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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

EL SALVADOR

PROJECT PAPER

ECONOMIC STABILIZATION AND RECOVERY

FY 1988 & 1989

AID/LAC/P-432

Project Number: 519-0354
Grant Number: 519-K- 612 &
519-K612A

UNCLASSIFIED

CLASSIFICATION

AID 1120-1 PAAD	AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT	1. PAAC NO 519-0354 519-K-612 A 2. COUNTRY El Salvador 3. CATEGORY Cash Transfer 4. DATE
5. TO Acting AA/LAC, Fred Schieck FROM LAC/DR, Terrence J. Brown 6. AMOUNT REQUESTED FOR COMMITMENT OF \$18,500,000 7. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT <input type="checkbox"/> INFORMAL <input checked="" type="checkbox"/> FORMAL <input type="checkbox"/> NONE 8. COMMODITIES FINANCED	9. C/FB CHANGE NO N/A 10. C/FB INCREASE 11. TO BE TAKEN FROM Economic Support Fund 12. APPROPRIATION 72-113/91037 LES889- 35519-KG31 13. ESTIMATED DELIVERY PERIOD FY 1989 14. TRANSACTION ELEMENT ID DATE	

16. PERMITTED SOURCE

U.S. only: _____
 Limited F.W.: _____
 Free World: _____
 Cash: _____

17. ESTIMATED SOURCE

U.S.: _____
 Industrialized Countries: _____
 Local: _____
 Other: _____

18. SUMMARY DESCRIPTION

The purpose of this amendment is to add \$18.5 million to the FY 1988 first tranche of \$125.0 million bringing the total authorized life-of-project funding to \$143.5 million. All other terms and conditions of the original PAAD signed June 22, 1988 remain unchanged.

"Approval of Methods of Financing:

This PAAD Amendment complies with current Agency guidance on methods of financing and has provided for adequate audit coverage in accordance with the Payment Verification Policy Implementation Guidance."

Gary L. Byllesby 3/17/89
 Gary L. Byllesby, Controller, IAC

19. CLEARANCES

	DATE
LAC/DP:Wheeler <i>Wheeler</i>	3/20/89
LAC/GC:GDavidson <i>GDavidson</i>	3/17/89
LAC.CEN:CCostello <i>CCostello</i>	3/17/89
LAC.CONT:GByllesby <i>GByllesby</i>	3-17-89
PPC/EA:JLAPittus <i>JLAPittus</i>	3-17-89
DEM/EM/PAFD:EBonnaffon <i>EBonnaffon</i>	3/21/89
ARA/ECP:Marshall <i>Marshall</i>	3/17/89

20. ACTION

APPROVED DISAPPROVED

Fredrick W. Schieck March 23, 1989
 AUTHORIZED SIGNATURE DATE

Acting Assistant Administrator, IAC
 TITLE

CLASSIFICATION:

AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT	1 PAAD NO	519-0154	519-K-612
	2 COUNTRY	El Salvador	
	3 CATEGORY	Cash Transfer	
	4 DATE	May 20, 1988	
5 TO	6 CFB CHANGE NO	N/A	
AA/LAC, Dwight A. Ink	7 CFB INCREASE		
8 TO	9 TO BE TAKEN FROM	Economic Support Fund	
LAC/DR, Terrence J. Brown	10 APPROPRIATION -	LES888-35519-KG31/870-65-519-00-50-81	
11 SPECIAL REQUESTED FOR COMMITMENT OF	12 TYPE FUNDING	13 LOCAL CURRENCY ARRANGEMENT	14 ESTIMATE DELIVERY PERIOD
\$25,000,000	<input type="checkbox"/> LOAN <input type="checkbox"/> GRANT <input type="checkbox"/> INFORMAL <input checked="" type="checkbox"/> FORMAL <input type="checkbox"/> NONE		FY 1988
	15 COMMODITIES FINANCED		16 TRANSACTION ELIGIBILITY DATE

10 PERMITTED SOURCE	11 ESTIMATED SOURCE
U.S. only:	U.S.
Limited F.W.:	Industrialized Countries:
Free World:	Local:
Cash: 25,000,000	Other:

12. SUMMARY DESCRIPTION

The purpose of this program is to provide balance of payments assistance to support economic stabilization and recovery in El Salvador in CY 1988. This program is based on the Government of El Salvador's (GOES) Plan for 1988 which consists of a fiscal and monetary program to reduce inflationary pressures and measures to reactivate the export sector.

Program funds will be deposited into a / separate non-comingled ESF account or accounts in the U.S. from which payments for eligible foreign exchange transactions will be made. Eligible transactions include the importation of raw materials, intermediate goods, spare parts, agricultural inputs, and capital goods from the U.S. and Central American Common Market countries, excluding Nicaragua, and including Panama, and petroleum from A.I.D. Geographic Code 941 countries. In addition, to be eligible, imports must be for private sector uses in the manufacturing, agricultural, agro-industrial, commercial, construction, transportation, services, and energy subsectors.

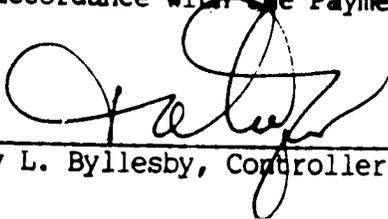
Upon disbursement of the dollars, an equivalent amount of local currency will be deposited by the GOES in a separate Special Account in the Central Bank of El Salvador to be used for mutually agreed upon development purposes consistent with the Foreign Assistance Act, specifically Sections 103 through 106.

13. CLEARANCES	DATE	14. ACTION
LAC/DP: WWheeler	WWS 6/17	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
GC/LAC: TGeiger	TG 6/16	
ARA/ECP: WBarmon	WBS 5/20	
LAC/CEN: CCostello	CC 6/17	
PPC/EA: JMudge	JM 5/21/88	
SEP/EM: MUsnick	MU 5/21/88	
SA/LAC: MButler	MB 5/21/88	
		DWIGHT INK AUTHORIZED SIGNATURE Assistant Administrator, LAC TITLE
		June 22 1988 DATE

b

"Approval of Methods of Financing:

This PAAD complies with current Agency guidance on methods of financing and has provided for adequate audit coverage in accordance with the Payment Verficiation Policy Implementation Guidance."



6/17/88

Gary L. Byllesby, Controller, LAC

1988 PAAD
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* Due to delays in translation this will be submitted under separate cover.

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I. INTRODUCTION

This document requests favorable Washington review and approval of \$143.5 million of Economic Support Funds to support the 1988 Economic Program of the Government of El Salvador (GOES). Upon approval and authorization, \$125 million will be disbursed in three tranches under a grant agreement between the USG and the GOES. The remainder, \$18.5 million, will be impounded in a restricted reserve due to the controversy surrounding the amnesty law in El Salvador. If released, these funds will be disbursed under an amendment to the grant agreement, after the 1989 Appropriation Bill is signed.

ESF balance of payments support will be used to finance the import of raw materials and intermediate and capital goods essential for the functioning of the Salvadoran economy. The local currency counterpart of the ESF disbursements will be used, inter alia, for expansion of selected credit lines for the private sector, guarantee and insurance funds to support private sector investment, and local currency support for mutually agreed upon priority public sector investment programs. These uses have already been agreed to between USAID and the GOES through the Memorandum of Understanding signed in March, 1988.

The 1988 ESF Program is to support the GOES 1988 Economic Plan which proposes a continuation of the stabilization effort that achieved success in 1987. Its principal targets are an inflation rate of 18-20% (as measured by the CPI), a decrease of 5-7 percentage points from the 1987 rate, and increasing the rate of growth in GDP to 3%. To achieve these targets, the GOES will attempt to arrest any further deterioration of the external and fiscal imbalances through a strict monetary and credit program, and through a set of sectoral measures to improve fiscal performance, stimulate export growth, and to spur production for domestic consumption.

II. BACKGROUND, 1980-86

A. 1980-83

After a decade of relative economic prosperity, the economy of El Salvador suffered a 25% decline in GDP. External conditions were at their worst; the oil price increase was followed by a deep recession in the industrialized countries plunging international commodity prices to lows from which they have yet to recover. There was also the economic consequence of the collapse of the CACM, the driving force behind the industrialization of the 1960s and 1970s, in which El Salvador was a major participant. It was also during the 1980-83 period that the civil war reached its peak; direct and indirect damage to the productive and social infrastructure was estimated at \$335 million. A reform government came to power and attempted to put the country on a new course based on a series of far reaching changes, including agrarian reform, nationalization of the banks, and government ownership of the export of coffee and sugar. Even though these reforms may have been a political necessity, given the state of the war, they and the civil turmoil hurt investor confidence, and led to considerable capital flight from the country as entrepreneurs were concerned about the security of their lives and property.

B. 1984-86

During 1984-86, the democratically elected government achieved considerable success in its goal of establishing a stable democracy in El Salvador. As the Mission stated in its 1987 PAAD, the Government achieved impressive results in reducing the intensity of the guerrilla war, in strengthening the protection of human rights, and in building a viable democracy.

The GOES achieved less success during this period in stabilizing the economy and in rekindling the dynamics of economic growth. Even though the contraction of the period 1980-83 was halted, the economy grew more slowly during the 1984-86 period (2.3%, 2.0%, and 0.6%, respectively) than had been hoped for given the level of USG economic assistance, although with the continuing civil conflict, droughts in 1985 and 1986, and a cataclysmic earthquake in October of 1986, any higher increases in economic growth would have been surprising.

Nevertheless, there were other factors at play in 1984-86, ones directly related to the political economy of El Salvador. First, ambiguities in GOES relationships with the private sector continued and were a paramount factor explaining low private sector investment rates. While the private sector regularly requested, and the Government promised, clear rules of the game, none were forthcoming. For its part, the private sector still harbored considerable resentment over the economic reforms taken earlier in the

decade. Consequently, relations between the two were constantly punctuated by mistrust, hostility and periods of crisis.

Second, in mid-1986, the GOES lost control over monetary and fiscal discipline in the wake of the January, 1986 unification of the exchange rate. Beginning in 1983-84, a progressively larger share of foreign exchange transactions were passed to the parallel exchange market, and by late 1985 there already had occurred a significant, effective devaluation. In January, 1986, the GOES unified the exchange rate at 5:1 and widespread protests followed. In the face of this strong political opposition, the Government was not able to hold to a set of policies that would preserve the effects of the devaluation. The social unrest led to accelerated public expenditures and to rapid monetary growth. This lack of fiscal discipline, along with accommodative monetary policies, had raised inflation from 11.7% during 1984 to 32% by the end of 1986, virtually eliminating the real effective devaluation.

III. THE ECONOMY IN 1987: PROGRAM, PERFORMANCE, AND THE ROLE OF ESF ASSISTANCE

A. THE GOES 1987 ECONOMIC PROGRAM

1. Problems in setting the targets

When negotiations began over the 1987 ESF Program, the priority for the USG was to re-focus GOES efforts on economic stabilization. Early in 1987, the GOES prepared an annual economic program. After review, the Mission concluded that it was an inadequate basis for authorization of the FY 1987 ESF assistance. The program failed to address adequately either the fiscal or balance of payments implications of the sharp decline in coffee prices. The monetary program, given the need to close a large fiscal gap was unrealistic. Altogether, the original program would have led to a further increase in inflationary pressures, with inflation possibly accelerating to the 40-50% range by the end of the year, continued deterioration in export competitiveness, and further loss of investor confidence.

The Mission informed the GOES in April that further steps were needed, and extensive negotiations took place in May and June. The GOES substantially revised its program and decided to take a number of policy steps it had previously considered infeasible. Several important steps, such as instituting the special dollar accounts for nontraditional exporters and adjusting utility rates were undertaken during the year. In addition, decisions were made on fiscal and monetary variables to make the program more disciplined and consistent. Negotiations between the GOES and the Mission were completed in mid-June, and a GOES delegation reached final agreement on the 1987 program with senior LAC and State Department officials in Washington on June 19.

2. Summary of key macroeconomic targets

The principal thrust of the GOES 1987 Economic Plan (GOES Plan) was to stabilize the economy. The targets included a reduction in inflation (as measured by the annual average increase in the CPI) from 32% in 1986 to 25-27% in 1987, and an increase in the real level of economic activity (as measured by the GDP) of 2.2%. These targets were to be achieved primarily through monetary and fiscal discipline and supported by a sizeable increase in net official transfers in the balance of payments. Under the pressure of a fall in coffee tax receipts and increased expenditures on earthquake reconstruction, the deficit of the Nonfinancial Public Sector (excluding grant assistance) was to be held to 5.1% of GDP compared to 2.2% in 1986. Net official transfers (compensatory and noncompensatory) in the balance of payments, including USG grant assistance and other foreign earthquake relief, were to increase to \$300 million in 1987 from \$230 million in 1986. Fiscal restraint and the substantial increase in foreign resources would permit the monetary

authorities to hold total credit expansion to 15%, with credit to the public sector increasing at 13%, while allowing an 18% growth in credit to the private sector. Tight credit programming would allow money supply (as measured by M2) growth to be held to 22%.

3. Other Sectoral Policies

The GOES Plan also contained a number of sector specific actions aimed at stimulating production. Most of these elements involved special treatment or incentives, or direct government intervention such as in the allocation of credit. These actions included, among others, the establishment of a system of special accounts through which exporters of nontraditional products could directly use their dollars or sell them to certain eligible buyers, a foreign investment law which would simplify the complex legal environment that presently surrounds the foreign investor and increase profit remittance levels, a limited opening of coffee exporting to the private sector, and the privatization of several government owned properties.

4. The Role of The 1987 ESF Program

The 1987 ESF Program was to play a crucial role in support of the GOES Plan. The import requirements under a 2.2% real growth scenario, in the face of a sharp decline in coffee revenues and a heavy amortization schedule faced by the commercial banks, were to place severe pressure on the balance of payments in 1987. The \$157 million under this ESF Program, along with PL-480, already programmed disbursements of USG grant assistance under the project and earthquake portfolios, \$68 million in earthquake reinsurance payments, and \$34 million in other external assistance primarily associated with earthquake reconstruction, were to play a major role in supporting the reduced inflation and increased growth targets under the GOES 1987 Program.

5. Policy Dialogue

Given the sensitivity of the GOES to specific conditionality with respect to AID assistance, the Mission modified its approach in 1987. Accordingly, the first three tranches of the FY 1987 ESF funds were to be tied to the successful implementation of the monetary targets under the program. Only the final disbursement was contingent on a specific GOES action, as scheduled in the Plan, to increase utility rates for the electricity company, CEL, the water and sewerage company, ANDA, and the port authority, CEPA, and to continued progress in the implementation of the monetary program.

B. PERFORMANCE IN 1987: TRENDS IN KEY MACROECONOMIC INDICATORS

1. GDP and its Composition.

According to preliminary estimates, gross domestic product (GDP) grew in 1987 by an estimated 2.6%, a significant improvement over the 0.6% growth rate in 1986, and slightly higher than the 2.2% growth target in the GOES Plan. GDP growth accelerated despite a significant decline in coffee export earnings, as this negative trend in foreign exchange availability was more than offset by increases in public and private transfers and an improvement in the capital account (see III.B.2 below).

