

PD-ABA-908

USAID/EL SALVADOR
FY 1991 - 1992 ACTION PLAN

ACTION PLAN

FY 1991 - 1992

USAID/EL SALVADOR

MARCH 1990

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ACRONYMS

AIFLD	- American Institute for Free Labor Development
ANDA	- Water and Sewer Authority
ANEP	- National Association of Private Entrepreneurs
APSISA	- Health Support Project
ASI	- Salvadoran Association of Industrialists (ASI)
ASPRODERH	- Private Human Rights Commission
BFA	- Rural Development Bank
BOP	- Balance of Payments
CAPS	- Central American Peace Scholarship Program
CCE	- Central Elections Council
CDSS	- Country Development Strategy Statement
CENTREX	- GOES "One Stop" Export/Import Center
CENITEC	- Technological and Scientific Research Center
CDC	- Coordinating Development Committee
CDH	- Committee for Human Rights
CI	- Committee for Investigation
CLASP	- Central and Latin American Peace Scholarship Program
CLUSA	- Cooperative League of the United States)
CONARA	- Commission of National Reconstruction
CORELESAL	- Revisory Commission for Salvadoran Legislation
CSC	- Salvadoran Coffee Council
CYP	- Couple-Years-Protection
CRS	- Catholic Relief Services
DIVAGRO	- Agricultural Diversification Program
DP	- Displaced Persons
ENA	- National School of Agriculture
ESF	- Economic Support Fund
FEPADE	- Private Sector Foundation for Educational Development
FINATA	- National Office for Agricultural Financing
FIPRO	- Industrial Foundation for the Prevention of Occupational Hazards
FL	- Forensic Laboratory
FMLN	- Farabundo Marti National Liberation Front
FUNTER	- TELETON Foundation Pro-Rehabilitation
FORTAS	- Strengthening of Associations
FUSADES	- Salvadoran Foundation for Economic and Social Development
GDP	- Gross Domestic Product
GOES	- Government of El Salvador
GTZ	- German Technical Assistance
HCOLC	- Host Country Owned Local Currency
IBRD	- World Bank
ICRC	- International Commission of the Red Cross
IDB	- Interamerican Development Bank
IMF	- International Monetary Fund
INCAFE	- National Coffee Institute

INTEC	- National Institute of Technology
ISDEM	- Municipal Development Institute
ISIC	- National Coffee Research Foundation
ISRI	- Salvadoran Institute for Handicapped Rehabilitation
ITV	- Educational Television
MAG	- Ministry of Agriculture and Livestock
MEA	- Municipalities in Action
MIPLAN	- Ministry of Planning
MOH	- Ministry of Health
MOM	- Mission Operations Manual
NCBA	- National Cooperative Business Association
NGO	- Non Government Organization
NTAE	- Nontraditional Agricultural Exports
NXP	- Non-Expendable Property
PRIDEX	- Trade and Investment Promotion Services Organization
PVO	- Private Voluntary Organization
RADECO	- Community and Radio Assisted Instruction in Basic Education
SBFZ	- San Bartolo Free Zone
SDA	- Salvadoran Demographic Association
SETEFE	- MINPLAN's Technical Secretariat for External Financing
SIU	- Special Investigative Unit
SMP	- Social Marketing Program

I. REAFFIRMATION OF THE APPROPRIATENESS OF THE COUNTRY STRATEGY

I. REAFFIRMATION OF THE APPROPRIATENESS OF THE COUNTRY STRATEGY

A. Background Statement

Included among the underlying assumptions of prior Mission program documents was the belief that the impact of the El Salvador's ten year old civil conflict would gradually diminish, thereby creating an improved climate for economic reactivation and growth. However, the FMLN offensive, which began November 11, 1989, has led us to reassess this assumption. Direct damage by the offensive to housing, social infrastructure (i.e., water, electricity, roads, bridges), farms and factories totaled approximately \$40 million, and, the indirect damage - the loss in output - will be higher, perhaps as much as \$55 million, equivalent to 1 percent of GDP. The November 1989 attacks contributed significantly to diminished growth in 1989 and forced the government to increase public sector expenditures above projected levels. In addition, the offensive seriously dampened investor confidence (especially foreign investors) in the short-term. Finally, it interrupted negotiations between the GOES and other donors (the IMF and the World Bank) thereby delaying the infusion of hard currency needed to off-set declining USG economic assistance levels and to assure short-term economic stability.

It is becoming increasingly evident that, as long as the war continues, GOES efforts to promote political/social stability and economic growth will face formidable obstacles. The present GOES administration has crafted a promising blue print for equitable growth in a democratic political context. Furthermore, the Cristiani government understands that the objectives of the plan cannot be fully achieved unless hostilities cease; and an ever growing number of its leaders realize that it is unlikely that the war can be ended successfully through a military victory. President Cristiani is pursuing a policy of peace (i.e., a negotiated settlement) and democracy. He recognizes the prudence of coming to the bargaining table, and negotiating with the opposition from a position of parity to end the conflict, thereby creating a climate in which sustained and equitably distributed economic growth can take place.

B. Goals and Strategy

As stated in the Mission's approved CDSS, the goals of the USG's economic assistance program to El Salvador are to: (1) promote economic and social stabilization and economic growth; (2) facilitate broad participation throughout the society in the benefits of growth; and (3) enhance the maturation of incipient democratic institutions and processes and create a political environment conducive to growth with equity. The Mission strategy simultaneously lays the basis for long-term growth with broad participation in the benefits of such growth. Critical elements of the strategy in the economic and productive sectors include, enhancing the country's capacity to efficiently allocate scarce resources, a reliance on market forces to determine investment decisions, increased participation of the private sector as a catalyst for economic growth, and a shift in emphasis from narrowly defined agrarian reform interventions to a focus on enhanced agricultural

production and productivity. In the social sectors, key strategy tenets are improved quality of education, especially at the primary school level, enhanced skills training opportunities, development of an integrated rural preventive primary health services system and the restoration and maintenance of essential social infrastructure. In addition, our strategy emphasizes facilitating the spread of grass roots democracy, strengthening the judicial system and the Legislature and supporting improved public sector efficiency, particularly as it pertains to fiscal responsibility.

C. Reaffirmation of the Strategy

The Mission reaffirms the strategy, summarized above, elaborated in our 1990-1994 CDSS. It is, we believe addressing the key constraints to economic development and social change: economic protectionism and direct state intervention in economic affairs (e.g., banking, basic grains and coffee marketing), which has stifled economic development; a vicarious, inequitable judicial system; and public policies and institutional shortcomings (e.g., centralization and inefficient bureaucracies) which have tended to skew the distribution of the benefits of the society in favor of a few privileged groups and urban areas.

The following paragraphs will demonstrate, on the basis of verifiable progress, the validity of our strategy in achieving its goals. Unfortunately, a series of factors, exogenous to the strategy and the program governed by it, have slowed the rate at which progress on key social and economic fronts can be achieved, although the GOES initiated a comprehensive economic reform program in August of last year, which held promise for economic reactivation in 1990. The November-December FMLN offensive dealt a costly blow to the economy. Also falling prices for the country's major export-coffee (resulting in a shortfall of \$135 million in coffee revenues as compared to projections), a reduction, from FY 89 levels, of some \$40 million in A.I.D. balance of payments disbursements, reduced or dampened investor confidence, and a delay in the flow of resources from other donors make the FY 1990 economic outlook look bleak. Put simply, the GOES faces tougher choices in 1990 than projected last year. Thus U.S. assistance, as projected in the CDSS to improve and expand the delivery of social services, to further reforms to the Judicial System and to promote private sector investment becomes critical to the GOES' ability to balance at times competing interests of economic stability, growth, and broadened service provision. In sum, the strategy remains valid; however, these new externalities will necessitate additional time for our blueprint to achieve its targets.

D. Progress Under Strategy

Previously, it was noted that our strategy has been successful in establishing the foundation for both meaningful economic growth and social change to occur. The following text will demonstrate the progress achieved to date by our mutually reinforcing policy dialogue and program interventions.

1. Economic Stabilization and Growth

a. Macroeconomic Policy Dialogue

During the last six months, the GOES has made significant advances in the design and implementation of an economic reform program. This program establishes a policy framework conducive to economic growth with equity and, if supported by complementary measures, promises to yield important economic benefits. It also constitutes a strong initial step toward the liberalization of the economy through reliance on competitive markets for the allocation of economic resources, the reduction of protectionism, and an emphasis on the private sector as the vehicle for export-led growth.

Except for fiscal measures requiring approval by the Legislature, the initial program of structural reforms became effective in August 1989. The measures, which reflect the results of negotiations between A.I.D. and the GOES, included: (i) adjustment of basic interest rates on deposits and on loans to positive real levels; (ii) widening of the parallel inter-bank system for foreign exchange transactions so as to include, at least, 75 percent of imports and 65 percent of exports; (iii) removal of price controls for 230 items; (iv) establishment of a uniform stamp tax rate of 5 percent and elimination of most exemptions; (v) narrowing of international trade tariffs to a range between 5 and 50 percent; (vi) reduction and elimination of many non tariff barriers to international trade; (vii) upward adjustment of electricity rates and water rates and adoption of a two tier system of public transportation with low and high price services. In addition, progress has been made toward privatizing the banking system, eliminating the state monopoly on coffee marketing, restructuring the public sector grain board, and upgrading customs and public sector financial management.

The economic program was anchored by a monetary component that ensured consistency between money supply and credit expansion and real GDP, inflation, fiscal, and balance of payments targets. In the face of extremely difficult circumstances (viz., installation of a new administration, the guerrilla offensive and the decline in world coffee prices) the monetary program has been successful in keeping inflation, currently 17 percent down from a high of 32 percent in 1986, on a downward trend.

In addition to the macroeconomic adjustments, USAID has been successful in encouraging other important policy changes directly related to the productive sectors of the economy. Key measures include a new Investment Law in 1987, which permits the expeditious formation of new companies and brings into accord investment incentives and codes; an Export Promotion Law in 1988, which provides incentives for private enterprise to produce for overseas markets; and a streamlining of the preceudural requisites for exporting commodities through the establishment of a one-stop export center, CENTREX, in 1988. These measures, coupled with the recently instituted macroeconomic adjustments (e.g., exchange rate liberalization, change in the interest rate regime) form a solid policy framework for stimulating increased production and productivity in the future. For 1990 and beyond, the USG will promote further reforms in the Salvadoran economy that will broaden and deepen the economic adjustments made to date.

b. Program Interventions

To complement these policy reforms, our strategy has included carefully designed programs to enable the Salvadoran productive sectors to capitalize on the revised policy framework. Our assistance has strengthened the institutional base of the private sector. The creation of FUSADES with A.I.D. support has facilitated the production and marketing of export commodities. Our assistance has been instrumental in the revitalization of important private sector service organizations such as the Chamber of Commerce and the Salvadoran Association of Industrialists (ASI), and in the creation of the Salvadoran stock exchange. We have also broadened and strengthened the small and microenterprise sub-sectors. A sampling of our program level achievements include: (1) more than 5,000 hectares under cultivation of non-traditional export crops; (2) 80 new non-traditional export producers and a two-fold increase in the country's melon and vegetable processing capacity; (3) 30 small farmer cooperatives, with 4,000 members, participating in non-traditional export production; (4) more than \$24 million in new investments in industry and agroindustry; (5) the creation of 13,000 new jobs in the export section; and the provision of approximately 50,000 credits to small and microentrepreneurs which have generated tens of thousands of work places. As detailed in Section II, future program interventions will expand on these gains.

2. Social Stabilization

The social stabilization component of our strategy seeks to insure that the most critical basic human needs of the populace are being addressed until the benefits of our long-term growth strategy become manifest. This part of our strategy provides a short-term safety net to ward-off social unrest in a time of economic adjustment. It concentrates on the most needy groups of Salvadoran society -- the Displaced Persons, the rural poor, and San Salvador slum dwellers affected by the October 1986 earthquake and the war.

a. Policy Dialogue

The Mission has worked closely with the Cristiani Administration to formulate a "social shock-absorber" plan consisting of temporary job creation and the provision of medical services and shelter to assist the poor cope with impact of economic adjustment. With respect to Displaced Persons (DPs), we have been successful in securing GOES recognition that DP's must be reintegrated into the mainstream of society as quickly as possible. We have also convinced the Government to make abandoned Phase I cooperative land available to displaced families to facilitate the reintegration process. We have been less successful in securing GOES recognition that the displaced are a Salvadoran issue (considerable sentiment remains within the government that it is a problem generated by external forces); and, therefore, it is the responsibility of other donors to address it.

Our policy dialogue has also had some impact on the question of the Salvadoran repatriates. The GOES has taken the official position of encouraging the repatriates to return to El Salvador and the government is cooperating actively with the Government of Honduras and the United Nations in facilitating their orderly return.

b. Program Interventions

The social shock-absorber program, initiated late in FY 1989 has to date provided over 150,000 temporary jobs, most of which have been taken up by unskilled laborers in both urban and rural areas. This program was expanded to react to the crisis wrought by the November 11, 1989 FMLN offensive. In short order, the Mission and the GOES responded to the food, shelter and first-aid medical needs of approximately 200,000 civilians who were displaced by the fighting. The fact that a popular insurrection, anticipated by the left in launching the November 11 offensive, did not occur, is a strong indication that the efforts of the democratically elected government to address the basic human needs of the citizenry were both recognized by, and satisfactory to, the population at large.

Our policy dialogue on the Displaced Person issue has been reinforced by a multi-dimensional project which is providing technical assistance, job training, food, credit and land to the DP's. To date we have been successful in helping 80 percent (400,000) of the country's DPs return to their place of origin or relocate permanently in a non-conflictive area. On another front, we have contributed to social stability by keeping the country's vital infrastructure in operating condition in the face of a debilitating war. To illustrate, since 1985 we have financed the replacement of over 2,000 electrical towers, 60 bridges and repaired more than 1200 kilometers of rural roads.

A.I.D. resources have also enabled over 4,000 poor families left homeless by the 1986 earthquake to secure new housing. This activity, in turn, has triggered the formulation of an urban development strategy to assure that the poor have better access to social services in the future. The same Earthquake Reconstruction program has rebuilt or repaired over 700 school classrooms, is rebuilding six public markets and six major medical facilities and has provided almost 3,000 microentrepreneurs with credits to re-start their business activities.

The shock absorber program will continue for at least one more year. We anticipate that the earthquake reconstruction activities and assistance to the Displaced Persons will be concluded by the end of this Action Plan period.

3. Spreading the Benefits of Growth

Beyond employment and income, the root causes of the insurgency are related to inequities in access to social services. Accordingly, our strategy emphasizes both policy dialogue and discrete program interventions in the social sectors (viz., education, health and population) to improve the quality of life of the poor majority and to ensure that they can take advantage of the new opportunities that will be presented by a growing economy.

a. Policy Dialogue

While much remains to be done, our policy dialogue efforts to date in the social sectors have made important advances. In education, we have helped the GOES recognize the need to "re-tool" the primary education system to emphasize quality and efficiency. Similarly, the Mission has convinced the GOES to

decentralize the Ministry and increase community participation in elementary education. We have also been successful in procuring the removal of the cap on private school tuition, thereby enabling the private sector to more equitably share the burden of meeting the country's education needs. Finally, we have cooperated with the GOES in its efforts to enhance the status of skills training and to link such training with the export driven economic model.

In the health field, we have made progress in securing GOES commitment to place greater emphasis on the provision of preventive health services to rural areas. Between 1987 and 1988 the Ministry of Health increased the portion of its budget allocation to rural preventive health activities by 11 percent. We also helped the GOES to promulgate an enlightened Population Policy which recognizes the right of every couple of child bearing age to practice family planning. The policy also instructs all government ministries to include, to the extent feasible, family planning activities as a part of their normal programming process.

b. Program Interventions

The principal focus of our education program has been to increase access to primary school learning. We have financed the construction and equipping of over 3,000 classrooms thereby enabling some 750,000 children to attend school on a regular basis. Despite the war, illiteracy rates have not decreased, remaining constant at about 38 percent of the adult population. In the future, local currency will be used to finance additional school construction.

As a complement to our policy efforts to promote education efficiency, we have undertaken pilot activities in teacher training and curriculum development. The planned (FY 90) Strengthening Achievement in Basic Education Project will build upon this initial effort.

In support of our policy agenda and program interventions to reactivate and diversify the economy, we have pioneered the establishment of a private sector skills training institute (FEPADE). In three short years, FEPADE has produced over 3,000 graduates, in a variety of industrial skill areas, 90 percent of whom are employed in export oriented industries. A.I.D. financing, through AIFLD, has also helped to establish a second vocational education program that is providing training in construction skills.

The basic health needs of the population are being addressed through A.I.D. support in supplying medicines and pharmaceuticals. We have also mobilized GOES to focus its efforts in health sector on the provision of rural preventive medical services, and we have supported Salvadoran family planning initiatives through both public sector and private sector channels. Finally, we have developed a private foundation, FUNTER, to address the needs of civilian amputees.

As a result of these health activities and in spite of the war, key health indicators for the Salvadoran population have improved. To illustrate, infant mortality has been reduced from 77/1,000 in 1979 to 50/1,000 live births in 1988; malaria has declined from 12 cases per 1,000 in 1983 to 2 cases per

1,000 in 1988 and; contraceptive prevalence has increased from 34 percent in 1978 to 47 percent in 1988. Planned program interventions to further our health strategy are contained in Section II.

4. Strengthening Democratic Institutions

a. Policy Dialogue

Our policy dialogue efforts to fortify the country's nascent democratic institutions have enjoyed some demonstrable success. At our urging, the GOES has taken important first steps to revamp both the Judiciary and Legislative branches of government. To illustrate, with respect to the Judiciary, budget allocations were increased 37 percent from 1988 to 1989 and now represent 2 percent of the national budget. A Revisory Commission was established to carry out a series of analytical studies of the Salvadoran judicial system and to develop draft new legislation. Five of the eleven reform proposals developed by the Revisory Commission since 1986 have been enacted into law (specifics on this legislation appears in Section II). We have also been instrumental in promoting the creation of a Human Rights Commission to serve as a vehicle for bringing abuses of authority to the attention of government officials and for the formation of a Central Elections Committee to guide the process of free, participatory selection of political leaders. In addition, our policy agenda has helped to begin the process of facilitating a constructive dialogue between management and labor. Finally, our policy dialogue has garnered some success in strengthening local government, particularly through creation of a National Municipal Development Institute (ISDEM) and the passage of legislation, in 1987, permitting municipalities to raise taxes.

b. Program Interventions

At the program level, the strategy has been instrumental in the rapid development of the Special Investigation Unit and the Forensic Laboratory into first-rate professional cadre. For example, the outstanding technical work of both units was key to the successful investigation of the assassination of six Jesuit priests at the University of Central American in November 1989, as well as several other high profile crimes. The Assembly has passed legislation to create a National Judiciary Council to depoliticize the appointment of new judges. Support to voter registration campaigns and the financing of international election observers, has been directly responsible for a series of fraud free elections, including two national presidential elections. The performance of the judiciary has also been enhanced by A.I.D. financed training of judges, Justices of the Peace and other court officials on case resolution and judicial procedure. Dollars and local currencies have been used to reopen and staff a Public Defenders Division within the Solicitor General's Office. To date, this office has opened over 4,000 cases and secured the release of over 1,300 prisoners. We have also helped strengthen the Attorney General's Office and established a Human Rights Division within it. Since its creation, this division has helped redress the grievances of several thousand Salvadoran citizens. USG assistance has been fundamental to the establishment of social and economic research institutes (viz., FUSADES and CENITEC) which, in turn, are providing multiple fora for public debate on critical issues.

Our strategy has also served to further the democratic process at the grass roots level. The Municipalities in Action program has enhanced the role of local authorities, and through the liberal use of the "town meeting" concept it has given heretofore disenfranchised Salvadorans the opportunity to participate directly in decisions which affect their lives. We have reinforced participatory democracy initiatives through leadership and technical training to almost 2,000 Peace Scholars. Finally, one of the most critical and far reaching outputs of our strategy, has been support to GOES efforts to transform the country's land tenancy structure. Since initiation of the program in the early 1980's, almost 25 percent of the nation's farmland has been distributed to tenant farmers, sharecroppers and farm laborers. Almost one-half million farmers and family members have directly benefited from the land reform program.

5. Policy Dialogue Agenda for 1991 -1992

Financial Sector - Privatization of the commercial and savings banks. Successful execution presupposes the strengthening of the macroeconomic setting, especially as it relates to the conditions that enable financial institutions to compete effectively. It is based on a revision of the legal framework under which financial institutions operate and a strengthening of the supervisory power of the Superintendency of banks and other financial institutions. The privatization process should be fairly advanced by the end of 1990 and completed in 1991.

International trade tariffs - Reducing the level and dispersion of tariffs. The objective will be a reduction in effective protection to domestic production. The target is the compression of the tariffs to 20 percent or lower. The process of tariff reform is likely to extend well through 1992.

