Mission purchased a new office building with OE and FBO funds. IG/SEC has provided additional funds to complete the security enhancement. The Mission will complete the required remodeling and renovations with its current very limited Dollars and Trust Funds. By July of 1988, the USAID expects to occupy its new office building.

The Mission has been able to achieve the above accomplishment by eliminating all procurement of nonexpendable property, both residential and office, as well as, delaying IRM's strongly recommended necessary computer equipment and upgrades. Where possible the Mission was able to acquire used assets from the Panama Mission. Considering that much of the office equipment and furniture underwent the earthquake and numerous moves, the purchase of nonexpendable property will be a high priority in FY 1989 and FY 1990

In order to meet our minimal requirements for FY 1989, the Mission will require a substantial increase in our dollar allocation, from \$2.6 million in FY 88 to \$8.1 million in FY 89. The USAID early in this fiscal year negotiated a \$7 million equivalent to the trust fund, \$2 million of which will be carried forward into FY 89. However, because presidential elections are scheduled for March 1989, the Mission does not anticipate negotiating and signing an ESF Agreement with the GOES until sometime in the third or fourth quarter of FY 89. Thus, we can not reasonably expect to augment our Trust Fund Account until the fourth quarter. These funds once received have been budgeted as for use during Fiscal Year 1990. It is our current best estimate that the new GOES administration will provide a minimum of \$7 million equivalent in local currente. However, the Mission can not operate in any effective manner for Fiscal Year 1989 without the significant increase of OE dollars.

FY 1989-1990 ACTION PLAN EL SALVADOR (25519)			FY 1987 ACT. (\$ 000)					FY 1988 EST. (\$ 000)					FY 1989 REQUEST (\$ 000)					FY 1990 REQUEST (\$ 000)				
EXPENSE CATEGORY	FUNC	OBJ	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	UNITS	UNIT COST
FY 1989-1990 ACTION PLAN EL SALVADOR (25519)	FUNC	OBJ	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	UNITS	UNIT COST
EXPENSE CATEGORY	FUNC	OBJ	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	UNITS	UNIT COST
U.S. DIRECT HIRE	U100		3,351.7	97.5	3,449.2			3,801.7	27.9	3,829.6			4,503.8	0.0	4,503.8			4,752.7	0.0	4,752.7		
U.S. CITIZENS BASIC PAY	U101	310	1,830.8	0.0	1,830.8	34.0	53.8	2,104.0		2,104.0	37.0	56.9	2,524.8		2,524.8	37.0	68.2	2,575.3	0.0	2,575.3	37.0	69.6
PT/TEMP U.S. BASIC PAY	U102	112	31.0	0.0	31.0	0.8	38.8	33.8		33.8	2.0	16.9	40.6		40.6	2.0	20.3	41.4	0.0	41.4	2.0	20.7
DIFFERENTIAL PAY	U103	116	259.6	0.0	259.6			748.2		748.2			697.8		697.8			901.4	0.0	901.4		
OTHER AID/M FUNDED CODE 11	U104	119	370.3	0.0	370.3			32.1		32.1			38.5		38.5			39.3	0.0	39.3		
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	83.1	83.1	17.0	4.9	175.0	16.5	191.5	35.0	5.5	210.0	0.0	210.0	35.0	4.0	220.5	0.0	220.5	37.0	6.0
RETIREMENT-U.S. DIRECT HIRE	U107	120	142.3	0.0	142.3			203.1		203.1			245.8		245.8			255.0	0.0	255.0		
LIVING ALLOWANCES	U108	120	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/M FUNDED CODE 12	U109	129	72.2	0.0	72.2			60.0		60.0			64.9		64.9			77.9	0.0	77.9		
OTHER MISSION FUNDED CODE 12	U110	129	43.1	14.4	57.5			60.7	0.0	60.7			82.4	0.0	82.4			98.9	0.0	98.9		
POST ASSIGNMENT - TRAVEL	U111	212	89.2	0.0	89.2	32.0	2.8	31.4	0.0	31.4	16.0	2.0	36.4	0.0	36.4	13.0	2.8	35.6	0.0	35.6	14.0	2.4
POST ASSIGNMENT - FREIGHT	U112	220	420.4	0.0	420.4	32.0	13.1	221.0	0.0	221.0	16.0	13.8	200.0	0.0	200.0	13.0	15.4	275.5	0.0	275.5	14.0	19.7
HOME LEAVE - TRAVEL	U113	212	23.6	0.0	23.6	9.0	2.6	23.0	0.0	23.0	8.0	3.5	42.0	0.0	42.0	22.0	1.9	45.4	0.0	45.4	9.0	5.0
HOME LEAVE - FREIGHT	U114	220	4.9	0.0	4.9	9.0	0.5	5.2	0.0	5.2	8.0	0.5	9.6	0.0	9.6	22.0	0.4	10.8	0.0	10.8	9.0	1.2
EDUCATION TRAVEL	U115	215	2.7	0.0	2.7	2.0	1.4	5.0	0.0	5.0	3.0	1.7	5.4	0.0	5.4	3.0	1.8	12.0	0.0	12.0	5.0	2.0
R AND P TRAVEL	U116	215	49.4	0.0	49.4	82.0	0.6	39.2	0.0	39.2	21.0	1.9	45.6	0.0	45.6	24.0	1.9	60.7	0.0	60.7	22.0	2.8
OTHER CODE 215 TRAVEL	U117	215	12.2	0.0	12.2	3.0	4.1	46.0	11.4	57.4	14.0	4.1	60.0	0.0	60.0	14.0	4.3	66.0	0.0	66.0	15.0	4.4
F. N. DIRECT HIRE	U200		322.2	331.6	653.8			0.0	1,067.0	1,067.0			1,224.7	0.0	1,224.7			0.0	1,346.6	1,346.6		
BASIC PAY	U201	114	285.0	200.0	485.0	26.0	12.8	0.0	754.0	754.0	43.0	18.5	923.0	0.0	923.0	43.0	21.4	0.0	937.4	937.4	43.0	21.0
OVERTIME, HOLIDAY PAY	U202	115	35.0	44.5	79.5	2.1	37.9	0.0	83.2	83.2	2.0	41.6	100.0	0.0	100.0	43.0	2.3	0.0	120.0	120.0	43.0	2.8
ALL OTHER CODE 11 - FM	U203	119	0.0	49.0	49.0			0.0	124.0	124.0			136.8	0.0	136.8			0.0	164.2	164.2		
ALL OTHER CODE 12 - FM	U204	129	2.2	38.1	40.3			0.0	63.5	63.5			73.6	0.0	73.6			0.0	75.0	75.0		
BENEFITS FORMER FM PERSONNEL	U205	130	0.0	0.0	0.0			0.0	2.0	2.0			0.0	0.0	0.0			0.0	50.0	50.0		
CONTRACT PERSONNEL	U300		729.8	1,659.0	2,388.8			773.4	1,848.1	2,621.5			3,125.5	35.0	3,160.5			3,363.8	280.5	3,644.3		
FASA 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	729.8	374.4	1,104.2	8.2	134.7	773.4	105.0	878.4	9.0	97.6	1,078.1	0.0	1,078.1	10.0	107.8	1,209.5	0.0	1,209.5	11.0	110.0
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	1,173.8	1,173.8	126.7	9.3	0.0	1,499.9	1,499.9	139.0	10.8	1,793.0	0.0	1,793.0	139.0	12.9	1,649.5	220.5	2,170.0	135.0	14.9
ALL OTHER F.N. PSC COSTS	U305	255	0.0	10.4	10.4			0.0	31.2	31.2			0.0	35.0	35.0			0.0	40.0	40.0		
MANPOWER CONTRACTS	U306	259	0.0	100.4	100.4			0.0	212.0	212.0			254.4	0.0	254.4			0.0	0.0	204.8	0.0	
CCC COSTS PAID BY AID/M	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		97.4	855.3	952.7			217.4	1,318.9	1,536.2			1,362.6	0.0	1,362.6			0.0	1,412.0	1,412.0		
RESIDENTIAL RENT	U401	235	0.0	561.0	561.0			166.2	647.9	814.0	45.0	12.5	621.6	0.0	621.6	45.0	12.6	0.0	902.6	902.6	70.0	12.9
RESIDENTIAL UTILITIES	U402	235	0.0	27.1	27.1			0.0	51.5	51.5			61.9	0.0	61.9			0.0	72.2	72.2		
MAINTENANCE AND RESERVATION	U403	259	2.8	86.8	89.6			0.0	95.5	95.5			114.6	0.0	114.6			0.0	137.5	137.5		
QUARTERS ALLOWANCE	U404	127	0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0		
RESIDENTIAL FURNITURE/EQUIP	U405	311	74.0	7.3	81.3			29.5	0.0	29.5			81.7	0.0	81.7			14.6	36.8	51.4		
TRANS./FREIGHT - CODE 311	U406	220	17.9	0.0	17.9			20.0	0.0	20.0			22.9	0.0	22.9			12.2	1.6	13.8		