The sectors contributing the most to GDP growth were agriculture (2.5%), manufacturing (3.0%), and construction (14.0%). In the agricultural sector, increases in coffee and corn production more than offset drought-induced losses for other basic grains such as beans. Manufacturing benefited from improved access to foreign exchange in the second half of the year, which eliminated long delays for imported inputs. The expansion of construction activity occurred mainly in the private sector, with much of the financing coming from rapidly disbursing AID loans and from insurance payments for losses incurred during the October 1986 earthquake. There was also some public sector reconstruction, but this was relatively slow to get under way, and the major impact of this activity is expected to occur in 1988 and 1989.

In real terms, changes in the broad components of aggregate demand are somewhat surprising given the trends noted above. By far, the strongest contributor to real growth was the export sector (9.7%), as coffee export volume—stimulated by favorable prices during the 1985-86 crop year—increased despite a sharp drop in prices in 1987. An 8.1% increase in fixed capital formation was largely offset by a sharp drawdown of inventories. Consumption increased by 1.1%, with the rate of growth of public consumption (1.4%) exceeding that of private consumption (1.0%) by a much smaller amount than in 1985-86.

2. Balance of Payments.

The current account deficit in 1987, \$61 million, was \$63 million higher than that of 1986. Given the trends in exports and imports, the trade deficit rose sharply from \$180 million in 1986 to \$384 million in 1987. This deterioration was partially offset by a \$68 million improvement in the net services balance, due to earthquake-related insurance payments, and a \$74 million increase in net transfers, public and private.

The most significant development in the current account of the balance of payments in 1987 was a \$164 million decline in exports caused mainly by a decline of \$192 million (36%) in coffee export earnings. Although coffee

export volume was 15% above its 1986 level, the average price per pound was only \$1.04, compared with \$1.86 a year earlier. Cotton and sugar exports were also lower, but in these cases declines in volume rather than price were responsible. Shrimp exports rose in value by 21%.

NON-TRADITIONAL EXPORTS
(In millions of U.S. dollars)

	1984	1985	1986	1987
Non-traditional	345.2	258.5	208.9	254.1
CACM	157.2	95.7	91.0	119.6
To other markets <u>1/</u>	188.0	162.8	117.9	134.5
	(Annual Percentage Change)			
Non-traditional	--	-25.1	-19.2	21.6
CACM	--	-39.1	-4.9	31.4
To other markets <u>1/</u>	--	-13.4	-27.6	14.1

Source: Central Reserve Bank and USAID estimates.

1/ Includes the gross value of draw-back exports.

Preliminary estimates point to a sharp rebound in the performance of nontraditional exports. After years of decline, nontraditional exports to the Central American Common Market (CACM) grew in 1987 by an estimated 31% due to the liberalization of the regional payments mechanism. Nontraditional exports to markets outside the region increased by 14%.

Imports in 1987 rose by a modest 4%. Consumer imports (especially nondurables) rose by 14% in 1987, while raw material and intermediate goods imports fell by 7.5% and capital goods imports rose by 30%. These import figures, along with the observed reduction in inventories, provide support for accepting the estimated 1987 GDP growth rate of 2.6%.

The reduction in the capital account deficit from \$154 million to \$105 million was due entirely to an improvement in the private capital balance (principally errors and omissions) from -\$144 million to -\$37 million. The balance of net official and banking flows dropped from -\$10 million to -\$68

million, due entirely to lower disbursements under external loans; amortization payments actually declined by about \$13 million.

Compensatory flows (ESF and PL-480) reached \$216 million in 1987, leaving El Salvador with an overall balance of payments surplus (or an increase in net international reserves) of \$51 million. This overall surplus in the balance of payments, however, masked the widening trade deficit and the steady decline in disbursements of external loans. This latter trend, noticeable since the early 1980s, is a reflection of the lack of a constructive dialogue between the GOES and the international financial institutions, especially the IBRD. The dialogue has improved somewhat with the signing of the IDB loan for ANDA and the IBRD loan for earthquake reconstruction. Meanwhile, the health of the balance of payments has come to increasingly depend on emigrants' remittances and USG foreign assistance.

3. Public Finance

a. The Central Government

The overall deficit of the Central Government (less grant assistance) was ¢908 million, or about ¢282 million less than GOES 1987 Plan projections. This reflects an effort by the GOES to reduce its fiscal imbalance despite lower coffee tax revenues and the expenditure requirements imposed by urgent social demands and the war effort. Thus, although the deficit increased from the equivalent of 3.0% of GDP in 1986 to 3.9% in 1987, this was significantly better than the 5.1% deficit envisaged in the program. If the reduction in coffee tax revenues is included in the analysis, the overall fiscal performance is more encouraging, since the Central Government deficit increased by the equivalent of only 1 percentage point of GDP in the face of a decline in coffee export tax revenues equivalent to 3% of GDP.

The current account balance of the Central Government (excluding grants) registered a deficit of ¢84 million compared with a ¢48 million surplus projected in the GOES Plan. Even though current revenue met program targets, as weaker than budgeted direct tax and coffee tax collections were compensated for by higher than expected revenues associated with imports, domestic transactions and non-tax revenues, current revenue was still about 5% lower in 1987 than in 1986. This is because the increase in direct taxes, import taxes and taxes on domestic transactions could not replace an almost 60% drop in coffee export tax revenues.

Current expenditures were about ¢115 million higher than the budgeted amount in 1987. However, this represents a decrease of around 15% in real terms in comparison with 1986, reflecting GOES restraint in outlays for salaries, goods and services, and transfers to public enterprises.

Despite the fact that direct tax revenues were only around 83% of the 1987 budget estimate, they were almost 21% higher than in 1986, reflecting the government's effort to increase income, net wealth and property transfer taxes in the face of falling coffee taxes. Coffee export tax collections were about \$30 million, or almost 8%, below the 1987 budget estimates, and were only 60% as high as 1986 collections. A surprisingly higher coffee crop (around 350 thousand quintals more than in 1986) was not sufficient to compensate for a lower than projected average coffee price in the international market. Substantial delays in tax payments by INCAFE put the Central Government in a difficult cash flow position during the last quarter of 1987. Only late in December did INCAFE pay a large portion of its 1987 tax arrears and reach an agreement with the Ministry of Finance over the 1986 tax arrears which were in dispute.

Indirect tax revenues were better than expected in 1987. Import taxes were around 50% higher than budgeted, as imports grew in 1987 at a faster rate than expected, resulting in import tax receipts 35% larger in 1987 than in 1986. Tax collections associated with domestic transactions (consumption and service taxes) were better than budgeted increasing almost 30% in 1987 over 1986. Among these, stamp tax revenues were around 36% (or \$200 million) higher than the previous year.

Non-tax revenue was about 6% better than budgeted, due to improved government sales of goods and services. However, collections were 26% lower than in 1986, since, due to postponed rate increases, public utility transfers to the Central Government declined. In the case of the electric power company, CEL, higher oil prices reduced the colón profits on oil imports.

Capital expenditures in 1987 grew by 29% over 1986, but were 73% of the amount programmed in the 1987 Plan, as the GOES attempted to offset the unfinanced public sector deficit by limiting capital expenditures. In addition, slow implementation of projects with multilateral and bilateral financing (i.e., World Bank, IDB, Italy, Germany) also contributed to a lower rate of execution of the capital budget.

b. The Rest of the General Government

The rest of the General Government (the municipalities and the autonomous agencies such as the social security institute) ran a \$51 million surplus in 1987 compared to a \$44 million deficit in 1986. This result was due mainly to an increase in the surplus of the social security institute and somewhat larger transfers to the other autonomous agencies from the Central Government.

c. The Public Sector Enterprises

The public sector enterprises as a group (the state power company, CEL,

the water and sewerage utility, ANDA, the port authority, CEPA, the basic grains stabilization fund, IRA, the telephone company, ANTEL, and others) ran a surplus of \$22 million, down from the \$42 million surplus in 1986. The surplus of ANTEL weighed heavily against the deficits of the others. And the deficits of the others were moderated by the temporary emergency surcharge (30% on consumers of more than 200 KWH) imposed in March of 1987 on electricity rates to offset higher operating costs brought on by the drought.

In addition to the the temporary surcharge, there were increases in electricity, water and port fees as follows:

(1)	Water rates	36 percent
(2)	Port rates	
	Users	23 percent
	Shipping companies	43 percent
(3)	Electricity rates	34 percent

The first two were increased on October 1 and the third on November 1. The main financial impact of these increases will be felt in 1988, however.

d. The Consolidated Nonfinancial Public Sector

The Consolidated Nonfinancial Public Sector (the Central Government, the rest of the General Government, and the public enterprises) ran a deficit of \$788 million, 3.3% of GDP compared to the Plan target of 5.1% of GDP and to 2.2% of GDP in 1986.

4. Money, Credit, and Prices

Financial developments in 1987 were characterized by a marked decline in the rate of growth in the money supply (M2) from 30% in 1986 to 7.5% in 1987. This was mainly a reflection of the decline in the rate of growth of total domestic credit from 11% in 1986 to about 9% in 1987, and a larger than programmed increase in net international reserves.

The rate of growth of net domestic assets of the banking system was slowed from a 19% increase in 1986 to a negative 2.5% in 1987. This contraction was the result of a low rate of increase in net credit to the public sector, an even lower rate of increase in credit to the private sector, and to a sharp contraction in unclassified assets due to a buildup in ESF local currency counterpart deposits at the end of 1987.

Related to the behavior of net domestic assets was the larger than programmed increase in net international reserves linked to AID ESF

disbursements late in 1987. The Monetary Program assumed that disbursements of ESF would proceed evenly over the entire calendar year. However, the GOES and the USG did not reach agreement on the program until June 1987. Administrative delays, associated with GOES approval of the grant agreement, as well as GOES delays in adjusting utility rates of CEL, CEPA, and ANDA, further postponed ESF disbursements. Consequently, \$157 million of the \$204 million programmed was disbursed between August and October of CY1987, choking BCR counterpart accounts with about Q620 million in local currency equivalent of the ESF disbursements. These deposits were earmarked and were to be used to finance Central Government Extraordinary Budget operations and BCR lines of credit to the private sector. However, these resources could not be spent fast enough to increase liquidity and thus to increase the loanable reserves of the banking system. Faced with this problem, as well as with an unfinanced gap in the Central Government budget further aggravated by cash flow problems, the monetary authorities chose not to introduce more liquidity into the system by, for example, lowering reserve requirements (effective reserve requirements were, in fact, increased), earlier repurchase of monetary stabilization bonds, or extending the use of BCR rediscount facilities. These efforts to maintain the integrity of the Monetary Program thus resulted in a slow rate of growth of domestic assets, principally domestic credit.

Credit extended to the public sector by the banking system was under the ceiling set in the 1987 Monetary Program by Q79 million. Lower credit expansion to the Central Government more than offset a larger than programmed use of credit by the rest of the public sector. Net credit (excluding deposits) to the Central Government was Q85 million under the program, while gross credit to the rest of the public sector (there is no data on deposits of the Rest of the General Government in the BCR) was only Q6 million over the ceiling set for 1987.

Credit to the private sector grew only 8% (about a 17% decrease in real terms) in 1987 after a 26% increase in 1985 and 22% increase in 1986. The slow rate of credit expansion to the private sector, representing only 47% of the programmed amount for 1987, naturally reflects a limited availability of loanable resources brought about by the factors discussed above and in addition, a more selective use of rediscount facilities, tighter administrative controls over credit approvals to avoid misuse of resources, and a stricter enforcement of legal reserve requirements.

The money supply (M2) or liabilities to the private sector grew only 7.5% compared to a program target of 22%. This mirrored the contraction in net domestic assets, the increase in net international reserves, and larger than programmed payments of medium and long-term foreign (debt) liabilities.

The sharp cut in the rate of growth of money allowed the monetary authorities to break the back of the inflationary spiral. The rate of

inflation, as measured by the annual average increase in the consumer price index (CPI), was reduced to 24.9% in 1987 after a 32% increase in 1986. Food prices increased at a faster rate than the overall index, mainly as a result of higher edible oil, shortening, fruit, vegetable and street lunch prices. The rate of growth of clothing prices was halved in 1987 with respect to 1986.

C. OVERALL ASSESSMENT OF ECONOMIC PERFORMANCE IN 1987

The performance of the Salvadoran economy during 1987 was highlighted by the success of the GOES in reversing the trends of late 1986, stabilizing the economy, and achieving a real GDP growth rate of 2.6%, exceeding the target of 2.2%. This was achieved by constraining expenditures in the face of a steep decline in coffee tax revenues and a slow growth in direct tax revenues. Aided by the improvement in fiscal discipline, and very effective management at the Central Bank, the GOES was able to hold to the monetary targets in spite of very irregular disbursements of ESF balance of payments assistance. Even though fiscal discipline came at the expense of public sector investment, and monetary restraint at the cost of cuts in credit to the private sector, sound fiscal and monetary management was re-established.

Although the GOES achieved considerable success in the fiscal and monetary arena, a number of the sector specific actions proposed by the GOES earlier in the year were not completed in 1987. The foreign investment law was not passed last year, but a new version has recently been approved by the President. The implementing regulations for free zones and the full operation of the one-stop export documentation center CENTREX, part of the export promotion law, will be completed in 1988. While modest steps were taken to increase the effective rate of exchange for nontraditional exporters through the establishment of the dollar accounts, the activity in this market was very light, their principal effect being to give these exporters priority access to their foreign exchange. The principal strategy for dealing with the overvalued exchange rate was to offset it with compensating distortions such as quantitative restrictions on imports as well as compressing domestic demand.

IV. THE ECONOMIC OUTLOOK FOR 1988: CONSTRAINTS AND PROGRAM TARGETS

A. CONSTRAINTS

1. External

The price of coffee continues to be a major determinant of El Salvador's balance-of-payments position and the overall performance of its economy. Although world prices have recovered somewhat from their low 1987 average as a result of the new agreement reached last fall between producing and consuming countries, the medium-term price outlook remains relatively poor. Moreover, export volume is restricted under an international quota system. Since coffee has averaged 63% of commodity export earnings over the last five years, the weak outlook for coffee export earnings is a major constraint to a strong overall export performance. Sugar, which accounted for 4% of total commodity exports during 1983-87, will continue to face relatively low world prices, and its quota in the U.S. market —already sharply reduced over the last few years— faces possible further reductions.

While El Salvador has the potential to significantly increase its exports to the United States, particularly under the CBI and 806/807 programs, the projected modest growth of the U.S. economy —and the OECD countries as a group— over the next two years could limit the country's opportunities to enter new markets in spite of added efforts on the part of the GOES to adjust the policy matrix to be more strongly supportive of nontraditional exports.