Utilities - Achieving financial self sustainability of the parastatal institutions through rate adjustment in a context of equity. The adjustment is picking up momentum in 1990 and should be consolidated in 1991.

Strengthening competition in a privatized oil sector - Privatization is to take place in 1990. Complementary measures to strengthen competition in importation and distribution should take place in 1991.

Fiscal sector reform - Continued improvement in tax legislation and administration. Improvement of the budgeting and financial administration processes. Reform process will extend through 1992.

Exchange rate regime - Unification of the exchange rate under a managed float regime. Unification should occur in 1991 or sooner. USAID will continue to advocate policies that prevent the overvaluation of the colon.

Agriculture - Continuation of the privatization process in connection with selected agricultural institutions. Additional land distribution through the land bank mechanism. Further refinement of a Natural Resource Management Policy. Enactment of a revised Beneficiary Rights Law. Process will extend through 1991.

Education and training - Decentralization of school construction, maintenance, management, and financial authority to regional offices and local governments. Adoption by the GOES of personnel practices and incentives packages that will enable them to hire and retain properly qualified personnel. Process likely to continue through 1992.

Health - Resolution of planning and management problems impeding efficient delivery of health services to rural populations -- examples are adoption of cost recovery programs, decentralization of planning and budgeting, improvement of international donor coordination. Vigorous implementation of 1988 Family Planning Policy. Process to last through 1992.

Democratic initiatives - Revision of labor code to streamline enforcement with respect to labor cases. Strengthening the tax base of the municipalities. Passage of a Judicial Career Law. Passage of an Adoption Law. Reforms to the Jury System and Plenary Phase of the Criminal Procedure. Process will extend through 1992.

II. PERFORMANCE

B. TABLE 2: USAID/EL SALVADOR PROGRAM INDICATORS

	1987	1988	1989		Estimated 1990	Estimated 1991
			Planned	Actual		
1. Public Sector domestic financing as a percentage of GDP. ^{1/} Central Government domestic financing as a percentage of GDP.	-0.2	1.2	1.8	N.A.	1.0	2.0
2. Government wages as a percentage of government current expenditures.	0.1	0.1	2.3	2.7	-1.9	2.0
3. Private Sector fixed capital formation as a percentage of GDP.	67.8	65.1	65.9	67.9	68.6	65.0
4. Private Banking assets as a percentage of total banking assets. ^{2/}	10.7	9.5	9.5	9.8	10.3	11.0
5. Total value of exports. -Non-Traditional (includes CACM) -Traditional -A.I.D. attributed Non-Traditional Exports (FUSADES Agricultural and Industrial NTE's only)	N.A.	N.A.	N.A.	N.A.	N.A.	80.0
6. Permanent employment generated by Mission Private Sector programs. Temporary employment generated by Mission programs. (000's of person months)	204.5 386.4 5.4	215.3 381.2 15.1	250.8 N.A. ^{3/} 30.0	235.3 262.0 44.0	264.0 256.0 60.0	286.0 350.0 90.0
7. Area planted in basic grains (in 000s of hectares). ^{5/}	1,231	4,658	9,921	30,857 ^{4/}	42,493	39,818
	N.A. ^{3/}	N.A. ^{3/}	237.1 ^{5/}	214.2 ^{5/}	380.0	186.0
	478.2	485.0	N.A. ^{3/}	481.4	489.8	494.7

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Estimated</u>	<u>Estimated</u>	
			<u>Planned</u>	<u>1990</u>	<u>1991</u>	
			<u>Actual</u>			
8. An increase in the nation-wide amount of hectareage farmed under environmentally sound practices that will protect the natural resource base.	52,715	60,852	76,992	77,495	88,079	93,000
9. Increase in the following: -Cumulative number of cooperatives with titles. <u>7/</u> -Increase in the number of farmers with titles to their respective lands (cumulative).	224	236	N.A. <u>3/</u>	253	277	290
10. A decline in the following: <u>8/</u> -Infant mortality -Child mortality	28,800	36,232	N.A. <u>3/</u>	40,240	50,340	56,800
11. Contraceptive prevalence. <u>9/</u>	55	50	49	49	48	46
	25	24	24	24	23	23
12. A reduction in the number of teaching years required to produce a sixth grade graduate. <u>10/</u>	47%	47%	48%	48%	49%	50%
	10.8	11.0	9.5	10.9	10.9	10.8
13. Cumulative number of free and fair elections since 1980. Total number of judicial and legislative personnel trained.	4	5	6	6	6	7
	719	620	600	238 <u>11/</u>	800	900
14. Strengthened local government as measured by citizen participation in open town meetings to select basic infrastructure projects (numbers of meetings/attendees). Number of basic infrastructure projects and number of people benefiting from infrastructure projects (number of projects/000's of people).	N.A.	277/34,600	480/52,000	480/60,000	624/78,000	650/78,000
	788/591	1,585/1,189	2,300/1,725	N.A. <u>12/</u>	2,300/1,725	2,000/1,500

- 1/ Consolidated public sector deficit does not include Central Bank losses which are not available.
- 2/ This indicator is based on the assumption that the banking system will be privatized in 1991.
- 3/ This is a new indicator.
- 4/ Data for '87/'88 is for NTE jobs and PROPEMI only. '89 data also includes small and micro credit job generation through the BCR credit lines. Mission is unable to accurately estimate the '87/'88 job production for BCR credit lines. New control and reporting procedures in Mission and BCR have permitted the gathering of the 89 data.
- 5/ 1989 figures are for last two quarters only.
- 6/ Area planted is the most indicative variable of the small farmer's well-being, and it is the variable least likely to be affected by the vagaries of either weather or exogenous impacts on prices. Estimates for 1990 and 1991 assume a one percent/year increase in area planted over 1988 "actual" levels.
- 7/ There are 290 active cooperatives eligible for title, titles belong to coop not to individual coop members.
- 8/ Mission is not using UN data which is based on projections and service statistics. Mission source of data is El Salvador Family Health Survey, Salvadoran Demographic Association and CDC, February, 1989.
- 9/ Contraceptive prevalence of women in union in fertile age. Mission source of data is El Salvador Family Health Survey, Salvadoran Demographic Association and Centers for Disease Control, February, 1989.
- 10/ The 1987-1989 figures are higher than reported in prior Action Plans and are based on a recently completed Ministry of Education Statistical Study.
- 11/ Shortfall due to November offensive and four month suspension of Supreme Court component.
- 12/ These activities are carried out with local currency generations, thus FY 1989 funding is for CY 1990 activities and final 1989 figures are not yet available. The average infrastructure project benefits 750 people; average attendance at a town meeting is 125 people.

C. PERFORMANCE SUMMARY NARRATIVE

GOAL: Economic and Social Stabilization
OBJECTIVE: Stabilize Financial Structures

Calendar year 1989 marked the beginning of a new chapter in El Salvador's economy. Following the March election, a new pro free market government took office in June. A.I.D. successfully negotiated a macro economic reform package with the new GOES in July. Policy performance under this economic reform program was noted in Section I of this Action Plan.

As part of the reforms announced last July, most price controls were eliminated. At present, controls still exist on public utilities, public transportation, oil and derivatives, propane gas, edible oils, and sugar.

The GOES also announced its initiation to privatize the banking sector. While current plans call for the privatization to take place during 1990, USAID/ES believes that it is more likely that it will occur in 1991. A key aspect of the reform process concerns the current bad portfolio of the commercial banks. The Central Bank has concluded audits of the financial situation of the banks -- which, as expected, show that some 40 percent of the loan portfolio may be lost. The key issue confronting the banking system is valuation of the banks' portfolios and disposition of bad debts.

In an effort to further liberalize the exchange rate regime, the government has indicated that it will legalize the foreign exchange transactions of non-bank dealers. The measure would seek to promote open competition in the foreign exchange market. Also, effective in the second semester of 1990, the maximum tariff rate will be lowered from 50 to 35 percent. Plans call for further compression of the tariff rates during 1991.

To reduce the deficit in the non-financial public sector, the GOES eliminated the state owned electric company's monopoly on the importation of oil. Importation will be done by the private sector and the government will promote competition in the importation and distribution of oil and oil derivatives. The price of gasoline has been adjusted upward to a level more in line with international prices. Water prices have been raised by 65 percent. Electrical rates for consumers were raised in October, and recently the GOES announced its intention to raise rates for industrial uses.

The paragraphs below elaborate on changes in five key economic indicators shown on table 2. The future performance of the economy as measured by such indicators is expected to be significantly influenced by ongoing reforms.

- o Public sector and central government domestic financing as a percentage of GDP. The low proportions of domestic financing reflect the heavy dependence of El Salvador on savings from abroad. The expected 1990 fall in domestic financing is a consequence of the GOES' determination to meet all its payments in arrears. Because in 1990 domestic revenue sources will not have been strengthened sufficiently, the share of foreign financing will increase. This trend should be reversed by 1991.

- o Government wages as a percentage of government current expenditures. Except for 1988, the GOES has authorized yearly increases in wages to partially protect the purchasing power of its employees. It is envisioned that as a result of efforts to limit expansion in public sector new hiring, and slower adjustments for inflation, by 1991 the proportion of wages will begin to decline.
- o Private sector fixed capital formation as a percentage of GDP. With the civil conflict and the economic stagnation that set in during the early 1980s, private sector fixed capital formation as a percentage of GDP fell from 15.1 percent in 1975 to 6.4 percent in 1980. With the modest economic recovery that has taken place since 1983, the percentage has climbed to 9.8 percent in 1989. With the implementation of the adjustment program in 1989 and the improved investment climate, we expect private investment to increase the equivalent of 11 percent in 1991.
- o Private banking assets as a percentage of total banking assets. The change projected for 1991 is a reflection of the privatization of the commercial banks which will pick up momentum during late 1990 and, more probably during 1991.
- o Total value of exports. Traditional exports (coffee, cotton, sugar) have slumped dramatically in recent years from \$386 million in 1987 to \$262 million in 1989. Due to the civil conflict, cotton ceased to be an important export crop by 1985. Coffee has been plagued by low world prices and by a disastrous harvest in 1988/1989. With a recovery in world prices however, the value of traditional exports could climb to \$350 million by 1991. Non traditional exports have climbed from \$205 million in 1987 to \$235 million in 1989 on the strength of a rebound in CACM trade. Non traditional exports to extra regional markets have been stagnant since 1987. However, with an improvement in export incentives, we expect exports of non traditional exports to markets in and outside the region to climb to \$286 million by 1991.

OBJECTIVE: Social Stabilization

To complement the Mission's economic stabilization efforts during 1989, the Mission continued its social stabilization activities: infrastructure reconstruction and improvement, strengthening "grass roots" democracy, assisting Displaced and Repatriated Peoples and earthquake reconstruction. These activities are relatively short term, direct responses to the ravages of the war and the 1986 earthquake.

During 1989, through A.I.D. financing under the Public Services Restoration Project (519-0279), the GOES was able to maintain vital public services in the face of increased guerrilla activity. Specifically, project resources repaired: 1,060 towers destroyed by FMLN attacks on El Salvador's power transmission system, 132 damaged potable water systems, and 10 damaged bridges.

In 1990, a new follow-on Public Services Restoration Project (519-0320) will continue efforts to maintain and restore vital infrastructure. In addition it will provide 20,000 rural beneficiaries in 50 communities with potable water

and sanitation facilities; and will upgrade 100 kilometers of rural roads serving 180,000 people. Under the Rural Electrification Project (519-0358-NRECA), in 1990, 14,000 rural people in 31 communities will receive electric power for the first time.

In 1989, the Earthquake Recovery and Reconstruction Project (519-0333) refurbished 255 classrooms, rebuilt 2 major public markets, repaired 8 miles of highway, reconditioned 1 major hospital, built and repaired 2,404 homes and 50 apartments, provided water service to 1,154 relocated families and repaired 5,000 breaks in water lines. In 1990, reconstruction efforts will continue and will concentrate on public building repair and reconstruction (e.g., schools, markets, health facilities and low-income housing).

In its continuing effort to help those individuals, mainly rural poor, who have had their lives uprooted by the war, during 1989 the Mission funded assistance to Displaced Persons (DPs) via several PVO groups. These PVOs helped 340 families resettle permanently, funded resettlement projects in 53 DP communities and distributed 5,300 agriculture starter packages to DP families. Progress in significantly reducing the numbers of people in DP status was slowed by the November offensive and management problems within GOES implementing agencies and PVOs. In 1990, plans are to permanently resettle 1,200 displaced families, distribute 500 agricultural starter packages, construct or reconstruct 1,000 shelters and complete a census and registry of DPs.

The Mission supports, with HCOLC funding, the GOES's efforts via CONARA's Regional Development and Municipalities in Action programs to provide basic infrastructure services to low income areas in a "grass roots" participatory way. As shown in the Mission's Program Indicators, in 1989, these efforts culminated in over 60,000 Salvadorans attending 480 open town meetings to select more than an estimated 2,300 basic infrastructure projects. These projects have benefitted approximately 1.7 million Salvadoran citizens most of whom are among the rural poor. For 1990 similar numbers of participants and beneficiaries are expected.

GOAL: Long-Term Growth
OBJECTIVE: Increase Agricultural Production

In 1989, efforts continued to help the GOES resolve the agriculture sector constraints laid out in the CDSS, and thereby achieve the Mission's 1990-1994 policy and program targets. On the policy side, legislation was passed which privatized the National Coffee Board (INCAFE); now any processor can legally export coffee provided the exports are registered and the foreign exchange is remitted through the Central Bank. The GOES has established a price band for imported basic grains which links internal prices with international border prices; and the Government has dismantled the State owned grain marketing board. It is now legal for anyone to buy and sell basic grains, and prices are no longer set by the Government. The National School of Agriculture (ENA) has been privatized. The GOES has agreed to establish a separate institution, outside of FINATA, to house the Land Bank. GOES is also moving rapidly toward privatization of the National Coffee Research Foundation (ISIC). It is planned that it will be fully privatized by the end of March 1990.

Complementary program support to this policy initiative will begin in FY 91 with the design of the Coffee Technology Enhancement Project (519-0362). Finally, the GOES and USAID have agreed on a program which will end the BFA's non-banking activities and increase its administrative efficiency. A memorandum of understanding to this effect has been prepared and is pending signature of both parties.

On the institutional side, the agrarian reform institutions have developed their goals and objectives related to titling, land parcelization, and new land tenure options (see figures in Table 2). The GOES drafted a new Agrarian Law which treats, inter alia the rights of agrarian reform beneficiaries. Twelve agrarian reform coops (Phase I and Phase III) are successfully producing Non-Traditional Agricultural Exports (NTAE) and exporting them to the United States. Technical assistance and financing to these coops has been provided under USAID projects with NCBA/CLUSA, TECHNOSERVE, FUSADES/DIVAGRO, and the Agrarian Reform Financing Project. New NTAE processing facilities were financed under the private sector component of the Water Management Project. The Small Farmer Commercial Farming enhancement project, slated for FY 91, will further our efforts in this area.

A local currency financed project to introduce sustainable farming on hillsides was initiated. This effort incorporates soil conservation and other natural resource management practices into the farming systems of small farmers and agrarian reform beneficiaries. It is a pilot activity which is expected to lead to a major dollar funded effort in FY 91 (Sustainable Agricultural Production 519-0374). Development of a national environment/natural resources management strategy is being initiated with a local Non-Government Organization (NGO) and the Ministry of Agriculture (see Table 2 for targets on land being farmed with environmentally sound practices).

OBJECTIVES: Strengthen the Private Sector and Promote Exports

A series of factors, exogenous to El Salvador's private sector per se, limited progress under this objective. Early in the planning period uncertainty about the outcome of the national elections, held in March 1989, inhibited investors from making commitments relative to the expansion of on-going enterprises or to launching new ventures. In addition, the economic adjustment program, particularly its anti-inflationary "tight money" monetary component, formulated by the Cristiani administration, while offering the promise of recovery in the medium-term, constrained, and will continue to constrain, investment possibilities in the short-run. Finally, as noted previously, the November FMLN offensive, in addition to the damage inflicted on private industry, dampened investor confidence.

In spite of these serious inhibiting factors some notable advances were made. Three new companies began operations in the San Bartolo Free Zone, and one existing tenant, INTEC, has expanded its operations within the zone. These investments, coupled with those made through the local currency credit lines, created 4,000 productive jobs during the past year. Moreover, negotiations between a major investment group and the Salvadoran Central Reserve Bank (BCR) relative to establishment of a privately owned and operated free zone are nearing successful conclusion, and we anticipate the initiation of

construction activities shortly. This fact, coupled with the retooling of FUSADES export promotion and investment activities, currently underway in conjunction with a FY 90 amendment to our on-going Industrial Stabilization Project (519-0287), hold promise for accelerating investment and job creation in the future.

Our private sector institutional strengthening activities made progress as the Chamber of Commerce, Salvadoran Association of Industrialists (ASI), and Junior Achievement have continued with their efforts of providing management and technical training for their constituency. More important is the headway made with the GOES on privatizing public owned enterprises. With direct support from the Mission, the GOES is finalizing a plan to privatize the banking system, as noted above, and to divest itself of other ventures--most notably, the San Bartolo Free Zone, a fishing complex, a sugar mill, a textile factory and a hotel.

Small and microenterprise businesses have been affected to a degree, at least equal to the rest of the private sector, by the events of this past year. For example, approximately 30 percent of the PROPEMI portfolio was affected by FMLN attacks. Nonetheless, some progress and accomplishments were realized. PROPEMI provided training to hundreds of small entrepreneurs and PROPEMI projects combined with local currency resources furnished over 10,000 credits to the sub-sector. These credits, in turn generated over 24,000 jobs during the reporting period. Mission involvement in this area will be significantly expanded by the Microenterprise Development Project scheduled for obligation in the third quarter of FY 90.

GOAL: Spreading the Benefits of Growth
OBJECTIVE: Increase Access to Voluntary Family Planning Services

As reflected by in the Mission Program Indicators, steady progress continued to be made in 1989 toward the Mission's 1994 CDSS target of expanding coverage of the Mission's supported family planning programs so that 53 percent of couples are reached. Couple-Years-of-Protection (CYP) increased from 419,000 in 1988 to 435,000 in 1989. This increase is due to, among other things, the following 1989 program actions:

- o The Salvadoran Demographic Association's (SDA) rural contraceptive distribution program increased coverage by 10 percent through better supervision;
- o Seventy nine new rural, private sector distribution posts were opened (this brings the total to 800 outlets which provide 6,000 CYP);
- o Under SDA's Social Marketing Program, 60 new points of purchase were opened, bringing total up to 1,058 small stores and 909 pharmacies; overall this program increased coverage by twenty percent up to 39,000 CYPs;
- o SDA provided clinical services for 81,000 CYP in 1989. A multi-year follow on project with the SDA, scheduled for obligation in the third quarter of FY 90, will continue and expand upon the progress made to date through the CDSS period.

The public sector family planning program did not measure up to expectation in CY 89 due to lack of a firm commitment on the part of the MOH leadership to aggressively implement the Government's enlightened policy adopted in 1988, and philosophical disagreements on the matter among Ministry personnel. As noted earlier, in future policy dialogue with the GOES, the Mission will emphasize the prudence of moving forward on this front. On the program side, the MOH obtained 240,000 CYP in their clinical program in 1989. Also noteworthy was a new agreement with the Ministry of Agriculture, under which the Ministry of Health will train more than 1,000 key rural leaders in motivational techniques to improve Family Planning acceptance in the rural areas.

OBJECTIVES: Improve Health and Child Survival

The November 1989 offensive had an impact but hopefully not a permanent one on the steady decline in infant and child mortality (see Table 2) and on implementation of health programs. Some essential infrastructure was damaged i.e., the Zacatecoluca Hospital was closed for a period until emergency repairs could be made.

Through the APSISA Project, USAID continued commodity and institutional support to the country's health system. We also made notable progress in our efforts improve the delivery of rural preventive health services by convincing the MOH to combine three disparate health promoter programs (ARS, PROSAR, and HOPE) with a total of 580 health promoters into one, more efficient integrated Community Health Program.

Our efforts to promote rural preventive health delivery will be augmented by the new, Maternal Health, Child Survival PVO Project, being developed during FY 90 and a major amendment in FY 91 to the on-going Health Systems Support Project.

Limited emphasis on preventive health care, coupled with the crippling effects of automotive and industrial accidents, and compounded by the on-going civil war and the November offensive, accentuated the need for continued rehabilitation services for an estimated 570,000 disabled Salvadorans. During the year, with Mission help, 1,151 prosthetic devices for upper and lower limbs were produced and/or repaired; 1,932 amputees were evaluated medically; 342 health promoters were trained in rural rehabilitation techniques and rural outreach services for civilian amputees were established in all five regions. To continue these efforts, the Mission is planning a FY 1991 \$3,000,000 amendment to help the Teleton Foundation (FUNTER) expand its rehabilitation efforts; and a new HCOLC funded project with ISRI.