FY 1989-1990 ACTION PLAN EL SALVADOR (25519)			FY 1987 ACT. (\$ 000)					FY 1988 EST. (\$ 000)					FY 1989 REQUEST (\$ 000)					FY 1990 REQUEST (\$ 000)					
EXPENSE CATEGORY	FUNC	CLASS	DOLLARS	FUNDS	TOTAL	UNITS	UNIT COST	DOLLARS	FUNDS	TOTAL	UNITS	UNIT COST	DOLLARS	FUNDS	TOTAL	UNITS	UNIT COST	DOLLARS	FUNDS	TOTAL	UNITS	UNIT COST	
SECURITY GUARD SERVICES	9407	259	0.0	173.1	173.1			0.0	228.0	228.0	74.0	3.1	254.0	0.0	254.0	74.0	3.4	0.0	259.1	259.1	74.0	3.3	
OFFICIAL RESIDENCE ALLOWANCE	9408	254	0.9	0.0	0.9			1.7	0.0	1.7			3.0	0.0	3.0			3.0	0.0	3.0			
REPRESENTATION ALLOWANCES	9409	252	1.8	0.0	1.8			2.0	0.0	2.0			3.0	0.0	3.0			3.0	0.0	3.0			
OFFICE OPERATIONS	U500		1,722.2	1,363.6	3,085.8			879.7	2,729.6	3,609.3			1,681.9	2,154.6	3,836.5			1,275.1	1,990.9	3,266.0			
OFFICE RENT	U501	234	58.1	55.9	114.0			62.2	54.0	116.2			0.0	75.0	75.0			0.0	75.0	75.0			
OFFICE UTILITIES	U502	234	0.2	6.8	7.0			0.0	50.0	50.0			0.0	60.0	60.0			0.0	66.0	66.0			
BUILDING MAINT./RENOVATION	U503	259	197.4	147.0	344.2			237.5	1,918.0	1,253.5			0.0	102.4	102.4			0.0	60.0	60.0			
OFFICE FURNITURE/EQUIPMENT	U504	310	210.4	166.0	376.4			86.6	143.3	229.9			34.4	213.0	247.4			20.9	8.0	28.9			
VEHICLES	U505	312	108.2	0.0	108.2			0.0	0.0	0.0	3.0	0.0	129.0	0.0	129.0	6.0	21.3	159.0	0.0	193.0	6.0	33.0	
OTHER EQUIPMENT	U506	319	276.6	5.9	282.5			103.5	1.1	104.6			817.6	83.1	900.7			382.0	0.0	382.0			
TRANSPORTATION / FREIGHT	U507	220	14.9	3.2	18.1			41.7	0.0	41.7			245.0	2.3	247.3			178.4	3.1	181.5			
FURN.EQUIP/VEH REPAIR/MAINT.	U508	259	34.8	38.6	73.4			0.0	95.0	95.0			0.0	114.0	114.0			0.0	125.4	125.4			
COMMUNICATIONS	U509	230	26.3	76.2	102.5			0.0	140.0	140.0			0.0	160.0	160.0			0.0	183.0	183.0			
SECURITY GUARD SERVICES	U510	259	326.1	65.7	391.8			0.0	400.3	400.3			0.0	467.2	467.2			0.0	522.5	522.5			
PRINTING	U511	240	0.0	2.2	2.2			0.0	5.0	5.0			0.0	5.0	5.0			0.0	5.0	5.0			
SITE VISIT-MISSION PERSONNEL	U513	210	34.3	12.3	46.6	259.0	0.2	26.6	16.3	42.9	293.0	0.1	0.0	47.0	47.0	265.0	0.2	0.0	50.3	50.3	263.0	0.2	
SITE VISIT-AID PERSONNEL	U514	210	51.2	0.0	51.2	29.0	1.6	36.0	11.4	47.4	72.0	0.7	13.4	0.0	13.4	28.0	0.5	15.0	0.0	15.0	28.0	0.5	
INFORMATION MEETINGS	U515	210	27.8	0.0	27.8	22.0	1.3	4.5	12.1	16.6	21.0	0.6	39.6	0.0	39.6	22.0	1.8	43.2	0.0	43.2	22.0	2.0	
TRAINING ATTENDANCE	U516	210	33.5	0.0	33.5	18.0	1.7	24.7	16.7	41.4	12.0	3.5	55.4	0.0	55.4	24.0	2.3	72.6	0.0	72.6	24.0	3.0	
CONFERENCE ATTENDANCE	U517	210	21.0	0.0	21.0	21.0	1.0	19.9	14.8	34.7	19.0	-1.8	19.0	0.0	19.0	16.0	1.1	26.0	0.0	29.0	16.0	1.3	
OTHER OPERATIONAL TRAVEL	U518	210	11.4	0.0	11.4	7.0	1.6	1.9	10.1	12.0	1.0	12.0	20.5	0.0	20.5	4.0	3.1	30.6	0.0	30.6	4.0	7.2	
SUPPLIES AND MATERIALS	U519	260	162.3	129.9	292.4			166.0	142.0	308.0			165.0	150.0	315.0			155.0	165.0	320.0			
FAAS	U520	257	0.0	213.4	213.4			0.0	234.7	234.7			0.0	255.6	255.6			0.0	255.6	255.6			
CONSULTING SVCS. - CONTRACTS	U521	259	5.9	0.0	5.9			6.0	0.0	6.0			5.0	0.0	5.0			5.0	0.0	5.0			
MGT./REFOR. SVCS. - CONTRACTS	U522	259	81.9	24.7	106.6			62.0	0.0	62.0			90.0	0.0	90.0			100.0	0.0	100.0			
EXEC STUDIES/ANALYSES - CONT.	U523	259	2.3	33.4	35.7			3.0	32.9	32.9			50.0	0.0	50.0			55.0	0.0	55.0			
ALL OTHER CODE 05	U524	259	39.4	376.5	415.9			0.6	333.9	334.5			0.0	420.0	420.0			0.0	460.0	460.0			
TOTAL O.E. EXPENSE BUDGET			6,223.3	4,307.0	10,530.3			5,674.2	6,691.4	12,365.6			11,908.5	2,189.6	14,098.1			9,425.4	5,009.0	14,425.4			
RECONCILIATION			2,706.2	213.4	2,919.6			3,161.2	234.7	3,415.9			3,812.4	333.6	4,046.0			3,930.3	255.6	4,185.9			
SECTION 436(c) (Non-add)	U600	320	0.0	0.0	0.0			121.0	0.0	121.0			0.0	0.0	0.0			0.0	0.0	0.0			
OPERATING EXPENSE REQUIREMENTS	U000		3,517.1	4,097.6	7,614.7			2,614.0	6,456.7	9,070.7			8,056.1	1,954.0	10,010.1			5,495.1	4,744.4	10,239.5			
TOTAL NO. ADP WORK STATIONS						51					51					81					84		
TOTAL NUMBER OF PC'S						22					22					32					44		
OBJECT CLASS 210 TRAVEL			179.2	12.3	191.5			113.6	81.4	195.0			146.9	47.0	193.9			180.8	50.3	231.1			
Dollars Required for Local Currency Expenses			1,185.0					0.0					0.0					0.0					

D. EVALUATION PLAN

Project No. and Title	Date Last Evaluation Completed	FY 89		FY 90		Reasons/Issues
		Start (QTR)	To AID/W (QTR)	Start (QTR)	To AID/W (QTR)	
519-0263 Agrarian Reform Credit	4/11/86	1	2			End of Project
519-0275 Improved Family Planning Serv.	10/15/86	1	2			Distribution Assessment
519-0275 Improved Family Planning	10/15/86			3	4	End of Project
519-0279 Public Services Restoration		4			1	End of Project
519-0287 Indust. Stabl.& Recovery		3	4			GOES/MICE Component
519-0295 Education Systems Revit.	7/ /87	4			1	End of Project
519-0302 Intl Ex. Serv. Corp (IESC)		2	3			End of Project
519-0307 Agrarian Reform Financing		4	4			Mid-term Evaluation
519-0308 Health Systems Support				2	3	Mid-term Evaluation
519-0311 Youth Entrepreneurial Dev.				1	2	End of Project
519-0312 Technoserve	8/ /85	1	2			Project Completion Rpt.
519-0315 Training for Productivity and Competitiveness		4			1	Mid-term Evaluation
519-0322 Small Enterprise Dev.		1	3			End of Project
519-0327 Agribusiness Development		3	4			Mid-term Evaluation
519-0329 CALMA		3	4			Project Completion Rpt.
519-0336 Private Sector Initiatives				3	4	Mid-term Evaluation
519-0344 Salesian Society				1	1	End of Project

EVALUATION REPORT

Project No. and Title	PLANNED FY 87		ACTUAL FY 87		UPDATE FY 88		Reasons/Issues
	Start (QTR)	To AID/W (QTR)	Start (QTR)	To AID/W (QTR)	Start (QTR)	To AID/W (QTR)	
519-0281 Displaced Women's Enterprise Fund	2	3	2	3			Evaluate Success of Business
519-0287 Ind. Stabilization & Recovery	2	3			3	3	Focus on PRIDEX <u>1/</u>
519-0291 Health Systems Revitalization	2	4	3			1	End of Project
519-0210 Salvadoran Demographic Assc.			3	3	3	4	Evaluate Institutional Constraints
519-0295 Education Systems Revitalizat.	2	3	3			3	Evl. Inst. Constraint
519-0316 Assc. Strengthening	2	3			3	3	Focus on FORTAS <u>2/</u>
519-0296 Judicial Reform	3	3			1	3	Formative Evaluation
519-0303 Water Management	3	3			1	3	Formative Evaluation
519-0300 Community Based Integ. Rural Development	3	4	3			2	Mid-term Evaluation
519-0287 FUSADES Comprehensive					3	3	Institutional Evaluation
519-0265 Agrarian Reform Support					4	1	(89) End of Project
519-0281 Health Jobs DPs					3	4	Strategy Assessmnt
519-0337 CAPS					3	4	Mid-term Evaluation
519-0307 Agrarian Reform Financing					4	4	Mid-term Evaluation

1/ Following AID/W's suggestion, a comprehensive evaluation of FUSADES, including PRIDEX will be carried out.

2/ The FORTAS evaluation is part of the comprehensive evaluation of FUSADES.

E. COUNTRY TRAINING PLAN UPDATE - FY 1989

A. Restatement of Mission Training Objectives

1. For Participant Training in General

An integral component of all USAID bilateral projects is the development of human resources to plan, initiate, manage, and evaluate programs that will contribute to more efficient and cost effective national development. Some of this human resource development can be accomplished through local technical advisory services and training. A significant amount of this development, however, must be achieved through training in the United States and other third countries where advanced technology and processes are available.

The objective of the Participant Training Program is to provide Salvadorans with opportunities to improve their technical skills and knowledge which will contribute to the economic development of El Salvador.