Since the 1960s the Central American Common Market (CACM) has been an important destination for El Salvador's nontraditional exports, particularly of manufactured goods. Even after the sharp decline in intra-CACM trade that has occurred during the 1980s, El Salvador's exports to the CACM averaged 18% of total commodity exports during 1983-87. Under a new, relatively free payments regime among the trading partners, intra-CACM trade arose in 1987, for the first time since 1980. This, however, only meant that El Salvador regained part of the market that it had lost early in this decade. Although the regional GDP growth rate is rising, and the new payments regime will relieve a significant constraint to trade, opportunities for increasing exports to the CACM are limited because the exhaustion of the easy import substitution opportunities have limited the expansion of the regional market. A strong revival of intra-CACM trade to levels that existed in the late 1970s will require major actions among the trading countries to extend the new payments regime to all the countries, remove quantitative restrictions on trade that have been imposed in recent years, and rationalize the common external tariff.

2. Internal

Among the internal obstacles to rapid and sustained economic recovery, the armed conflict still disrupts economic activity in much of the country, and guerrilla forces continue to cause major damage or destruction to both public infrastructure and private productive capacity; the psychological effect of increased urban terrorism also negatively affects the investment climate. Private and public capital expenditures are already too low, and the war damage diverts scarce resources away from new public and private investment to the repair or replacement of existing productive capacity, thus restricting El Salvador's medium- and long-run economic growth potential.

Coffee exports have also been discouraged by an inefficient, government-controlled marketing system whose low and delayed payments to producers have reduced profit margins. This situation may improve in 1988, since there are signs that the new management of INCAFE has been able to put coffee prices on a stable, publicly clear basis, pegging them to ICO quotations and ending speculation in the futures market. The new management has also made credit available on a timely basis and has not attempted to discourage growers sending coffee to privately-owned mills who have been willing to split the milling fee they receive from INCAFE with the growers in order to pull in more business. These factors could improve the incentives for cultivation and replanting of coffee.

Other price distortions in the economy include, notably, controls on interest rates which discourage domestic financial savings and misallocate loanable funds toward relatively low-productivity activities. Despite a reduction in the rate of inflation in 1987, partially offset by a decline in maximum legal interest rates, the interest-rate structure remains negative in real terms. However, as the inflation rate declines further in 1988, the rates will become less negative. Lastly, rates and tariffs for the services of the utility enterprises, except ANTEL, remain too low to provide long-term financial viability for these concerns.

Two other factors affecting economic growth in 1988 and beyond deserve mention. One is the continued lack of private sector confidence in government economic policies, which has an inhibiting effect on private investment beyond that of the specific price distortions already discussed, and the civil conflict. The other is the uncertainty surrounding the legislative elections in 1988 and the presidential elections in 1989.

B. THE GOES 1988 PLAN

1. Overview

SUMMARY OF PLAN TARGETS

	<u>1986</u> <u>Actual</u>	<u>Plan</u>	<u>1987</u> <u>Actual</u>	<u>1988</u> <u>Plan</u>
GDP	0.6%	2.2%	2.6%	2.5-3.0%
Inflation	32%	25-27%	25%	18-20%
Overall Public Sector Deficit (before grants)	2.2%	5.1%	3.3%	3.7%
BOP (before compensatory flows) \$millions	-\$62	-\$157	-\$165	-\$139
BOP Current Acct (\$ millions)	\$1.7	-\$150	-\$ 61	-\$116
BOP Trade balance (\$ millions)	-\$180	-\$421	-\$384	-\$451

The GOES 1988 Economic Plan (GOES Plan) outlines a continuation of the stabilization effort that began in 1987. Its principal targets are an inflation rate of 18-20% (as measured by the CPI), a decrease of 5-7 percentage points from the 1987 rate, and a rate of growth in GDP of 2.5-3%. To achieve these targets, the GOES will attempt to arrest any further deterioration of the external and fiscal imbalances, efforts that will permit the monetary authorities to limit money growth (M2) to 16%.

The GOES Plan also contains a set of sectoral measures to improve fiscal performance, stimulate export growth, and to spur the production of goods and services in the Salvadoran economy. In general, there is an absence of the price controls and subsidies which were evident in the 1987 Plan. And, important to the Mission, are several measures pertaining to the Land Reform Program. Among these are commitments to complete titling activities for Phases I and III beneficiaries, the transfer of semi- or abandoned Phase I land to FINATA for parceling among beneficiaries who did not receive land under Phase III of the agrarian reform program or to displaced persons, the elimination of co-management by the state of viable Phase III cooperatives

capable of self-management, and refinement and passage of beneficiary rights legislation.

As was the case in 1987, the Plan is the product of inter-ministerial coordination within the GOES. During its preparation, Mission personnel discussed its development with the GOES at the technical and ministerial levels. In the sections below, we will present a summary and evaluation of the targets and implementation measures contained in the Plan. In Annex II the reader will find an English translation of the complete set of measures contained in the Plan.

Actual performance under the Plan will rest on a number of factors, not all under the control of the GOES. GDP growth will be governed primarily by the pace of reconstruction activity and international coffee prices, and to a lesser extent, on the continued rebound in CACM trade and a healthy world economy.

More important are the potential repercussions of the continuing political activity in the country. A surge in guerrilla violence beyond current levels will also put serious pressure on the fiscal sector and on private investor confidence.

2. GDP and Its Composition

The level of real economic activity, as measured by the GDP, is projected to increase by 3% in 1988. Domestic consumption is expected to rise by 1.3% and domestic investment by 12%.

The projections by sector of economic activity point to the role to be played by earthquake reconstruction. Industry is to be the leading sector with real growth projected at 3.5%. The construction sector, which has a relatively small participation in total economic activity, is to grow by 17.3%. Both sectors will, of course, be influenced by reconstruction; construction directly, and industry indirectly through the inputs that it provides to the construction sector, such as building materials and furniture.

Agriculture and commerce are projected to be the lagging sectors. The agricultural sector is expected to grow by 2.4% and commerce by 2.5%.

3. Balance of Payments

The GOES has undertaken to liberalize the foreign trade regime in order to stimulate exports, lower the economic costs associated with quantitative trade restrictions, reduce contraband, and raise GOES import tax revenues. The system of dollar accounts for nontraditional exporters (the so-called "paralelito") has been expanded on the demand and the supply side. On the

demand side, the market has been opened to include importers in the commercial and agricultural sectors as well as to those in manufacturing. To this will be added many consumer items formerly on the prohibited list, which now can be purchased only in this market. On the supply side, in addition to exporters of nontraditional products, overseas agencies of Salvadoran commercial banks that capture dollar remittances from Salvadorans living abroad will also be able to open dollar deposits.

The structure of the dollar accounts market will insure that nontraditional exporters enjoy a modest spread over the rate in the official market. In 1988, unlike in 1987, there is a category of imports, formerly on the prohibited list, now eligible for foreign exchange only through the dollar accounts. It is this increase in demand, which cannot be satisfied in the official market, that will insure a premium over the official rate.

That premium, however, will not likely exceed that offered by the black market, since at least during 1988, there will exist considerable substitution between the official market and the dollar accounts. Nonetheless, initial experience this calendar year has shown a significant increase in the use of the dollar accounts. Nontraditional exporters are obviously responding to the rate premium and the flexibility in the use of these accounts.

Imports have been liberalized. The prohibited list has been shortened. The 100% prior deposit required for the importation of certain items will be gradually phased out over the year.

Also discussed in the plan is the implementation of several measures that were introduced in previous years. These include the approval of the foreign investment law, the implementation of the free zone regulations, and the full operation of the one-stop export documentation center, CENTREX.

Considering the above measures, the external sector in the GOES Plan is expected to register an increase of \$36 million in net international reserves. The overall balance, before the inclusion of financing or compensatory items, is projected to improve by \$27 million from the level in 1987, a deficit of \$139 million in 1988 versus \$165 million in 1987. But compensatory flows, USAID ESF balance of payments assistance, PL-480 Title II, and Section 416, are projected to reach \$174 million in 1988, allowing an increase in net international reserves of \$36 million.

The current account deficit of the balance of payments is projected to rise from \$61 million in 1987 to \$116 million in 1988. The trade balance will widen to some \$451 million spurred by a 10% increase in imports under a 3% GDP growth scenario, and a export growth of 6.0%. The net service balance is expected to worsen, and more than offset a higher level of private transfers captured by the banking system. Public transfers, grant assistance for

development projects and earthquake reconstruction, is expected to rise by \$52 million.

The deficit in the capital account is projected to fall from \$105 million to \$23 million. Official capital will improve due to the flows of bilateral and IBRD loan assistance for earthquake reconstruction, and the IDB loan to ANDA; that of banking capital to a lighter external amortization schedule.

4. Public Finance

Austerity and the rationalization of public expenditures are the keynote of the 1988 Program. There is to be a continued freeze on public sector employment and wages, control and gradual elimination of transfers from the Central Government to the state enterprises and to the rest of the General Government, and better control by the ministries of the budgets of the state enterprises under their respective control.

The revenue side of public sector finances is also targeted for improvement. Beginning in 1988, the GOES will begin to improve the efficiency of tax collections through a program of training and through the improvement of accounting and auditing systems. There will also be a modification and expansion of the National Lottery.

As a result of these and other measures, the consolidated nonfinancial public sector deficit (before grants) is programmed to rise slightly from ¢788 million in 1987 to ¢1044 in 1988 which, in relative terms, will result in an increase in the deficit from the equivalent of 3.3% of GDP to about 3.7%. The current savings of the public sector will increase from ¢88 million to ¢306 million, due mainly to an improvement in current revenue. Capital expenditure will rise by some ¢406 million, or 18%.

The deficit (before grants) of the Central Government is expected to be the equivalent of 2.9% of GDP, down from 3.9% in 1987 resulting from an improvement in current savings of ¢186 million, more than compensating for ¢30 million increase in capital spending.

The financial position of the set of public enterprises (the state power company, CEL, the water and sewerage utility, ANDA, the port authority, CEPA, the basic grains stabilization fund, IRA, the telephone company, ANTEL, and others) is programmed to shift from a surplus in 1987 to a deficit of ¢262 million in 1988. The current account surplus, or current savings, will increase slightly from the level in 1987, due primarily to expenditure restraint on the part of ANTEL and IRA and to the rate increases that took place late in 1987. But, the deficit in the capital account will increase due to a doubling of capital expenditure, mainly because of an expanded—and much needed—capital spending program by ANDA being financed by a IDB loan.

The overall public sector deficit (including grants) will be financed largely through an increase in foreign borrowing, a large part of which is the IDB loan to ANDA. Net internal financing of the deficit will fall from Q376 million to Q176 million. However, these numbers do not include a sizeable increase in Central Bank borrowing to capitalize the arrears in interest payments owed by the Central Government to the BCR. These interest arrears make up a very large part of the floating debt of the Central Government, and played an important part in deficit financing during 1987. This issue will be covered below under the evaluation of the GOES Plan.

5. Money, Credit, and Prices

In 1988, the fight against inflation will be continued through strict monetary and credit restraint. Money growth (as defined by M2) will be held to 16%. The expansion of banking system credit to the public sector will be limited to 9.0% and credit to the private sector will be targeted for a 17.3% increase. Monthly levels of reserve requirements have been set in the program and will be enforced. The sale and repurchase of monetary stabilization bonds will smooth out seasonal fluctuations in banking system liquidity.

As was the case in 1987, credit to the private sector will be managed through the allocation of quotas in the banking system and the strict supervision over their use. Credit targets will be set by sector of economic activity and quotas will be set for the commercial banks and for the BCR. Up to 15% of the total credit extended by the commercial banks from their own resources will be targeted for small and micro enterprises.

V. THE FY 1988 ESF PROGRAM

A. RATIONALE

The purpose of the ESF Program is to provide the external resources that are necessary for economic growth and stability while Salvadoran society builds a democratic system in the face of civil war. The key to this effort is to follow the success that was achieved in 1987, to encourage the GOES to continue the economic stabilization program which, along with a judicious blend of economic reform measures, will build investor confidence through a further reduction in inflation and the demonstration of sound economic management.

The balance of payments assistance under the 1988 ESF Program is essential for the successful implementation of the GOES 1988 Economic Plan. Under the Mission projections for the balance of payments in 1988, the GOES will require a total of \$187 million of compensatory finance, even if the GDP growth rate is, as we have assumed, less than the targeted 3%. Even with disbursements of \$125 million under the 1988 Program (not including the impounded reserve) added to the \$30 million of 1987 ESF funds disbursed early in 1988, the GOES will still be forced to draw down \$17 million in reserves to meet the external financing requirements of the GOES Plan. If the reserve, \$18.5 million, is disbursed late in 1988, a reduction in reserves will probably not be necessary. In the absence of ESF assistance, the monetary authorities would be forced to reduce import demand through a drastic reduction in domestic credit. The alternative would be higher inflation. In either case, the targets of the GOES Plan would not be achieved.

The GOES has begun to construct the foundation for economic reform. The authorities succeeded in stabilizing the economy in 1987, in breaking the back of inflation. The Mission considers that to be the most significant achievement under the GOES 1987 Plan. To accomplish this, the Government exercised fiscal discipline and monetary control, a notable departure from the uncontrolled spending and lax monetary policy of the last half of 1986 when inflation reached 32% on an annual basis. The Ministry of Finance has exercised control over spending and has put in place new accounting systems to continue fiscal control in the future. The monetary authorities have shown their determination to control money growth.

The GOES Plan contains a fiscal and monetary program to further reduce inflationary pressures in the Salvadoran economy and a set of measures to reactivate the export sector. The Mission considers the targets as well as the program inherent in the Plan to be consistent with the social and political realities in El Salvador. Due to the civil war and to the developing, but still delicate, domestic political situation, the most appropriate approach is to encourage continued sound economic management and

build investor confidence through a reduction in the rate of inflation. At the same time, the GOES Plan has introduced a set of measures that will stimulate modest export growth, but will not trigger the political and social turbulence of late 1986.

If the GOES were to adopt a more expansionist set of economic measures now, before the maturation of its stabilization effort, the effects could be counterproductive. A radical reform of the exchange rate regime, or an adjustment in the structure of domestic interest rates, could, like in 1986, lead to economic or social instability and a weakening of the GOES resolve to maintain fiscal and monetary discipline. If an adjustment in the exchange rate regime is to have a positive impact, it must change relative prices between the tradable and nontradable goods sectors, and permit more profitable investments in export activities or in industries that compete with imports. If this, or other reforms, were to take place in an atmosphere of fiscal indiscipline, or uncontrolled wage and salary demands, the shift in relative prices would only be momentary.

Consequently, the Mission proposes the acceptance of the GOES Plan that, in addition to the monetary and fiscal restraint, includes economic measures which over time will begin a process with non-inflationary, export-led growth. In the short-term, the Mission believes that the set of incentives contained in the 1988 Plan will provide a modest stimulus to the producers of nontraditional exports, encouraging expansion and new private sector investments, without imparting undesirable shocks to the economy. The system of dollar accounts will provide the nontraditional exporter with a higher rate of exchange to liquidate export earnings. The liberalization of imports will reduce the import substitution bias implicit in quantitative trade restrictions. The passage of the foreign investment law, the implementation of the free zones regulations, and the full operation of CENTREX, will reduce costs for the exporter.