OBJECTIVE: Improve Educational Opportunities

The new GOES administration quickly made itself felt in 1989 as the Ministry of Education underwent a reorganization, reducing administrative positions from an estimated 30 percent of the personnel employed, to 22 percent. This was accomplished by reassigning administrators to teaching positions. The MOH, faced with a surplus of over 5,000 trained, unemployed primary teachers,

has announced a plan to suspend teacher training in the thirteen Institutes of Technology, where primary teachers are now trained, while a new consolidated and much improved teacher training program is developed. The MOE has developed a supervision unit, and is making long-range plans to decentralize its personnel system.

During the past year, progress also continued in improving access to primary education, to illustrate: 100 new classrooms were constructed, and 1,600 were rehabilitated. Approximately 32,000 school desks were repaired, at one third the cost of new purchases. Two regional education centers were completed and began operation, providing maintenance and warehousing space as well as office space for regional education officers. Two new buildings have been completed for the Ciudadela Don Bosco campus, which will provide education for K through grade nine, for 1,000 students annually. This will serve Soyapango, one of the poorest areas of the capital, and one which was hardest hit by the recent guerrilla assault. As noted previously, this progress on the access front has established the framework for a major demarche to improve the quality of primary education. This initiative will begin, in earnest, in FY 90 with the design of the Strengthening Achievement in Basic Education Project.

Major achievements were made during the year in training. In support of the GOES' new export-led economic model, A.I.D. support to FEPADE financed the training of over 1,000 people in technical vocational and non-traditional exports; and an additional 322 individuals in business management. Mission participation in vocational training will be expanded in FY 91 through a major amendment to the FEPADE (519-0315) project.

GOAL: Strengthen Democratic Institutions
OBJECTIVE: Strengthen Democratic Institutions

Mission efforts to improve El Salvador's democratic processes made considerable progress during the planning period. Most notable were the national elections held in March 1989, which saw the peaceful transition of power from one political party to another. Local currency resources were used to support this process by financing the registration of over 1 million voters and the participation of international observers to assure that the election was fraud-free.

Significant gains were also made on the legislative front as the National Revisory Commission secured the passage of several important laws--(1) the National Council of the Judiciary to depoliticize the appointment of judges; (2) a new State of Exception Law; (3) the Use of the Surname Law to end discrimination against women and children born out of wedlock; and amendments to criminal procedures, and minors codes as they relate to the protection of minors. It is anticipated that several more new laws (e.g., Beneficiary Rights Law, Adoption Law, and Reforms to the Jury System, and Plenary Phase of the Criminal Procedure) will be passed during this planning period.

Progress continued in improving court administration. Almost 250 judges, Justices of the Peace and court administrators were trained in case resolution and court procedure. Law libraries were established in three main judicial centers (San Salvador, Santa Ana and San Miguel) and librarians were trained

to manage these institutions. And, a program of mobile courts was instituted to eliminate the backlog of cases at the lower court level. Two such courts were put into operation in 1989 and two more are planned for 1990. The Human Rights Division of the Solicitor General's Office entertained more than 1,000 requests for information on missing or jailed, and interviewed over 1,200 hundred people who had been detained, securing the release of almost 90 percent of these individuals. The Human Rights Division also conducted seminars on the rights and duties of both the State and private citizens for over 18,000 police, military and civilians. These advances will be continued by a follow-on Judicial Reform project to be designed during the Action Plan period.

The Special Investigative Unit (SIU) and the Forensic Laboratory played key roles in the rapid, professional investigation of the Jesuits' murder case and are currently participating in the investigation of 20 cases. While the management of this activity has been transferred to the State Department, ESF generated local currencies will continue to supply counterpart resources to further the work of these units.

With dollar funding through AIFLD, the Mission sustained its efforts to strengthen El Salvador's democratic labor movement, improve labor management relations and provide assistance to rural campesino organization programs. Specific achievements included: (1) graduation of 80 students from a construction skills training center; and (2) the training of over 10,000 union members in collective bargaining, arbitration, negotiation, trade union organization, union management and voter participation. In a related area, the Mission signed a dollar grant agreement with the Salvadoran Foundation for the Prevention of Occupational Hazards (FIPRO). This project will promote utilization of safety methods to improve the health and physical integrity of workers. It will also help depolarize Salvadoran society by bringing labor and management together on issues of common interest.

The Mission also supported activities related to the Legislative Assembly. Through our dollar funded project, a legislative library and data bank were created and an annotated indexed version of the Constitution was prepared. In addition, the project financed two seminars for all Assembly members relative to the functioning of a modern legislature. A follow-on project, to be obligated in FY 90 will build upon these initiatives.

The Mission also supported the development of democracy in El Salvador by strengthening local government. With A.I.D. financing, ISDEM has trained hundreds of municipal authorities in various fields of public administration. The MEA program, in addition to financing needed local infrastructure projects, enabled tens of thousands of Salvadorans to participate directly in matters which affect their lives through open town meetings. These efforts were complemented by the 280 new CAPS scholars who began training in FY 1989 in leadership and technical areas. Dollar and local currency projects will continue these activities throughout the planning period.

III. NEW PROGRAM INITIATIVES

A. SUMMARY STATEMENT

Current plans call for the design of two new projects and four amendments in FY 1991 and two new projects in FY 1992.

NEW PROJECTS AND AMENDMENTS FOR FY 1991

(\$000)

Coffee Technology Enhancement (519-0362)	LOP - \$12,000 ARDN (G)
Sustainable Agricultural Production (519-0374)	LOP - \$30,000 ARDN (G)
Health Systems Support Amendment (519-0308)	LOP - \$60,500 HE (G), \$12,000 add on
Training for Productivity and Competitiveness Amendment (519-0315)	LOP - \$20,000 EHR, ESF (G), \$6,000 add on
Technical Support, Policy Analysis and Training Amendment (519-0349)	LOP - \$25,000 ESF (G), \$8,000 add on
Rehabilitation Services OPG Amendment (519-0346)	LOP - \$ 6,350 HE (G), \$3,000 add on

NEW PROJECTS FOR FY 1992

Judicial Sector Strengthening (519-0376)	LOP - \$15,000 ESF (G)
Small Farmer Commercial Farming Enhancement (519-0351)	LOP - \$15,000 ARDN (G)

The two new FY 1991 project starts are key efforts linked to the FY 1990-1994 CDSS strategy to assist El Salvador stimulate production of its principal export - coffee (519-0362) and conserve and protect its increasingly pressured natural resource base (519-0374). The four FY 1991 project amendments will continue on-going efforts to support the Ministry of Health in maintaining basic health care systems and expanding coverage (519-0308); reinforce the Teleton Foundation's efforts to provide rehabilitation services for the civilian handicapped population, especially in rural areas (519-0346); further upgrade, in quality and quantity, El Salvador's workforce via vocational and technical training programs carried out by FEPADE (The Foundation of Entrepreneurs for Educational Development) (519-0315); and enhance Salvadoran capabilities to identify and address priority development programs, undertake policy and strategy reform, and improve program and project implementation (519-0349).

The two new FY 1992 project starts will, as called for in the FY 1990-1994 CDSS, sustain U.S. efforts to strengthen democratic institutions, particularly in the judicial sector (519-0376); and diversify and commercialize small farmer agricultural production to achieve increased production and income, as well as foreign exchange earnings (519-0351).

See Annex A for the complete FY 1991 and FY 1992 NPDs.

IV. RESOURCE REQUIREMENTS

A. Program Levels

1. Overall Needs

DA, ESF and PL-480 resource levels required to carry out the Mission's ongoing program and proposed new activities for FY 1991 and FY 1992 are presented in detail in the Summary Program Funding Table (see Annex B). In synthesis, they are as follows:

FY 1990 to FY 1992 Resource Levels
(\$ millions)

	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>
DA	58,818	64,118	64,118
ESF	130,615	180,000	180,000
PL-480			
Title I	35,000	35,000	35,000
Title II	5,600	5,600	5,600
TOTAL	230,033	284,718	284,718

The levels and types of assistance are justified in the Mission's FY 1990-1994 CDSS approved last year and reaffirmed in Section I of this Action Plan. It is especially important that ESF support levels be maintained to avoid major disruptive reductions in social services and to maintain progress in improving economic policies.

2. Mortgages Analysis

The Summary Mortgage Analysis (see Annex B, 2) shows that the mortgage can be financed during the Action Plan period with planned funding levels. There are no fundamental problems and the Mission's mortgage drops over the planning period as the number of new starts declines from nine new projects in FY 90 to two new projects a year in FY 91 and FY 92 plus amendments.

In FY 90, the overall portfolio mortgage is estimated at \$185.5 million (\$117.4 DA and \$68.1 ESF). In FY 91 the total mortgage is \$137.5 million (DA \$113 and projected ESF \$24.5). In FY 92, the total mortgage drops to \$82.1 million (\$71.0 DA and projected ESF \$10.1).

3. Pipeline Analysis

Analysis of the Mission's pipeline also shows that there are no serious difficulties. As reported at the last Semi-Annual Portfolio Review (SAR), the FY 1989 pipeline liquidation rate was 41.2 percent for FY 1989 and has averaged 42.6 percent over the last five fiscal years. During the Action Plan period, the Mission expects to maintain, if not improve upon, this more than acceptable implementation pace.

B. Management and Staffing

1. Portfolio Management

Despite nine new starts in FY 90, the Mission will, nonetheless during the next year, be able to maintain the downward trend in the number of management units. For dollar funded activities, the USAID began FY 90 with 31 active projects, and will begin FY 91 with the same number. However, by the end of FY 91, the Mission projects an active portfolio of only 29 dollar funded projects, with a further reduction planned for FY 92. With respect to local currency, the Mission has reduced the number of management units from 100 to approximately 60, and we hope further reductions can be achieved in FYs 91 and 92.

Despite this consolidation trend, the Mission's staff continues to be overworked due to complex Project implementation problems. For example, greater staff time has had to be devoted to resolving implementation problems facing the private sector portfolio, resulting from interest rate changes and other macro-economic reforms in the GOES' structural adjustment program. Projects in our more traditional areas of emphasis -- health and education, for example -- have also become more complex, as we have shifted our emphasis from commodity support and reconstruction respectively, to institutional development and policy reform, much more thorny problem areas. Staff resources freed up from project management responsibilities have, therefore, quickly been employed on policy analysis and other tasks related to policy dialogue and negotiation with host country officials.

Finally, the overwhelming audit workload, associated with resolving RIG and non-federal audit recommendations as well as meeting the greatly increased accountability requirements for both appropriated dollars and host-country owned local currency has similarly strained Mission technical and staff offices. During FY 1989, the Mission had to respond to 100 separate recommendations and recommendation sub-parts. In addition, the Mission and the GOES commissioned audits of 51 host country agencies, analyzed these reports, and negotiated a certification process with the Government to assure all audit findings are addressed and adequate financial controls exist for jointly-programmed host country owned local currency. Moreover, in our efforts to enhance the financial management capability of counterpart organizations, we have recently embarked on a program to improve the financial control capacity of 80 municipalities.

In conclusion, while the Mission's portfolio has been reduced, it has become more complex to manage, requiring the full utilization of all Mission staff, as well as the contracting of numerous independent CPA firms, other private contractors, and PSCs.

2. Staffing

To design and implement our program and thereby achieve this Action Plan's objectives, we must maintain our current work force levels. To be sure, the number of new starts is down compared to previous years. But as pointed out above, in FY 91 the Mission will still have have a sizeable design burden, not to mention the implementation responsibilities associated with our large and

diversified portfolio. The fall 1989 PPC review of the Mission's Management Profile, while not yet complete, will reveal, we believe, that USAID El Salvador's management workload is among the highest in the world. As a point of fact, the staff has functioned under a chronic "overload" status since the program's dramatic expansion in the mid 1980's--a situation which has serious ramifications for sustaining morale and productivity. Maintenance of current staff size and composition, as detailed in the table below, in spite of a possible decline in resource levels, will simply adjust for past imbalances and bring personnel strength more in line with workload requirements.

STAFFING CHART

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
USDH (Full-time)	40	40	40
US/PSC	33	33	33
FSN/DH	43	43	43
FSN/PSC	165	165	165
TCN	<u>4</u>	<u>4</u>	<u>4</u>
TOTAL	285	285	285

There is a critical need to improve the personnel assignment process. The Mission currently has five USDH vacancies, some of which (e.g., Assistant Program Officer, Deputy Democratic Initiatives Officer) are long-standing. In the FY 90 cycle, an additional 11 US direct hires (27 percent of our direct-hire staff) are rotating out to onward assignments. As of this writing, replacements for a number of these positions are not yet on the horizon. Even when replacements are identified and arrive, there is a learning curve period of at least several months which mitigates against achievement of peak operating efficiency.

To this must be added the OE funded PSC question. There are 8 OE funded contractors in the Mission whose salary level exceeds \$3,000 per month. Although we have, in other fora, explained to AID/W the critical role these individuals play in the Mission operations, we still do not have a Washington determination as to whether or not we can continue to employ them. If we are not permitted to maintain the services of these contractors, the Mission staffing situation becomes even more dire. Should this come to pass, the only recourse would be an equivalent number of additional US direct hires. Clearly, an issue to be joined at the program review is the need for improved efficiency in the assignment process.

C. Operating Expense/Trust Funds

OE dollar and Trust Fund levels needed to effectively implement the Mission's program during the Action Plan period are shown in detail in Annex B, 3. and are as follows:

Operating Expenses (\$000)

	<u>Dollars</u>	<u>Trust Fund</u>	<u>Total</u>
FY 1990	3.5	\$ 5.4	\$ 8.9
FY 1991	3.5	\$ 5.4	\$ 8.9
FY 1992	3.5	\$ 5.4	\$ 8.9

It is our understanding that AID/W has estimated Mission OE dollar needs at less than 3.5 million per annum from FY 90 to FY 93. Mission analysis of FY 1989 dollar disbursements, supported by both OE dollar budget and trust funds indicate a minimal dollar requirement of \$3.5 million. The Mission notes that our OE dollar level continues to decline while trust fund expenditures have increased from 4.3 million to 5.4 million. We can not afford to take further cuts in our estimated OE dollar level nor can we continue to rely on a ready supply of OE Trust Funds. With decreasing levels of ESF Balance of Payment resources, our ability to negotiate higher levels of OE Trust Funds becomes increasingly difficult. Moreover as the proportion of OE budget drawn from Local Currency Trust Fund increases, so does the risk of Mission operations becoming hostage to the disposition of the host government.

Furthermore, being obliged to operate with a high reliance on Trust Funds subjects the Mission's operations to the vagaries of the economy. Any devaluation of the Salvadoran Colon will automatically reduce the purchasing power of our existing funds. From August 1989 to February 1990, our trust fund lost 48 percent of its US dollar value due to devaluation of the Salvadoran currency. Simultaneously, recent devaluation has resulted in increased prices in the local economy so the colones bought less.

To protect the Mission in the future, it is imperative that our OE dollar budget be maintained at a level necessary to support dollar expenditures without resorting to reverse accommodation exchange. To properly backstop our level of program operations and maintain a degree of independence, we require an increase to \$3.5 million in each of the three years governed by this Action Plan.

Should our dollar budget be cut and if we are not able to negotiate an increase in Trust Funds commensurate with the colon's loss of purchasing power, we will have no choice but to drastically reduce our scale of operations. For example, we would be obliged to implement stringent reductions in our EXO services which would have a detrimental effect on our ability to recruit and retain staff in a post where it is already difficult to do so due to the high security threat. Reductions in service would of necessity include the leasing of lesser quality houses as well as a reduction of maintenance services. We would also have to review all our US/PSCs, who are paid in dollars, to determine whether the Mission can afford to continue procurement of such services as security, computer coordinator, personnel, and financial advisors.

A severe cut in OE funds will also have detrimental effects on our already strained training budget and travel limitations. These cuts will ultimately mean a decrease in productivity because of the lowered morale. There would also be no or very limited procurement of new Non-Expendable Property (NXP). Replacement cycles for NXP would be expanded with the hope that existing equipment would last throughout the expanded period and that funds would still be available for repair and spare parts.

As the Mission continues to fine tune its operation, certain expenditures in the NXP area are needed. The minimum needed for essential NXP procurement in FY 90 is \$465,000. The major NXP procurements are in the computer area. Our priorities are as follows:

Computer Upgrade and Replacement Equipment (\$300,000): The Mission has many work stations, printers, and PCs that have exceeded their normal life expectancy. To continue with this outdated equipment presents the severe disadvantage of increased maintenance costs and curtailed improvements in efficiency. By procuring updated computer hardware, we will improve our productivity, while reducing OE expenses in the long-term. Included in the proposed new equipment procurement package are additional printers, work stations, a Modem to interface with AID/W and a large number of updated programs including Word Perfect, Page Maker, Harvard Graphics, Lotus 1-2-3, and Word Processing. Total minimum amount needed in this area for replacement and new procurement is \$300,000.

Replacement Residential Furnishing and Equipment (\$35,000): Even with extended replacement cycles, electrical appliances burn out and carpets get damaged. Electrical appliances have a reduced life expectancy in El Salvador due to the constant brown-outs and severe power fluctuations. Heavy rains for six months of the year and the subsequent mildew causes carpets to deteriorate. Minimum amount needed in this area for replacement procurement is \$35,000.

Vehicle Replacement Program (\$110,000): Under the present Agency vehicle replacement program, we have six (6) vehicles that are for replacement because of age. Of these six, two already exceed the replacement mileage for the vehicles. All will exceed the mileage by the time replacement vehicles can be procured and arrive at Post. Due to the high security threat at Post, all of our vehicles are armored. The extra weight of the armoring adds extra problems to the maintenance of the vehicles. To replace these six vehicles a total of \$110,000 will be needed.

Spare Parts for Building Equipment (\$20,000): The new building, which the Mission purchased, has now been occupied for over one year. The warranty that came with the building was for one year. We must now consider having certain high cost spare parts available for replacement should we have equipment break downs. Our primary concern is the air conditioning (AC) systems and the elevators. We need to have several spare compressors available for the AC and a spare motor and transmission for the elevators. It is estimated that a minimum of \$20,000 will be necessary for this procurement.

D. Local Currency

Host Country Owned Local Currency (HCOLC) generations from the Balance of Payments/ESF and PL-480 agreements continue to be programmed bilaterally through negotiations with the GOES. The objectives of the HCOLC program are to enhance the capacity of the Government of El Salvador to design, manage and support its economic and social development programs; and to further United States Government development and policy objectives in El Salvador. HCOLC generations are used to: (1) stabilize a deteriorating economy, and a fragile

social situation; (2) achieve recovery and sustained economic growth; (3) broaden the benefits of growth; and (4) strengthen the democratic process.

In November 1989, the Mission issued a revised Mission Operations Manual (MOM) on local currency to provide guidelines on the programming, management, monitoring and evaluation of activities financed with HCOLC. The revamped system clarifies Mission and GOES responsibilities relative to the program and facilitates achievement of our objectives to: enhance the GOES' capacity to design and manage development programs, ensure appropriate use of funds, and maximize development impact. It has helped clarify GOES HCOLC management responsibility; and has reduced the number of projectized activities from 100 in 1988/1989 to approximately 60 in CY 1990. There are now three HCOLC funding categories: (1) counterpart for A.I.D. projects, (2) funding for specific high priority projectized activities such as private sector credit lines, or regional development projects and; (3) funding for general budget support to GOES development programs, such as activities in health, education and agriculture and counterpart for other donor projects.

During the joint programming exercise for FY 1989 local currency generations (which are actually expended in CY 1990), the Mission and the GOES agreed on the following uses: (1) GOES counterpart for A.I.D. projects \$30.7 million (17 percent); (2) Private sector projectized support for credit lines and PVOs, etc., \$27.1 million (15 percent), GOES projectized support \$48.2 million (27 percent); and (3) GOES budget support \$63.3 million (36 percent). Funds attributed to the GOES' national budget are used for programs in the agricultural, education and health sectors. A.I.D. also received \$9.2 million (5 percent) for its OE and program trust fund.

Projected uses for FY 1990 HCOLC generations are: \$21.4 million for GOES counterpart for A.I.D. projects; \$24.4 for Private Sector projectized support (including support for PVOs), \$43.0 for GOES high priority development projects; and \$35.7 million for sectoral budget support (agriculture, health and education) to be channeled under the GOES' ordinary budget. The Mission's program trust fund and OE trust fund will receive \$8.4 million. Note that the FY 1990 figures are illustrative only and subject to negotiation with the GOES.