2. For Relevant Peace Scholarship Projects

The USAID/El Salvador CAPS Project has two parallel objectives which are complementary and mutually reinforcing:

- a) To provide training in the United States to socially and economically disadvantaged Salvadorans, especially leaders or those with leadership potential in order that they assume roles useful for the economic, social, and political development of El Salvador; and
- b) To widen the perspective of socially and economically disadvantaged Salvadorans by exposing them to U.S. democratic processes, institutions, and traditions in order to provide them an alternative to Marxist-Leninist political ideologies, thereby facilitating the development of an open, free, and participatory democratic process and society in El Salvador.

B. Summary of Training Program under Relevant Peace Scholarship Projects

- 1) The majority of long-term Scholars are disadvantaged students who have begun three-year programs (one year of English Language Training and two years of academic studies in technical areas) leading to an Associate of Applied Science Degree in fields most likely to lead to employment in El Salvador such as: business administration, accounting, construction management, agricultural mechanics, electronics repair,

and medical equipment repair. The short-term program has focused Scholar selection on disadvantaged community leaders (e.g. rural mayors) and persons most likely to influence young people (e.g. teachers and youth leaders).

To date (FY-85 through FY-87), USAID/El Salvador has sent a total of 942 Scholars (257 long-term and 685 short-term) to the United States under the CAPS program. The total planned CAPS Scholars for FY-85 through FY-90 is 2,480 (645 long-term and 1,835 short-term).

- 2) During this fiscal year, the Congress earmarked substantial funding for additional training programs unanticipated by the LAC Bureau. Accordingly, the EHR account was utilized to meet these Congressionally mandated training programs. USAID/El Salvador had to shift funding accounts to finance the FY-88 El Salvador CAPS program from the EHR Account to the ARDN and ESF Accounts. We also had to redesign the CAPS Program to fit the new funding categories.

The following is El Salvador's revised FY-88 CAPS Program.

Fiscal Year 1988 and 1989 Scholarship Programs

We believe that the objectives of the CAPS Project cannot be fully realized unless Scholars return to El Salvador with usable and marketable skills which help develop a solid foundation upon which to build future careers and personal lives. We also believe that acquisition of new knowledge, understandings, and skills are consistent with the first CAPS Project objective, and that "Experience America" and "Follow-On" are consistent with the second CAPS Project objective.

USAID/El Salvador is an innovator, constantly looking for ways to make its Education and Training Projects and Programs more efficient, relevant, and cost effective. For Fiscal Years 88 and 89, we have developed a new program consistent with the Mission's overall strategy and which focuses on rural student leaders, the future generation of opinion and decision makers within the agricultural and rural development sectors. Accordingly, we have redesigned and reoriented the training programs for the two remaining years of the USAID/El Salvador CAPS Project.

The FY-88 CAPS Project is designed to meet the skills demand of the agriculture and rural development sectors for training not available in El Salvador. All of our long-term Scholars will come from rural areas of El Salvador (outside of the San Salvador metropolitan area) and a minimum of 75% of our short-term Scholars will come from rural areas of El Salvador. We will also attempt to raise significantly the proportional representation of women in CAPS for the remaining two years of the CAPS Project.

FY-89 is the final year presently authorized funding for obligation purposes. Accordingly, only one-year and shorter training will be offered due to the proximity of the 5-year CAPS Project Assistance Completion Date (PACD). It is anticipated that we will continue substantially similar categories of training to our FY-88 program in FY-89. We also anticipate 200 one-year certificate-bearing programs and 600 short-term scholarships for FY-89.

In summary, the FY 1988 CAPS program is composed of the following components and person months structure:

<u>Long-Term Training</u>	<u>Person Months</u>
50 degree programs at the Associate of Applied Science level of 28 months duration each	
a) English Language Training in El Salvador, duration 4 months (includes one-week pre departure orientation)	200
b) Technical Training in the United States, duration-24 months	<u>1,200</u>
Sub-Total	1,400
134 Certificate Programs	
a) One-week pre-departure orientation in-country	34
b) Technical training in the United States, duration-12 months	1,608
Sub-Total	1,642
Total of Long-Term Training	<u>3,042</u>
<u>Short-Term Training</u>	
300 youth student leaders "Experience America" training for 5-weeks each (includes one-week in-country pre-departure orientation)	
Sub-Total	<u>375</u>
Total Long and Short-Term Training	3,417

C. Groups to be Targeted in FY-1989 in Relevant Peace Scholarship Projects and types of Training to be Given

1. 200 Certificate Bearing Scholarships consisting of specialized post-secondary level training in non-traditional agricultural exports of 12 months duration in the United States with concurrent English language training and an appropriate "Experience America" component.
2. 600 leaders-students and other leaders. Student leaders will be valedictorians with the highest overall grade point average from both public and private high-schools and will participate in a 5-week "Experience America" program. The U.S. training will cover topics such as leadership skills, democracy and democratic systems, the role of government and the role of the private sector in a democratic society, the need for voluntary service for local community development, and communication skills. A meaningful and tailored "Experience America" component will be included in this program.

D. Progress To Date on Relevant Peace Scholarship Projects

1. 40% Target for Women

The USAID/El Salvador CAPS program has consistently improved it's participation of women every year since the project was initiated in FY-85. Our performance by year is as follows:

FY-85	28%
FY-86	35%
FY-87	38%
Average	33%

We intend to increase the overall percentage of women participating in the CAPS program during the last two years of CAPS in order to reach the 40% target for women over the life of the project.

2. 10% Placement in HBCU's

Thus far, the Mission has made a total 12 HBCU placements (2 in FY-85, M.A. degree programs at Florida Agricultural and Technical University and North Carolina Agricultural and Mechanical University. Also, 10 from the FY-86 Program with a start date in FY-87 are at Xavier University in New Orleans). Placement of 10 Scholars in FY-88 and 15 Scholars in FY-89 has been planned. The Mission has included the 10% HBCU placement requirement in our RFP for the FY-88 Program and beyond.

3. Long-Term Training

The Mission has placed continued emphasis on the long-term academic program for young and socially and economically disadvantaged students. We will continue efforts to assure that young women are equally benefited by this academic program.

In FY-86, the Mission started to lengthen training which previously had been of one month duration or less. In FY-87, short-term technical scholarships were of 5 1/2 weeks, and 8 weeks duration. We will continue this trend in upcoming fiscal years.

Long-term vs. total long-term and short-term training ratios to-date have been as follow:

FY-85	21%
FY-86	22%
FY-87	47%
Average To-Date	27%
Planned FY-88 Level	38%
Average FY's-85-88	32%

We believe the Mission is complying with this CAPS requirement.

4. 70% Target for Disadvantaged

The Mission has steadily improved the participation of disadvantaged Scholars in the program. Our FY-87 Program targeted 77% disadvantaged Scholars. Our FY-88 and beyond Programs will continue the focus on the disadvantaged.

The Mission has readjusted the FY-88 income levels for the recruitment of the new CAPS Scholars in order to ensure that the economic criteria accurately classify the economically disadvantaged.

We remain concerned about the negative and what we believe are counter-productive implications of the 1986 Tax Reform Act on CAPS Scholars. We are especially concerned that the young economically disadvantaged CAPS Scholars will be liable to pay up to 14 per cent annually of the value of their CAPS Scholarship in U.S. federal income taxes. We also believe that in some States, economically disadvantaged CAPS Scholars may also be liable to pay State income taxes in addition to Federal income taxes.

5. Experience America

The Mission has consistently emphasized the "Experience America" component and has included comprehensive and detailed instructions for defining this training component in the FY-87 Program. This priority requirement and instructions thereto were included in the contract amendments of both of our contractors. In the FY-1988 Program RFP, the Mission has placed an increasing emphasis on this component. We believe "America" tells its story best in smaller rural communities where voluntary

community participation is high. In addition, the CAPS Scholars will have ample experiences and contacts with American families in the United States. For a detailed description, please refer to our PIO/T and RFP for the FY-88 and beyond program.

6. Follow-On

In addition to implementing the program outlined above, the Mission plans to carry out activities in two important areas, evaluation and follow-up.

The evaluation in June 1987 by the LAC Bureau's Contractor, Aguirre International, addressed areas of concern to the LAC Bureau. The Mission now intends to cover other areas, such as quality of contractors' services and implementation of CAPS program requirements in the "Experience America" Component by the universities and junior colleges where Salvadoran students have been placed. To implement this, the Mission intends to "buy-in" for these services through the LAC Bureau Field Technical Support contract. The Mission has budgeted a total of \$250,000 for follow-on programs during FY-85/FY-90.

In the meantime, interim follow-up programs have been planned for the FY-87 short-term returned Scholars. One follow-up seminar has already been carried out for 100 FY-86 short-term returnees.

7. Steps Taken to Contain Costs

Currently, the Mission is preparing an RFP in order to publically compete the U.S. portion of the FY-88 and beyond Program. With this new mode, we intend to broaden geographic placement of Salvadoran CAPS Scholars and provide a new and more varied "Experience America" Component to our Program.

To date, the Mission has implemented cost savings measures resulting in reduced tuition such as: "packaged" deals for tuition, room, and board; placements in low-cost junior or community colleges; and group rates for international travel.

Moreover, cost containment is one of the selection criteria in our FY-88 RFP.

8. Other Accomplishments To Date

The Mission will continue to directly manage the FY-1988 and beyond Program, including the selection of candidates and guidance and monitoring services to the U.S. training contractor selected under competitive bidding for the training component of CAPS. We have budgeted \$50,000 for financing salaries of USAID staff contracted to manage this activity.