Over the longer run, as the stabilization effort leads to increased investor confidence, hopefully during the next year, the Mission will begin to negotiate annual plans that will complement stabilization measures with additional economic measures and structural reforms. During the Washington review of the 1987 PAAD, the Mission was tasked to perform a number of in-depth studies that would examine the constraints to growth in the Salvadoran economy. The Mission has underway, or under preparation, several such projects. The first will be a study that will evaluate the administrative and allocative efficiency of the financial sector in El Salvador. The second is a project designed to improve the efficiency of tax collections in El Salvador. Another will be a study to identify the price and non-price barriers to nontraditional exports in El Salvador. Lastly, the Mission will examine several alternatives with respect to a liberalization of the exchange rate regime. These efforts will provide the Mission with a practical policy dialogue agenda during the implementation of the long-run phase of our strategy.

B. POLICY DIALOGUE IN 1988

The Mission has identified several issues with respect to the implementation of the GOES Plan which will be addressed, and hopefully resolved, in discussions with the GOES during the normal process of policy dialogue during 1988. In the sections below, we have outlined a number of concerns which will be discussed during monthly and quarterly meeting with the Government.

1. CAESS

In particular, heavy emphasis will be laid upon the need for the GOES to move promptly to negotiate a fair value for the assets of the Compania de Alumbrado Electrico de San Salvador (CAESS) and reach an equitable settlement with the U.S., Canadian and Salvadoran shareholders. Efforts will also be focused on meeting the quarterly targets, and on obtaining a consensus between the GOES and CAESS on what actions should be taken to resolve any problems in that regard.

2. The External Sector

The target for net reserves in the GOES Plan was an improvement of \$36 million, but Mission estimates of the balance of payments for 1988 indicate that the GOES target for net reserves is based on rather optimistic projections of net foreign flows. USAID estimates the overall deficit in the balance of payments for 1988 (before compensatory finance) to be \$49 million higher than that contained in the GOES Plan. The major difference lies in our projection of the current account deficit which is \$58 million higher than that of the GOES, due to our lower estimate of disbursements of official transfers for development projects and earthquake reconstruction. The Mission concludes that the GOES will likely suffer a \$18 million reserve loss (in the absence of the \$18.5 million unauthorized reserve), rather than experience a \$36 million reserve improvement, in meeting the growth target in the 1988 Plan. GOES efforts to defend the reserve target will be discouraged.

3. The Fiscal Sector.

Our analysis of the fiscal accounts for 1988 have also raised several small, albeit manageable, problems. First, the deficit for the nonfinancial sector may be larger than that included in the Plan projections. Current revenues could be C\$32 million lower, and current expenditures could be C\$51 million higher. In this case, the GOES would likely resort to an underexecution of the capital budget to avoid exceeding the ceiling on banking system credit to the public sector. For this reason, our estimates include some C\$120 million underexecution of the capital budget.

Second, there remains a disagreement between the BCR and the Ministry of Finance with respect to the capitalization of interest on domestic bonded debt owed by the Central Government to the BCR. This interest in arrears makes up a large part of the floating debt carried forth from 1987 to 1988. The fiscal accounts for 1988 include the capitalization of these arrears as a below-the-line financing item; the monetary program, however, does not make provision for it. If the problem is not resolved, the present level of floating debt will be carried over into 1989; a problem, but not one that is likely to upset the monetary program.

Lastly, the financial health of the public utility companies will require further rate and tariff adjustments, which at present are not explicitly stated in the Plan, although they are being contemplated by the GOES.

4. Money and Credit

The Mission judges the monetary program to be internally consistent and to provide sufficient credit to allow the real sectors of the economy to achieve the 1988 growth targets. However, the Mission does see several problems which, by themselves, will not derail the monetary program, but may complicate monetary programming.

First, different outcomes in the external and fiscal accounts (see above) than those projected in the 1988 Plan will require adjustments in the monetary program.

Second, there is the concern that the banking system will be unable to capture sufficient financial savings to permit the projected credit expansion from their own resources. In the event that this concern becomes reality, the BCR would find it difficult to make up the shortfall, through, for example, more than programmed use of rediscount facilities, without losing monetary discipline and, thus, control over inflation. What the Mission sees as a likely scenario is one similar to that which occurred during 1987. The underexecution of the capital budget, an event predicted above, will result in a de facto sterilization of part of the local currency counterpart of the ESF disbursements.

Another concern is the credit programmed for INCAFE. During 1987, INCAFE was seriously in arrears in payments to coffee producers and in tax payments to the Ministry of Finance. In 1988, the GOES hopes to avoid this problem by providing INCAFE with a larger line of credit from the BCR. The outstanding credit would be repaid at the end of the calendar year, as INCAFE began to receive payment for overseas coffee sales. It is hoped that the improved management in INCAFE will facilitate that process. However, if INCAFE does not retire its debt on schedule, monetary programming could be complicated. The BCR would, for example, find it difficult to achieve the programmed use of

the rediscount facility which could jeopardize credit flows to the private sector.

5. Agrarian Reform

The Mission will encourage the GOES to take decisive action for early implementation of the measures, as spelled out in the GOES Plan, with respect to Agrarian Reform.

C. STRUCTURE OF THE 1988 ESF PROGRAM

The 1988 ESF Program consists of \$143.5 million to support the GOES 1988 Economic Plan. Of this amount, \$18.5 million has been impounded into a restricted reserve due to the controversy surrounding the amnesty program in El Salvador. The Mission seeks full apportionment of the \$125 million which will be disbursed in three tranches according to the schedule below. If released, the disbursement of the \$18.5 million will be made once the 1989 Appropriations Bill (or Continuing Resolution) is signed.

June	\$40
August	\$40
October	\$45
December	\$18.5 (if released)

Each disbursement will follow a quarterly review of GOES performance under the 1988 Plan. The Mission will hold monthly meetings at the technical level with representatives of the GOES to discuss issues relating to the implementation of the GOES Plan. This will be followed by a discussions at the ministerial level and full quarterly performance review reported to Washington by cable. Following this, a disbursement will take place, assuming reasonable adherence of the GOES to its Plan.

According to AID Environmental Procedures, an IEE for this PAAD is not required as AID does not have direct involvement in approving requests for foreign exchange for critical imports. According to HB 3, Appendix 2D, an IEE is not required when "AID does not have knowledge of or control over, and the objective of AID in furnishing assistance does not require, either prior to implementation of specific activities, knowledge of or control over, the details of the specific activities that have an effect on the physical and natural environment for which financing is provided by AID."

As in the ESF Programs for 1986-87, ESF disbursements will support the implementation of the GOES Plan. The grant agreement will contain only one covenant relating to GOES performance in implementing the Plan. Under this covenant, the GOES will agree to release, in a timely fashion, all economic and financial data required by USAID to monitor GOES performance under the 1988 Plan.

VI. MANAGEMENT OF DOLLAR FUNDS

A. SEPARATE ACCOUNT

Following the precedent established in FY 1985, the FY 1988 Continuing Resolution (CR) requires that any ESF placed in the Central Reserve Bank of El Salvador be maintained in a separate account. In designing the procedures which will govern the Separate Account for FY 1988 the Mission considered that the intent of this requirement was four-fold: (1) that A.I.D.-supplied ESF funds not be co-mingled with other BCR funds; (2) that A.I.D.-supplied ESF funds finance specific eligible transactions; (3) that the cash transfer nature of the program not be altered; and, (4) that the Separate Account mechanism be flexible enough to permit changes based on experience and developments which affect its efficiency. Further, the Separate Account mechanism was designed in order not to undermine the purpose of the assistance to be rendered.

Following the foregoing guidelines, the Separate Account will operate along the following lines. USAID will disburse funds directly into the Separate Account which, at the discretion of the BCR, may be distributed among several accounts at private U.S. banks and/or the Federal Reserve Bank. The BCR has opened several accounts in U.S. commercial banks for this purpose. Disbursements, which will be made upon a formal request by the BCR and compliance with specific objectives of the program associated with the schedule of disbursements, will neither take place at a rate faster than that contemplated in the Grant Agreement, nor will they exceed the amounts established in the same agreement.

Before disbursements to finance imports are made from the Separate Account(s) the BCR will determine eligibility for financing in accordance with the program's eligibility criteria and will undertake price verification. Commercial banks may apply for reimbursement for imports financed under the TCIP. This modification to the system adopted in FY1986 fully recognizes and facilitates the role of commercial banks as financial intermediaries and key participants in international trade, while maintaining the accountability required of the Separate Account(s) mechanism. Supporting documentation for each import transaction financed under the program will be on file at the BCR and readily available to USAID for independent audit and price checking (see

Section VII.C., below). For final liquidation, the BCR will provide USAID/EI Salvador with a listing of completed paid transactions for which full documentation will be available at the BCR. The Mission's Private Enterprise Office or its designee, with the assistance of the Mission Controller, will conduct an eligibility review of all transactions submitted by the BCR.

In order not to inhibit the smooth disbursements of the program (and hence not undermine its objectives), USAID will make a posteriori determination of eligibility for all transactions and of price verification for selected ones.

Should the A.I.D. review, which will be based on a review by a U.S. contracted firm, show unsatisfactory results, the BCR would be asked either to refund the Separate Account for the amount of the transactions found to be ineligible or to submit to A.I.D. substitute eligible transactions.

As currently established, certain authorized commercial banks approve some imports based on guidelines from the BCR and make foreign exchange available to importers from an operating limit established by the BCR. Upon completion of the transaction, the commercial bank applies to the BCR for reimbursement of liquidated operating limit balances to return its operating account to its original limit. In time, the BCR reviews transactions for applicability to the Separate Account criteria and, if applicable, reimburses itself for those amounts concerned.

Although statutory requirements, including those of Section 604 of the FAA (regarding source, origin, and price tests) do not apply to the Separate Account, the Mission will continue to press for the maximum import transactions from the United States consistent with Salvadoran needs. Given the foregoing, the Mission proposes to continue with the following eligibility criteria for imports financed under the Special Account:

--That they be raw materials, intermediate goods, spare parts, agricultural imports, and capital goods from the United States, CBI-designated CAQM countries, Panama, and petroleum from other code 941 countries;

--That they be for the use primarily of the private sector in the manufacturing, agricultural, agroindustrial, commercial, construction, transportation, services and energy subsectors of the economy.

Based on experience with the 1985 program, the Mission believes that the Separate Account procedures laid out above represent a substantial improvement over the Separate Account mechanism established initially under the Program. The modified procedures are conducive to orderly disbursements into and out of the Separate Account without compromising the accountability required of the program. Nonetheless, changing circumstances may require additional modifications to the mechanism in order to ensure its smooth operation. The Mission will consult with AID/W on any major changes that may be required.

B. SOURCE

The Mission proposes to continue with the source eligibility criteria utilized in 1987 which includes eligible items from the U.S., CBI-designated CACM countries, and Geographic Code 941 oil producing countries. One hundred percent of the value of eligible transactions involving petroleum and its derivative imports from 941 Code countries may be charged to the Separate Account(s). In such cases the BCR must reimburse 3.4% of the nominal value of the transaction to the Separate Account, which is the value of petroleum imports that the Mission estimates are used for military purposes.

C. PRICE CHECKING

As documented in the March 1987 International Finance Consultants, Ltd. report, BCR price verification is increasingly effective and broader in scope and has undoubtedly made the export of capital through under- or overinvoicing much more difficult than previously. Additionally, the exchange rate unification reduced incentives to under- or overinvoice. Price checking is being conducted following the criteria developed by the Arthur Young team. For instance, all transactions involving \$5,000.00 or more and/or involving duties in excess of 100 percent of value are price checked. There are in excess of ninety other criteria developed in the AY report from which the joint BCR/AY team have drawn and incorporated procedures into the price checking system.

In order to verify the effectiveness of the Price Checking Unit, USAID will perform price checking a posteriori on a selected group of transactions which USAID has already accepted as eligible for financing under the program.

D. THE COLON EQUIVALENT OF ESF DOLLARS

The BCR will deposit in local currency and according to AID/El Salvador instructions, an equivalent amount to the U.S. dollar disbursement(s), at the highest exchange rate which is not illegal.

It should be noted here that the "highest rate which is not illegal" will not be the rates negotiated between holders of special dollar accounts. It is the Mission's interpretation that paragraph 2.341 (C) of A.I.D. Exchange Rate Policy (per 87 State 186082) covers the question of the special dollar accounts. That paragraph states:

"EXCHANGE RATES ARE SOMETIMES ARRIVED AT BY ARM'S LENGTH NEGOTIATION BETWEEN TWO PARTIES, SUCH AS TWO BANKS, OR A PRIVATE FIRM AND A BANK AND MAY DIFFER FROM THE HR FOR COMMERCIALLY SOUND REASONS. INSISTENCE ON AN EXCHANGE RATE EQUAL TO THE HR IN SUCH CIRCUMSTANCES MAY BE COUNTERPRODUCTIVE AND INHIBIT THE ORDERLY CONDUCT OF BUSINESS TRANSACTIONS AND THE INCREASED RATE OF ECONOMIC GROWTH THAT THE POLICY SEEKS TO STIMULATE." (HR refers to highest rate).

In any case, trying to have the BCR deposit colones at the "dollar account rate" would be counterproductive to our policy attempts to get some movement on the exchange rate, especially for nontraditional exports. We believe that if we insisted, the GOES would back off of its efforts to make the special accounts work better.

The deposit of local currency must occur within two (2) working days from the BCR receipt of the telex from the USAID/El Salvador Controller's Office notifying of the disbursement(s).

The BCR must send evidence of such deposit(s) to USAID/El Salvador Controller's Office within five (5) working days from the day the local currency was deposited.

VII. THE LOCAL CURRENCY PROGRAM

A. LOCAL CURRENCY USES

1. 1987

In CY1987, ESF and food aid totalled \$161.0 and \$42.1 million, respectively. The resulting \$203.1 million equivalent in GOES-provided local currency counterpart furthered ten Mission objectives (in millions US\$): agricultural production, \$15.92; private sector, \$60.0; stabilize financial structures, \$60.32; promote exports, \$3.0; infrastructure, \$39.59; family planning, \$0.2; health, \$13.23; education, \$1.8; strengthen democracy, \$1.8; and \$2.24 to assist displaced persons. It also contributed \$20.0 million to El Salvador's national budget, \$18.0 for the Agrarian Reform Compensation Fund and \$5.0 million to the Mission's OE trust funds.

Of the funding listed above, \$29.0 million went into credit lines; \$18.0 million into an Investment Insurance Program and \$13.0 million into a Guarantee Fund. Local currency provided \$16.78, \$7.67, \$4.0, \$5.0 and \$4.0 million in counterpart required local, respectively, to A.I.D., IDB, IBRD, CABEI and French sponsored projects and contributed \$62.65 million to priority development activities of the GOES.