Mission has tentatively programmed funding levels for the Action Plan period as follows:

<u>Components</u>	<u>FY 1991</u>		<u>FY 1992</u>	
	<u>amount</u>	<u>%</u>	<u>amount</u>	<u>%</u>
(1) GOES counterpart for A.I.D. projects	\$ 25.0	15	\$ 35.0	21
(2) a. Private sector support/credit lines/PVOs	36.0	21	33.0	19
b. GOES development projects	66.6	39	59.7	35
(3) GOES budget support	35.0	21	35.0	21
(4) A.I.D. OE and Program Trust Fund	7.4	4	7.3	4
TOTAL	\$170.0	100	\$170.0	100

As in the past, all local currency received under ESF or PL-480 agreements will be placed in separate accounts at the Central Bank (BCR). Undisbursed balances of funds assigned to implementing agencies will remain in the BCR, in

project specific accounts. Implementing agencies, for projectized activities and for counterpart to A.I.D. projects, will receive local currency only in accordance with an action plan approved by MIPLAN and A.I.D. The Mission will fulfill 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. For the general budget support component, which is attributed to the national budget, A.I.D. and the Ministry of Finance will agree on line items to receive funding. The Ministry of Finance will provide A.I.D. periodic reports on expenditures. For funds used by the Mission under its Trust Fund arrangement, A.I.D. will report our uses of funds to the GOES.

The November 29, 1989 Memo on Guidelines for Drafting FY 91-92 Action Plan states "Please note that because of the continuing interest of the IG, Congress and the OMB in the uses of local currency, Missions will be required to discuss the program uses of it in the Action Plan" (Section III, page 5). With this in mind in addition to the general information about the three uses of HCOLC, i.e., counterpart to A.I.D. projects, high priority individual project activities, and general budget support given above, we have provided in Annex B,4 illustrative information about seven high priority development activities, wholly HCOLC funded, that complement GOES and USAID/El Salvador efforts in agriculture, education, health, regional development, local government, and PVO development. This is not a complete list of all projects but is a representative sample of ongoing and planned activities.

V. MISSION AND AID/W INITIATED ISSUES

V. MISSION ISSUES:

- A. Need to maintain planned ESF Balance of Payment levels for FY 1991 and FY 1992.
- B. Overall Mission Staffing situation including the need for improved efficiency in the personnel assignment process for El Salvador and the need for a decision on OE funded PSCs.

VI. ANNEXES

NEW PROGRAM INITIATIVES

<u>Fiscal</u> <u>Year</u>	<u>Project Title and Number</u>	<u>Type (New or</u> <u>Amendment</u>	<u>Functional</u> <u>Account</u>	<u>Amount (\$000)</u>	
				<u>Amend.</u>	<u>LOP</u>
1991	Health Systems Support	510-0308	Amendment	DA	12,000 60,500
1991	Training for Productivity and Competiveness	519-0315	Amendment	ESF	6,000 20,000
1991	Rehabilitation Services OPG	519-0346	Amendment	DA	3,000 6,350
1991	Technical Support, Policy Analysis and Training	519-0349	Amendment	ESF	8,000 25,000
1991	Coffee Technology Enhancement	519-0362	New	DA	- 12,000
1991	Sustainable Agricultural	519-0374	New	DA	- 30,000
1992	Small Farmer Commercial	519-0351	New	DA	- 15,000
1992	Judicial Sector Strengthening	519-0376	New	ESF	- 15,000

FY 91 NEW PROJECT DESCRIPTION

PROJECT: Coffee Technology Enhancement
PROJECT NUMBER: 519-0362
PROJECT FUNDING: (\$000) FY 91: \$6,000 (G) LOP: \$12,000 (G)
FUNCTIONAL ACCOUNT: Agriculture, Rural Development and Nutrition

A. Relationship to A.I.D. Country Strategy/Objectives: The USAID/El Salvador has embarked on a major effort to stimulate export production, particularly in the non-traditional areas. However, coffee will remain the key export, foreign exchange and tax generator for the country in the short run. Moreover, it is a primary source of income and employment for tens of thousands of small and medium size farmers, and an equal number of other rural residents who obtain temporary work during the harvest. Previously, GOES policy disincentives and state intervention in the coffee sector reduced investment. This created a technology lag, resulting in an approximate 40 percent drop in coffee production over the last eight years. The Mission has targeted coffee as a crucial investment area over the upcoming CDSS period. Recently, the GOES has implemented a set of policies which address many of the constraints affecting coffee production such as the exchange rate, the export tax, parastatal involvement and liberalization of coffee marketing. These were key elements of the Mission's overall economic and specific agricultural policy agendas. On technical and institutional levels, the Mission has identified problems and potential solutions in areas such as high-yielding and disease resistant seeds, plant spacing, pest control, research and extension, and institutional support for small farmers. The Coffee Technology Enhancement Project will address these technical and institutional constraints and well as deal with financial and social obstacles to reinvigorating the sector.

B. Relationship to Host Country and Other Donors: As noted above, coffee is El Salvador's leading industry in terms of exports, foreign exchange earnings, tax revenues and employment. No other international donors are directly involved in the coffee industry, although several have been assisting in improving the general effectiveness and organization of the Ministry of Agriculture. The new government has taken steps to improve the policy environment, and it recognizes the need to improve the technological and institutional environment. The GOES will encourage measures to assist the coffee industry and provide incentives for private sector industry groups to begin their own programs of technical and management assistance.

C. Conformance with Agency and Bureau Policies: The planned project will implement principal A.I.D. policies in terms of privatizing coffee research and extension, technology transfer to improve productivity of small farmers, institutional strengthening by facilitating the viability of coffee federations, and natural resource management.

D. Project Description: The goal of the project is to increase family incomes of small and medium size farmers, and to increase foreign exchange earnings. The purpose is to improve the level and quality of coffee production of medium and small-scale producers. The project will concentrate

on ameliorating technological constraints affecting small coffee farmers and enhancing the institutional capabilities of the Salvadoran Coffee Council, the privatized Coffee Research Institute and private sector intermediary groups. The five year effort will include three components:

- i. Salvadoran Coffee Council (CSC) Activities will be financed to develop the organizational, management and financial structure of the CSC, which will identify and promote policy reforms as appropriate in the public and private sectors on issues related to coffee.
- ii. Salvadoran Coffee Research Institute (ISIC) The project will: assist the government in its efforts to privatize the institution; finance activities to develop the organizational, management and financial structure of the privatized ISIC; and seek to strengthen and rehabilitate the technology development and extension capabilities of ISIC. A key aspect of this assistance will be to create on-farm processing facilities to assure that groups of producers have the opportunity to market the highest quality beans.
- iii. Coffee Federations and Other Intermediaries The project will provide assistance in strengthening organizational, management and financial structures, as well as developing self-sustaining private sector extension capabilities to coordinate with ISIC programs. These groups will be the principal linkages for the delivery of project benefits to the small and medium farmers.

By the end of the Project, coffee production is expected to increase by as much as 25 percent. Primary beneficiaries, approximately 27,000 small and medium size farmers, will receive the preponderance of technical assistance, training and technology packages, thereby increasing the incomes of rural farm families and in so doing, contributing to broadening the benefits of growth. Approximately 25 percent of the planned beneficiaries are women and measures will be taken to assure them participation in the Project.

Implementing Agencies and Method of Obligation: ISIC will be the implementing agency. The Institute will develop linkages with coffee federations, the Coffee Council and appropriate government agencies to assure proper information exchange and coordinated implementation. Obligation of funds will be effected by the signing of a cooperative agreement with ISIC in accordance with procedures outlined in Handbook 13.

E. Mission Management: A USDH employee in the Rural Development Office will assume responsibility for Project monitoring. This officer will supervise a foreign service national and any technical assistance teams supplied to the Project.

F. PID and PP Approval: USAID/El Salvador requests Bureau concurrence for the Mission Director's use of his delegation of authority to approve the PID and PP at post. The Bureau concurred with this request in last year's Action Plan review.

G. Potential Issues: The continuing civil strife and credit availability, and how they will impact on coffee production; and the transition of a public sector organization, ISIC, to the private sector.

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

I. Estimated PID Approval: 2/90 PP Approval: 10/90

FY 91 New Project Description

PROJECT: Sustainable Agricultural Production
PROJECT NUMBER: 519-0374
PROJECT FUNDING: (\$000) FY 91: \$7,000 LOP: \$30,000 (G)
FUNCTIONAL ACCOUNT: Agriculture, Rural Development and Nutrition

A. Relationship to A.I.D. Country Strategy/Objectives: El Salvador has reached a critical development stage in that natural resource degradation will restrain general efforts to improve the lot of farmers and rural enterprises. As the most densely populated country in the hemisphere, El Salvador faces extreme pressures on its limited land resources and forests. Traditional agricultural practices, by hundreds of thousands of small land owners and renters, have depleted soil quality. As a result, estuary systems, upland watersheds and the resource base have suffered. As discussed at length in the FY 1990-94 CDSS, the Mission strategic objective for the environment and natural resources is to help El Salvador conserve and protect its resources, and to promote long-term economic growth by managing exploited resources for sustainable yields.

B. Relationship to Host Country and Other Donors: In the past, private and public leaders, and the general population have lacked awareness of the integral nature of natural resource management. Changes have occurred recently, in that the government has begun to take positive steps, including a pilot project in upland sustainable agriculture, several tree planting campaigns and renewed interest in integrated pest management practices. The government participates in the Central American Presidents' Environmental Committee and has appointed a chief environmental liaison officer as a result. A significant number of local NGO's (e.g., Salvadoran Ecological Foundation, Environmental Committee of Santa Tecla, Friends of the Earth, etc.) dedicated to environmental and ecological concerns have sprung up in the past few years. Most lack proper legal status and necessary financial resources; however, this movement illustrates a growing awareness and commitment to improve the situation.

C. Conformance with Agency and Bureau Policies: The Project supports major Agency initiatives in the areas of policy reform regarding the development of enforceable and integrated environmental policies. Moreover, it will complement the recently approved Regional Natural Resources Management (RENARM) project, which gives special emphasis to strengthening the capabilities of non governmental organizations and technology transfer of sustainable agricultural practices to support long-term equitable growth. We expect to draw upon the RENARM project in support of activities in this Project directed to improving the policy framework and in strengthening the NGO community's technical skills in this field.

D. Project Description: The purpose of the Project is to improve small farmer agricultural production and productivity on a sustainable basis, and improve the natural resource framework within the country. The Project will concentrate on two components: macro natural resource activities and sustainable agricultural systems. The macro activities will facilitate the development of sound natural resource management policies (particularly regarding estuarian ecosystem protection, biodiversity maintenance, and the strengthening of forest reserves) through studies and technical assistance. This component will also provide technical assistance and financial support for information and education programs developed and implemented by the public and private sectors to raise public consciousness of environmental issues. The sustainable agricultural component will replicate technical assistance and training programs developed under a local currency funded pilot project to introduce environmentally sound farming practices (e.g., terracing, new cropping systems) that will enable farmers to protect the soil base while also increasing and diversifying production. This component will also explore other activities such as reforestation and the introduction of integrated pest management practices to agricultural production.

Primary beneficiaries of the project will be approximately 40,000 small farmers, of which about 30 percent are women. Key outputs will include substantial increases in food grain production, hectares under improved practices and farmers practicing diversification, and improvements in forest reserve protection, estuary systems and nutritional status.

Implementing Agencies and Methods of Obligations: The Ministry of Agriculture and Livestock will be the lead implementing agency, supported by and responsible for the coordination of the activities of one or more PVOs, including U.S. and local groups. The Mission will effect obligation through a Handbook 3 Grant Agreement, with one or more sub-obligations made through Handbook 13 subgrants or cooperative agreements.

E. Mission Management: A USDH in the Rural Development Office (or if one cannot be identified, a USPSC) will serve as overall project monitor with assistance of FSN support staff. This officer will supervise any technical assistance teams provided under the Project.

F. PID and PP Approval: USAID/El Salvador requests that the Bureau authorize the Mission Director to approve the PID and PP at post.

G. Potential Issues: The continued conflict presents special obstacles for the implementation of a Project of this nature, notably the issue of access to project sites. A second issue to be addressed is the ability of the GOES to make a substantial commitment to this sector given competing demands on its human and financial resources related to social stabilization and structural adjustment.

H. AID/W TDY Support for Project Development: Possible assistance from LAC/DR and/or S&T national resource and environmental personnel.

I. PID Approval: 1/91

PP Approval: 6/91

FY 1991 PROJECT AMENDMENT

PROJECT: Health Systems Support

PROJECT NUMBER: 519-0308

PROJECT FUNDING: (\$000) FY91: 3,500 HE (G)
LOP : 60,500 (G) (\$12,000 added)

FUNCTIONAL ACCOUNT: Health (HE)

A. Relationship to the A.I.D. Country Strategy/Objectives: The Mission's strategy for the health, population and nutrition sector for the FY 1990-94 CDSS period emphasizes: (1) shifting resources from curative to preventive services and from urban to rural populations; and (2) increasing the utilization and coordination of private sector health delivery systems. Although the Mission's five year strategy in the health sector gives increased emphasis to utilizing private sector providers, the Ministry of Health remains the key provider of health services to the poor. Accordingly, USAID will continue to provide institutional support to the MOH to strengthen basic systems and to expand rural preventive services.

B. Relationship to Host Country and Other Donors: The GOES 1989/94 Economic and Social Development Plan identifies poor planning and administration of resources, and inadequate human and financial resources, as the underlying causes for most major health problems that affect the populace. The GOES strategy is to decentralize and reorient financial, human and material resources toward the most needy population, especially mothers, newborn infants, and children under the age of five. As such, this Project directly supports the GOES' strategy. Other donor support will be coordinated through the Intersectorial Health Committee, that is chaired by the MOH.

C. Conformance with Agency and Bureau Policies: The Health Systems Support Project is consistent with Agency and LAC policies for Maternal/Child Health and Child Survival activities. In addition, it promotes the Agency's objective of Host Country institutional development.

D. Amended Project Description: Pending the recommendations of the third quarter FY 90 evaluation, this planned \$12 million amendment will extend the Project for three years. The evaluation, and related redesign work, will help reorganize and refocus long term technical assistance on policy and management issues related to increases in services delivery in rural areas. A new fourth component for family planning service delivery will also be added, to integrate family planning services support into the MOH'S MCH program. In summary, the amended Project purpose is to strengthen the Ministry of Health's capability to deliver and support basic health care services, including preventive and primary care services important to the MOH child survival program. Amended project components follow.

i. Logistical Support Acquisition, distribution, and management of drugs and medical supplies, equipment and facilities to further assist the MOH to improve its logistical support systems, thereby protecting the large capital

investment these goods represent. In addition, this component will provide commodities to partially meet the MOH's need for drugs and medical supplies and improve the functioning of MOH unit and health post facilities.

ii. Improvement of Basic Health Services Delivery This component improves the functioning of basic health care facilities, particularly health units and posts which constitute the lowest principal levels of service, and expands effective outreach services by: (1) improving the capacity of the MOH technical support network, including education and training for basic health service providers; (2) assisting the MOH to improve treatment and expand the range of services provided by lower level providers; and (3) improving and expanding outreach programs, including continued support for the malaria control program and the rural health promoter project.

iii. Strengthen Policy and Program Planning Management This component supports the MOH's ongoing efforts to improve its planning, programming and budgeting procedures and to decentralize responsibility for regional operations. Assistance will continue to be provided to the MOH to refine the comprehensive management information system in order to provide the MOH managers and policy makers with reliable data, to evaluate the functioning of the health system; and to identify and implement strategies for improving the MOH's effectiveness and efficiency. Technical assistance in health policy and planning to improve MOH research, program planning, monitoring and budgeting processes will also continue to be provided.

iv. Family Planning Service Delivery This new component will provide technical assistance and logistical support to promote more aggressive implementation of the MOH's population policy and improve the MOH's capacity to disseminate information and to deliver modern family planning services to a greater percentage of the population, especially in the rural areas of the country.

Implementing Agencies and Method of Obligation: The Ministry of Health has overall responsibility for implementation of the project. Funds will be obligated using a Handbook 3 agreement.

E. Mission Management: Overall responsibility for project monitoring will continue to be assumed by a USPSC employee in the HPN Office under the direct supervision of the Supervisory HPN Officer. The USPSC supervises a Procurement Advisor and Project Assistant (both PSCs) and two Technical Assistance contracts with eleven long term advisors.

F. Potential Issues: Ability of GOES to assume a larger share of recurrent costs of basic health services (e.g., pharmaceuticals).

G. PP Supplement Approval: Given that there are no major policy issues relevant to this Amendment, the Mission requests Bureau delegation of authority to approve this amendment in the field.

H. A.I.D./W TDY Support for Project Amendment Development: None contemplated at this time.

I. Estimated PP Supplement Approval: 10/90.

FY 1991 PROJECT AMENDMENT DESCRIPTION

PROJECT: Training for Productivity and Competitiveness
PROJECT NUMBER: 519-0315
PROJECT FUNDING: (\$000) FY 1991: \$3,400 (G)
LOP: \$20,000 (G)
(\$ 6,000 added)
FUNCTIONAL ACCOUNTS: Education and Human Resources (EHR)
Economic Support Fund (ESF)

A. Relationship to A.I.D. Country Strategy/Objectives: The USAID's approved CDSS strategy in the Education Sector emphasizes, along with basic education, the development of training programs to fuel the export-led economic growth strategy being pursued by the Government of El Salvador. This Project supports the vocational training program of a Salvadoran PVO, the Foundation of Entrepreneurs for Educational Development (FEPADE), which is helping 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 GOES' 1989/94 Economic and Social Plan identifies the mismatch between the demand for labor and the skills of the workforce as a priority problem. Its strategy is to work with private sector institutions to improve the quality of vocational and technical training. Accordingly, this Project directly responds to a stated GOES priority. This activity will be coordinated with other donor efforts in vocational training, such as those of the Salesian Society, to ensure complementarity of efforts.

C. Conformance with Agency and Bureau Policies: The Project is consistent with A.I.D. policies on the transfer of technology, the strengthening of local organizations, and the use of private and voluntary organizations.

D. Project Description: The Project's goal is to contribute to economic recovery and extend the benefits of economic growth by assisting in the development of El Salvador's private sector. The purpose of the ongoing Project is to develop or upgrade the human resources needed by the Salvadoran private sector for increasing production, productivity and competitiveness. This will be achieved through the establishment of special training programs and linkages between the productive sectors and educational institutions.

Since authorization, the Project's pace of implementation and accomplishments has exceeded planned levels. In less than three years, FEPADE has: developed 12 vocational/technical training programs, trained 90 teachers in using the new curricula, carried out 109 modular training

courses, trained 2,610 individuals in vocational skills and 714 in non-traditional export occupations, provided 16 institutes with equipment and materials for hands-on training, expanded its credit program to other institutions, and sent 33 technical instructors for two years of training in the U.S.A. in eight different technical areas.

This Amendment will extend the Project life for two years and increase life of project funding by \$6.0 million. Specifically, this Project amendment will: (1) provide technical assistance and other operational support to improve the management and operational efficiency of two technical training institutes (ENA and ITCA) recently privatized by the GOES and placed under FEPADE's management; (2) expand FEPADE's educational credit program so that an additional 200 needy students can be enrolled in priority vocational/technical programs; (3) upgrade the capabilities of four additional vocational/technical schools, through the provision of teacher fellowships and grant resources to expand facilities; and (4) continue and expand collaborative efforts of FEPADE and selected universities to identify and develop 100 additional special technical programs in areas needed by private enterprise, especially the export sector. Periodic assessments of the technical skills required by the private sector will be conducted to ensure that FEPADE's program remains responsive to the country's changing human resource skill requirements.

In El Salvador, unemployment and underemployment statistics are higher for women -- a reflection of their generally lower level of education. Women are targeted beneficiaries of this Project both in traditional areas of skills training such as light assembly operations, and non-traditional skills areas.

In FY 1990, an in-depth evaluation of the Project will be carried out and the results of this Study will guide this Project Amendment.

Method of Obligation and Implementing Agencies: An Amendment to the Handbook 13 Cooperative Agreement with FEPADE will be executed.

E. Mission Management: The existing project manager in the Mission's Office of Education and Training (OET) will continue to monitor project progress.

F. Potential Issues: Although a fee schedule is in place which enables FEPADE to partially offset training costs, revenue generation schemes must be expanded in order to ensure the financial viability of FEPADE. An evaluation scheduled for the Spring/Summer of 1990 will specifically address the issue of sustainability, with the recommendations being used to design this Project Amendment.

G. PVO Proposal Approval: Given that this is a Project amendment to basically continue ongoing activities, the Mission requests Bureau delegation of authority to approve the PP Supplement.

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

I. Estimated PP Supplement Approval: 3/91

FY 1991 PROJECT AMENDMENT DESCRIPTION

PROJECT: Technical Support, Policy Analysis and Training
PROJECT NUMBER: 519-0349
PROJECT FUNDING: (\$000) FY91: 8,000 ESF (G)
LOP: 25,000 (G) (\$8,000 added)
FUNCTIONAL ACCOUNT: Economic Support Funds (ESF)

A. Relationship to A.I.D. Country Strategy/Objectives: Technical support, policy analysis and training provided hereunder supports technical assistance and training to strengthen Salvadoran institutions in both the private and public sector to design and implement economic and social development activities. Accordingly, it supports the Mission's FY 1990-94 CDSS goals of Economic and Social Stabilization and Growth, Broadening the Benefits of Growth and Strengthening Democratic Institutions.