TABLE 1

CLASP TRAINING

FY 1989 COUNTRY TRAINING PLAN
NUMBER OF NEW STARTS

PROGRAM: CAPS/ES No. 519-0337

COUNTRY OF ORIGIN: EL SALVADOR

FY 1988 OYB (\$000): 5,500FY 1989 OYB (\$000): 7,000FY 1990 OYB (\$000): 2,500

<u>TYPE OF TRAINING</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>LOP TOTAL</u>
<u>TECHNICAL - 30 days or less</u>	289	121	69 (1)				479
Female	77	33	14				124
Male	212	88	55				355
<u>TECHNICAL - 31 - 180 days</u>		75	78 (2)	53 (3)	900 (5)	250	1,356
Female		37	30	20	450	125	662
Male		38	48	33	450	125	694
<u>TECHNICAL - 6 to 8 months</u>							
Female							
Male							
<u>TECHNICAL - 9 months or more</u>				15 (4)	338 (6)		353
Female				6	155		161
Male				9	183		192
<u>TOTAL TECHNICAL</u>	289	196	147	68	1,238	250	2,188
Female	77	70	44	26	605	125	947
Male	212	126	103	42	633	125	1,241

TABLE 1
(Continued)

<u>TYPE OF TRAINING</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>LOP TOTAL</u>
<u>ACADEMIC - Undergraduate - 1 year</u>							
Female							
Male							
<u>ACADEMIC - Undergraduate - 2 years</u>					50 (9)		50
Female					20		20
Male					30		30
<u>ACADEMIC - Undergraduate - 3 years or more</u> (Includes one year of E.L.T. in the U.S.)		26	138 (8)				164
Female		10	56				66
Male		16	82				98
<u>ACADEMIC - Graduate level - 1 year</u>	16						16
Female	6						6
Male	10						10
<u>ACADEMIC - Graduate level - 2 years</u>	38	24 (7)					62
Female	14	7					21
Male	24	17					41
<u>- TOTAL ACADEMIC</u>	54	50	138		50		292
Female	20	17	56		20		113
Male	34	33	82		30		179

- (1) & (2) 69 Scholars under item one and 25 Scholars under item 2 were FY-87 new starts but funded under FY-86.
 (3) & (4) 53 Scholars under item three and 15 Scholars under item 4 were FY-88 new starts but funded under FY-87.
 (5) & (6) 300 Scholars under item five and 138 Scholars under item six will be FY-89 new starts but funded under FY-88
 (7) 24 Scholars under this item were FY-86 new starts but funded under FY-85.
 (8) 57 Scholars under this item were FY-87 new starts but funded under FY-86.
 (9) 50 Scholars under this item will be FY-89 new starts but funded under FY-88.

TABLE 1
(Continued)

<u>TYPE OF TRAINING</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>LOP TOTAL</u>
<u>SUMMARY:</u>							
<u>TOTAL TRAINEES</u>	343	246	285	68	1,288	250	2,480
<u>ACADEMIC</u>	54	50	138		50		292
Female	20	17	56		20		113
Male	34	33	82		30		179
<u>TECHNICAL</u>	289	196	147	68	1,238	250	2,188
Female	77	70	44	26	605	125	947
Male	212	126	103	42	633	125	1,241
<u>LONG-TERM</u>	54	50	138	15	388		645
Female	20	17	56	6	175		274
Male	34	33	82	9	213		371
<u>SHORT-TERM</u>	289	196	147	53	900	250	1,835
Female	77	70	44	20	450	125	786
Male	12	126	103	33	450	125	849
<u>HBCU PLACEMENTS:</u>		2	10	10	15		

TABLE 2

NON CLASP TRAINING

FY 1989 COUNTRY TRAINING PLAN
NUMBER OF NEW STARTS

PROGRAM: Project Related Training - U.S.
 Project Related Training - Third Country

COUNTRY OF ORIGIN: EL SALVADOR

FY 1988 OYB (\$000): 1,837

<u>TYPE OF TRAINING</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
<u>A. TRAINING IN UNITED STATES</u>						
<u>TECHNICAL - 30 days or less</u>						
Female	1	10	28	43	42	
Male	27	59	81	88	91	
<u>TECHNICAL - 31 - 180 days</u>						
Female	3	4	1	7	12	
Male	50	15	5	14	15	
<u>TECHNICAL - 6 to 8 months</u>						
Female	-	-	-	1	-	
Male	-	-	2	-	-	
<u>TECHNICAL - 9 months or more</u>						
Female	-	-	-	5	5	
Male	-	-	-	5	5	
<u>TOTAL TECHNICAL</u>	<u>81</u>	<u>88</u>	<u>117</u>	<u>163</u>	<u>170</u>	

TABLE 2
(Continued)

<u>TYPE OF TRAINING</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
<u>ACADEMIC - Undergraduate - 1 year</u>						
Female	-	-	-	-	-	-
Male	-	-	-	-	-	-
<u>ACADEMIC - Undergraduate - 2 years</u>						
Female	-	-	-	-	-	-
Male	-	-	-	-	-	-
<u>ACADEMIC - Undergraduate - 3 years or more</u> (Includes one year of E.L.T. in the U.S.)						
Female	-	-	-	-	-	-
Male	-	-	-	-	-	-
<u>ACADEMIC - Graduate level - 1 year</u>						
Female	1	-	10	14	11	
Male	-	-	10	11	11	
<u>ACADEMIC - Graduate level - 2 years</u>						
Female	1	-	-	2	2	
Male	2	1	1	8	4	

TABLE 2
(Continued)

<u>TYPE OF TRAINING</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
<u>SUMMARY:</u>						
<u>TOTAL TRAINEES</u>						
<u>ACADEMIC</u>						
Female	2	-	10	16	13	
Male	2	1	11	19	15	
<u>TECHNICAL</u>						
Female	4	14	29	56	59	
Male	77	74	88	107	111	
<u>LONG-TERM</u>						
Female	-	-	-	-	-	
Male	-	-	-	-	-	
<u>SHORT-TERM</u>						
Female	4	14	29	56	59	
Male	77	74	88	107	111	
<u>HBCU PLACEMENTS:</u>	-	-	-	-	-	
<u>THIRD COUNTRY TRAINING (\$000): 184</u>						
All were technical courses.						
Female	9	11	18	29	23	
Male	20	51	49	40	33	
All were technical courses.						
Female	9	11				

F. GRAY AMENDMENT

The Gray Amendment directs the Agency to award 10% of DA dollars to women-owned, minority-owned organizations and to Historically Black Colleges and Universities (HBCUs). During FY 87 the Mission contracted \$17,717,193.27 with DA funds. Contracts placed with organizations that qualify for the Gray Amendment received \$10,804,863.13. This represents 60.95%.

It is estimated that during FY 88 approximately \$15,000,000 will be available for contracting with Gray Amendment firms. It is anticipated that 20% of these dollars will be placed with Gray Amendment firms. It is difficult to estimate an amount higher than that because there is no mechanism available to contract directly with these firms.

Attached is a table providing a list of contracts awarded during FY 87 in support of the Gray Amendment.

El Salvador Export	Health Systems Vistalization	876.00	10/08/86
Intl. Science and Tech.	Health and Jobs for Displaced	16,303.00	10/13/86
Ranta Russell	S.D.A.	35,000.00	11/03/86
University of New Mexico	Education Revitalization	5,720,329.00	03/06/87
United Schools of America	S.D.A.	533,061.00	02/15/87
El Salvador Exports	Health Systems Vitalization	16,463.75	01/05/87
AAPC	Health Systems Vitalization	174,783.33	01/14/87
Victor M. Robles	S.D.A.	3,600.00	10/26/86
Juarez and Assoc.	Salvadoran Demographic Assoc.	57,613.93	11/15/86
Consolidated Distributors	Health Systems Vitalization	37,452.05	11/14/86
Consolidated Distributors	Health Systems Vitalization	99,937.66	11/30/86
Consolidated Distributors	Health Systems Vitalization	7,251.83	12/08/86
Amer. Purchasing & Cons.	Health Systems Vitalization	39,861.41	12/08/86
Susana Weber	S.D.A.	15,900.00	12/17/86
Carlos Loumiet	S.D.A.	9,500.00	12/08/86
Contracting Corp. of Amer.	S.D.A.	16,466.88	01/26/87
Southern Commercial Ind.	Health Systems Vitalization	140,575.00	12/15/86
Amer. Purchasing & Cons.	PD&S Education	27,630.55	02/02/87
Consolidated Distributors	Population Dynamics	156,729.51	02/15/87
Consolidated Distributors	Agrarian Reform	191,405.70	02/15/87
Amer. Purchasing & Cons.	Health Systems Vitalization	44,110.00	02/15/87
Servicios Tecnicos	Agrarian Reform	1,520,907.00	11/30/87
Martha Brady	S.D.A.	12,717.00	02/02/87
Susan Gillespie	S.D.A.	3,911.95	02/24/87

University of New Mexico	PD&S Education	20,000.00	02/15/87
Marny Barrau	S.D.A.	8,117.00	03/13/87
Consolidated Distributors	Agrarian Reform	757.58	03/20/87
Elisa Hurtado	PD&S Health	13,936.00	03/23/87
El Salvador Exports	Health Systems Vitalization	525.00	04/27/87
Intnl. Science and Tech.	S.D.A.	24,750.00	04/20/87
Martha Brady	PD&S Health	27,905.00	05/17/87
United Schools of America	Health Systems Support	5,309.00	06/10/87
El Salvador Export	Health Systems Vitalization	26,900.00	06/05/87
Consolidated Distributors	Health and Jobs for Displaced	59,720.00	06/15/87
Tucker and Assoc.	Reform and Policy Planning	736,439.00	06/01/87
Ronco Consulting Corp.	Health Systems Vitalization	2,088.00	06/16/87
Consolidated Distributors	Health Systems Vitalization	315.00	06/22/87
El Salvador Export	Health Systems Support	695.00	06/16/87
Candance Bannerman	PD&S Health	24,582.00	06/18/87
Elisa Hurtado	PD&S Health	13,936.00	07/07/87
Sandra del Prado	Health Systems Vitalization	63,606.00	08/04/87
Crew Concepts Inc.	Public Services Restoration	895,826.00	08/17/87
Consolidated Distributors	Agrarian Reform	1,292.00	07/07/87
Maria Foucher	Health and Jobs for Displaced	4,778.00	08/20/87

ANNEXES

ANNEX I

BIOLOGICAL DIVERSITY

USAID/SAN SALVADOR FY89/90 ACTION PLAN

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I. Background

Title III of the Special Foreign Assistance Act of 1986, Public Law 99-529, amends the Foreign Assistance Act, requiring USAID Missions to analyze in each country development strategy statement or other country plans (1) the actions necessary in that country to achieve conservation and sustainable management of tropical forests (sec. 301); (2) the actions necessary in that country to conserve biological diversity (sec. 302); and (3) the extent to which the actions proposed for support by the Mission meet the needs thus identified. Information about these new requirements was first sent to Missions in State 037076, with additional guidance in STATE 118324 and STATE 150862.