2. 1988

In CY1988, the ESF balance of payments support program and food aid will total \$197.9 million (\$30 million under the 1987 ESF Program, \$125 million under the 1988 ESF Program, and \$42.9 million in PL-480 Title I and Section 416). Due to the amnesty issue, another \$18.5 million in ESF has been impounded. The resulting GOES local currency counterpart will provide resources against ten Mission objectives (in millions US\$): agricultural production, \$13.31; private sector, \$49.74 (mostly in the form of credit lines and an insurance fund); stabilize financial structures, \$0.3; promote exports, \$40.46; infrastructure, \$49.08; family planning, \$0.2; health, \$8.79; education, \$5.86; strengthen democracy, \$2.04; and assist displaced persons, \$1.12. It will also contribute \$20.0 million to El Salvador's Central Government budget and \$7.0 million to the Mission's OE trust funds. The impounded \$18.5 million has been placed into a restricted reserve to be used, if released, for private sector activities. The local currency section of each objective identifies the specific activities receiving local currency financing. It should be noted that the memorandums of understanding (MOUs) governing the uses of the CY1986 GOES local currency program have already been executed for all three programs (ESF, PL-480 Title I and Section 416).

B. LOCAL CURRENCY FUNDS MANAGEMENT

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

This year the Mission has begun to refine the local currency programming process and to reduce the number of management units. As indicated above, Mission and GOES priorities have moved most local currency into private sector credit lines or development projects. In the recently completed joint programming exercise for CY1988, the Mission and the Ministry of Planning (MIPLAN) set the priorities for local currency allocation as follows: (1) counterpart for A.I.D. projects, (2) counterpart for other donor projects, (3) private sector assistance, (4) GOES development projects. Programming, reporting and monitoring on a project basis increases control of funds and helps A.I.D. to insure that GOES funding is indeed provided for the activities agreed upon.

The Implementing agencies receive local currency only in accordance with an action plan approved by MIPLAN and A.I.D. MIPLAN and A.I.D. fulfill their monitoring responsibilities by analyzing and approving action plans, by requiring progress reports on activities carried out under action plans, by conducting field visits, and by having audits performed. With respect to local currency provided to the Central Government budget, A.I.D. and MIPLAN agree on line items to receive the funds and the Ministry of Finance provides MIPLAN and A.I.D. periodic reports on expenditures by line item; normal GOES audit and control procedures (including an expenditure by expenditure review by the Court of Accounts) apply. The GOES has requested that the Mission report and account for funds used by the Mission under its trust fund arrangement.

The GOES has with A.I.D. assistance developed and implemented procedures and mechanisms to limit to the maximum extent the possibility of mismanagement, fraud and abuse of its local currency resources. A first critical step in this process was the creation in 1983 of the Technical Secretariate for External Financing (SETEFE) within the Ministry of Planning, which was designed to program and monitor the entire Extraordinary (investment) Budget (dollar and local currency) provided by AID and potentially other donors to the Salvadoran Public Sector.

In 1984 A.I.D. carried out an assessment of the capacity of the GOES to adequately manage the extraordinary budget in terms of financial controls and

management procedures. On the basis of the establishment and gearing up of SETEFE and reviewing the role and procedures of the Court of Accounts, it was found that adequate systems were in place to assure sound management of the budget. Subsequently, due to the tremendous increases of size and complexity of the budget over the succeeding three year period an update to the assessment was done in late 1987 by the A.I.D Controller staff. Again, thanks to strengthened capacity in both SETEFE and the Court of Accounts, due mainly to local currency financed staff and technical inputs, a positive finding was achieved allowing further programming of local currency through existing channels and systems although further work needs to be done as described below. (In this connection, it should be noted that regardless of the financial controls established in any system, even in our own country, no system is fool proof against abuse by dishonest and often creative people.)

With respect to GOES audit capacity, the GOES Court of Accounts is the main player, performing both pre and post functions. However, the law creating the Extraordinary Budget and SETEFE gave SETEFE the authority to carry out audits where necessary of all activities financed by the local currency program through the extraordinary budget. SETEFE began its audit program in late 1984, and the first reports were submitted in 1985. By late 1986 71 audits had been commissioned. Although admittedly the audits, conducted by local and U.S. affiliated firms, were of uneven quality, some 70 percent of the recommendations (contained in a sample of 35 of the audits) had been instituted by the implementing entities (as verified by a recent Peat, Marwick and Mitchell evaluation). In October 1986, the earthquake destroyed the SETEFE office building, and the organization was obliged to play a lead coordinating role in the programming of both USG and other donor emergency assistance related to the quake which resulted in a one-year hiatus in audit activity. The audit program was reinitiated with vigor, however, in the fall of 1987.

By mid-1987 it had become evident that despite extraordinary effort, the sheer volume of the program plus the added burden imposed by the earthquake and the responsibility that SETEFE had acquired to program resources for other donors, was beyond the capacity of the Secretariate's dedicated but small staff at the time. As a result, an A.I.D financed evaluation was carried out of the structure and capabilities of the organization in November 1987. Among other things, this resulted in the naming of a full time deputy director who in turn hired a specialist whose sole responsibility is to coordinate C.P.A. firm audits. In addition, SETEFE at A.I.D's urging in cooperation with RIG/A/T has adopted U.S. Government auditing standards published by the U.S. Controller General and has agreed to employ only pre-qualified U.S. affiliated firms.

Recently, we have made arrangements to take the above process several steps further. The Mission's new Technical Support Project to be obligated

later this Spring under which some \$1.5 to \$2.0 million is to be utilized to provide additional technical assistance and training to the Court of Accounts, SETEFE and the Ministry of Finance to upgrade financial controls, monitoring and end use checking capability. In the case of SETEFE, this will involve creation of a new unit for end use checking and follow-up monitoring capability. An increased amount of GOES local currency counterpart will also be made available for this purpose.

With respect to the Court of Accounts, the key institutional vehicle in the GOES for control of the disbursement process, commencing in June 1987 A.I.D has been financing training and technical assistance to the institution to improve management and capacity. As of the end of February 1988 over 600 examiners and clerks had been trained in modern government financial control procedures. Technical assistance has also been provided to develop a Department of Planning and manuals for various operational aspects and audit functions along with a training center. In addition, improved internal controls and audit policies and regulations are also being established.

In sum, while the Mission is convinced that the basic financial integrity systems governing the GOES local currency program require strengthening and both we and the GOES are channelling greater resources to that end, significant financial control systems are in place to help assure the proper use of the local currency program. Moreover, strengthened GOES financial controls coming out of present efforts could have a long term desirable developmental impact for El Salvador.

Although the CY1988 local currency program is already in place in a projectized manner, given recent A.I.D/W draft and informal guidance, the Mission is given some thought to what a non-projectized local currency program might look like in future years. There are two alternatives; "sterilization" and general or sector-specific GOES budget support. At the present, we do not believe that either alternative course of action would be as effective in assuring productive investment of local currencies as the present system of mainly projectized local currency activities, even with apparent higher levels of financial vulnerability.

ANNEXES

- I. STATISTICAL APPENDIX
- II. COUNTRY CHECKLIST
- III. NONPROJECT ASSISTANCE CHECKLIST
- IV. LOCAL CURRENCY PROGRAM
- V. GOES ECONOMIC PROGRAM FOR 1988*

* Due to delays in translation this will be submitted under separate cover.

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Gross Domestic Product by Sector

	1979	1980	1981	1982	1983	1984	1985	1986	Prel. 1987	Progn. 1988
(In millions of current colones)										
Gross Domestic Product =====	8607.2	8916.6	8646.5	8966.2	10151.8	11657.2	14330.8	19762.9	23543.8	28131.1
Primary production -----	2517.7	2491.5	2118.5	2089.0	2175.7	2338.0	2631.3	3995.6	3319.9	3622.0
Agriculture	2508.2	2480.2	2106.0	2075.4	2160.5	2319.8	2610.6	3968.9	3281.8	3569.0
Mining	9.5	11.3	12.5	13.6	15.2	18.2	20.7	26.7	58.1	53.0
Secondary production -----	1841.6	1834.4	1834.9	1882.1	2159.4	2473.6	3118.0	4050.9	5284.7	6523.9
Manufacturing	1337.6	1339.4	1359.1	1381.8	1572.1	1837.1	2345.7	3085.7	4017.3	4878.4
Construction	336.8	305.9	284.2	300.6	343.4	355.3	437.0	547.1	773.6	1065.3
Utilities	167.2	189.1	191.6	199.7	243.9	281.2	335.3	418.1	493.8	580.2
Services -----	4247.9	4590.7	4693.1	4995.1	5816.7	6845.6	8581.5	11716.4	14939.2	17985.2
Commerce	2005.5	2037.7	2027.6	2088.8	2509.5	2984.8	3897.8	5626.5	7533.4	9376.1
Government services	783.7	916.4	943.5	1049.7	1176.9	1366.2	1602.8	1976.5	2259.7	2535.5
Transport, storage, and communications	291.9	313.5	328.2	346.7	411.5	480.6	613.3	815.8	1053.6	1274.4
Finance	286.1	301.9	295.2	330.8	357.8	402.1	442.0	564.0	640.0	730.6
Housing	318.3	383.9	411.8	471.0	537.9	629.5	747.4	939.3	1162.9	1354.8
Other	562.4	637.3	686.8	708.1	823.1	922.4	1278.2	1794.3	2289.6	2711.8
(In millions of 1962 colones)										
Gross Domestic Product =====	3601.6	3289.3	3016.8	2847.7	2870.4	2935.6	2993.6	3012.5	3092.3	3185.0
Primary production -----	891.1	845.0	791.3	754.4	730.5	754.7	746.6	723.6	742.2	760.6
Agriculture	887.3	841.1	787.5	750.6	726.8	750.9	742.8	719.7	737.8	755.5
Mining	3.8	3.9	3.8	3.8	3.7	3.8	3.8	3.9	4.4	5.1
Secondary production -----	908.4	803.3	721.8	671.1	687.5	691.4	719.3	737.4	768.6	808.5
Manufacturing	656.8	586.2	525.0	480.9	490.5	496.9	515.4	528.3	544.1	563.1
Construction	143.9	111.4	94.4	90.4	92.2	86.7	90.9	93.3	106.4	124.8
Utilities	107.7	105.7	102.4	99.8	104.8	107.6	113.0	115.8	118.1	120.6
Services -----	1802.1	1641.0	1503.7	1422.2	1452.4	1489.5	1527.7	1551.5	1581.5	1615.9
Commerce	759.7	625.0	531.9	468.3	481.3	487.1	489.5	491.0	501.3	513.6
Government services	332.2	341.9	346.0	356.3	359.9	384.5	411.6	430.1	438.7	447.5
Transport, storage, and communications	208.8	193.7	172.5	161.3	170.9	175.6	178.8	179.7	183.0	187.3
Finance	106.1	102.6	93.1	98.5	98.7	99.7	102.7	104.2	106.7	109.5
Housing	126.9	130.0	133.8	137.3	140.1	142.3	144.4	144.8	147.1	149.7
Other	268.4	247.8	226.4	200.5	201.5	200.3	200.7	201.7	204.7	209.3

Source: Central Reserve Bank ; and AID estimates.

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Gross Domestic Product by Sector: in 1982 colones

	1979	1980	1981	1982	1983	1984	1985	1986	Prel. 1987	Prog. 1988
(Annual percentage change)										
Gross Domestic Product		-8.7	-8.3	-5.6	0.8	2.3	2.0	0.6	2.6	3.0
Primary production		-5.2	-6.4	-4.7	-3.2	3.3	-1.1	-3.1	2.6	2.5
Agriculture		-5.2	-6.4	-4.7	-3.2	3.3	-1.1	-3.1	2.5	2.4
Mining		2.6	-2.6	0.0	-2.6	2.7	0.0	2.6	12.8	15.9
Secondary production		-11.6	-10.1	-7.0	2.4	0.6	4.0	2.5	4.2	5.2
Manufacturing		-10.7	-10.4	-8.4	2.0	1.3	3.7	2.5	3.0	3.5
Construction		-22.6	-15.3	-4.2	2.0	-5.7	4.6	2.6	14.0	17.3
Utilities		-1.9	-3.1	-2.5	5.0	2.7	5.0	2.5	2.0	2.1
Services		-8.9	-8.4	-5.4	2.1	2.6	2.6	1.6	1.9	2.2
Commerce		-17.7	-14.9	-12.0	2.8	1.2	0.5	0.3	2.1	2.5
Government services		2.9	1.2	3.0	1.0	6.8	7.0	4.5	2.0	2.0
Transport, storage, and communications		-7.2	-10.9	-6.5	6.0	2.8	1.8	0.5	1.8	2.3
Finance		-3.3	-9.3	5.8	0.2	1.0	3.0	1.5	2.4	2.6
Housing		2.4	2.9	2.6	2.0	1.6	1.5	0.3	1.6	1.8
Other		-7.7	-8.6	-11.4	0.5	-0.6	0.2	0.5	1.5	1.8
(As percent of GDP)										
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary production	24.7	25.7	26.2	26.5	25.4	25.7	24.9	24.0	24.0	23.9
Agriculture	24.6	25.6	26.1	26.4	25.3	25.6	24.8	23.9	23.9	23.7
Mining	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Secondary production	25.2	24.4	23.9	23.6	24.0	23.6	24.0	24.5	24.9	25.4
Manufacturing	18.2	17.8	17.4	16.9	17.1	16.9	17.2	17.5	17.6	17.7
Construction	4.0	3.4	3.1	3.2	3.2	3.0	3.0	3.1	3.4	3.9
Utilities	3.0	3.2	3.4	3.5	3.7	3.7	3.8	3.8	3.8	3.8
Services	50.0	49.9	49.8	49.9	50.6	50.7	51.0	51.5	51.1	50.7
Commerce	21.1	19.0	17.6	16.4	16.8	16.6	16.4	16.3	16.2	16.1
Government services	9.2	10.4	11.5	12.5	12.5	13.1	13.7	14.3	14.2	14.1
Transport, storage, and communications	5.8	5.9	5.7	5.7	6.0	6.0	6.0	6.0	5.9	5.9
Finance	2.9	3.1	3.1	3.5	3.4	3.4	3.4	3.5	3.5	3.4
Housing	3.5	4.0	4.4	4.8	4.9	4.8	4.8	4.8	4.8	4.7
Other	7.5	7.5	7.5	7.0	7.0	6.8	6.7	6.7	6.6	6.5

Source: Central Reserve Bank ; and AID estimates.