B. Host-Country and other Donors: Activities support Government of El Salvador efforts to improve the efficiency of the public sector in designing and implementing its development program, to reduce the fiscal deficit, and to improve financial management and audit skills. Studies and technical assistance financed under the Project will in many cases constitute the basis for Mission policy dialogue and implementation of agreed upon reforms, e.g., fiscal sector reform.

C. Conformance with Agency and Bureau Policies: Technical support and training will be undertaken in furtherance of Agency policies supporting development of host country institutions and the transfer of technology. Sector specific studies will be consistent with the applicable Agency and Bureau sectoral policies, as set forth in Handbook 1B and periodic supplements.

D. Project Description: The Project goal is to assist in reconstructing the economy of El Salvador to provide a sustained and broad-based pattern of long term economic growth and to spread the benefits of social and economic development to encompass a majority of Salvadorans. The purpose is to enhance Salvadoran capabilities to identify and more expeditiously address priority development problems, undertake policy and strategy reform, and improve development program and project implementation. To accomplish this purpose and goal, the Project supports four activities: Grantee Program Development, including sectoral studies, training and technical assistance to improve the country's data base and public sector analytical capabilities; short and medium term technical assistance to enhance Grantee Development Program Implementation; technical assistance (especially in the area of auditing) and training to improve Grantee Program Monitoring and Control; and Program Administration costs.

During the first two years of the Project, technical assistance and training has provided essential support to the GOES in the implementation of its structural adjustment program (e.g., studies of CEL's petroleum pricing strategy leading to tariff adjustments, technical assistance to develop its social stabilization program), strengthened CEL's financial

and administrative management capabilities, enabled the Ministry of Finance to design a fiscal sector modernization/improvement program to improve tax collection and revenue administration, facilitated the establishment of the Salvadoran Municipal Development Institute and the Land Bank, furthered GOES efforts to privatize parastatals (e.g., ISIC) and to establish a stock market, and strengthened the Government's Municipalities In Action (MEA) grants program. In addition, substantial project resources have been devoted to strengthening government financial management capabilities, through the financing of the first two phases of a modernization program for the Government's auditing organization (the Court of Accounts), as well as audits and financial management training for government personnel. Finally, technical assistance is also being provided to the Government and private sector organizations to establish a national natural resources strategy and coordinated plan of action, as well as support to strengthen the Ecological Foundation 20/30.

Demand for project resources has far surpassed original Mission estimates, as a result of the Government's resolve in pursuing economic and social reforms. A.I.D.'s more stringent financial monitoring requirements for host-country owned local currencies have also increased audit related technical assistance and training requirements. The planned \$8 million amendment will enable the Mission to continue support necessary for the Government to: (a) implement the fiscal sector reform program designed under the Project, including efforts to improve customs administration; (b) continue our support for the Court of Accounts modernization program, which entails the implementation of an improved financial management, budgeting, and auditing system for public sector development programs; (c) assist the Ministry of Planning implement a reorganization plan to improve development program planning and coordination; and (d) continue to undertake policy studies, obtain technical assistance and provide training to strengthen public sector capabilities to develop, implement, and monitor economic and social development activities, particularly those financed with host country owned local currencies such as MEA and credit lines.

The Mission will make every effort to target women for training programs, ensure that women participate in the design and implementation of project activities and ensure that women in development concerns are part of policy and strategy reforms.

Method of Obligation and Implementing Agencies: Handbook 3 Agreement Amendment. Ministry of Planning will implement.

E. Mission Management: The Project will be managed by an FSN PSC under the supervision of a USDH.

F. Potential Issues: None

G. PP Supplement Approval: The proposed Amendment represents an expansion and continuation of ongoing activities; accordingly, no major policy issues are involved and the Mission requests Bureau delegation of authority to approve the Project in the field.

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

I. Estimated Approval: 1/91

FY 1991 PROJECT AMENDMENT DESCRIPTION

PROJECT: Strengthening Rehabilitation Services OPG
Teleton Foundation for Rehabilitation

PROJECT NUMBER: 519-0346

PROJECT FUNDING: (\$000) FY 1991: \$ 750 HE (G)
LOP: \$6,350 (G)
(\$3,000 added)

FUNCTIONAL ACCOUNT: Health (HE)

A. Relationship to A.I.D. Country Strategy/Objective: The Project is congruent with the approved FY 1990-94 CDSS Health Strategy of strengthening the delivery of basic health services through an emphasis on the delivery of rehabilitation support services to rural areas where 80% of all civilian amputees and other disabled reside. This initiative is also designed to eliminate costly duplication of public and private programs and promote program complementary so as to better serve the highest risk populations.

B. Relationship to Host Country and Other Donors: The Teleton Foundation Pro-Rehabilitation (FUNTER) is a non-profit Salvadoran Private Voluntary Organization (PVO) established and certified as such in August 29, 1987. Its principle focus is to support rehabilitation efforts benefiting the civilian handicapped population, particularly in rural areas. As such, it is fully consistent with the GOES' stated policy objective of increasing rural basic health care services. The Foundation coordinates activities with the Ministry of Health, the Ministry of Education, the Salvadoran Institute for Rehabilitation of the Handicapped (ISRI), as well as the International Committee of the Red Cross and other international organizations working in El Salvador in the area of rehabilitation.

C. Conformance with Agency and Bureau Policies: The Project's technical and financial resources are improving the capacity of Salvadoran rehabilitation institutions to meet the growing demand for services resulting from the armed conflict, focusing on but not limiting support to benefit the amputee population. It is consistent with Agency and LAC policies to assist victims of armed conflicts through integrated rehabilitation programming for children and adults. It is also contributing to the institutional development of a private Salvadoran institution.

D. Project Description: The purpose of the Project is to assist the Teleton Foundation Pro-Rehabilitation (FUNTER) to establish and support private and public rehabilitation services in El Salvador to meet the increased civilian demand resulting from the armed conflict, focusing but not limiting support to benefit the amputee population. The Project strengthens and improves the range, delivery, and quality of rehabilitation services available in El Salvador.

Although the Project is just two years old, its accomplishments are numerable: the training of 12 Salvadorans in prosthetics measurement and manufacturing, the production and fitting of 718 prostheses for upper and lower limb amputees and repair of over 400 prostheses, the training of 340 rural health promoters serving 72 communities in home-based rehabilitation techniques, and the establishment of a modern, well equipped production oriented prosthetic laboratory and a rural outreach program providing prosthetic, medical and therapeutical support services for amputees.

The three year amendment will enable the Teletón Foundation to: expand prosthetic care to an additional 2,000 amputees; complete research and testing of local materials as substitutes for more expensive imported parts/materials from the U.S.; develop and implement a complete program of professional rehabilitation for amputees and other physically disabled individuals to promote reeducation, readaptation and job placement; and train an additional 600 health and education professionals in specialized areas within the field of rehabilitation.

Implementing Agency and Method of Obligation: Funds will be obligated to the Teleton Foundation Pro-Rehabilitation (FUNTER), the implementing agency, through a Handbook 13 Cooperative Agreement Amendment.

E. Mission Management: A USPSC employee in the Health, Population and Nutrition office will continue to have overall responsibility for project management and monitoring. The contractor will work under the supervision of a USDH as is presently the case.

F. Potential Issues: None

G. PP Supplement Approval: The proposed Amendment represents an expansion and continuation of ongoing activities; accordingly, no major policy issues are involved and the Mission requests Bureau delegation of authority to approve the project amendment in the field.

H. AID/W TDY Support for Project Development: Possible assistance for end-of-project evaluation scheduled for May 1990.

I. Estimated PP Supplement Approval: November, 1990.

FY 1992 NEW PROJECT DESCRIPTION

PROJECT: Judicial Sector Strengthening
PROJECT NUMBER: 519-0376
PROJECT FUNDING: (\$000) FY92: 5,000 ESF (G)
LOP: 15,000 ESF (G)
FUNCTIONAL ACCOUNT Economic Support Funds (ESF)

A. Relationship to A.I.D. Country Strategy/Objectives: The Mission's CDSS for 1990-1994 stresses the need for sustained U.S. efforts to strengthen democratic institutions in El Salvador, particularly in the judicial sector. This Project will provide the continuing support required to enable the country to improve the administration of justice. In so doing it will assist in the development of the country's nascent democratic institutions and processes.

B. Host-Country and Other Donors: The Government of El Salvador has repeatedly expressed its commitment to strengthen the judicial system, and has recently demonstrated its resolve through professional investigation and prosecution of high profile crimes. Success in these efforts requires a professionalization of the judicial system. A.I.D. has and will continue to be the principal supporter of these efforts, as no other major donors are involved in this sector.

C. Conformance with Agency and Bureau Policies: This Project conforms to Agency and Bureau guidance which accords the highest priority to enhancing the effectiveness, efficiency and independence of the judiciary.

D. Project Description: The Project goal is to improve the administration of justice in El Salvador. The Project purpose is to enhance the independence, professionalism and efficiency of the judiciary and related judicial institutions, particularly the Supreme Court, the Attorney General's Office, and the Public Defender's Office. The Project will provide technical assistance, training and some operational support for: the Judicial School being established by the Supreme Court; for improving training of legal professionals at the university level; and for efforts to improve administrative and case-flow systems in key judicial institutions. Studies will also be financed, possibly including a major effort to prepare a compilation of Salvadoran laws.

Implementing Agencies and Method of Obligation: The principal implementing agencies will be the Supreme Court and other institutions related to the judiciary; funds will be obligated via a Handbook 3 Agreement.

E. Potential Issues: Willingness and ability of the Government to increase funding to the judicial sector to cover recurrent costs and raise judicial personnel salaries.

F. Estimated PID Approval: 12/91 PP Approval: 5/92

FY 1992 NEW PROJECT DESCRIPTION

PROJECT: Small Farmer Commercial Production Enhancement

PROJECT NUMBER: 519-0351

PROJECT FUNDING: (\$000) FY 92: \$6,000 (G)
LOP: \$15,000 (G)

FUNCTIONAL ACCOUNT: Agriculture, Rural Development and Nutrition (ARDN)

A. Relationship to A.I.D. Country Strategy/Objectives: The Mission's approved CDSS establishes diversification of agricultural production as a means for achieving increased agricultural production and rural incomes, as well as increased foreign exchange earnings. Many of El Salvador's small farms and Phase I cooperatives have suitably productive lands and labor resources, yet only a few are currently involved in the production of non-traditional crops for export.

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

C. Conformance with Agency and Bureau Policies: The Project conforms with A.I.D. policies regarding private sector utilization and institutional strengthening; supports both financial and natural resource sustainability; improves the profitability of farming and thus increases investment in land and water resources.

D. Project Description: The purpose of the Project is to increase the production by small farmers and beneficiaries of the agrarian reform of non-traditional agricultural products for export and to link the two groups with agribusinesses which process and export such products. This Project will develop and facilitate closer linkages between traditional agriculturalists and private sector agribusinesses which can provide primary and/or export markets, technical assistance and innovative direction. The Project will include institutional strengthening, creation of producer/processor/exporter linkages, and provision of appropriate technology for increasing production. It will also assist client agribusinesses to develop new or expanded enterprises, procure equipment, technology packages and short/long-term technical assistance and training in support of the producers.

Implementing Agencies and Method of Obligation: The principal implementing agencies will be U.S. and local PVOs using Handbook 13 grants and cooperative agreements.

E. Potential Issues: The public nature of the agrarian reform cooperatives and whether the Mission should seek privatization of the cooperatives. The banking system's reluctance to lend to small farmers and agrarian reform cooperatives.

F. Estimated PID Approval: 12/91 PP Approval: 7/92

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

<u>Project Title and No.</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
<u>Development Assistance</u>			
<u>ARDN</u>			
Subtotal	30,132 <u>1/</u>	17,118	17,118
(Loan)	-0-	-0-	-0-
(Grant)	30,132	17,118	17,118
<u>Population</u>			
Subtotal	4,400	7,200	7,200
(Loan)	-0-	-0-	-0-
(Grant)	4,400	7,200	7,200
<u>Health</u>			
Subtotal	11,709 <u>2/</u>	15,050	15,050
(Loan)	-0-	-0-	-0-
(Grant)	11,709	15,050	15,050
<u>Child Survival</u>			
Subtotal	-0-	-0-	-0-
(Loan)	-0-	-0-	-0-
(Grant)	-0-	-0-	-0-
<u>AIDS</u>			
Subtotal	-0-	-0-	-0-
(Loan)	-0-	-0-	-0-
(Grant)	-0-	-0-	-0-
<u>Education</u>			
Subtotal	7,997 <u>3/</u>	13,700	13,700
(Loan)	-0-	-0-	-0-
(Grant)	7,977	13,700	13,700
<u>Environment & Energy</u>			
Subtotal	10,337 <u>4/</u>	11,050	11,050
(Loan)	-0-	-0-	-0-
(Grant)	10,337	11,050	11,050
Subtotal DA	64,576	64,118	64,118
(Loan)	-0-	-0-	-0-
(Grant)	64,576	64,118	64,118

Economic Support Fund

Subtotal ESF	130,615	180,000	180,000
(Loan)	-0-	-0-	-0-
(Grant)	130,615	180,000	180,000
<u>P.L. 480</u>	40,600	40,600	40,600
Title I	35,000	35,000	35,000
Title II <u>5/</u>	5,600	5,600	5,600
PROGRAM TOTAL	230,033	284,718	284,718
(Loan)	-0-	-0-	-0-
(Grant)	230,033	284,718	284,718

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- 1/ Includes FY 90 allowance of \$26,963 plus reob in amount of \$3,169.
2/ Includes FY 90 allowance of \$11,586 plus reob in amount of \$122.
3/ Includes FY 90 allowance of \$7,977 plus reob in amount of \$20.
4/ Includes FY 90 allowance of \$7,892 plus reob in amount of \$2,207.
5/ Includes CIF value.

2.

USAID / EL SALVADOR
FY 1990 MORTGAGE ANALYSIS
(\$000)

ANNEX B

PROJECT NO.	TITLE	PLANNED 1990 OYB	MORTGAGE FY 1990	DA REVISED FY 1991 REQ. LEVEL	MORTGAGE FY 1991	DA FY 1992 EST. LEVEL	MORTGAGE FY 1992
AGRICULTURE, RURAL DEVELOPMENT & NUTRITION		30,132	19,539	17,118	42,339	17,118	40,639
519-0167	ARDN PD&S	502		418		418	
519-0307	Agrarian Reform Financing	3,550	0		0		
519-0312	Technoserve Rural Enterprises OPG	4,500	0		0		
519-0320	Public Service Improvement	7,620	7,780	2,500	5,280	2,200	3,080
519-0327	Agribusiness Development	4,100	0		0		
519-0362	Coffee Technology Enhancement	0	0	6,000	6,000	2,000	4,000
519-0364	Community Based Int. Rural Dev. OPG	2,025	0		0		
519-0368	AIFLD	5,500	3,500	3,200	300	300	0
519-9999	Priv. & Vol. Org., OPG (Technoserve)	166	8,259	0	5,759	500	5,259
519-0374	Sust. Agr. Production			5,000	25,000	5,700	19,300
519-0351	Small Farmer Commerc. Prod. Enhanc.					6,000	9,000
519-0281	Displaced Families	2,169	0				
	SUB-TOTAL ARDN 1/	30,132	19,539	17,118	42,339	17,118	40,639
MORTGAGE AMORTIZATION & AMENDMENTS AVAILABLE FOR NEW STARTS		22,463		6,118		11,118	
		4,500		11,000		6,000	

1/ Includes allowance of \$26,963 + reob in amount of \$3,169

		PLANNED 1990 OYB	MORTGAGE FY 1990	DA REVISED FY 1991 REQ. LEVEL	MORTGAGE FY 1991	DA FY 1992 EST. LEVEL	MORTGAGE FY 1992
POPULATION		4,400	10,750	7,200	3,750	7,200	0
519-0181	POP PD&S	150		200		200	
519-0363	Family Health Services	4,250	10,750	7,000	3,750	3,750	0
519-XXXX	XXXXXXXXXXXX					3,250	
	SUB-TOTAL POPULATION	4,400	10,750	7,200	3,750	7,200	0
MORTGAGE AMORTIZATION & AMENDMENTS AVAILABLE FOR NEW STARTS		150		7,200		3,950	
		4,250		0		3,250	

	PLANNED 1990 OYB	MORTGAGE FY 1990	DA REVISED	MORTGAGE FY 1991	DA	MORTGAGE FY 1992
			FY 1991 REQ. LEVEL		FY 1992 EST. LEVEL	
HEALTH	11,709	36,160	15,050	36,310	15,050	21,460
519-0178 Health PD&S	161		200		200	
519-0308 Health Systems Support (APSISA)	0	0	3,000	9,000	5,000	4,000
519-0320 Public Services Improvement	5,775	5,825	4,000	1,825	800	1,025
519-0346 Strengthening Rehab. Services	0	0	1,500	1,500	0	1,500
519-0363 Family Health Services	1,500	5,500	1,000	4,500	1,300	3,200
519-0364 Community Based Int. Rural Dev. OPG	500	2,735	750	1,985	1,000	985
519-0367 PVO Maternal Health/Child Surv. Se.	3,773	21,350	4,600	16,750	6,000	10,750
519-0370 Mother Child Feeding CRS OPG	0	0		0	0	0
519-0999 Selected PVOs	0	750		750	750	0
TOTAL HEALTH 2/	11,709	36,160	15,050	36,310	15,050	21,460
MORTGAGE AMORTIZATION & AMENDMENTS AVAILABLE FOR NEW STARTS	6,313 5,273		15,050 0		15,050 0	

2/ Includes allowance of \$ 11,586 + reob in amount of \$122.7

	PLANNED 1990 OYB	MORTGAGE FY 1990	DA REVISED	MORTGAGE FY 1991	DA	MORTGAGE FY 1992
			FY 1991 REQ. LEVEL		FY 1992 EST. LEVEL	
EDUCATION	7,997	32,200	13,700	18,800	13,700	5,400
519-0168 Education PD&S	297		300		300	
519-0315 Training for Prod. & Competitive	2,400	8,700	2,600	6,100	3,400	2,700
519-0337 C.A. Peace Scholarship Prog.	0	1,000		1,000	1,000	0
519-0357 Education Quality Enhancement 3/	5,300	21,700	10,000	11,700	9,000	2,700
519-0364 Community Based Int. R. Dev.	0	800	800	0		0
TOTAL EDUCATION 4/	7,997	32,200	13,700	18,800	13,700	5,400
MORTGAGE AMORTIZATION & AMENDMENTS AVAILABLE FOR NEW STARTS	2,677 5,300		13,700 0		13,700 0	

3/ Earmarks

4/ Includes allowance of \$7,977 + reob in amount of \$20.1

	PLANNED 1990 OYB	MORTGAGE FY 1990	DA REVISED	MORTGAGE FY 1991	DA	MORTGAGE FY 1992
			FY 1991 REQ. LEVEL		FY 1992 EST. LEVEL	
PRIVATE SECTOR, ENERGY AND ENVIRONMENT	10,337	16,242	11,050	9,242	10,292	0
519-0094 Special Development Activities	500		350		350	
519-0177 PSEE PD&S	751		700		700	
519-0287 Industrial Stabilization/Recover	0	0	2,800	200	200	0
519-0318 Microenterprise Development 3/	4,238	6,000	3,000	3,000	3,000	0
519-0368 AIFLD - OPG 5/	3,448	2,552	2,500	52	52	0
519-0372 Occupational Safety FIPRO OPG	300	340	0	340	340	0
519-0999 Priv. & Vol. Org., OPG (CENITEC)	600	7,350	1,700	5,650	5,650	0
519-0377 FUNDASALVA -OPG FY90	500	0	0	0	0	0
TOTAL PSEE 6/	10,337	16,242	11,050	9,242	10,292	0
MORTGAGE AMORTIZATION & AMENDMENTS AVAILABLE FOR NEW STARTS	1,992 5,900		11,050 0		9,250 1,800	