This annex addresses the new mission reporting requirement with regard to biological diversity conservation. The preparation of this annex has followed the plan of action outlined in STATE 230480. That cable proposed AID/W assistance, through the services of the S&T/FENR Advisor on Biological Diversity.

This annex contains an analysis of the current biological diversity conservation situation in El Salvador. This analysis is intended for use in identifying needs and assessing priorities for future biological diversity conservation actions by USAID, other development assistance agencies, the private conservation community and the Government of El Salvador (COES).

II. Summary of Needs

1. Protection of remaining natural areas unsuitable for agriculture needs to be completed under the agrarian reform program.
 2. Wildlife authorities need to be strengthened and clarified.
 3. Protected area authorities need to be strengthened and clarified.
 4. A fisheries regulation enforcement capability needs to be developed.
 5. Maintenance and expansion of collections of indigenous germplasm need to be strengthened.
 6. A conservation data center needs to be developed and inventories of protected areas initiated. This effort should include consideration of
-

coastal and marine resources.

7. Management plans for protected areas need to be developed and management programs implemented.
8. An assessment is needed of the potential for plantation, social and agroforestry projects around protected natural areas.
9. The local NGO conservation community needs to be strengthened.

III. Analysis

A. Issue Overview

Biological Diversity refers to all living things and the ecological systems they form. It includes all species of plants and animals, the genetic variation within each species, and the variety and complexity of the habitats and ecosystems that support these species.

Biologists estimate that there are at least 10,000,000 species of plants and animals in existence today. Fully 5 to 20 percent (500,000 - 2,000,000) of these species are thought to be vulnerable to extinction over the next 20 to 50 years, due to the continued loss and alteration of natural habitats, especially tropical forests (CEQ, 1980, The Global 2000 Report to the President).

Such a reduction in the variety of living resources is cause for serious concern for several reasons. First, valuable germplasm resources from wild relatives of currently utilized species may be lost at a time when genetic improvement is gaining increased attention. Second, many wild species that hold great commercial or humanitarian promise for new foods, new medicines, or new industrial raw materials could be lost before their potential is realized. Third, a major reduction in natural diversity may also impair crucial ecosystem processes such as soil formation and retention, nutrient cycling and watershed protection.

Although each country presents its own circumstances, effectively conserving biological diversity resources in any country will require appropriate authorities for the protection of natural habitats and wild plant and animal populations, a representative protected area system, and wild plant and animal management programs capable of inventorying, monitoring, and, when necessary, managing wild plant and animal populations both on and off protected areas. Effective conservation programs

will also require the necessary institutional capacity to develop an adequate information base on wild living resources, and to undertake appropriate research.

The following is an analysis of the current conservation situation in El Salvador. This analysis examines protected areas, wildlife, fisheries and plant conservation programs, and the existing conservation information base for the country.

B. Biological Diversity in El Salvador

Collectively, Central America is an area with a highly diverse fauna and flora. This is so for several reasons: tropical and subtropical climates; generally abundant rainfall; extensive areas of often rich volcanic soils; and a biogeographical location and geological history that has allowed mixing of faunal and floral elements of North and South America during the last 2,000,000 years. Despite its small size, El Salvador undoubtedly contained a high level of plant and animal species diversity prior to European settlement. However, the natural vegetation of El Salvador was greatly altered by European settlement even before 1800 and most natural vegetation had been converted by 1900 (U.S. MAB and A.I.D., 1982, Draft Environmental Profile of El Salvador; hereafter referenced as DEP). As a result, no comprehensive treatment of the original fauna or flora of El Salvador exists, and even today complete inventories of all major plant and animal groups are not available. Nor is there a detailed survey or classification of the original vegetation types or natural habitats. Work by Holdridge (1976, Mapa Ecologico y Memoria Explicativa, Documento de Trabajo No. 6, del Proyecto PNUD/FAO/FIS/73/004) describes six major lifezones for the country, namely: dry tropical forest; humid tropical forest, humid subtropical forest, very humid subtropical forest and very humid premontane and montane (cloud) forest. However, these lifezones refer to the general type of plant formation that would be expected to have occurred prior to European settlement, or that would develop in areas undisturbed by man. Both intensive and extensive land use has left little area in such an undisturbed state.

According to the El Salvador Perfil Ambiental Estudio de Campo (Emtec sade C.V., 1985; hereafter referenced as the ESPA), major floral elements include 700 tree species, 365 orchid species and 75 bromeliad species.

In terms of fauna, the ESPA gives a total figure of 40,000 species for El Salvador, 75% of which are insects. The following figures are given for the number of species in major groups; 110 mammals, 450 birds, 80 reptiles, 30 amphibians, 40

freshwater fish, 700 marine fish and 400 butterflies.

Data on the degree of endemism of the fauna and flora of El Salvador were not found in the course of this analysis.

On a regional basis, El Salvador is thought by some to be the least diverse of any of the Central American countries, but it is not clear whether this assessment is based on thorough and comparable surveys or primarily reflects the knowledge that there is a near total lack of wildland areas and undisturbed natural habitats in the country.

A good detailed description and discussion of the country's physical and natural features, including lifezones, plant communities, forest types, fauna and flora, fisheries, remaining natural areas and current land use may be found in the ESPA.

C. Current Conservation Programs

i. Laws, Authorities and Treaties

The GOES signed the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in May of 1986, thus joining the convention. Linked to this process, which still requires legislative action, are efforts to pass a general wildlife law providing specific authorities to COFS for the protection and regulation of the nation's wildlife resources. Efforts are also underway to pass ordinances in selected municipalities to establish which species (including some plants) may be marketed and during what seasons. Authority for the protection of wildlife resides with the Servicio de Parques Nacionales y Vida Silvestre (SPNVS) of the Centro de Recursos Naturales (CENREN) within the Ministerio de Agricultura y Ganaderia (MAG). The same service also has authority for the establishment and management of protected wildland areas. This authority stems from several articles within the existing forestry law, but efforts are underway to strengthen this legal basis for habitat protection.

Fishery resources, both freshwater and marine are managed by the Centro de Desarrollo Pesquero (CENDEPESCA), also within MAG under authorities established by Presidential Decree 799 of 1981.

Aside from CITES, El Salvador is not a ratified member of any of the major international conservation conventions or programs (e.g., The World Heritage Convention, the Convention on Wetlands of International Importance or UNESCO's Biosphere Reserve Program). Participation in these conventions and

programs is a longer-term need for conservation effort in El Salvador.

ii. Habitat Conservation

1. Public Lands

It is not clear how much land in El Salvador is owned and/or managed by the GOES. However, in recent years a progressive agrarian reform program has involved government purchase of many large private estates for sub-division and title transfer to small farmers. CENREN has been working closely with this program to bring certain lands (those remaining natural areas not suitable for sustained agriculture) under public ownership and protection. In this way, fragile areas can be protected from unsuitable development and can serve as a modest public estate for such purposes as the prevention of soil erosion, watershed protection, certain types of forestry and the protection of wild plant and animal species.

2. Current and Potential Protected Areas

El Salvador has a small but growing system of protected areas. As of May 1986 there were 6 major protected areas officially established. These are: Parque Nacional de Montecristo, Parque Nacional El Imposible, Refugio de Vida Silvestre de Barra de Santiago, Reserva Biologica Parque Deininger, Refugio de Vida Silvestre de Laguna El Jocotal and Volcan de Santa Ana, an area under consideration for future national park status (Arias, M. B., 1986, El Sistema Nacional de Areas Silvestres Protegidas de El Salvador. Situacion Actual y Perspectivas, MAG/CENREN). These 6 areas total 9680 ha in size (range is 180 - 3400). Roughly 40 additional areas have been identified for protection, primarily through the agrarian reform program, and some of these are already in the process of establishment (Manuel Benitez Arias, Jefe del Servicio de Parques Nacionales y Vida Silvestre, pers. comm.). Brief descriptions of current and some potential protected natural areas can be found in the ESPA.

The identification of protected areas and the development of various protected areas categories is discussed in Arias (1986, op. cit.). If completed as planned, El Salvador's protected area system could total roughly 46 units in eight categories covering 47,395 ha (2.3%) of the country and representing most of the major life zones and plant communities characteristic of the country. This would be an impressive achievement for such a small and densely populated country, but it must be recognized that such a system will be composed of typically small units that will be the focus of increasing pressures to

meet local community needs. Consequently, the long-term management of these areas is the major challenge facing conservation in El Salvador today.

3. Habitat Classification System(s)

As mentioned in Section III.B., no detailed survey or classification of the original or natural vegetation types of El Salvador exists. Holdridge's (1976, op. cit.) 6 life zones were discussed in Section III.B. Arias (1986, op. cit.) discusses Holdridge's system and more detailed and recent work on the plant communities and the fauna of El Salvador and how this information is being used to identify potential protected areas on a systematic basis. CENREN appears to be taking a very thorough and systematic approach in its identification of potential protected areas and it is doubtful that current efforts could be improved upon.

A recently completed inventory of wetlands (Scott, D. and M. Carbonell, 1986, A Directory of Neotropical Wetlands, IUCN) does identify 8 sites (totalling 76,800 ha) of exceptional importance, particularly as waterfowl habitat, but it is not known yet how this new information has or might influence further protected areas designations in El Salvador.