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National Income Accounts

	1979	1980	1981	1982	1983	1984	1985	1986	Prel. 1987	Prog. 1988
(In millions of current colones)										
GDP at market prices	8607.2	8916.6	8646.5	8966.2	10151.8	11657.2	14330.8	19762.9	23543.8	28131.1
Exports of goods and nonfactor services	3182.2	3046.1	2382.5	2042.3	2486.0	2535.9	3199.2	4896.1	4404.9	4317.5
Imports of goods and nonfactor services	3196.9	2964.4	2902.2	2552.7	3036.3	3326.6	4283.0	5649.7	5907.4	6409.0
Gross domestic expenditure	8621.9	8834.9	9166.2	9476.6	10702.1	12447.9	15414.6	20516.5	25046.3	30222.6
Consumption	7065.7	7652.0	7935.1	8291.2	9478.4	11053.5	13860.2	17897.3	22043.6	26404.9
Private	5932.7	6404.6	6566.5	6976.5	7871.4	9184.1	11640.3	15094.7	18809.4	22764.4
Public	1133.0	1247.4	1368.6	1414.7	1607.0	1869.4	2219.9	2802.6	3234.2	3640.5
Gross fixed investment	1511.7	1210.1	1173.0	1129.6	1179.8	1335.9	1723.3	2593.5	3025.5	3971.3
Private	989.6	574.6	539.2	585.0	715.7	880.6	1250.7	2091.1	2360.8	3103.5
Public	522.0	635.5	533.8	544.6	464.1	455.3	472.6	502.4	664.7	867.8
Changes in inventories	44.5	-27.2	58.1	55.8	43.9	58.5	-168.9	25.7	-22.8	-153.6
(In millions of 1962 colones)										
GDP at market prices	3601.6	3289.3	3016.8	2847.7	2870.4	2935.6	2993.6	3012.5	3092.3	3185.0
Exports of goods and nonfactor services	785.8	616.6	690.4	588.4	705.0	674.4	648.1	566.4	621.3	640.6
Imports of goods and nonfactor services	690.4	598.4	785.8	616.6	695.8	710.4	713.9	694.0	690.4	717.5
Gross domestic expenditure	3506.2	3271.1	3112.2	2875.9	2861.2	2971.6	3059.4	3140.1	3161.4	3261.9
Consumption	3015.8	2859.1	2716.0	2520.1	2535.6	2636.3	2742.8	2755.5	2785.0	2821.6
Private	2648.2	2412.1	2283.0	2084.6	2095.7	2175.3	2250.6	2244.9	2267.3	2301.3
Public	367.6	447.0	433.0	435.5	439.9	461.0	492.2	510.6	517.7	520.3
Gross fixed investment	508.4	422.0	376.7	338.7	313.5	320.8	353.6	380.1	411.0	460.4
Private	276.0	186.0	161.3	163.7	178.0	199.4	241.9	285.8	310.5	349.2
Public	232.4	236.0	215.4	175.0	135.5	121.4	111.7	94.3	100.5	111.2
Changes in inventories	-18.0	-10.0	19.5	17.1	12.1	14.5	-37.0	4.5	-34.6	-20.1

Source: Central Reserve Bank ; and AID estimates.

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National Income Accounts
(Annual percentage change)

	1980	1981	1982	1983	1984	1985	1986	Prel. 1987	Prog. 1988
(In millions of current colones)									
GD \bar{P} at market prices	3.6	-3.0	3.7	13.2	14.8	22.9	37.9	19.1	19.5
Exports of goods and nonfactor services	-4.3	-21.8	-14.3	21.7	2.0	26.2	53.0	-10.0	-2.0
Imports of goods and nonfactor services	-7.3	-2.1	-12.0	18.9	9.6	28.8	31.9	4.6	8.5
Gross domestic expenditure	2.5	3.7	3.4	12.9	16.3	23.8	33.1	22.1	20.7
Consumption	8.3	3.7	4.5	14.3	16.6	25.4	29.1	23.2	19.8
Private	8.0	2.5	4.7	14.5	16.7	26.7	29.7	24.6	21.0
Public	10.1	9.7	3.4	13.6	16.3	18.7	26.2	15.4	12.6
Gross fixed investment	-20.0	-3.1	-3.7	4.4	13.2	29.0	50.5	16.7	31.3
Private	-41.9	-6.2	8.5	22.3	23.0	42.0	67.2	12.9	31.5
Public	21.7	-16.0	2.0	-14.8	-1.9	3.8	6.3	32.3	30.6
Changes in inventories	-161.1	-313.6	-4.0	-21.3	33.3	-388.7	-115.2	-188.7	573.7
(In millions of 1962 colones)									
GD \bar{P} at market prices	-8.7	-8.3	-5.6	0.8	2.3	2.0	0.6	2.6	3.0
Exports of goods and nonfactor services	-21.5	12.0	-14.8	19.8	-4.3	-3.9	-12.6	9.7	3.1
Imports of goods and nonfactor services	-13.3	31.3	-21.5	12.8	2.1	0.5	-2.8	-0.5	3.9
Gross domestic expenditure	-6.7	-4.9	-7.6	-0.5	3.9	3.0	2.6	0.7	3.2
Consumption	-5.2	-5.0	-7.2	0.6	4.0	4.0	0.5	1.1	1.3
Private	-8.9	-5.4	-8.7	0.5	3.8	3.5	-0.3	1.0	1.5
Public	21.6	-3.1	0.6	1.0	4.8	6.8	3.7	1.4	0.5
Gross fixed investment	-17.0	-10.7	-10.1	-7.4	2.3	10.2	7.5	8.1	12.0
Private	-32.6	-13.3	1.5	8.7	12.0	21.3	18.1	8.6	12.5
Public	1.5	-8.7	-18.8	-22.6	-10.4	-8.0	-15.6	6.6	10.6
Changes in inventories	-44.4	-295.0	-12.3	-29.2	19.8	-355.2	-112.2	-868.9	-41.9

Source: Central Reserve Bank ; and AID estimates.

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Financing of Investment

	1979	1980	1981	1982	1983	1984	1985	1986	Prel. 1987	Prog. 1988
(In millions of current colones)										
Gross domestic investment	1556.1	1182.9	1131.1	1185.4	1223.7	1394.4	1554.4	2619.2	3002.7	3817.7
Private sector	989.6	574.6	539.2	585.0	715.7	880.6	1250.7	2091.1	2360.8	3103.5
Public sector	522.0	635.5	533.8	544.6	464.1	455.3	472.6	502.4	664.7	867.8
Changes in inventories	44.5	-27.2	58.1	55.8	43.9	58.5	-168.9	25.7	-22.8	-153.6
Financing of investment	1556.1	1182.9	1131.1	1185.4	1223.7	1394.4	1554.4	2619.2	3002.7	3817.7
Gross national savings	1576.6	1180.2	556.6	582.7	683.8	756.3	830.6	2155.4	1952.7	2262.7
Private sector	1083.1	1139.3	579.2	600.3	791.6	925.3	459.4	1437.8	1693.4	1828.6
Public sector	513.5	41.9	-22.6	-17.6	-107.8	-169.0	372.2	717.6	259.3	434.1
Foreign savings 1/	-40.5	2.8	574.5	602.7	539.9	638.1	723.8	463.8	1050.0	1555.0
(As percent of GDP)										
Gross domestic investment	18.1	13.3	13.1	13.2	12.1	12.0	10.8	13.3	12.8	13.6
Private sector	11.5	6.4	6.2	6.5	7.0	7.6	8.7	10.6	10.0	11.0
Public sector	6.1	7.1	6.2	6.1	4.6	3.9	3.3	2.5	2.8	3.1
Changes in inventories	0.5	-0.3	0.7	0.6	0.4	0.5	-1.2	0.1	-0.1	-0.5
Financing of investment	18.1	13.3	13.1	13.2	12.1	12.0	10.8	13.3	12.8	13.6
Gross national savings	18.5	13.2	6.4	6.5	6.7	6.5	5.8	10.9	8.3	8.0
Private sector	12.6	12.8	6.7	6.7	7.8	7.9	3.2	7.3	7.2	6.5
Public sector	6.0	0.5	-0.3	-0.2	-1.1	-1.4	2.6	3.6	1.1	1.5
Foreign savings 1/	-0.5	0.0	6.6	6.7	5.3	5.5	5.1	2.3	4.5	5.5

1/ Current account balance excluding official transfers.
Source: Central Reserve Bank ; and AID estimates.

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Summary Balance of Payments
(in millions of U.S. dollars)

	1984	1985	1986	TARGET 1987	REVISED 1987 1/	GOES 1988 2/	AID 1988
Current account	-213.4	-204.4	1.7	-149.8	-60.8	-116.0	-174.0
Merchandise trade	-251.7	-266.2	-180.0	-420.6	-384.4	-450.7	-423.0
Exports, f.o.b	725.8	695.1	754.9	579.4	590.9	624.5	629.0
Imports, c.i.f	-977.5	-961.3	-934.9	-1000.0	-975.3	-1075.2	-1052.0
Services (net)	-122.4	-114.2	-74.1	6.1	-5.7	-55.6	-63.0
Nonfactor	24.3	14.4	53.0	142.1	120.9	72.0	54.0
Factor	-146.7	-129.6	-127.1	-136.0	-126.6	-127.6	-117.0
Direct Investment	-52.5	-44.6	-35.9	-23.8	-40.5	-14.6	-4.0
Interest	-94.2	-84.0	-91.2	-112.2	-85.1	-113.0	-113.0
Private transfers (net)	130.2	136.9	162.8	127.5	190.5	200.3	184.0
Public transfers	30.5	39.1	93.0	137.2	138.8	190.0	128.0
U.S. AID	27.8	33.3	73.1	103.7	106.7	132.9	94.0
Other official	2.7	5.8	19.9	33.5	32.1	57.1	34.0
Capital account	74.0	83.6	-154.3	-7.4	-104.5	-22.5	-13.0
Private and net errors and omissions	-2.1	13.0	-144.3	0.0	-36.9	-74.5	-29.0
Public (net)	92.2	106.2	64.0	68.6	28.6	89.3	71.0
Disbursements 3/	130.6	153.0	114.2	125.1	84.2	139.9	123.0
Amortizations	38.4	46.8	50.2	56.5	55.6	50.6	52.0
Bank capital (net)	-16.1	-35.6	-74.0	-76.0	-96.2	-37.3	-55.0
Disbursements	141.1	116.2	141.8	75.1	101.4	124.4	105.0
Amortizations	157.2	151.8	215.8	151.1	197.6	161.7	160.0
Gold revaluation			90.7				
Overall balance (-deficit)	-139.4	-120.8	-61.9	-157.2	-165.3	-138.5	-187.0
Change in reserves (-increase)	-7.6	-46.8	-75.4	-6.5	-50.7	-35.4	17.6
U.S. compensatory aid 4/	147.0	167.6	137.3	163.7	216.0	173.9	169.4
FSF-RDP	135.0	160.0	130.0	156.0	204.0	159.0	155.0
PL-480 TITLE II	12.0	7.6	7.3	7.7	7.9	7.0	6.5
SECTION 416	0.0	0.0	0.0	0.0	4.1	7.9	7.9

Source: Central Reserve Bank of El Salvador and USAID estimate.

1/1987 data shows Central Reserve Bank latest BOP estimates.

2/ Goes BOP projections for 1988 have been adjusted to reflect BCR's 1987 revisions on non-traditional exports.

3/ Includes PL-480 Title I.

4/ Assistance related only to balance of payments support.

Merchandise Exports (f.o.b.) ^{1/} (in millions of US dollars)							
	1984	1985	1986	TARGET 1987	REVISED 1987 1/	GOES 1988 2/	AID 1988
Total exports, (fob)	725.9	695.1	754.9	579.3	590.9	624.5	629.0
Traditional exports	499.1	519.9	585.9	400.3	382.2	394.7	389.0
Coffee							
value	443.9	457.9	539.1	363.0	347.3	351.3	348.0
volume	3530.4	3417.4	2901.7	3300.0	3348.9	2997.9	2900.0
unit value	125.7	134.0	185.8	110.0	103.7	117.2	120.0
Cotton							
value	9.1	29.0	4.5	2.8	2.3	6.6	4.0
volume	114.4	513.8	131.6	61.2	58.6	130.5	80.0
unit value	79.5	56.4	34.2	45.8	39.2	50.6	50.0
Sugar							
value	25.9	23.2	25.3	19.0	12.1	13.7	12.0
volume	1636.2	2422.4	2144.3	1777.2	821.4	1578.3	1095.0
unit value	15.8	9.6	11.8	10.7	14.7	8.7	11.0
Shrimp							
value	20.2	9.8	17.0	15.5	20.5	23.1	25.0
volume	5030.0	2565.0	4364.0	3624.0	4266.0	4531.0	4550.0
unit value	4.0	3.8	3.9	4.3	4.8	5.1	5.5
Nontraditional exports	226.8	175.2	169.0	179.0	208.7	229.8	240.0
CACM	157.2	95.7	91.0	97.6	119.6	131.7	137.5
to other markets	69.6	79.5	78.0	81.4	89.1	98.1	102.5
(Annual percentage change)							
Total exports	-4.2	-4.2	8.6	-23.3	-21.7	5.7	6.4
Traditional exports	-8.2	4.2	12.7	-31.7	-34.8	3.3	1.8
Coffee							
value	1.6	3.2	17.7	-32.7	-35.6	1.2	0.2
volume	-9.8	-3.2	-15.1	13.7	15.4	-10.5	-13.4
unit value	12.4	6.6	38.7	-40.8	-44.2	13.0	15.7
Cotton							
value	-83.6	218.7	-84.5	-37.8	-48.9	187.0	73.9
volume	-85.1	349.1	-74.4	-53.5	-55.5	122.7	36.5
unit value	10.6	-29.1	-39.4	33.9	14.6	29.1	27.6
Sugar							
value	-35.4	-10.4	9.1	-24.9	-52.2	13.2	-0.5
volume	-15.6	48.1	-11.5	-17.1	-61.7	92.1	33.3
unit value	-23.7	-39.2	22.6	-9.1	24.9	-40.8	-25.2
Shrimp							
value	72.6	-51.5	73.5	-8.8	20.6	12.7	22.1
volume	134.9	-49.0	70.1	-17.0	-2.2	6.2	6.7
unit value	-27.3	-5.0	2.6	10.3	23.1	6.2	14.6
Nontraditional exports	6.7	-22.8	-3.5	5.9	23.5	10.1	15.0
MCCA	-4.7	-39.1	-4.9	7.3	31.4	10.1	15.0
To other markets	46.0	14.2	-1.9	4.4	14.2	10.1	15.0
(In percent of total value)							
Total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Traditional exports	68.8	74.8	77.6	69.1	64.7	63.2	61.8
Coffee	61.2	65.9	71.4	62.7	58.8	56.3	55.3
Cotton	1.3	4.2	0.6	0.5	0.4	1.1	0.6
Sugar	3.6	3.3	3.4	3.3	2.0	2.2	1.9
Shrimp	2.8	1.4	2.3	2.7	3.5	3.7	4.0
Nontraditional exports	31.2	25.2	22.4	30.9	35.3	36.8	38.2
MCCA	21.7	13.8	12.1	16.8	20.2	21.1	21.9
To other markets	9.6	11.4	10.3	14.1	15.1	15.7	16.3

Source: Central Reserve Bank and USAID estimates.

- 1/ 1987 data shows Central Reserve Bank latest estimates on non-traditional exports.
 2/ GOES GDP projections for 1988 have been adjusted to reflect BCR's 1987 revisions on non-traditional exports.
 3/ Volume in thousands of quintals; unit value in dollars per quintals.