3/ Earmarks

5/ "Committments" treated as earmarks

6/ Includes allowance of \$7,892 + reob in amount of \$2,207

TOTAL DEVELOPMENT ASSISTANCE	64,576	114,891	64,118	110,441	63,360	67,499
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	PLANNED	MORTGAGE	ESF REVISED	MORTGAGE	ESF	MORTGAGE
	1990 OYB	FY 1990	FY 1991	FY 1991	FY 1992	FY 1992
			REQ. LEVEL		EST. LEVEL	
PROJECTIZED ECONOMIC SUPPORT FUNDS 7/	144,370	74,570	180,745	36,215	180,000	6,215
519-0287 Industrial Stabilization and Recove	8,000	4,000		4,000	4,000	0
519-0320 Public Services Improvement	13,635	16,615	16,615	0	0	0
519-0323 Free Zones Development	0	8,455	2,740	5,715	5,715	0
519-0337 C.A.Scholarships Program	0	5,000		5,000	5,000	0
519-0349 Tech.Support, Pol.Analysis and Trg.	6,035	8,000	8,000	0	0	0
519-0357 Education Quality Enhancement 3/	0	8,000	3,250	4,750	4,750	0
519-0360 Strengthening Legislative Assembly	0	0	510	500	500	0
519-0361 Carib.Latin America Schol. Prog.	5,000	20,000	10,500	9,500	9,500	0
519-0998 CA Energy Self Sufficiency (Los Alamos) 3/	0	3,000	3,000	0		0
519-0376 Judicial Sector Strengthening					8,785	6,215
519-0315 Training for Productivity			0	6,000	6,000	0
519-0377 FUNDASALVA -OPG FY90	0	1,500	750	750	750	0

ESF - BALANCE OF PAYMENTS SUPPORT						
519-0356 FY 90 Balance of Payments Support	97,960	0				
519-0369 FY 91 Balance of Payments Support			135,380	0		
519-0378 FY 92 Balance of Payments Support					135,000	0

FY 1989 Carryovers						0
519-0296 Judicial Reform 3/	3,000					0
519-0320 Public Services Improvement	9,750					0
519-0360 Strengthen. Legislative Assembly	490					0
519-0373 Judicial Information Services	500					0
TOTAL ESF 8/	144,370	74,570	180,745	36,215	180,000	6,215

MORTGAGE AMORTIZATION & AMENDMENTS	26,680		45,365		36,215	
AVAILABLE FOR NEW STARTS OR BOPS	103,950		135,380		143,785	

TOTAL DA & ESF	208,946	189,461	244,863	146,656	243,360	73,714

3/ Earmarks

7/ ESF subject to 25% projectized requirement

8/ Includes allowance of \$ 130,615 + carryover of \$13,740 + reob amount of \$15

3. FY 1991-1992 ACTION PLAN
EL SALVADOR (25519)

EXPENSE CATEGORY	FUNCTION	FY 1989 ACTUAL (\$ 000)			FY 1990 REQUEST (\$ 000)			FY 1991 REQUEST (\$ 000)			FY 1992 REQUEST (\$ 000)		
		DOLLARS	TRUST FUNDS	TOTAL	DOLLARS	TRUST FUNDS	TOTAL	DOLLARS	TRUST FUNDS	TOTAL	DOLLARS	TRUST FUNDS	TOTAL
U.S. DIRECT HIRE	U100	241.3	308.0	549.3	534.2	0.0	534.2	534.2	0.0	534.2	534.2	0.0	534.2
EDUCATION ALLOWANCES	U106	64.8	88.1	152.9	160.7	0.0	160.7	160.7	0.0	160.7	160.7	0.0	160.7
OTHER MISSION FUNDED CODE 12	U110	39.3	13.4	52.7	55.0	0.0	55.0	55.0	0.0	55.0	55.0	0.0	55.0
POST ASSIGNMENT - TRAVEL	U111	37.4	9.4	46.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
POST ASSIGNMENT - FREIGHT	U112	99.4	84.5	183.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HOME LEAVE - TRAVEL	U113	0.0	48.7	48.7	19.0	0.0	19.0	19.0	0.0	19.0	19.0	0.0	19.0
HOME LEAVE - FREIGHT	U114	0.0	10.9	10.9	11.0	0.0	11.0	11.0	0.0	11.0	11.0	0.0	11.0
EDUCATION TRAVEL	U115	0.4	3.0	3.4	3.5	0.0	3.5	3.5	0.0	3.5	3.5	0.0	3.5
R AND R TRAVEL	U116	0.0	33.1	33.1	85.0	0.0	85.0	85.0	0.0	85.0	85.0	0.0	85.0
OTHER CODE 215 TRAVEL	U117	0.0	16.9	16.9	200.0	0.0	200.0	200.0	0.0	200.0	200.0	0.0	200.0
F. N. DIRECT HIRE	U200	0.0	1,178.5	1,178.5	0.0	1,349.0	1,349.0	0.0	1,349.0	1,349.0	0.0	1,349.0	1,349.0
BASIC PAY	U201	0.0	937.0	937.0	0.0	1,078.0	1,078.0	0.0	1,078.0	1,078.0	0.0	1,078.0	1,078.0
OVERTIME, HOLIDAY PAY	U202	0.0	29.7	29.7	0.0	30.0	30.0	0.0	30.0	30.0	0.0	30.0	30.0
ALL OTHER CODE 11 - FM	U203	0.0	131.3	131.3	0.0	151.0	151.0	0.0	151.0	151.0	0.0	151.0	151.0
ALL OTHER CODE 12 - FM	U204	0.0	71.0	71.0	0.0	82.0	82.0	0.0	82.0	82.0	0.0	82.0	82.0
BENEFITS FORMER FM PERSONNEL	U205	0.0	9.5	9.5	0.0	8.0	8.0	0.0	8.0	8.0	0.0	8.0	8.0
CONTRACT PERSONNEL	U300	609.1	2,225.6	2,834.7	800.0	1,910.0	2,710.0	800.0	1,910.0	2,710.0	800.0	1,910.0	2,710.0
U.S. PSC - SALARY/BENEFITS	U302	609.1	565.1	1,174.2	800.0	0.0	800.0	800.0	0.0	800.0	800.0	0.0	800.0
F.N. PSC - SALARY/BENEFITS	U304	0.0	1,455.8	1,455.8	0.0	1,675.0	1,675.0	0.0	1,675.0	1,675.0	0.0	1,675.0	1,675.0
ALL OTHER F.N. PSC COSTS	U305	0.0	13.7	13.7	0.0	15.0	15.0	0.0	15.0	15.0	0.0	15.0	15.0
MANPOWER CONTRACTS	U306	0.0	191.0	191.0	0.0	220.0	220.0	0.0	220.0	220.0	0.0	220.0	220.0
HOUSING	U400	423.4	991.1	1,414.5	1,443.8	180.0	1,623.8	1,443.8	180.0	1,623.8	1,443.8	180.0	1,623.8
RESIDENTIAL RENT	U401	308.6	558.4	867.0	980.0	0.0	980.0	980.0	0.0	980.0	980.0	0.0	980.0
RESIDENTIAL UTILITIES	U402	0.0	93.8	93.8	0.0	108.0	108.0	0.0	108.0	108.0	0.0	108.0	108.0
MAINTENANCE AND RENOVATION	U403	13.1	40.9	54.0	8.0	72.0	80.0	8.0	72.0	80.0	8.0	72.0	80.0
SECURITY GUARD SERVICES	U407	95.0	297.5	392.5	450.0	0.0	450.0	450.0	0.0	450.0	450.0	0.0	450.0
OFFICIAL RESIDENCE ALLOWANCE	U408	4.1	0.5	4.6	3.5	0.0	3.5	3.5	0.0	3.5	3.5	0.0	3.5
REPRESENTATION ALLOWANCES	U409	2.6	0.0	2.6	2.3	0.0	2.3	2.3	0.0	2.3	2.3	0.0	2.3
OFFICE OPERATIONS	U500	531.9	1,498.5	2,030.4	217.0	1,961.0	2,178.0	217.0	1,961.0	2,178.0	217.0	1,961.0	2,178.0
OFFICE RENT	U501	29.5	74.6	104.1	0.0	120.0	120.0	0.0	120.0	120.0	0.0	120.0	120.0
OFFICE UTILITIES	U502	0.0	85.8	85.8	0.0	90.0	90.0	0.0	90.0	90.0	0.0	90.0	90.0
BUILDING MAINT./RENOVATION	U503	21.7	123.8	145.5	0.0	150.0	150.0	0.0	150.0	150.0	0.0	150.0	150.0
FURN/EQUIP/VEH REPAIR/MAINT.	U508	50.7	163.6	214.3	0.0	245.0	245.0	0.0	245.0	245.0	0.0	245.0	245.0
COMMUNICATIONS	U509	0.0	126.5	126.5	0.0	135.0	135.0	0.0	135.0	135.0	0.0	135.0	135.0
SECURITY GUARD SERVICES	U510	75.0	216.9	291.9	0.0	307.0	307.0	0.0	307.0	307.0	0.0	307.0	307.0
PRINTING	U511	0.0	4.9	4.9	5.0	0.0	5.0	5.0	0.0	5.0	5.0	0.0	5.0
SITE VISIT-MISSION PERSONNEL	U513	0.0	16.9	16.9	0.0	25.0	25.0	0.0	25.0	25.0	0.0	25.0	25.0
SITE VISIT-AID/ PERSONNEL	U514	19.5	7.6	27.1	12.0	0.0	12.0	12.0	0.0	12.0	12.0	0.0	12.0
INFORMATION MEETINGS	U515	0.0	28.6	28.6	30.0	0.0	30.0	30.0	0.0	30.0	30.0	0.0	30.0
TRAINING ATTENDANCE	U516	0.0	66.8	66.8	65.0	0.0	65.0	65.0	0.0	65.0	65.0	0.0	65.0
CONFERENCE ATTENDANCE	U517	5.7	31.8	37.5	34.0	0.0	34.0	34.0	0.0	34.0	34.0	0.0	34.0
OTHER OPERATIONAL TRAVEL	U518	0.0	3.7	3.7	9.0	0.0	9.0	9.0	0.0	9.0	9.0	0.0	9.0
SUPPLIES AND MATERIALS	U519	226.6	225.9	452.5	0.0	500.0	500.0	0.0	500.0	500.0	0.0	500.0	500.0
FAAS	U520*	0.0	72.2	72.2	0.0	70.0	70.0	0.0	70.0	70.0	0.0	70.0	70.0
CONSULTING SVCS. - CONTRACTS	U521	0.0	9.6	9.6	10.0	0.0	10.0	10.0	0.0	10.0	10.0	0.0	10.0
MGT./PROF. SVCS. - CONTRACTS	U522	0.0	1.2	1.2	1.0	0.0	1.0	1.0	0.0	1.0	1.0	0.0	1.0
SPEC STUDIES/ANALYSES - CONT.	U523	0.0	5.2	5.2	6.0	0.0	6.0	6.0	0.0	6.0	6.0	0.0	6.0
ALL OTHER CODE 25	U524	103.2	232.9	336.1	45.0	319.0	364.0	45.0	319.0	364.0	45.0	319.0	364.0
MXP PROCUREMENT	U600	748.6	484.0	1,232.6	505.0	0.0	505.0	505.0	0.0	505.0	505.0	0.0	505.0
VEHICLES	U601	123.8	0.0	123.8	110.0	0.0	110.0	110.0	0.0	110.0	110.0	0.0	110.0
RESIDENTIAL FURNITURE	U602	124.4	148.4	272.8	35.0	0.0	35.0	35.0	0.0	35.0	35.0	0.0	35.0
RESIDENTIAL EQUIPMENT	U603	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OFFICE FURNITURE	U604	108.1	333.4	441.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OFFICE EQUIPMENT	U605	0.0	0.0	0.0	20.0	0.0	20.0	20.0	0.0	20.0	20.0	0.0	20.0
OTHER EQUIPMENT	U606	388.1	0.2	388.3	300.0	0.0	300.0	300.0	0.0	300.0	300.0	0.0	300.0
ADP HARDWARE PURCHASES	U607	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ADP SOFTWARE PURCHASES	U608	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TRANS/FREIGHT - ALL U600	U698	4.2	2.0	6.2	40.0	0.0	40.0	40.0	0.0	40.0	40.0	0.0	40.0
OPERATING EXPENSE REQUIREMENTS	U000	2,534.3	6,485.7	9,240.0	3,500.0	5,400.0	8,900.0	3,500.0	5,400.0	8,900.0	3,500.0	5,400.0	8,900.0
OBJECT CLASS 210 TRAVEL		25.2	155.4	180.6	150.0	25.0	175.0	150.0	25.0	175.0	150.0	25.0	175.0

4. PROGRAM USES OF LOCAL CURRENCY

ANNEX B
FY 1989

(\$000)
SOURCES

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 SECTOR 1/	63,375	0	0	0	0	0	63,375
	HG CONTRIBUTION TO AID PROJ.	8,863	21,795	0	0	0	0	30,658
	HG CONTRIBUTION TO OTHER DONOR PROJ.	0	0	0	0	0	0	0
	HG MANAGED L/C PROJ. (GOVT OR PRIVATE)	57,043	18,205	0	0	0	0	75,248
	USAID MANAGED L/C PROJ.	0	0	0	0	0	0	0
	A.I.D. PROG. TRUST FUND 2/	313	0	0	0	0	0	313
	A.I.D. OE TRUST FUND	8,906	0	0	0	0	0	8,906
	SECTION 108	0	0	0	0	0	0	0
	OTHER	0	0	0	0	0	0	0
	TOTAL	138,500	40,000	0	0	0	0	178,500
	B. CHANNEL FOR ASSISTANCE 3/							
	PUBLIC SECTOR	114,594	24,625	0	0	0	0	139,219
	PRIVATE SECTOR 4/	23,906	15,375	0	0	0	0	39,281
	TOTAL	138,500	40,000	0	0	0	0	178,500

1/ Funds attributed to the GOES' national budget are used for programs in the agricultural, education and health sectors.

2/ Funds transferred by the GOES to contract advisory services and technical assistance in financial management for GOES implementing entities.

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

4/ These funds are for private sector credit lines (\$22.2 million) but passed through the Central Reserve Bank (BCR) and FEDECREDITO; private voluntary organizations (\$3.9 million), Land Bank (\$4.0 million) and A.I.D. OE and program trust fund (\$9.2 million).

3. PROGRAM USES OF LOCAL CURRENCY

ANNEX B
FY 1990

(\$000)
SOURCES

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 SECTOR 1/	35,710	0	0	0	0	0	35,710
	HG CONTRIBUTION TO AID PROJ.	6,230	15,200	0	0	0	0	21,430
	HG CONTRIBUTION TO OTHER DONOR PROJ.	0	0	0	0	0	0	0
	HG MANAGED L/C PROJ. (GOVT OR PRIVATE)	47,620	19,800	0	0	0	0	67,420
	USAID MANAGED L/C PROJ.	0	0	0	0	0	0	0
	A.I.D. PROG. TRUST FUND 2/	3,000	0	0	0	0	0	3,000
	A.I.D. OE TRUST FUND	5,400	0	0	0	0	0	5,400
	SECTION 108	0	0	0	0	0	0	0
	OTHER	0	0	0	0	0	0	0
	TOTAL	97,960	35,000	0	0	0	0	132,960
	B. CHANNEL FOR ASSISTANCE 3/)							
	PUBLIC SECTOR	75,270	20,900	0	0	0	0	96,170
	PRIVATE SECTOR 4/	22,690	14,100	0	0	0	0	36,790
	TOTAL	97,960	35,000	0	0	0	0	132,960

1/ Funds attributed to the GOES' national budget are used for programs in the agricultural, education and health sectors.

2/ PVO foundation working with AIFLD.

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

4/ These funds are for private sector credit lines (\$19.8 million) but passed through the Central Reserve Bank (BCR) and FEDECREDITO; private voluntary organizations (\$3.6 million), Land Bank (\$5.0 million) and A.I.D. OE and program trust fund (\$8.4 million).

3. PROGRAM USES OF LOCAL CURRENCY

ANNEX B
FY 1991

(\$000)
SOURCES

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 SECTOR 1/	35,000	0	0	0	0	0	35,000
	HG CONTRIBUTION TO AID PROJ.	7,500	17,500	0	0	0	0	25,000
	HG CONTRIBUTION TO OTHER DONOR PROJ.	0	0	0	0	0	0	0
	HG MANAGED L/C PROJ. (GOVT OR PRIVATE)	85,100	17,500	0	0	0	0	102,600
	USAID MANAGED L/C PROJ.	0	0	0	0	0	0	0
	A.I.D. PROG. TRUST FUND 2/	2,000	0	0	0	0	0	2,000
	A.I.D. OE TRUST FUND	5,400	0	0	0	0	0	5,400
	SECTION 108	0	0	0	0	0	0	0
	OTHER	0	0	0	0	0	0	0
	TOTAL	135,000	35,000	0	0	0	0	170,000
	B. CHANNEL FOR ASSISTANCE 3/							
	PUBLIC SECTOR	101,600	25,000	0	0	0	0	126,600
	PRIVATE SECTOR 4/	33,400	10,000	0	0	0	0	43,400
	TOTAL	135,000	35,000	0	0	0	0	170,000

1/ Funds attributed to the GOES' national budget are used for programs in the agricultural, education and health sectors.

2/ PVO foundation working with AIFLD.

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

4/ These funds are for private sector credit lines (\$20 million) but passed through the Central Reserve Bank (BCR) and FEDECCREDITO; private voluntary organizations (\$6 million), Land Bank (\$10 million) and A.I.D. OE and program trust fund (\$7.4 million).

3. PROGRAM USES OF LOCAL CURRENCY

ANNEX B
FY 1992

(\$000)
SOURCES

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 SECTOR 1/	35,000	0	0	0	0	0	35,000
	HG CONTRIBUTION TO AID PROJ.	15,000	20,000	0	0	0	0	35,000
	HG CONTRIBUTION TO OTHER DONOR PROJ.	0	0	0	0	0	0	0
	HG MANAGED L/C PROJ. (GOVT OR PRIVATE)	77,700	15,000	0	0	0	0	92,700
	USAID MANAGED L/C PROJ.	0	0	0	0	0	0	0
	A.I.D. PROG. TRUST FUND 2/	1,900	0	0	0	0	0	1,900
	A.I.D. OE TRUST FUND	5,400	0	0	0	0	0	5,400
	SECTION 108	0	0	0	0	0	0	0
	OTHER	0	0	0	0	0	0	0
	TOTAL	135,000	35,000	0	0	0	0	170,000
	B. CHANNEL FOR ASSISTANCE 3/							
	PUBLIC SECTOR	104,700	25,000	0	0	0	0	129,700
	PRIVATE SECTOR 4/	30,300	10,000	0	0	0	0	40,300
	T O T A L	135,000	35,000	0	0	0	0	170,000

1/ Funds attributed to the GOES' national budget are used for programs in the agricultural, education and health sectors.

2/ PVO foundation working with AIFLD.

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

4/ These funds are for private sector credit lines (\$20 million) but passed through the Central Reserve Bank (BCR) and FEDECREDITO; private voluntary organizations (\$5 million), Land Bank (\$8 million) and A.I.D. OE and program trust fund (\$7.3 million).

5. ILLUSTRATIVE HCOLC PROJECTS

Based on current information, the GOES and the Mission are planning to use part of the HCOLC funds for the following high priority activities during FY 90-92. This is not an exclusive list, for example the private sector credit lines are not included but attempts to give a flavor for the HCOLC funded portfolio.

Summary List

- Sustainable Upland Agriculture Systems
- Land Bank
- Rural School Development
- Salvadoran Rehabilitation Institute for the Handicapped (ISRI)
- Regional Development (CONARA)
- Municipalities in Action (CONARA)
- PVO Support Fund

PROJECT TITLE: Sustainable Upland Agriculture Systems

FUNDING LEVEL: \$ 520,000 in 1989
\$ 800,000 LOP

A. Relationship to A.I.D. Country Strategy/Objectives: This initiative is one of a series of planned Mission supported efforts required to develop an adequate information base for the design and implementation of project type activities, as well as a national strategy, for the conservation and management of natural resources. The CDSS identifies natural resource depletion and the lack of adequate resource management as a significant constraint to increasing agricultural production. To address this constraint, the CDSS calls for the inclusion of a resource management component in all new agriculture projects as well as the design and implementation of a natural resource project to address deforestation and soil erosion problems. To help ensure an appropriate design for these activities, additional studies and investigations are required to more precisely define the problems and to test alternative solutions. The data and experiences obtained from this effort will be useful for the development of these new initiatives, especially agricultural projects, to address the needs of small farmers. The Pilot Project activities will contribute directly to the accomplishment of increasing agricultural production and indirectly to promote exports.

B. Relationship to Host Country and Other Donors: This activity conforms with the GOES' five year National Development Plan. With the implementation of this pilot Project by the GOES, it is expected that the employment of new cropping practices, including incorporation of non-traditional export crops, will be a key ingredient for enhancing the economic viability of appropriate resource conservation practices. Related GOES and other donor programs will both support and be enhanced by this initiative. For example, the credit, production technology, farmer organization techniques and market linkages made available by the Agrarian Reform Financing, Water Management, National Cooperative Business Association OPG and Agribusiness Projects will be drawn upon to support the implementation of this activity.

C. Conformance with Agency and Bureau Policies: This initiative conforms to A.I.D. policies on natural resource management, technology transfer and institutional strengthening.