No categorization or classification of coastal and marine habitats appears to be available. Nor do there appear to be any efforts underway to identify important marine areas for protection or management.

iii. Wildlife, Fisheries and Plant Conservation Programs

1. Protected/Endangered Species

Pending outcome of current efforts to pass a general wildlife law and local ordinances on the marketing of wildlife (sec. III.C.i. above), the status of protection for wildlife and wild plants is unclear. There is a body of existing laws which are completely outdated and unrealistic and are therefore unenforceable (M. B. Arias, pers. comm.) El Salvador apparently has no formal endangered species legislation. However, as signatories of CITES, the GOES is committed to regulating the commercial trade of those plant and animal species listed by CITES, including the prohibition of trade for those species considered endangered by the convention.

Various sources give somewhat different figures on the number of endangered taxa in El Salvador. IIED/WRI (1987, op. cit.) lists 15 mammal, 64 bird and 10 reptile species known from El Salvador as being globally threatened. The FSPA lists 21

mammal, 78 bird, 21 reptile, 3 amphibian, 5 fish (presumably freshwater), 65 tree, 53 orchid and 8 bromeliad species as threatened or in danger of extinction in El Salvador. Of these, 3 bird species (Jabiru mycteria, Spizactus ornatus and Ara macao) and one mammal (Myrmecophaga tridactyla) are thought to be extinct. An additional 7 bird species are very possibly extinct in the country (ESPA).

Using the figures from the ESPA (above and sec. III.B.), roughly 19.2% of mammal, 17.3% of bird, 26.2% of reptile, 10% of amphibian, 12.5% of freshwater fish, 9.3% of tree, 14.5% of orchid, and 10.6% of bromeliad species are currently at risk in El Salvador. These are surprisingly low percentages considering the long history and extensive nature of habitat conversion that has occurred in the country. However, these figures should be interpreted with caution as they may reflect a lack of good data and adequate surveys.

2. Hunting, Commercial Trade and Fisheries

The status of hunting and commercial trade in wildlife in El Salvador is not clear. Given the large rural population and low incomes, subsistence hunting is undoubtedly widespread. As mentioned above, several efforts are underway to begin controlling local market hunting thus implying such activity is routine. The recent ratification of CITES will establish the necessary authorities and procedures for control of any international trade in threatened or endangered species.

Because of its small size, high population density and low rural incomes, sport hunting will not likely be a factor of economic importance in El Salvador. However, well managed programs of subsistence and limited local market hunting might provide a net benefit for rural households and provide the basis for an effective wildlife management program.

El Salvador's fishery is composed of three main sectors: marine, freshwater and aquaculture. Predominant marine species include shrimp, lobster and various finfish species. The freshwater and aquaculture fishery is focused primarily on various species of introduced tilapia. In 1985, total fishery production (marine, freshwater and aquaculture) amounted to 24,200,348 lbs with a total value of 65,353,447 colones (CENDEPESCA, 1986, Anuario de Estadísticas Pesqueros: 1985). This represents an increase in value of the fishery of approximately 8,000,000 colones since 1983 (ESPA).

CENDEPESCA indicates that major problems and needs with regard to managing El Salvador's fisheries are the establishment of a fisheries regulations enforcement capability (especially for

control of the shrimp fishery); expansion of hatchery infrastructure to keep pace with increasing demand for freshwater fisheries stock; and the control of an aquatic surface weed that is limiting fish production in certain inland waters.

Although shrimp farming has not yet become established in El Salvador, efforts are underway and there appears to be a strong potential for this industry.

3. Tropical Forests

El Salvador was probably almost completely forested at the time of initial European settlement. Today, only about 13% (268,100 ha) of the nation's land area is in permanent, productive forest cover (ESPA). This figure includes 45,283 ha of mangroves and 5800 ha of plantation forests. As of 1982, El Salvador imported 90% of its wood resource needs and showed an annual deficit of 7,600,000 colones in this sector (DEP). Extensive reforestation efforts over the past several years should help offset this situation in the future, but a continuing deforestation rate (estimated at 2.8%; IIFD/WRI, 1987, op. cit.) may negate these gains.

Given the small size of the public estate and the densely populated rural areas, the major potential for forestry in El Salvador seems to be in selected intensive plantations for commercially valuable species, such as is currently being done with teak, and the use of fast growing, multi-purpose tree species in social and agroforestry programs.

4. Germplasm Resources

The Centro de Tecnologia Agricola (CENTA) is the major agricultural research and development institution in the country. Within CENTA, there is an active plant genetic resources division with significant living and germplasm collections of a variety of local cereal, vegetable and fruit crops. Collections are particularly strong in maize, beans and avocados. However, recent budgetary constraints have placed limits on CENTA's ability to maintain and improve these collections. This is a very important resource, not only to El Salvador, but to the international agricultural community, and efforts should be made to adequately maintain the collections.

D. Conservation Information Base

i. Overview Documents

A.I.D.'s Bureau for Science and Technology, Office of Forestry Environment and Natural Resources (FENR) sponsored development of the DEP which was published in 1982. USAID/San Salvador sponsored development of the ESPA which was published in 1985. This analysis is based in large part on the information in those two documents. Several additional recent overview documents are available as identified by IIED/WRI (op. cit.) which may contain useful information on wildland and wildlife resources. In addition, this analysis has drawn on a draft El Salvador Country Plan, 1987-1990 made available courtesy of World Wildlife Fund/US (WWF/US) and a trip report (March 23, 1987) from Steve Cornelius, WWF/U.S. Fish and Wildlife Service's Regional Coordinator, Wildlife Management Program for Mesoamerica and the Caribbean.

ii. Literature

No comprehensive bibliography on wild plant and animal resources or the natural ecology of El Salvador has been identified in the process of conducting this analysis. Because of the early and rapid conversion of wildland areas in El Salvador, the country has not received as much attention from taxonomists and ecologists as other areas of Central America. The DEP provides about 34 references on the plants and plant communities, mammals, avifauna and ichthyofauna. The ESPA provides some 34 references on the general category of wildlife and another 28 on protected areas and other conservation issues. A number of these are relatively recent government reports, some unpublished, indicating an active research program within CENREN and other GOES institutions. Nevertheless, by any standards, this is a very modest literature of available information upon which to base conservation planning and management efforts. From the standpoint of biological diversity conservation, the most important works appear to be those of Daugherty (1974, Conservacion Ambiental en El Salvador con un Plan Maestro para Parques Nacionales y Reserva Equivalentes. Informe Tecnico No. 1, FO:DP/ELS/004, Desarrollo Forestal y Ordenacion de Cuencas Hidrograficas, San Salvador: UNDP, FAO) and Arias (1986, op. cit.).

iii. Institutions

Despite its small size, a nearly total lack of remaining wildland areas, and the pressing social, political and economic needs of the country, the SPNVS is an active and creative agency that is considered among the finest in Latin America (Dennis Click, WWF/US, pers. comm.). In addition, several

local institutions are active in aspects of biological diversity conservation. These include a zoo (Parque Zoologico), a natural history museum (Museo Historia Naturale), a botanical garden (Jardin Botanico de Laguna) and a local conservation NGO (de Grupo Ecologico Montecristo). The latter group has developed an innovative environmental education program that involves high school students participating in ecology clubs. These clubs have produced environmental education materials and carried out environmental awareness events. Plans are apparently underway by CENREN, the Museo de Historia Naturale, the Jardin Botanico and the Escuela de Biologia (Universidad de El Salvador) to set up a national inventory of natural resources. This effort will have four components. These include: (1) a conservation data center to be established by CENREN along the lines of those being developed by The Nature Conservancy in other Latin American and Caribbean countries; (2) a collection of reference material on fauna by the Museo; (3) establishment of open-air laboratories in selected parks and protected areas for use by UNES students and faculty; and (4) initial collections of material to develop a Flora Salvadorena. This is a very positive initiative which could redress the apparent lack of good data and information on the current status of the diversity of biological resources in the country and should be viewed as a high priority need.

In addition to CENREN, CENTA and CENDEPESCA are active institutions. CENTA in particular has had a progressive program in agricultural research and development, plant breeding and seed technology, and germplasm conservation. CENDEPESCA has done substantial work in the area of aquaculture and freshwater commercial fisheries management. However, both institutions appear to lack adequate government support to fully execute their missions, particularly CENDEPESCA.

Overall, El Salvador appears to have a capable and active array of public sector institutions involved in parks and protected areas, wildlife and fisheries management and germplasm collection and evaluation that, with adequate support, are capable of undertaking effective conservation programs.

E. Private Sector Programs

As noted above, there are a number of private institutions in El Salvador involved in conservation efforts. However, El Salvador does not appear to have a politically or financially strong NGO conservation community. From an international perspective, El Salvador receives very little support for its conservation efforts from the major international NGOs. Only WWF/US and International have contributed funding in recent years and this support has been erratic and very modest.

Several factors may have led to this international neglect, among them the civil unrest and the perception that the country's remaining diversity and wildland resources are so scant, or in such poor condition, that further conservation investment is not warranted.

The major current or recent activities supported in part from outside private sources are the Laguna Jocotal project, an iguana husbandry project (now defunct) and the environmental education efforts of the Grupo Ecologico Montecristo mentioned above.

The Laguna Jocotal project (being supported in part by WWF/US) is a constructive example of how wildlands and wildlife management can produce real benefits to the local community. Through scientific management, populations of the black-bellied tree duck have been increased from 700 to 30,000 in the last decade. The local population can now sustainably harvest both birds and eggs providing a valuable supplement to the local diet. Through the project, an important local fishery is also being managed on a sustainable basis. More projects such as this, involving additional species, are under consideration by CENREN and deserve a close look by those organizations promoting rural development activities. Pilot efforts at restoring certain marine turtles and shellfish species had to be abandoned due to lack of funding.