04-Apr-88

Merchandise Imports(c.i.f.)
(in millions of dollars)

	1984	1985	1986	TARGET 1987	ACTUAL 1987	GOES 1988	AID 1988
Total imports(c.i.f.)	977.5	961.3	934.9	1000.0	475.3	1075.2	1052.0
Consumer goods	276.5	258.8	208.0	233.5	237.1	261.5	290.0
Nondurables	238.5	210.9	178.9	204.3	208.9	230.3	245.0
Durables	38.0	47.9	29.1	29.2	28.2	31.2	45.0
Raw materials	568.8	544.8	550.1	577.6	508.8	560.9	539.0
Agriculture	57.3	75.5	70.0	75.6	43.0	47.4	45.0
Of which: fertilizers	25.0	39.5	49.5	33.5	26.9	29.7	25.0
Industry 1/	460.9	423.1	425.1	434.9	411.1	453.1	434.0
Construction materials	50.6	46.2	55.0	67.1	54.7	60.4	60.0
Capital goods	132.2	157.7	176.8	188.9	229.4	252.8	223.0
Agriculture	13.0	13.5	13.3	13.3	10.1	11.1	10.0
Industry	42.6	43.3	45.0	53.0	71.2	78.4	71.0
Transport	53.4	67.9	90.0	75.7	105.9	116.7	102.0
Construction	5.2	6.2	8.5	14.7	9.4	10.4	10.0
Other	18.0	26.8	20.0	32.2	32.8	36.2	30.0

Memorandum

Total imports excluding petroleum	847.2	828.1	852.9	891.7	875.2	963.7	941.1
Petroleum imports							
Value	130.3	133.2	82.0	108.3	100.1	111.5	110.9
Volume (m.bb)	4.4	4.7	4.9	5.5	5.5	5.6	5.6
Unit value(US\$/t.)	29.6	28.3	16.7	19.7	18.2	19.9	19.8
GDP in millions of Dollars	3837.0	4056.0	4231.0	4527.0	4409.0	5209.4	5148.0

1/Includes petroleum products

Source:Central Reserve Bank of EL Salvador and USAID estimate

Monetary Data
(In millions of colones)

	December 31 (Actual)				Monetary Pror. Target Dec. 31, 1987	Deviation from Dec. 31 Target	December 31 1988 Program
	1984	1985	1986	1987			
Banking System							
Net International Reserves 1/	1132.2	1365.8	1255.4	1509.2	1287.9	221.3	1688.1
Net Domestic Assets	6212.0	7009.7	8343.0	8138.1	9494.9	-1356.8	8993.6
Domestic Credit	5932.6	7180.9	7977.4	8670.7	9189.8	-519.1	9921.9
Credit to public sector 2/	2001.5	2346.7	2213.3	2430.5	2509.9	-79.4	2648.9
Central Government (net)	1560.4	1820.5	1635.7	1773.6	1858.8	-85.2	1946.6
Credit 3/	2033.9	2238.6	2297.5	2466.7	2543.2	-76.5	2566.7
Deposits	-473.5	-418.1	-663.8	-693.1	-684.4	-8.7	-620.1
Rest of public sector	441.1	526.2	579.6	656.9	651.1	5.8	702.3
Official credit institutions	609.2	640.8	656.5	711.7	667.7	44.0	790.1
Credit to private sector	3321.9	4193.4	5107.6	5528.5	6012.2	-483.7	6482.9
Other (residual)	279.4	-171.2	365.6	-532.6	305.1	-837.7	-928.3
Medium/long-term foreign liabilit.	3036.0	2857.6	2453.5	1967.0	2063.9	-96.9	1780.6
Liabilities to private sector	4308.2	5517.9	7144.9	7680.3	8718.9	-1038.6	8901.1
Money	1812.0	2310.3	2796.5	2807.2	3502.7	-695.5	3289.2
Quasi-money	2496.2	3207.6	4348.4	4873.1	5216.2	-343.1	5611.9
Central Reserve Bank							
Net International Reserves 1/	836.4	828.8	890.4	1180.5	872.9	307.6	1388.1
Net Domestic Assets	3821.2	4016.2	3556.1	3282.4	4164.5	-882.1	3408.9
Domestic Credit	3216.4	3718.9	3550.2	4117.9	3817.4	300.5	4375.5
Public sector (net)	1698.7	1978.2	1687.2	2126.2	1864.3	261.9	1940.5
Central Government	1424.3	1639.5	1338.1	1422.4	1474.8	-52.4	1541.8
Credit 3/	1875.0	2020.0	1968.1	2677.3	2164.8	-27.5	2116.7
Deposits	-450.7	-380.5	-630.0	-654.9	-630.0	-24.9	-574.9
Rest of public sector	274.4	338.7	349.1	703.8	389.5	314.3	398.7
Credit	353.1	435.1	475.0	545.2	546.5	-1.3	582.3
Deposits	-78.7	-96.4	-125.9	158.6	-157.0	315.6	-183.6
Commercial banks	677.0	865.9	817.3	1097.6	1046.0	51.6	1458.5
Others nonbank financial inst.	840.7	854.8	845.7	894.1	907.1	-13.0	976.5
Private	237.8	214.0	189.2	182.4	239.4	-57.0	186.4
Public	602.9	640.8	656.5	711.7	667.7	44.0	790.1
Other (residual)	604.8	297.3	205.9	-855.5	347.1	-1182.6	-966.6
Medium/long-term foreign liab.	3028.8	2851.8	2442.2	1962.3	2053.0	-90.7	1775.9
Liabilities to commercial banks	784.1	901.5	832.8	1192.6	1542.3	-349.7	1489.9
Bank deposits	710.7	841.0	716.1	1135.7	1434.8	-299.1	1374.0
Banks' cash in vault	73.4	60.5	116.7	56.9	107.5	-50.6	115.9
Stabilization Bonds	0.0	0.0	0.0	0.0	n.a.	n.a.	n.a.
Liabilities to nonbank financial institutions	9.4	11.9	15.0	10.0	18.0	-8.0	12.0
Currency in Circulation	835.3	1079.8	1156.5	1298.0	1424.1	-126.1	1519.2

Source: Central Reserve Bank.

- 1/ Data for 1984 and 1985 has been adjusted to make it comparable with the following years. The colon was devalued and the gold holdings were revalued to reflect the market rate in January 1986.
- 2/ This is not net credit as deposits of the rest of the public sector are included in liabilities to the private sector.
- 3/ Includes C75.7 million classified in the 1987 Program as unallocated resources.

05-Apr-88

Monetary Data (Relative Change)				
December 31				
	1985	1986	1987	Prog.88
Banking System				
Net International Reserves 1/	20.6	-8.1	20.2	11.9
Net Domestic Assets	12.8	19.0	-2.5	10.5
Domestic Credit	21.0	11.1	8.7	14.4
Credit to public sector 2/	17.2	-5.7	9.8	9.0
Central Government (net)	16.7	-10.3	8.6	9.8
Credit 3/	10.1	2.6	7.4	4.1
Deposits	-11.7	58.8	4.4	-10.5
Rest of public sector	19.3	10.1	13.3	6.9
Official credit institutions	5.2	2.5	8.4	11.0
Credit to private sector	26.2	21.8	8.2	17.3
Other (residual)	-161.3	-313.6	-245.7	74.3
Medium/long-term foreign liabilit.	-5.9	-14.1	-19.8	-9.5
Liabilities to private sector	28.1	29.5	7.5	15.9
Money	27.5	21.0	0.4	17.2
Quasi-money	28.5	35.6	12.1	15.2
Central Reserve Bank				
Net International Reserves 1/	-0.9	7.4	32.6	17.6
Net Domestic Assets	5.1	-11.5	-7.7	3.9
Domestic Credit	15.6	-9.9	22.9	6.3
Public sector (net)	16.5	-14.7	26.0	-8.7
Central Government	15.1	-18.4	6.3	8.4
Credit 3/	7.7	-2.6	5.5	1.9
Deposits	-15.6	65.6	4.0	-12.2
Rest of public sector	23.4	3.1	101.6	-43.4
Credit	23.2	9.2	14.8	6.8
Deposits	22.5	30.6	-226.0	-215.8
Commercial banks	30.9	-7.7	34.3	32.9
Others nonbank financial inst.	1.7	-1.1	5.7	9.2
Private	-10.0	-11.6	-3.6	2.2
Public	6.3	2.5	8.4	11.0
Other (residual)	-50.8	-30.7	-505.8	15.7
Medium/long-term foreign liab.	-5.8	-14.4	-19.7	-9.5
Liabilities to commercial banks	15.0	-7.6	43.2	24.9
Bank deposits	18.3	-14.9	58.6	21.0
Banks' cash in vault	-17.6	92.9	-51.2	103.7
Stabilization Bonds	n.a.	n.a.	n.a.	n.a.
Liabilities to nonbank financial institutions	26.6	26.1	-33.3	20.0
Currency in Circulation	29.3	7.1	12.2	17.0

Source: Central Reserve Bank.

Consolidated Operations of the Central Government
(In millions of Colones)

	1984	1985	1986	1987		1988	
				Progr.	Prel.	Progr.	Proj.
<u>Current Revenue</u>	<u>1537.5</u>	<u>1918.7</u>	<u>2845.9</u>	<u>2723.0</u>	<u>2706.9</u>	<u>2978.9</u>	<u>2950.8</u>
Tax Revenue	1342.5	1666.0	2539.5	2510.9	2515.1	2749.1	2721.0
Nontax Revenue	195.0	252.7	306.4	212.1	191.8	229.8	229.8
<u>Current Expenditure</u>	<u>1770.4</u>	<u>1908.9</u>	<u>2567.2</u>	<u>2675.0</u>	<u>2790.3</u>	<u>2877.7</u>	<u>3029.3</u>
Consumption	1300.2	1453.1	1841.7	2083.3	2208.9	2240.1	2384.1
Wages and salaries	1004.9	1182.0	1456.9	1691.3	1748.4	1839.8	1924.1
Goods and services	295.3	271.1	384.8	392.0	460.5	400.3	460.0
Interest	165.3	171.5	260.0	250.9	241.2	256.2	256.2
Transfers	304.9	284.3	465.5	340.8	340.2	381.4	389.0
<u>Capital Revenue</u>	<u>1.4</u>	<u>0.2</u>	<u>2.4</u>	<u>-.-</u>	<u>0.1</u>	<u>-.-</u>	<u>-.-</u>
<u>Grants</u>	<u>382.6</u>	<u>150.6</u>	<u>311.8</u>	<u>652.9</u>	<u>597.8</u>	<u>418.3</u>	<u>418.3</u>
<u>Capital Expenditure</u>	<u>474.0</u>	<u>541.6</u>	<u>601.9</u>	<u>1066.6</u>	<u>773.6</u>	<u>853.3</u>	<u>673.6</u>
Fixed Capital Formation	346.3	369.5	484.6	792.6	498.1	753.2	577.9
Transfers	127.7	172.1	117.3	274.0	275.5	100.1	95.7
<u>Net Lending</u>	<u>-21.6</u>	<u>6.2</u>	<u>269.2</u>	<u>171.3</u>	<u>51.3</u>	<u>75.6</u>	<u>75.6</u>
<u>Current Account Balance</u>	<u>-232.9</u>	<u>9.8</u>	<u>278.7</u>	<u>48.0</u>	<u>-84.3</u>	<u>101.2</u>	<u>-78.5</u>
<u>Surplus/Deficit (-)</u>							
<u>Before Grants</u>	<u>-683.9</u>	<u>-537.8</u>	<u>-590.0</u>	<u>-1189.9</u>	<u>-908.2</u>	<u>-827.7</u>	<u>-827.7</u>
<u>Overall Surplus/Deficit (-)</u>	<u>-301.3</u>	<u>-387.2</u>	<u>-278.2</u>	<u>-537.0</u>	<u>-310.4</u>	<u>-409.4</u>	<u>-409.4</u>
External Financing	211.4	268.8	286.1	29.3	-95.4	356.5	356.5
Internal Financing	89.9	118.4	-7.9	507.7	405.8	52.9	52.9

Source: Central Reserve Bank of El Salvador

Operations of
Rest of the General Government
(In Million of Colones)

	1984	1985	1986	1987		1988	
				Progr.	Prel.	Progr.	Proj.
<u>Current Revenue</u>	<u>433.6</u>	<u>439.8</u>	<u>567.2</u>	<u>586.0</u>	<u>586.0</u>	<u>693.1</u>	<u>682.0</u>
Tax Revenue	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Nontax Revenue	433.6	439.8	567.2	586.0	586.0	693.1	682.0
<u>Current Expenditure</u>	<u>468.5</u>	<u>427.1</u>	<u>473.4</u>	<u>512.9</u>	<u>496.5</u>	<u>584.6</u>	<u>590.3</u>
Consumption	331.0	335.1	371.7	398.0	396.9	444.7	458.0
Wages and salaries	240.4	255.0	279.4	306.3	306.3	351.8	358.0
Goods and services	90.6	80.1	92.3	91.7	90.6	92.9	100.0
Interest	87.3	41.6	34.7	20.3	5.0	20.3	20.3
Transfers	50.2	50.4	67.0	94.6	94.6	119.6	112.0
<u>Capital Revenue</u>	<u>25.3</u>	<u>23.9</u>	<u>14.3</u>	<u>135.2</u>	<u>135.2</u>	<u>30.5</u>	<u>30.5</u>
<u>Grants</u>	<u>6.3</u>	<u>1.1</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>	<u>0.2</u>
<u>Capital Expenditure</u>	<u>123.2</u>	<u>145.9</u>	<u>175.8</u>	<u>173.0</u>	<u>173.0</u>	<u>112.4</u>	<u>112.4</u>
Fixed Capital Formation	123.2	145.9	175.8	173.0	173.0	112.4	112.4
Transfers	-.-	-.-	-.-	-.-	-.-	-.-	-.-
<u>Net Lending</u>	<u>-0.1</u>	<u>-0.1</u>	<u>-23.5</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
<u>Current Account Balance</u>	<u>-34.9</u>	<u>12.7</u>	<u>93.8</u>	<u>73.1</u>	<u>89.5</u>	<u>108.5</u>	<u>91.7</u>
<u>Surplus/Deficit (-)</u>							
<u>Before Grants</u>	<u>-132.7</u>	<u>-109.2</u>	<u>-44.2</u>	<u>35.0</u>	<u>51.4</u>	<u>26.3</u>	<u>9.2</u>
<u>Overall Surplus/Deficit (-)</u>	<u>-126.4</u>	<u>-108.1</u>	<u>-44.2</u>	<u>35.0</u>	<u>51.4</u>	<u>26.3</u>	<u>10.5</u>
External Financing	-1.0	-0.8	-1.5	-1.5	-1.5	-1.5	-2.0
Internal Financing	127.4	108.9	45.7	-33.5	-49.9	-24.8	12.5

Source: Central Reserve Bank of El Salvador

Operations of the Nonfinancial Public Enterprises
(In millions of Colones)