D. Project Description: This two year pilot Project, begun in FY 1989, attempts to adapt existing, and already proven technology, to the conditions, needs and socio-economics of small farmers and obtain baseline data on small farmers' potential for sustainable production with available resources.

- i. The Problem: Small farmers, those with less than one hectare of land, represent the largest segment of the land owners (79 percent) and perhaps as much as 50 percent of the total population of El Salvador. These land owners also possess some of the poorest and most critical lands, which in the past were frequently cultivated under a rotation system with two or three years of fallow but are now intensively cultivated on a yearly basis.

The degradation of the natural non-renewable resource base - the soil - especially soils that are shallow by nature, will be unrepairable if agriculture practices are allowed to continue without minimum levels of conservation. Soil conservation cannot be addressed as an individual problem but must be dealt within the context of sustainable small farm agriculture. Usually conservation practices imply less surface area for production. With an already limited land resource operation, production schemes must go hand-in-hand with the conservation programs. Due to the small size of these farm operations, it is very costly for the banks to provide credit and for the government to provide sufficient extension agents for the number, remoteness and inaccessibility of many small farms. As a consequence, the problem goes unresolved and the tendency is to conclude that it is unsolvable.

- ii. The Alternative: Data collected by the pilot Project will provide the basis and experience upon which to program projects that will address the issue of sustainability of agriculture on small farms.

E. Implementing Agency: The project is implemented by the Agriculture Technology Center (CENTA), a GOES entity.

F. Mission Monitoring: Technical assistance and oversight monitoring is provided by one existing project manager in the Mission's Rural Development Office.

PROJECT TITLE: Land Bank

PROJECT FUNDING: FY 90 equivalent of \$5,000,000 in HCOLC
(estimated)
LOP: \$35,000,000 equivalent (estimated)

A. Relationship to the A.I.D. Country Strategy: This Project is a means of broadening participation in Salvadoran society. Development of the Land Bank will enable the Salvadoran government to continue to distribute land to landless rural families in a peaceful, non-violent manner. The end result of this land distribution will be an increase in production and productivity in the agricultural sector and a greater sense of participation in the democratic process on the part of the beneficiaries.

B. Relationship to Host Country and Other Donors: The GOES is highly supportive of the Land Bank. The President has stated on several occasions that this activity is of the highest priority for the agricultural sector.

C. Conformance with Agency and Bureau Policies: This Project is consistent with Agency and Bureau policy to strengthen the democratic process and to support land reform when it contributes to a more equitable distribution of benefits. By focusing on the rural poor the Project is consistent with A.I.D.'s primary mandate.

D. Project Description: The Project, expected to begin in 1990, will provide working capital to an independently established Land Bank to finance private voluntary land sales, in individual parcels, to individual campesinos. Funding will be approximately \$5 million per year for five to six years. After this, the Land Bank will function on reflows from the loans made. The funds provided through local currency will be used entirely to pay land sellers an average of 75 percent of the agreed price in cash. The balance will be paid in agrarian reform bonds. Individual buyers will pay at least 5 percent down and will receive legal title to their land, subject to a lien for a mortgage loan for the balance of the price.

It is estimated that the Land Bank will be able to distribute land to approximately 3,000 beneficiaries per year. Each beneficiary will receive about 2 ha. of land at an estimated average price of ¢7,000 per ha.

E. Implementing Agencies: The Project will be implemented by a GOES institution dedicated specifically to the Land Bank.

F. Mission Monitoring: The Mission will be able to monitor this project with existing personnel in the Rural Development Office.

PROJECT TITLE: Rural School Development

PROJECT FUNDING: Estimated \$ 3,000,000 for FY 1991
Estimated LOP \$11,000,000

A. Relationship to A.I.D. Country Strategy: Basic education is essential for economic as well as social development. Uneducated citizens cannot participate meaningfully in democratic processes. This proposed Project will address the constraints faced by the Ministry of Education in providing education to the hard to reach rural areas. By extending the school system to rural areas now underserved this project can contribute to solving the severe economic and social problems of El Salvador.

B. Relationship to Host Country and Other Donors: The Ministry of Education is in the process of developing long-range plans for decentralization, i.e., reallocate more authority and responsibility to regions and subregions, and eventually to departments and finally to municipalities or other local political entities. The GOES is presently negotiating with the World Bank for a cross-sector loan project that will include assistance to the MOE to carry out this decentralization. At the present time, the MOE does not want to construct new schools that would require hiring additional teachers. However, the MOE has stated that by 1991, they will have completed consolidation and reorganization plans, will have begun budget reform, and will be ready to consider expanding the physical facilities, as well as the teaching staff. This Project will collaborate with and facilitate these decentralization efforts.

C. Conformance with Agency and Bureau Policies: This Project conforms with A.I.D. policy to promote universal basic education, and to focus efforts on the rural poor. It also supports decentralization of government services.

D. Project Description: The purpose of this Project will be to assist rural communities to design, construct, and maintain schools. The Project will complement future Mission education quality enhancement activities. It will help design schools that are technologically appropriate, and affordable to maintain. The project will provide matching grant funds for commodities and services needed to construct and equip rural schools. A number of designs options are expected, dependent on materials available to the community, needs of the community, and skills of the local people. Where it is not possible for the community to secure professional salaried teachers, the RADECO model of basic education instruction by radio may be followed. The project will support up to twenty pilot RADECO-type programs to ascertain the practicality of this model for rural areas of El Salvador.

E. Implementing Agency: The Ministry of Education will be responsible for implementation.

F. Mission Monitoring: A USDH in the Office of Education and Training will have overall responsibility for Project monitoring.

PROJECT TITLE: Support for Institutional Reform and Improved Delivery of Services, Salvadoran Rehabilitation Institute for the Handicapped (ISRI)

PROJECT FUNDING: \$2.5 Million in FY 1991

A. Relationship to A.I.D. Country Strategy/Objectives: This project supports the Mission objective of strengthening the delivery of basic health services in the rural area, particularly to victims of land mines and other disabled individuals in rural areas. The project will also complement other Mission programs designed to improve the quality and efficiency of basic education by training school teachers and other professionals in methods for working with disabled students who are enrolled in public schools.

B. Relationship to Host Country and Other Donors: Current estimates place El Salvador's disabled population at over 15% of the population, or roughly 750,000 individuals. This Project financing supports GOES' efforts to provide this population with basic rehabilitation services, and as such is fully consistent with the Government's policy objective of increasing rural basic health care services and educational opportunities in order to make the population more productive.

C. Conformance with Agency and Bureau Policies: This project is supportive of Agency and LAC Bureau policies related to improving educational opportunities, increasing participant training and improving health rehabilitation services.

D. Project Description: ISRI is by law an autonomous governmental institution which provides rehabilitation services through its nine centers for individuals disabled by blindness, mental retardation, cerebral palsy, old age, speech and hearing disabilities and children with multiple handicaps. However, as the only public institution providing services to the disabled population, it is characterized by 27 years of neglect exacerbated by a civil conflict which has created an increased demand for medical, psychological, educational and therapeutical services for Salvadorans from lower income brackets living primarily in rural areas. ISRI has been and is a key player in USAID's integrated approach to strengthening and improving rehabilitation services.

The purpose of this Project is to assist in the modernization of ISRI and its program so as to give emphasis to ISRI's role in human resource development and the coordination of community based programs that benefit individuals with special needs. Project activities will include: 1) the development/ refinement of operational and financial procedures and controls to improve ISRI's operational efficiency; 2) development and implementation of legal reforms to reorganize and possibly divest ISRI of some functions now performed (e.g., management of the nursing home); 3) establishment of an in-service training program to assist Salvadoran school teachers and other professionals working with disadvantaged populations toward identification and treatment of students with special needs; and 4) the establishment of an out-patient diagnostical center for evaluation and referral of disadvantaged clients

(socially, economically, physically, sensorially, mentally, emotionally) to the appropriate center, agency, institution for training and/or treatment.

ISRI, alone, is not capable of addressing the myriad of needs of the diverse population it serves. In conjunction with the GOES Ministries represented on the Board of Directors and with private sector support, the Project will enable ISRI to develop appropriate linkages with other public and private programs, serving as an advocate for integration of the disabled into ongoing training programs, and thereby simultaneously expanding training opportunities for ISRI while reducing its financial constraints.

E. Implementing Agency: ISRI will implement this Project.

F. Mission Management: The limited Project backstopping necessary will be the responsibility of a US PSC in HPN. This individual will be assisted by a fulltime organizational development specialist to be financed through the Technical Support, Policy Analysis and Training Project (0349).

PROJECT TITLE: Regional Development Program of the National Commission for Area Restoration (CONARA)

PROJECT FUNDING: For FY 91 an estimated \$10,000,000 in HCOLC
This is an ongoing activity estimated
LOP funding \$57,435,300
(1988 thru 1991)

A. Relationship to A.I.D. Country Strategy/Objectives: As discussed in the FY 1990-1994 CDSS, this Project contributes to increased participation of the municipalities in the selection of, and increased GOES funding for, the provision of basic social services.

B. Relationship to Host Country and Other donors: The current GOES leadership has provided continuity for efforts, begun under the previous administration, to both decentralize government services and to provide resources for construction and repair of basic infrastructure in areas traditionally neglected by the central government.

The National Commission for Area Restoration (CONARA) began operations in 1983 with a two-fold program: 1) eliminating the insurgency via military interventions and, 2) simultaneous establishing strong local government and restoration or provision of essential public services. The focus of CONARA's program is on grants to municipalities to implement priority development projects identified by the community. However, in late 1988, the GOES initiated the first of what is to be a series of special regional development projects. In essence, these special, concentrated projects are amplifications of the successful CONARA Municipalities in Action (MEA) program but differing in that they are carried out in close coordination with ministries on both national and regional levels, in relatively secure areas, and targeting beneficiaries in the most neglected and remote areas of the country; by concentrating a block of resources on a defined geographic area, CONARA has achieved greater impact.

C. Conformance with Agency/Bureau Policies: The Project is supportive of Agency and LAC Bureau policies related to the strengthening of local democratic institutions and the decentralization of government services.

D. Project Description: This Project complements CONARA's nation-wide Municipalities in Action (MEA) Program. The Project focuses special attention on a select few groups of municipalities. The municipalities selected to participate receive grant resources, above the levels they receive under the regular MEA program, to implement infrastructure activities. These specially selected municipalities are in areas of the country where the insurgency has had a strong presence and there has been little central government development support. The national level ministries complement municipal activities by providing resources for social infrastructure (e.g., schools, water systems, latrines and rural roads) along with credit and technical assistance related to agricultural productions. Operating through CONARA, the GOES provides technical assistance and training to upgrade the administrative and planning capability of mayors and other local government officials. In the process, the capacity of municipal government to provide services for their

constituency, is upgraded thereby helping decentralize government services and bringing true participatory democracy to the grass roots of Salvadoran society.

In essence, these special concentrated projects are amplifications of the MEA program carried out in close coordination with ministries on both national and regional levels and in relatively secure areas. This concentrated approach was initiated, on a pilot basis with positive results, in the Department of Chalatenango in 1988. Beginning with just a few municipalities, gradually the number of target municipalities increased to 24 in Chalatenango. The program was initiated in the Department of Morazán (Eastern Region) in 1989 with an initial focus on 18 municipalities. This special development Project will be the subject of an impact evaluation to be conducted in May-June 1990.

E. Implementing Agency: Project is managed by CONARA.

F. Mission Monitoring: A US/PSC in IRD/RUD has Project monitoring responsibility. The incumbent will work under the supervision of a USDH.

PROJECT TITLE: Municipalities in Action (MEA)

PROJECT FUNDING: Ongoing activity - \$15,000,000 (estimated)
for FY 1991 estimated, LOP \$67,293,300
(1986 thru 1991)

A. Relationship to A.I.D. Country Strategy/Objectives: As discussed in the FY 1990-1994 CDSS, this activity, like the CONARA Regional Development activities, works to increase participation of the municipalities in the selection of, and increased GOES funding for, the provision of basic social services.

B. Relationship to Host Country and Other Donors: The current GOES leadership has provided continuity for efforts, begun under the previous administration, to both decentralize government services and to provide resources for construction and repair of basic infrastructure in areas traditionally neglected by the central government. This grant program will be supportive of these efforts.

C. Conformance with Agency Bureau Policies: The project is supportive of Agency and LAC Bureau policies related to the strengthening of local democratic institutions and the decentralization of government services.

D. Project Description: Originally a program for reestablishing government services in the areas regained from the insurgents, CONARA's MEA program has expanded its operations to include 232 of the country's 264 municipal jurisdictions. The participating municipalities represent a population of some 1.5 million persons. The activities carried out are basically regional development programs which address the economic problems, particularly small infrastructure, of villages, small towns and isolated rural areas. Most of these communities have no schools, health posts, community or municipal buildings, water or sanitation systems. The inhabitants, historically, had no participation in the development of their community, nor a voice in establishing priorities for municipal activities. Under the MEA program financial resources are channeled to these municipalities to carry out small and medium scale infrastructure projects. The activities are selected by local residents, the beneficiaries, in open town meetings. Local suppliers are used as commodity procurement sources and community residents help supply manual labor.

In addition to the inhabitants of these communities, 2,400 municipal officials, including mayors, are also targets. Most of the officials have had no previous training in government and little experience in encouraging community participation in development activities. Operating through CONARA and the Salvadoran Institute for Municipal Development (ISDEM), the Project helps the GOES provide technical assistance and training to upgrade the administrative and planning capability of mayors and other local government officials. In the process, the capacity of municipal government to provide services for their constituency is upgraded, thereby contributing to the objective of decentralizing government and bringing true participatory democracy to the grass roots of Salvadoran society.

E. Implementing Agency: Project is implemented by CONARA.

F. Mission Monitoring: A US/PSC in IRD/RUD has project monitoring responsibility. The incumbent will work under the supervision of a USDH. A concurrent audit, as well as contracted financial monitoring services, provide independent verification of the use of HCOLC.

PROJECT TITLE: PVO Support Fund

PROJECT FUNDING: In CY 1989 \$4,000,000; CY 1990 estimated \$6,000,000; for CY 1991 and CY 1992, an estimated \$5,000,000 a year is planned. Total planned LOP is \$20,000,000 in HCOLC.

A. Relationship to A.I.D. Country Strategy/Objectives: As discussed in the A.I.D. Strategy Section of the FY 1990-1994 CDSS, the root causes of El Salvador's insurgency are related to employment and income for the country's poor, and inequities in access to social services. This activity will fund efforts aimed at solving these problems by supporting the expansion of Salvadoran and U.S. PVO activities primarily in social sectors. It also breaks new ground by directly involving the GOES in funding and using PVOs to help provide expanded social services and promote private sector development.

B. Relationship to Host Country and Other Donors: These PVO support activities are implemented directly by the GOES as part of its strategy to improve and expand access to social services and economic development activities. Direct grants are made to PVOs working in areas identified as priorities by the GOES in its National Development Plan.

C. Conformance with Agency and Bureau Policies: Increasing the role of PVOs, both local and U.S., in El Salvador is in conformance with overall Agency and LAC policies of promoting PVO activities in Latin America.

D. Project Description: The Project goal is to spread the benefits of growth in social and economic development to a greater part of Salvadoran society. The Project purpose is to promote the expansion of Salvadoran and U.S. PVO programs and activities that aim at improving social and economic development.

To achieve the project purpose, a PVO fund, managed by the GOES, makes grants to Salvadoran and U.S. PVOs to strengthen and improve their activities in projects that promote: employment and productive investment, vocational training, preventive health care, and educational activities. Project funds are used to finance infrastructure, training, technical assistance and PVO technical assistance costs.

In the first year of the project (CY 1989), 16 U.S. and Salvadoran PVO activities were funded in the areas of microenterprise development, vocational education, women in development, community development, small farmer development and rural health.

Normal PVO rules are applied in the selection of eligible activities, i.e., PVOs must be non profit, legally constituted operations usually able to provide 25 percent counterpart funding, and have a demonstrated administrative and financial management capacity. In future years, the GOES plans to gradually increase the PVO fund and maintain it as part of its overall development strategy. The number and type of PVO activities funded will depend on the PVO proposals submitted and approved. Approximately 15 to 25 activities a year could be funded. In 1990, the GOES and A.I.D. plan to fund this PVO support fund with approximately \$6,000,000 U.S. equivalent in HCOLC.

E. Implementing Agency: The GOES, specifically the Technical Secretariat for External Financing (SETEFE) in the Ministry of Planning, manages the PVO support fund.

F. Mission Monitoring: USAID/El Salvador monitors the fund but is not directly involved in the approval of activities, except when PVO projects exceed 1,000,000 colones.

FY 1990/1991 COUNTRY TRAINING PLAN UPDATE 1/USAID/EL SALVADORA. Mission Training Objectives1. 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 positively and cost effectively to 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 USAID/El Salvador's participant training activities is to provide Salvadorans with opportunities to improve their technical skills and knowledge, and strengthen their links to the United States thereby contributing to balanced and equitable social and economic development for El Salvador.

2. For Relevant Peace Scholarship Projects

The primary purpose of the FY 1985-90 CAPS Program is to promulgate attitudes and skills needed to develop and sustain a democratic society in El Salvador. The means by which this purpose will be achieved is through the provision of academic and technical training, relevant to individual career goals, to leaders and potential leaders, at appropriate U.S. training sites, in the context of a complete program that also includes specific leadership training, and relevant experience with democratic processes, and with families in the United States.

Although the Mission's strategy for education, training, and human resource development is not dependent on Central America Peace Scholarships (CAPS) per se, CAPS is important to upgrading the human resource base of the country. The CAPS Program also complements priority Mission activities in such areas as the strengthening of democratic institutions and processes, agricultural diversification, and small business development. The target population of the CAPS program are individuals, especially disadvantaged people from rural areas with a potential for future leadership roles. Selection of those trainees who occupy, or will occupy, positions that will give them opportunities to

1/ Per November 29, 1989 Action Plan Guidance Memo, projected CLASP II activities are not included in this update and will be included in the Fall, 1990 SAR. This update reports principally on CAPS participants who will be starting their training in FY 1990 and FY 1991.

influence other Salvadorans will be emphasized. Also, based on past experience, medium term training programs lasting from three months to a year will be stressed. Given the limited funds available, this will enable more Salvadorans to participate. Emphasis will be placed on imparting skills to individuals who demonstrate promise for occupying positions of influence at all levels of society, to further develop the process of active participation by the citizens in the country's democratic political system. These will also be an emphasis on mid-level technical skills development, in addition to meaningful exposure to traditional American values and democratic principles.

B. Summary of Training Program under Relevant Peace Scholarship Projects

We believe that the objectives of the CAPS Project cannot be fully realized unless CAPS scholars return to El Salvador with useful and practical skills in order to develop a solid foundation upon which to contribute to the economic and democratic development of El Salvador as well as to build future careers and personal lives.

Long-term CAPS training originally consisted of three-year M.S. degree programs (one year English and two years of academic training) in economics, business administration, agriculture, and civil/industrial engineering. Later, a post-graduate program in education administration was added, but only for one year. Also added was an A.A. degree program in computer sciences, agricultural mechanic, electronic and medical equipment repair, accounting, business administration, and agribusiness management. When experience and CAPS evaluations indicated these long-term programs were not cost effective, the Mission revised its long-term CAPS training component to ensure training was relevant to the realities of El Salvador. More recently, one-year technical training has been provided in the teaching of English, aquaculture administration, fruit and vegetable production, floriculture, and home business management. Sixty-five rural female leaders were included in one-year certificate programs conducted in FY-89.

Short-term CAPS training has been one to two months in duration and has included a one-week cultural orientation program in El Salvador, skills development, and Experience America activities in the U.S. Training has generally been for groups of 20-25 scholars. The short-term groups have included rural mayors, female leaders, physical education teachers and coaches, rural community and student leaders, textile workers, microentrepreneurs, members of credit cooperatives, bank credit analysts, and public administrators.

Fiscal Year 1990/91 Scholarship Programs

We are focusing the CAPS Program to impact on those areas of El Salvador most buffeted by the civil war - the Eastern and Para-Central Regions. Training to foster local self-determination is increasingly important, especially in view of the terror and violence the Marxist-Leninist controlled guerrillas perpetrate in the rural areas. The guerrillas continue their political, social, and economic violence in order to

destabilize democratic and constitutionally elected local governments in El Salvador. They have assassinated elected local officials in an attempt to intimidate and destroy municipal government; indiscriminately mine roads in rural areas; forcibly recruited peasants, often children; and, most visibly, sabotaged economic infrastructure, including power, transportation and communication systems. Given this, CAPS training is designed to bolster democratic self-determination and local initiative.