IV. Biological Diversity Conservation Needs

In terms of biological diversity conservation, El Salvador is an apparent paradox. It is the smallest country in Central America and the second most densely populated nation in the Western Hemisphere (IIED/WRI, 1987, op. cit.). It has only a fraction of the extent of its original forest cover and only a fraction of this can be considered essentially natural habitat. Yet the country has embarked on a progressive program of agrarian reform that has included the reservation of remaining natural habitats that are not suited to permanent agriculture into an emerging system of protected natural areas. The GOES has a number of strong or potentially strong public institutions (e.g., CENREN, CENTA and CENDEPESCA) that, with adequate support, are capable of undertaking effective conservation programs.

In particular, the SPNVS is demonstrating an exceptional capacity to undertake thorough, systematic conservation planning and a creative approach to protected areas management and development that attempts to address the needs of local communities.

Nevertheless, El Salvador faces exceptional challenges in attempting to conserve the remaining elements of the diversity of its indigenous biological resources. Clearly, the major challenges to the country at present are in the areas of economic stabilization and growth, the improvement of social services and the institution of democratic reforms which, together, can lead to the political and social stability lacking during the period of civil strife. Nevertheless, beyond these broader needs, specific needs to improve the conservation of the nation's biological resources can be identified.

Because of El Salvador's large, predominantly rural (approx. 60%; IIED/WRI, 1987, op. cit.) population, limited land area, and long history of intensive and extensive agriculture, existing and potential protected natural areas are of necessity small and fragmented. There will be increasing pressures in the future to utilize these areas in some economically productive fashion. This is particularly true because El Salvador lacks a public estate beyond these protected areas that could be managed in a multiple-use/sustained-yield fashion. In addition, the lack of strong, clear authorities for the protection and management of the nation's wildlife resources seriously constrains adequate wildlife management programs.

Review of available information and discussions with knowledgeable GOES officials indicates the following needs for the conservation of biological diversity in El Salvador.

1. Continuation and completion of the identification and protection of remaining natural areas unsuitable for agriculture under the ongoing agrarian reform program.
2. Ratification of CITES and passage of a general wildlife law that provides for control of market hunting on a sustained-yield basis.
3. Strengthening and clarification of protected areas establishment and management authorities.
4. Development of an enforcement capability within CENDEPESCA or MAG regional offices to assure that existing fisheries laws and regulations are enforced to maintain the nation's productive fisheries.
5. Adequate support to CENTA for proper maintenance and expansion as appropriate of germplasm

collections of indigenous cereal, vegetable, fruit, and forest (including timber, polewood, firewood, etc.) crops.

6. Establishment of a national conservation data center to coordinate, compile and analyze existing information on the distribution and status of the country's wild living resources and to undertake inventories of existing and proposed protected areas. This work should include a review of coastal and marine resources and identification of protection and management needs.
7. Development of management plans and implementation of management programs on protected areas. Such plans and programs should emphasize the sustainable use of these areas for the primary benefit of local communities. Such use could include active wildlife management for sustainable wildlife cropping as demonstrated at Laguna Jocotal, tourism and recreation, and selected forest products harvesting on a sustainable basis (e.g., orchids, butterflies, etc.).
8. Assessment of the potential for plantation, social and agroforestry programs around protected areas to serve as buffer zones and provide a source of timber, fodder, fuelwood and game for the use of local communities.
9. The local conservation NGO community needs to be strengthened to develop adequate political and financial capabilities for effective long-term programs.

In addition to the needs identified above, personnel at CENREN, CENTA and CENDEPESCA all indicated a strong need for increased operating funds, equipment, training and technical assistance in their various program areas.

V. A.I.D. Participation

As noted in the USAID/San Salvador FY 88/89 Action Plan (1987), the goals of U.S. economic assistance to El Salvador 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
4. strengthen those policies and institutions which advance the democratic process.

With these over-riding program goals, USAID/San Salvador's involvement in natural resources management has been primarily through activities focused on the areas of agrarian reform, expansion of agricultural production and the use of local currency (P.L. 480) programs that have supported various activities including soil conservation, reforestation, and protected areas and wildlife management. The major direct contributor to biological diversity activities was the generation of Employment Project (519-0256) through support that was provide to CENREN and CENTA which was used for protected areas and wildlife management activities and germplasm conservation. However, this project concluded in FY 1986 and has not been extended.

Under the currently planned Mission program set forth in this Action Plan, USAID/San Salvador's major contribution to meeting the biological diversity conservation needs identified in this analysis will be the Mission's continued support (through projects 519-0263, 519-0265, 519-0307, 519-0289) to the completion of the agrarian reform program. This will indirectly facilitate completion of SPNV's reservation of remaining natural areas in El Salvador's protected areas system.

ANNEX II

TROPICAL FORESTS

USAID/SAN SALVADOR FY89/90 ACTION PLAN

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1. TROPICAL FORESTS WITHIN THE A.I.D. FRAMEWORK

Title III of the Foreign Assistance Act of 1986, Public Law 99-529 requires USAID Missions to analyze in each country development strategy statement or other country plans (1) the actions necessary in that country to conserve biological diversity and tropical forests, and (2) the extent to which current or proposed AID actions meet those needs. STATE 032584 of 3 Feb 88 gives guidance for the preparation of background assessments on biological diversity and tropical forests. This annex responds to that guidance with respect to the tropical forests of El Salvador. A separate annex was recently prepared for biological diversity. Much of the information in the biological diversity annex also applies to tropical forests and is not repeated here.

2. LEGISLATIVE AND INSTITUTIONAL STRUCTURE AFFECTING TROPICAL FORESTS OF EL SALVADOR

The current forest law was passed on March 13, 1973 and replaced almost all previous legislation on the subject. Unfortunately it has still not been adequately reglamented, a fact which makes its application difficult. It tends to be excessively control oriented, rather than attempting to encourage forest development. However, by far the critical problem is not quality of the legislation but its effective enforcement.

Responsibility for implementation of the forest law and for encouraging sustained use of the forest and other natural resources is vested in CENREN (Centro de Recursos Naturales). The national Forest Service is one of CENREN's subdivisions. The Forest Service including National Parks is currently a small unit (19 professionals) whose main responsibility is norminative, that is the setting of standards and guidelines, and research. Forestry field operations are carried out through the Ministry of Agriculture's four regional offices. Thus most forest technicians, guards and inspectors depend on these regional offices. Frequent restructuring of the Ministry in recent years has shifted the responsibilities between the central Forest Service and the regional offices. The Ministry's dependencies suffer the well-know constraints and inefficiency of most GOES institutions.

Unfortunately very few non-government organizations are active in forestry in El Salvador, making it difficult to work outside government channels.

3. STATUS OF TROPICAL FORESTS

El Salvador has by far the lowest proportion of land under forest cover of any country in Central America. Table 1 summarizes the area of existing forests and Figure 1 shows distribution of the forests (El Salvador Perf 1 Ambiental 1985).

Table 1
AREAS WITH FOREST VEGETATION IN EL SALVADOR
(EXCLUDES COFFEE PLANTATIONS)

<u>TYPE OF FOREST</u>	<u>Area</u> <u>(ha)</u>	<u>Percentage</u> <u>of total (%)</u>
1. NATURAL FORESTS		
Coniferous	48,477	18
Broadleaf	90,759	34
Mangroves	45,283	17
Shrubland	<u>77,789</u>	<u>29</u>
2. FOREST PLANTATIONS	<u>11,192</u>	<u>2</u>
TOTAL	273,500	100
TOTAL LAND AREA OF EL SALVADOR	2,072,000	

Adapted from: El Salvador, Direc. Ral. de Recursos Naturales Renovables, Servicio Forestal y de Fauna, Anuario Forestal 1978, Soyapango 1979, p. 39.

The total forest area of 273,500 ha represents only 13% of the land area of El Salvador. However, about one third of the area classified as forest in Table 1 is shrubland. If this is excluded, then the area of coniferous, broadleaf and mangrove forest covers only 9% of the country's land

area -- a dangerously low proportion. It should be noted that other figures are occasionally quoted. The discrepancies are due to differing definitions of what constitutes forests and other methods of arriving at estimates. No comprehensive "snapshot" of land use is available for the country, such as might be produced from Landsat images.

The conifer forests, primarily Pinus oocarpa are concentrated in the mountains along the Honduran border. The areas of upland broadleaf forests are very fragmented, most being remnants in inaccessible areas.

The memoria of the ecological map of El Salvador (Holdridge, R.L. Mapa ecológico de El Salvador, y memoria explicativa. Documento de Trabajo No. 6. Proyecto PNUD/FAO/ELS/73/004. San Salvador. 1976.) contains a description of the ecology and lists of species of the various forest types which are summarized in the El Salvador Environmental Profile (1985).

In Central America the main threat to biological diversity is habitat destruction. Since natural tropical forests are one of the most diverse habitats, it is obvious that the conservation of natural forests is a requisite for the preservation of biological diversity.

4. MANAGEMENT OF TROPICAL FORESTS

Because the dense population creates a very high demand for wood and other forest products, the forests of El Salvador are under enormous pressure. Rational management is almost non-existent. By far the most important product derived from the forest is fuelwood. About 64% of all energy consumed in El Salvador is derived from biomass, most of it fuelwood. Probably more than 80% of all wood harvested is used for this purpose. Seventy seven percent of the population uses fuelwood. With a per capita consumption of 1.9 m³ per year, this amounts to a total fuelwood consumption of 7.7 million m³ annually (Reiche, C.E. Abastecimiento y mercado de la leña en America Central: Estudio de casos. Proyecto de Leña y Fuentes Alternas de Energía. CATIE. Turrialba, Costa Rica. 1985. 20p.). The uncontrolled harvesting of fuelwood is one of the more important causes of forest degradation.