Therefore, the FY-1990/91 CAPS Program is focused and targeted towards developing local leaders in the most war-buffed areas of El Salvador. These areas consist of the Eastern part of El Salvador, closest to Nicaragua and comprised of San Miguel, Usulután, Morazán, and La Unión Departments and the Para-Central Region comprised of Chalatenango, Cuscatlán, San Vicente, and Cabañas. These Departments comprise 158 municipalities or 60 percent of El Salvador's 262 municipalities. Due to limited resources, we cannot train local leaders in all of El Salvador's 262 municipalities simultaneously. Future peace scholarship programs will train local leaders in areas not covered by the FY-90/91 program.

Both long and short-term scholars will receive leadership training which will consist of learning parliamentary procedures and how to conduct effective meetings, recognizing and resolving conflict, developing negotiating and listening skills, goal setting, and establishing priorities. We believe these basic organizational skills will be indispensable to help bring vitality and to stimulate initiative and self-determination at the "grass roots."

The FY 90/91 CAPS Program will provide certificate-bearing CAPS Scholarships for technical training of 3 and 6-months duration (short-term) and 12 months duration (long-term) to leaders who will likely:

- 1) become a network of rural leaders and opinion makers who will help strengthen participatory democracy and local self-determination at the "grass roots";
- 2) become change agents as they use their newly acquired technical skills for betterment of themselves and their local communities;
- 3) become a network of leaders who will be predisposed to decentralization by assuming greater responsibilities at the local level in order to reduce dependency on the central government.

C. Groups to be Targeted in FY-1990/91 in Relevant Peace Scholarship Projects and Types of Training to be Given

As laid out in FY-89 CTP Update, the program will target the following types of persons:

- 1) Rural Municipal Employees - This training is designed to strengthen the local government in the rural areas. The training will consist of elementary public management and administration

for effective local government in a developing country context. It will also include: improved financial management techniques useful for rural municipalities including bookkeeping, upgrading accounting systems, monitoring, cross-referencing and cross-checking, payment mechanisms, verification techniques, safekeeping of documents and materials. The training will also include a practicum/consultation in a small town (Spanish-speaking) clerk's or financial management office with U.S. counterparts, who would be dealing with substantially the same small town financial dynamic. In conjunction, scholars will receive a leadership training module.

- 2) Rural Female Leaders - This training is targeted for younger women, who have a stake in agriculture or rural enterprises. The technical training will consist of small-scale rural enterprise management and will include: small-scale agricultural management, marketing, bookkeeping, and home economics. Also included will be a practicum with young women members of the Future Farmers of America and/or rural Junior Achievement. In addition, these CAPS scholars will receive a leadership training module.
- 3) Education Leaders - This training, both short-term and long-term, will contribute to improve the quality of basic education in El Salvador by enhancing skills training of teachers, education specialists, and rural classroom teachers. The training will help improve the quality of education at various levels ranging from teachers of teachers to improving the teaching of mathematics and language arts in rural classrooms. Moreover, these CAPS scholars will receive a leadership training module.
- 4) Physical Education Teachers and Coaches - Based on past experience, Mission will train another group of PE Teachers and Coaches who, together with the previous 75 scholars, will work with the youth and community people in sports and recreation activities. A new component in this program is the battle against drugs and proper education and orientation of high school students on this issue. Also, these CAPS scholars will receive a leadership training module.
- 5) Community Development Promoters - This training is directed towards all promoters who work in rural areas in development fields such as health, nutrition, agriculture, literacy and community projects. We believe this training will also provide a pilot experience for possible use under CLASP II.

FY-90/91 CAPS Program

<u>Description of Training</u>	<u>Person-Months</u>	<u>Budget</u>
<u>Long-Term Training</u>		<u>(\$)</u>
30 <u>1-year Education Faculty Programs</u>		
to upgrade primary teacher training skills, especially in mathematics, and language arts, civics/social studies and applied science (health, conservation of natural resources)	360	820,613
60 <u>1-year Certificate Programs in Small-Scale Rural Enterprise Management for Rural Female Leaders</u>		
to provide training in microenterprise management skills for young women, especially daughters and female dependents of agricultural cooperative families.	720	1,641,226
All of these 1-year Certificate Programs will include:		
a) two-months of English language training (ELT) and pre-departure orientation seminar; b) three months of intensive ELT in the U.S., oriented to the theory course work to follow; c) five months of technical training in Improving Teaching Skills, or Small-Scale Rural Management; d) one month of leadership skills training, and e) one month of practicum each of the above specialties.		
90 Long-Term Scholarships	Sub-Total 1,080	2,461,839

<u>Description of Training</u> <u>Short-Term Training</u>	<u>Person-Months</u>	<u>Budget</u> <u>(\$)</u>
100 <u>Rural Municipal Employees</u> for 3 months in improved public administration and financial management techniques.	300	1,206,786
75 <u>Rural Female Leaders</u> for 3 months in small-scale rural enterprise development, including small-scale agricultural management, marketing, accounting, and homemaking.	225	905,090
75 <u>Rural Female Basic Education Teachers</u> for 3 months in learning materials development using locally available materials and improved teaching of basic primary subjects.	225	905,090
15 <u>Basic Education Support Technicians</u> for 6 month-programs to upgrade and develop skills for improving the quality and efficiency of learning materials and instructional media, including media center and education broadcast development, financing, operation and management, and methods of developing and distributing textbooks and learning materials.	90	215,811
25 <u>PE Teachers and Coaches</u> for 2 month-programs in physical education, sports and community recreation. The training will also address drug problems in El Salvador and ways to orient/educate students to prevent and fight against drug addiction.	50	201,131

Person-Months

Budget
(\$)

60 Community Development Promoters

for 3 months in promotion, planning, implementation and evaluation of community development activities and projects. The scholars will specifically learn how to enhance community participation in such activities.

180

724,072

All the above 3-month and 6-month programs will include: a) 2 weeks of survival English Language Training and pre-departure orientation locally, b) 7 weeks of technical training in their respective specialty (in the case of education technicians, the technical training will be of 4 months duration with a 1 month practicum), c) 1 week of leadership training, and d) a two-week practicum/internship in a realistic and corresponding work place in the United States, and a leadership training module.

Due to the short-term duration of this training, it is not cost-effective to bring these persons to English fluency. Therefore, the training will be conducted in Spanish, but will include an ELT English language orientation.

The PE-Teacher training will follow the existing model for this group with 2-3 day pre-departure orientation program, and eight weeks in the U.S.: 4 weeks theory course work and 4 weeks practicum in 4 different communities.

		<u>Person-Months</u>	<u>Budget</u> (<u>\$</u>)
350 Short-Term Scholarships	Sub-Total	<u>1,070</u>	4,157,980
90 Long-Term Scholarships (Sub-Total carried forward from page 5)	Sub-Total	<u>1,080</u>	2,461,839
440 Short and Long-Term Scholarships for FY-90/91	Sub-Total	<u>2,150</u>	6,619,819
Pre-departure/Follow-on Enhancement			112,631
	FY 90/91 Total	<u>2,150</u>	<u>6,732,450</u>

D. Progress To Date on Relevant Peace Scholarship Projects

1. 40% Target for Women

The USAID/El Salvador CAPS program has consistently improved its participation of women every year since the project was initiated in FY-85. We will significantly increase the percentage of women in order to surpass the 40% target established by the LAC Bureau for women by the end of the project.

Our performance by fiscal year is as follows:

FY-85	28%
FY-86	35%
FY-87	35%
FY-88	38%
FY-89	40%
FY-90 <u>1/</u>	75% (estimated)
FY-91 <u>1/</u>	59% (estimated)
Final Est. Cumulative Average	44%

1/ Funded with FY-89 CAPS funds but not actually departing until the indicated fiscal year.

2. Ten Percent Placement in HBCU's

The Mission, thus far, has made a total 48 HBCU placements: in FY-86, two participants were enrolled in M.A. degree programs at Florida Agricultural and Technical University and North Carolina Agricultural and Mechanical University; 14 additional scholars from the FY-86 Program with a start date in FY-87 were placed at Xavier University, an HBCU in New Orleans; and 15 CAPS scholars were placed at Tuskegee University in Alabama in FY-89 to study a one-year certificate program in fruit and vegetable production. So far in FY-90, we have placed 17 additional CAPS scholars at Fort Valley State College for a one-year certificate program in floriculture.

We plan a total of 126 additional HBCU placements during Fiscal Years 90 and 91. In order to enhance HBCU placements, USAID/El Salvador arranged a one-week fact-finding visit of approx. 10 HBCU representatives including AID/W's NAFEO Coordinator. This creative initiative with close collaboration of the National Association of Partners of the Americas, our institutional contractor, helped HBCU representatives become familiar with El Salvador's reality and program needs, it has opened new doors for a direct mutual cooperation for HBCU placements and especially designed training programs for Salvadoran scholars.

Thus, with the implementation of the FY-90/91 program, the Mission will increase drastically its HBCU placements, and intends to reach a total of 10 percent over the life of the CAPS Project (174 HBCU placements out of a total of 1,742 CAPS scholars).

3. Long-Term Training Target of 30 Percent

The Mission places growing emphasis on the long-term academic program for young, socially, and economically disadvantaged students. In FY-90/91, minimum training duration is two months and the maximum is one year. Long-term vs. total (long-term and short-term combined) training ratios to date are as follow:

Long-Term/Short-Term Percentage by Fiscal Year

	FY-85	FY-86	FY-87	FY-88	FY-89	Total Todate	(est) FY-90/91	(est) LOP TOTAL
Long-Term	16%	20%	48%	22%	64%	38%	28%	33%
Short-Term	84%	80%	52%	78%	36%	62%	72%	67%

By the end of the CAPS Project, we estimate 33 percent of CAPS participants will have been long-term scholars.

4. 70 Percent Target for Disadvantaged

Our cumulative participation of disadvantaged scholars todate is 64 percent. By the end of the CAPS Project, we estimate exceeding the LAC Bureau's minimum participation of 70% disadvantaged. Based on the recent Social Institutional

Framework (SIF) study and comparing the socio-economic status of our CAPS scholars with other Central American countries, the Mission may have been selling itself short in the past on this indicator. The socially and economically disadvantaged indicators will be updated to reflect the fact that nearly all CAPS participants are disadvantaged.

The following table illustrates our progress by fiscal year program:

	<u>FY-85</u>	<u>FY-86</u>	<u>FY-87</u>	<u>FY-88</u>	<u>FY-89</u>	(est) <u>FY-90/91</u>
Annual	42%	58%	74%	89%	89%	100%
Cumulative	42%	50%	56%	64%	64%	73%

5. Experience America

The Mission has implemented the CAPS "Experience America" component as described in our FY-89 CTP Update. Moreover, we have required all CAPS scholars to provide a minimum of 2 hours per week of voluntary service during their U.S. training. This provides them with additional opportunities of "Experience America" activities in coordination with their voluntary activities. The practice of voluntary service in the "Experience America" framework has given a more meaningful dimension to this component. We expect the scholars will naturally continue to undertake voluntary services in their local communities when they return to El Salvador. USAID/El Salvador is now more closely looking into the requirement that CAPS scholars be placed with "American roommates" or have "homestay" experience as this greatly enhances the real "Experience America" opportunities.

6. Follow-Up

USAID/El Salvador has expanded its CAPS follow-on activities since August 1988 and has made it a specific component and an integral part of CAPS training. The follow-up activities are undertaken by the National Association of the Partners of the Americas (NAPA), our institutional contractor, with Mission oversight and collaboration of CAPS Alumni and are addressed to all returned CAPS participants, (both short-term and long-term of all fiscal years).

Mission's follow-up activities are designed to assist the returned CAPS scholars to:

- a) reintegrate into Salvadoran society;
- b) benefit from a continuing education program;
- c) work in jobs and/or businesses related to their U.S. training;
- d) multiply the effects of their U.S. training in their communities throughout El Salvador.
- e) ascertain the effectiveness of the leadership skills imparted during the training to provide in service "up-grading" instruction if required.

Mission's follow-up program contains especially structured sequential modules as follows:

- a) Departure Program at end of U.S. Training;
- b) Re-Entry Program;
- c) Re-Entry-Kit;
- d) Resource Center;
- e) Technical Literature Distribution;
- f) Job Placement;
- g) Workshops and Regional Meetings for in service, leaderships skills "up-grading"
- h) Quarterly Newsletter;
- i) Advisory Committee;
- j) Alumni Associations

Mission has earmarked the estimated amount of \$112,631 to enhance pre-departure/follow-on activities.

7. Steps Taken to Contain Costs

Our current long-term training person-month cost including pre-departure ELT/orientation, U.S. training, follow-up activities, and international travel is approximately \$2,126. Our short-term total person-month cost for FY-89 is in the range of \$4,000. We expect to have some savings after negotiation of training costs with U.S. training institutions, and in such cases, we will finance more CAPS scholars. Recently Mission was able to finance an additional group of 25 PE Teachers and Coaches for a two-month training program at no additional cost. This was made possible as a result of savings in the original training program by the Consortium for Service to Latin America (CSLA), our institutional contractor. Our contract with the National Association of Partners of the Americas (NAPA) requires the use of the Training Cost Analysis (TCA) reports. Through the use of this mechanism, we can analyze and monitor costs and avoid upward "financial creep".

8. Budget Information

With this final CAPS CTP, we plan to use \$6,732,450 under a contract amendment with the National Association of Partners of the Americas (NAPA) for implementation of our FY-89 Program. The total LOP CAPS expenditures will be \$28,365,945.

9. Minimum Lead Time for Short and Long Term Training

Mission, in consultation with the contractor, will make every effort to place short-term scholars with a minimum of three months and long-term scholars with a minimum of six months lead time.

10. Avoiding Training for the "Elite"

Mission has systematically avoided CAPS training for the "elite" who do not qualify for this program. We intend to continue this practice through completion of the CAPS program. In real terms, Mission has benefitted the

poorest of the poor under the CAPS program. We plan to update our socio/economic selection criteria so that it will actually reflect the large universe of CAPS beneficiaries who belong to the socially and economically disadvantaged groups.

11. Major Changes in Training Plan from Approved CTP

No major deviations have been made from the approved CTP. The numbers of long-term and short-term scholars have been adjusted to 90 and 350 respectively. Mission plans to reach and exceed, wherever applicable, all target program requirements with the implementation of this last portion of CAPS training.

TABLE 1

CAPS TRAINING

FY-1990/1991 COUNTRY TRAINING PLAN UPDATE
NUMBER OF NEW STARTS

PROGRAM: CAPS/ES No. 519-0337

COUNTRY OF ORIGIN: EL SALVADOR

TYPE OF TRAINING	FY-85	FY-86	FY-87	FY-88	FY-89	Estimated		LOP TOTAL
						FY-90	FY-91	
<u>TECHNICAL - 27 days or less</u>	289	121	69	--	--	--	--	479
Female	77	33	14	--	--	--	--	124
Male	212	88	55	--	--	--	--	355
<u>TECHNICAL - 28 - 180 days</u>	--	75	78	53	100	75	300	681
Female	--	37	30	20	56	63	179	385
Male	--	38	48	33	44	12	121	296
<u>TECHNICAL - 180 - 269 days</u>	--	--	--	--	--	--	--	--
Female	--	--	--	--	--	--	--	--
Male	--	--	--	--	--	--	--	--
<u>TECHNICAL - 270 days or more</u>	--	--	--	15	130	115	30	290
Female	--	--	--	6	54	80	15	155
Male	--	--	--	9	76	35	15	135
<u>TOTAL TECHNICAL</u>	289	196	147	68	230	190	330	1,450
Female	77	70	44	26	110	143	194	664
Male	212	126	103	42	120	47	136	786

TABLE 1
(Page 2 - Continued)

TYPE OF TRAINING	FY-85	FY-86	FY-87	FY-88	FY-89	Estimated		LOP TOTAL
						FY-90	FY-91	
<u>ACADEMIC - Undergraduate - 1 year</u>								
Female	--	--	--	--	--	--	--	--
Male	--	--	--	--	--	--	--	--
<u>ACADEMIC - Undergraduate - 2 years</u>								
Female	--	--	--	--	50	--	--	50
Male	--	--	--	--	3	--	--	3
	--	--	--	--	47	--	--	47
<u>ACADEMIC - Undergraduate - 3 years or more</u> (Includes one year of E.L.T. in the U.S.)								
Female	--	26	138	--	--	--	--	164
Male	--	10	56	--	--	--	--	66
	--	16	82	--	--	--	--	98
<u>ACADEMIC - Graduate level - 1 year</u>								
Female	16	--	--	--	--	--	--	16
Male	6	--	--	--	--	--	--	6
	10	--	--	--	--	--	--	10
<u>ACADEMIC - Graduate level - 2 years</u> With additional one year of ELT in the U.S.								
Female	38	24	--	--	--	--	--	62
Male	14	7	--	--	--	--	--	21
	24	17	--	--	--	--	--	41
<u>TOTAL ACADEMIC</u>								
Female	54	50	138	--	50	--	--	292
Male	20	17	56	--	3	--	--	96
	34	33	82	--	47	--	--	196

TABLE 1
(Page 3 - 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>FY-91</u>	<u>LOP TOTAL</u>
<u>TOTAL TRAINEES</u>	343	246	285	68	280	190	330	1,742
Female	97	87	100	26	113	143	194	760
Male	246	159	185	42	167	47	136	982
<u>ACADEMIC</u>	54	50	138	--	50	--	--	--
Female	20	17	56	--	3	--	--	--
Male	34	33	82	--	47	--	--	--
<u>TECHNICAL</u>	289	196	147	68	230	190	330	1,450
Female	77	70	44	26	110	143	194	664
Male	212	126	103	42	120	47	136	786
<u>LONG-TERM</u>	54	50	138	15	180	115	30	582
Female	20	17	56	6	57	80	15	251
Male	34	33	82	9	123	35	15	331
<u>SHORT-TERM</u>	289	196	147	53	100	75	300	1,160
Female	77	70	44	20	56	63	179	509
Male	212	126	103	33	44	12	121	651
<u>HBCU PLACEMENTS:</u>		2	14	0	15	57	86	174
<u>FEMALE/MALE Percentage by FY:</u>								
Female	28	35	35	38	40	75	59	44
Male	72	65	65	72	60	25	41	56

TABLE 2

NON CLASP TRAINING

FY-1990/1991 COUNTRY TRAINING PLAN UPDATE
NUMBER OF NEW STARTS

<u>TYPE OF TRAINING</u>	<u>COUNTRY OF ORIGIN: EL SALVADOR</u>						<u>Estimated</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>TECHNICAL - 27 days or less</u>							
Female	1	10	28	43	15	34	19
Male	27	59	81	88	70	56	28
<u>TECHNICAL - 28 - 180 days</u>							
Female	3	4	1	7	3	8	7
Male	50	15	5	14	21	11	17
<u>TECHNICAL - 180 - 269 days</u>							
Female	--	--	--	--	--	--	--
Male	--	--	2	--	--	--	--
<u>TECHNICAL - 270 days or more</u>							
Female	--	--	--	5	--	5	2
Male	--	--	--	5	--	5	8
<u>TOTAL TECHNICAL</u>	<u>81</u>	<u>88</u>	<u>117</u>	<u>163</u>	<u>109</u>	<u>119</u>	<u>81</u>

TABLE 2
(Page 2 - Continued)

TYPE OF TRAINING	FY-85	FY-86	FY-87	FY-88	FY-89	Estimated		
						FY-90	FY-91	
<u>ACADEMIC Undergraduate -- 1 year</u>								
Female	--	--	--	--	--	--	1	1
Male	--	--	--	--	--	--	1	1
<u>ACADEMIC Undergraduate -- 2 years</u>								
Female	--	--	--	--	3	--	--	--
Male	--	--	--	--	32	--	--	--
<u>ACADEMIC Undergraduate -- 3 years</u>								
Female	--	--	--	--	--	--	--	--
Male	--	--	--	--	--	--	--	--
<u>ACADEMIC Undergraduate -- 4 years</u>								
Female	--	--	--	--	--	--	--	--
Male	--	--	--	--	--	--	--	--
<u>ACADEMIC Graduate Level -- 1 year</u>								
Female	1	--	10	14	10	10	6	6
Male	--	--	10	11	6	10	6	6
<u>ACADEMIC Graduate -- 2 years</u>								
Female	1	--	--	2	2	--	2	2
Male	2	1	1	8	3	--	3	3
TOTAL ACADEMIC	4	1	21	35	56	20	19	19

TABLE 2
(Page 3 - 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>FY-91</u>
<u>SUMMARY:</u>							
<u>TOTAL TRAINEES</u>	85	89	138	198	165	139	100
<u>ACADEMIC</u>							
Female	2	--	10	16	15	10	9
Male	2	1	11	19	41	10	10
<u>TECHNICAL</u>							
Female	4	14	29	56	18	47	28
Male	77	74	88	107	91	72	53
<u>LONG-TERM</u>							
Female	2	--	10	16	15	10	9
Male	2	1	11	19	41	10	10
<u>SHORT-TERM</u>							
Female	4	14	29	56	18	47	28
Male	77	74	88	107	91	72	53
<u>HBCU PLACEMENTS:</u>	--	--	--	--	--	--	--