Fuelwood also illustrates the link between forests, economic stability and development. Degradation of the forest resource is one of the main factors which has driven up the real price of fuelwood over the last few years. As

this price increases in relation to fossil fuels, more households and industries will tend to switch to these imported sources of energy, using up scarce foreign exchange which is desperately needed for other development efforts. An analogous chain of events applies to the import of other forest products (lumber, poles, posts) which are currently, at least partially, supplied by the country's meager remaining forests (Flores-Rodas, J.G. Supply and demand trends of mechanical wood products in Central America. AID/ROCAP. San José, Costa Rica. 1984.). (For a fuller discussion of these issues see: Loenard, H.J. Natural resources and economic development in Central America. Transaction Books. New Brunswick. 1987. 279p.)

A more realistic approach to forestry is needed to replace some of the romanticism and myth now prevalent, even among decision makers. Under the conditions of El Salvador good forestry is good economics. Proper forest management is a requisite for sustained economic development.

4.1 Pine forests

Management of the pine forests is limited to harvesting. Selective cutting removes the largest stems. Legally the minimum diameter is defined as 45 cm. Although permits have to be obtained from the forest service before any tree is cut, enforcement is very deficient. One of the urgent needs is to protect the forests from frequent fires which destroy regeneration. Over the years management plans have been prepared for various forest tracts, many through FAO assistance, but none are currently in operation (Zambrana, H. and J. Troensegaard. Factibilidad de las plantaciones forestales y manejo de los bosques de coníferas. Documento de Trabajo No. 11. Proyecto FAO/ELS/78/004. FAO. Rome. 1982. 81p.) Technically the management of pine forests is simple and well known. Constraints to management are primarily financial, organizational and the fact that most pine forests are located in the conflictive northern part of the country.

4.2 Broadleaf forests

The relicts of remaining broadleaf forests are scattered in relatively small patches throughout the country. They include the riparian forests along streams. Most of the land originally occupied by broadleaf forests has been cleared for agriculture long ago. Of special importance for reasons of biological diversity and water supply are the cloud forests of Montecristo, Volcán Santa Ana and El Pital, all of which have been declared protected areas.

Systematic commercial management of the broadleaf forests outside the protected areas is practically inexistant. Except for the protected areas most have been degraded by uncontrolled exploitation. The mix of species, years of high-grading, uncontrolled fires, disperse areas and low productivity of these forests tend to be serious constraints to management. Often their main value is as a soil cover and a source of fuelwood for local inhabitants.

4.3 Mangroves

The mangrove forests are concentrated in four areas: Barra de Santiago, Estero de Jaltepeque, Bahía de Jiquilisco and Bahía de La Unión. They suffer extreme pressure by the local population because of exploitation for poles, posts, firewood and tannin. Because of their high productivity, simple management practices and easy access mangroves present unusual opportunities for commercial management. The constraints are primarily organizational and control. By law, the mangrove forests are inalienable government domain, but the government can allocate concessions for their utilization.

The ecological importance of mangroves far exceeds their importance as producers of forest products. They are an irreplaceable habitat in the life cycle of many species of shrimp, mollusks, fish and other marine life, which spend their juvenile or reproductive stages in the mangroves. Destruction of the mangroves directly decreases these commercial

marine resources. In addition mangroves protect the coast from wave action and are the habitat of wildlife. The mangroves are threatened by coastal development, especially the encroachment of agriculture, the construction of shrimp and salt ponds, drainage for malaria control and the influx of agricultural pesticides.

4.4 Forest plantations

Because of the small area of natural forest with commercial potential, the establishment of plantations is urgent so as to avoid a prohibitive import bill for wood products and to decrease the pressure on the remaining forests and protected areas. The government has responded to this need since the seventies with various plantation programs. Unfortunately, there has been no coherent continuous reforestation policy accompanied with the necessary financing.

For years the Ministry of Agriculture has produced seedlings in centralized government nurseries for subsidized sale to the public. The result is an unknown number of dispersed plantations of numerous species, many of them ornamentals and fruit trees.

Since 1980, the GOES with financing from PL480 funds has carried out a sizeable plantation effort on Phase I farms of the land reform, under an employment generation project. Under direction of the four regional offices of the Ministry of Agriculture and the Forest Service, members of the Phase I cooperatives are paid to produce plants in nurseries, establish plantations on land of the cooperative and maintain them. Cumulatively about 10,600 ha of plantations have been established in blocks which range from 25 to 100 ha in area. Although there are no reliable data on survival, it is estimated that only about half of the plantations (5,400 ha) are still alive (Vega, L. *Perspectivas de la reforestación en El Salvador*. Documento de Campo No. 17. Proyecto FAO/ELS/78/004. FAO, Roma. 1983. 69 p.). Funding for this program will end in April 1988. This effort has had a demonstration effect and much has been

A more promising approach has evolved since 1984 to encourage small farmers to establish plantations on their own land so as to make them self-sufficient with respect to fuelwood, poles, posts and rustic construction wood, and to produce an excess for sale. The Forest Service and the regional offices of the Ministry of Agriculture help groups of farmers to grow their own seedlings in community nurseries. Each farmer plants his share of the seedlings along fence rows, around the house or in blocks in unused corners of his land. The program has been quite successful and has grown from one nursery in 1984 to 80 nurseries in 1987, operated by 1200 farmers producing 450,000 seedlings. There is now more demand for seedlings than the program is able to meet. This is an appropriate grass-roots approach to tree planting which merits more support. Financing is provided by PL480 funds, by the World Food Program and by the ROCAP/CATIE Tree Crop Production Project which also offers technical assistance. (Viveros Forestales Comunes. Report to the Organization of American States Multinational Mission on Employment-generating Projects in El Salvador. OAS, Washington, D.C. Feb. 1988)

Given the current extreme scarcity of investment capital and the insecurity in all facets of endeavor in El Salvador, it is unrealistic to expect large private investment in industrial scale forest plantations. Nor is it realistic to expect the government to finance incentive schemes to encourage industrial scale reforestation. The most viable alternative and the one with the greatest social benefit is to encourage farmers to grow trees for self sufficiency in fuelwood and most other wood products and to produce an excess for sale. Evidence indicates that fast growing trees are becoming an attractive cash crop for farmers in El Salvador. Existing programs to encourage this trend need to be supported and new ones initiated.

5. TROPICAL FOREST CONSERVATION NEEDS

- 5.1 The declared protected areas and the remaining blocks of natural forest with commercial potential urgently require effective protection.

- 5.2 Government regulations controlling harvest and their enforcement need to be improved. The present system of obtaining cutting permits is complex, costly, inefficient and fraught with red tape and corruption. The irrationality of the system causes resentment and opposition to forestry on part of the rural population which needs wood for its survival.
- 5.3 In order to meet the country's need for wood and to decrease the pressure on remaining forests and protected areas the establishment of forest plantation must be accelerated.
- 5.4 If properly managed and protected from encroachment, the remaining mangroves represent an opportunity for supplying wood products while at the same time providing many ecological benefits, such as a habitat for marine life, an important commercial resource.
- 5.5 The government alone is not capable of dealing with the immense problems of forest destruction and the needs for plantations. Local non-government organizations (NGO) need to be identified and encouraged to take over some forestry activities, especially conservation and environmental education.
- 5.6 El Salvador has less than ten university trained and only two mid-level foresters. That is not enough for the task that face the country in forest development.
- 5.7 The public and decision makers need to be informed and educated as to the link between natural resources and their own welfare.

6. CURRENT A.I.D. ACTIVITIES RELATED TO TROPICAL FORESTS

As indicated in 4.4, USAID has supported reforestation on Phase I farms since 1980. There is general agreement among technicians not to continue this effort beyond 1988.

USAID does continue to support the community nursery program with a modest amount of PL480 funds, programmed on an annual basis.

The regional CATIE Tree Crop Production Project funded by ROCAP has been the initiating force behind the community nursery program and is expected to continue to play a technical leadership role until project termination in 1991. This project also has components in training, research and information dissemination concerning the establishment, management and commercialization of multi-purpose trees on farms.

7. RECOMMENDATIONS FOR ACTION BY A.I.D.

- 7.1 Concentrate forest protection on those areas that have been identified as priorities (see Biological Diversity Annex), instead of trying to cover the entire country with equal intensity. Strengthen protection and enforcement in these priority areas. Couple enforcement with positive forest development activities, such as rational utilization, forest plantations, stand improvements.
- 7.2 Accelerate tree planting and management. Encourage farmers to make themselves self sufficient in wood products and to produce a cash crop for sale. Agroforestry systems which integrate trees with crops and animal husbandry have proven most appropriate, rather than plantations in large blocks. Build on the experience available and the start that has been made. Because of limited absorptive capacity, the total cost to USAID (PL480) over the next four years is not likely to exceed the equivalent of US\$ 1 million.
- 7.3 Identify and strengthen NGOs for action in forestry and conservation, as a complement to public institutions.
- 7.4 USAID should consider design of a new project to increase the rate of tree planting and management. The project could emphasize small farmers, especially those benefitted by FINATA. It could also give technical assistance to management (thinning and harvest) of the plantations established with AID financing on the Phase I farms between 1980-86. The project should integrate tree planting into

traditional agricultural and animal husbandry practices (agroforestry) and for this reason need not be restricted to being a "forestry" project. Preferably it should be managed by NGOs. The species and techniques are known, organizational and motivational capability is progressing rapidly and an increasing number of farmers are willing to plant. The situation seems ripe so that a project could help propell farm forestry into a self-sustained movement.

- 7.5 Send five students per year to ESNACIFOR, the regional forestry school in Honduras, for mid-level training. It takes three years to obtain the "dasonomo" degree. Forestry conditions in Honduras are similar to those in El Salvador and training is oriented in a practical manner. A strong cadre of mid-level technicians is needed for the development of the forest resources of El Salvador.

FIGURE #1

FORESTS OF EL SALVADOR



ESCALA 1:100,000

-  BOSQUE SALADO
-  BOSQUE DE CONIFERAS
-  BOSQUE LATIFOLIADO
-  VEGETACION ARBUSTIVA
-  CAFE