	1984	1985	1986	1987		1988	
				Progr.	Prel.	Progr.	Proj.
<u>Current Revenue</u>	<u>807.6</u>	<u>794.0</u>	<u>1226.9</u>	<u>1883.9</u>	<u>1339.0</u>	<u>1062.7</u>	<u>1352.8</u>
Tax Revenue	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Nontax Revenue	807.6	794.0	1226.9	1883.9	1339.0	1062.7	1352.8
<u>Current Expenditure</u>	<u>666.8</u>	<u>688.5</u>	<u>1079.1</u>	<u>1165.4</u>	<u>1256.9</u>	<u>966.8</u>	<u>1212.4</u>
Consumption	511.9	561.2	799.2	960.7	1037.7	798.8	1044.1
Wages and salaries	157.7	192.5	245.9	297.0	300.7	300.4	304.1
Goods and services	354.2	368.7	553.3	663.7	737.0	498.4	740.0
Interest	85.2	33.5	146.6	153.4	189.9	136.3	136.3
Transfers	69.7	93.8	133.3	51.3	29.3	31.7	31.7
<u>Capital Revenue</u>	<u>13.1</u>	<u>21.3</u>	<u>0.3</u>	<u>63.2</u>	<u>63.2</u>	<u>-.-</u>	<u>-.-</u>
<u>Grants</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>
<u>Capital Expenditure</u>	<u>123.1</u>	<u>83.3</u>	<u>106.1</u>	<u>145.4</u>	<u>123.5</u>	<u>358.1</u>	<u>358.1</u>
Fixed Capital Formation	123.1	83.3	106.1	145.4	123.5	358.1	358.1
Transfers	-.-	-.-	-.-	-.-	-.-	-.-	-.-
<u>Net Lending</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>	<u>-.-</u>
<u>Current Account Balance</u>	<u>140.8</u>	<u>105.5</u>	<u>147.8</u>	<u>18.5</u>	<u>82.1</u>	<u>95.9</u>	<u>140.4</u>
<u>Surplus/Deficit (-)</u>							
<u>Before Grants</u>	<u>30.8</u>	<u>43.5</u>	<u>42.0</u>	<u>-63.7</u>	<u>21.8</u>	<u>-262.2</u>	<u>-217.7</u>
<u>Overall Surplus/Deficit (-)</u>	<u>30.8</u>	<u>43.5</u>	<u>42.0</u>	<u>-63.7</u>	<u>21.8</u>	<u>-262.2</u>	<u>-217.7</u>
External Financing	15.8	-28.2	-58.9	-94.5	-88.0	95.0	95.0
Internal Financing	-46.6	-15.3	16.9	158.2	66.2	167.2	122.7

Source: Central Reserve Bank of El Salvador

Consolidated Operations of the Nonfinancial
Public Sector
(In millions of Colones)

	1984	1985	1986	1987		1988	
				Progr.	Prel.	Progr.	Proj.
<u>Current Revenue</u>	<u>2520.7</u>	<u>2862.9</u>	<u>4113.0</u>	<u>4192.3</u>	<u>4344.8</u>	<u>4427.8</u>	<u>4674.2</u>
Tax Revenue	1342.5	1666.0	2539.5	2510.9	2515.1	2749.1	2721.0
Nontax Revenue	1178.2	1196.9	1573.5	1681.4	1829.7	1678.7	1953.2
<u>Current Expenditure</u>	<u>2647.7</u>	<u>2734.2</u>	<u>3594.2</u>	<u>4052.7</u>	<u>4256.6</u>	<u>4122.2</u>	<u>4514.1</u>
Consumption	2143.1	2349.4	3012.6	3442.0	3643.5	3483.6	3886.2
Wages and salaries	1403.0	1629.5	1982.2	2294.6	2355.4	2492.0	2586.2
Goods and services	740.1	719.9	1030.4	1147.4	1288.1	991.6	1300.0
Interest	337.8	246.6	441.3	424.6	436.1	412.8	412.8
Transfers	166.8	138.2	140.3	186.1	177.0	225.8	215.1
<u>Capital Revenue</u>	<u>14.5</u>	<u>21.5</u>	<u>2.7</u>	<u>20.7</u>	<u>63.3</u>	<u>0.3</u>	<u>0.0</u>
<u>Grants</u>	<u>388.9</u>	<u>151.7</u>	<u>311.8</u>	<u>652.9</u>	<u>597.8</u>	<u>418.3</u>	<u>418.5</u>
<u>Capital Expenditure</u>	<u>690.6</u>	<u>733.3</u>	<u>869.5</u>	<u>1206.4</u>	<u>888.3</u>	<u>1293.8</u>	<u>1114.1</u>
Fixed Capital Formation	592.6	598.7	766.5	1111.0	794.6	1213.1	1048.4
Transfers	98.0	134.6	103.0	95.4	93.7	80.7	65.7
<u>Net Lending</u>	<u>-77.7</u>	<u>6.6</u>	<u>78.7</u>	<u>153.9</u>	<u>51.6</u>	<u>56.3</u>	<u>75.9</u>
<u>Current Account Balance</u>	<u>-127.0</u>	<u>129.7</u>	<u>518.8</u>	<u>139.6</u>	<u>88.2</u>	<u>305.6</u>	<u>160.1</u>
<u>Surplus/Deficit (-)</u>							
<u>Before Grants</u>	<u>-725.4</u>	<u>-589.7</u>	<u>-427.6</u>	<u>-1200.0</u>	<u>-788.4</u>	<u>-1044.2</u>	<u>-1029.9</u>
<u>Overall Surplus/Deficit (-)</u>	<u>-336.5</u>	<u>-438.0</u>	<u>-113.4</u>	<u>-548.0</u>	<u>-190.6</u>	<u>-625.9</u>	<u>-611.4</u>
External Financing	226.2	239.8	226.7	247.0	-184.9	450.0	449.5
Internal Financing	110.3	198.2	-112.3	301.0	375.5	175.9	161.9

Source: Central Reserve Bank of El Salvador

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1988 Continuing Resolution Sec. 526. No
Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

2. FAA Sec. 481(h). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government), has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without N/A

Congressional enactment, within 30 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, and to prevent and punish drug profit laundering in the country, or that (b) the vital national interests of the United States require the provision of such assistance?

3. Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

N/A

4. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? No
5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No
(The GOES is progressing toward compensation as a result of the CAESS concession).
6. FAA Secs. 620(a), 620(f), 620D; FY 1988 Continuing Resolution Sec. 512. Is recipient country a Communist country? If so, has the President determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism? Will assistance be provided directly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification? No
7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? No
8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? No

9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? No
10. FAA Sec. 620(q); FY 1988 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1988 Continuing Resolution appropriates funds? No
11. FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)
12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No

13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)
14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism? No
15. FY 1988 Continuing Resolution Sec. 576. Has the country been placed on the list provided for in Section 6(j) of the Export Administration Act of 1979 (currently Libya, Iran, South Yemen, Syria, Cuba, or North Korea)? No
16. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? No
17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No
18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No

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19. FAA Sec. 670. If the country is a non-nuclear, weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? No
20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)
21. FY 1988 Continuing Resolution Sec. 528. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? No
22. FY 1988 Continuing Resolution Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?
23. FY 1988 Continuing Resolution Sec. 543. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes

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B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

FY 1988 Continuing Resolution Sec. 538. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

2. Economic Support Fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

Yes. The President has certified that El Salvador continues to make significant progress toward improving its human rights record.

FY 1988 Continuing Resolution Sec. 549 Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?

While the country does not have drug eradication targets, it has taken significant steps to halt illicit drug trafficking and fully cooperates with the relevant international authorities.

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3(A)2 - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to Development Assistance. Selection of the criteria will depend on the funding source for the program.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED?

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

- | | |
|--|---|
| 1. <u>FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A.</u> Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project. | CN submitted |
| 2. <u>FAA Sec. 611(a)(2).</u> If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance? | GOES commitment to its Economic Program and the activities outlined herein. |
| 3. <u>FAA Sec. 209.</u> Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs. | No |

4. FAA Sec. 601(a). Information and conclusions on whether assistance will encourage efforts of the country to:
- (a) increase the flow of international trade;
 - (b) foster private initiative and competition;
 - (c) encourage development and use of cooperatives, credit unions, and savings and loan associations;
 - (d) discourage monopolistic practices;
 - (e) improve technical efficiency of industry, agriculture, and commerce; and
 - (f) strengthen free labor unions.
- (a) new exchange and trade measures will encourage export growth and diversification;
- (b) FX to private sector for critical imports;
- (c) GOES agrarian reform measures will strengthen coop in rural areas.
- (d), (e) and (f) no direct effect.
5. FAA Sec. 601(b). Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
- The passage of the foreign investment law, and implementation of export promotion law.
6. FAA Secs. 612(b), 636(h); FY 1988 Continuing Resolution Secs. 507, 509. Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.
- N/A
7. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
- No
8. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
- N/A to cash transfer.
9. FAA 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds?
- N/A

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

Yes

b. FAA Sec. 531(e). Will assistance under this chapter be used for military or paramilitary activities?

No

c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106?

Yes

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

N/A

e. FY 1988 Continuing Resolution. If assistance is in the form of a cash transfer: (a) are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? (b) will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account to be used in accordance with FAA Section 609 (which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA

(a) Yes
(b) Yes
(c) CN submitted

would themselves be available)? (c) Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?

f. FY 1988 Continuing Resolution. Have local currencies generated by the sale of imports or foreign exchange by the government of a country in Sub-Saharan Africa from funds appropriated under Sub-Saharan Africa, DA been deposited in a special account established by that government, and are these local currencies available only for use, in accordance with an agreement with the United States, for development activities which are consistent with the policy directions of Section 102 of the FAA and for necessary administrative requirements of the U. S. Government?

N/A

2. Nonproject Criteria for Development Assistance

a. FAA Secs. 102(a), 111, 113, 281(a).
Extent to which activity will (a) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

USAID/EL SALVADOR
LOCAL CURRENCY PROGRAM 1987
FINANCIAL STATUS AS OF FEBRUARY 29, 1988
(SUMMARY)
MILLION COLONES/DOLLARS

FUNDING SOURCE	(1) OBLIGATED		(2) GENERATIONS AT B.C.R.		%	(3) WITHDRAWALS FROM B.C.R. GLOBAL ACCOUNT		
	COLONES	DOLLARS	COLONES	DOLLARS		COLONES	DOLLARS	%
E.S.F.	805.0	161.0	805.0	161.0	100.0%	492.0	98.4	61.1%
PL-480	175.0	35.0	108.0	21.6	61.7%	105.0	21.0	97.2%
SECTION 416	20.5	4.1	10.5	2.1	51.2%	10.5	2.1	100.0%
TOTAL	1,000.5	200.1	923.5	184.7	92.3%	607.5	121.5	65.8%

DISTRIBUTION OF WITHDRAWALS FROM B.C.R. GLOBAL ACCOUNT

	(1) PROGRAMMED AMOUNT		(2) WITHDRAWALS			(3) OUTSTANDING BALANCE		
	COLONES	DOLLARS	COLONES	DOLLARS	%	COLONES	DOLLARS	%
A.I.D.	25.0	5.0	25.0	5.0	100.0%	0.0	0.0	0.0%
SETEFE	485.5	97.1	277.5	55.5	57.2%	208.0	41.6	42.8%
HACIENDA	190.0	38.0	80.0	16.0	42.1%	110.0	22.0	57.9%
B.C.R.	300.0	60.0	225.0	45.0	75.0%	75.0	15.0	25.0%
TOTAL	1,000.5	200.1	607.5	121.5	60.7%	393.0	78.6	39.3%

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COUNTRY/EL SALVADOR

STATUS OF 1987 LOCAL CURRENCY PROGRAM
THRU FEBRUARY 29, 1988
(in thousands of Colons - 1 US\$ = 5.0)

Source/Purpose

Responsible
AID/Division

CY1987

Disburse.

Balance

Working
Capital

Action Plan
Status

PL-480 TITLE I FY 1987

EXTRAORDINARY BUDGET FOR ECONOMIC REACTIVATION

A. ECONOMIC AND SOCIAL STABILIZATION

1. Restoration of Public Service Infrastructure

- Erosion Control Around Ilopango (DAC)	IRD	1,600.00	230.00	1,370.00	50.00	F
- Road Repair	IRD	6,731.00	0.00	6,731.00	0.00	C
		8,331.00	230.00	8,101.00	50.00	
Total A		8,331.00	230.00	8,101.00	50.00	

B. ECONOMIC RECOVERY

1. Industrial Stabilization and Recovery

-Industrial Stabilization (519-0267)	PRE	6,600.00	2,965.00	3,035.00	0.00	A
-Free Zone San Bartolo	PRE	7,000.00	0.00	7,000.00	0.00	D
		13,600.00	2,965.00	10,635.00	0.00	

2. Water Management (519-0303)

-CEHMAP	RSD	649.00	393.00	256.00	259.00	A
-CSFA	RDD	25.00	25.00	0.00	18.00	A
-EMA	RDD	547.00	483.30	63.70	0.00	A
-GDFD	RDD	355.00	0.00	355.00	252.00	A
-CENTA	RDD	901.00	706.00	195.00	597.20	A
-CEEA	RDD	11.00	11.00	0.00	0.00	A
-Zapalitan Irrigation District	RDD	1,262.00	1,100.00	162.00	0.00	A
		3,750.00	2,718.30	1,031.70	1,126.20	

3. Agricultural development

-Integrated Pest Control ROCAP/GOES	RSD	763.52	763.52	0.00	0.00	A
-Lumber and Firewood RELAP/GOES	RCD	370.63	370.63	0.00	0.00	A
		1,134.15	1,134.15	0.00	0.00	

4. National Counterpart For Other Donors
IGB

-Livestock Development and animal Health	DPP	4,033.63	4,033.63	0.00	306.60	A
-Road And Energy Rehabilitation Mod. I	GPP	8,006.00	0.00	8,006.00	0.00	A
-Rural Roads Stage II	GPP	9,576.00	9,410.00	166.00	0.00	A
-Agricultural Research and Extension,	GPP	2,154.73	2,154.73	0.00	0.00	A

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COUNTRY/EL SALVADOR

STATUS OF 1987 LOCAL CURRENCY PROGRAM
THRU FEBRUARY 29, 1998
(in thousands of Colones - 1 US\$ = 5.0)

Source/Purpose	Responsible AID/Division	CY1987	Disburse.	Balance	Working Capital	Action Plan Status
-Rural Aqueducts Stage III	DPP	4,000.00	4,000.00	0.00	0.00	A
-RUC/CC	DPP	1,000.00	507.00	493.00	0.00	A
-Health and ANDA Rehabilitation	DPP	2,550.00	6.00	2,550.00	0.00	B
-Loopa Acahuapa Irrigation	DPP	750.00	326.20	429.80	0.00	A
-Institutional Strengthening Loopa-Acahuapa	DPP	250.00	156.50	95.50	0.00	A
-FOSEP	DPP	3,000.00	2,367.00	633.00	0.00	A
-BFA Agricultural Products Inputs (CIPA)	DPP	3,022.50	3,022.50	0.00	0.00	C
		38,336.66	25,965.56	12,371.30	300.60	
MCKLD BANK						
-IV Education Project	DPP	15,020.00	4,999.60	10,021.60	0.00	A
-Director General of Reconstruction	DPP	2,500.00	0.00	2,500.00	264.30	A
OTHER DONORS (FRANCE)						
-Rosales Hospital (CONSTRUCTION)	IRD	10,000.00	0.00	10,000.00	0.00	B
		27,520.00	4,999.00	22,521.00	264.30	
UNPROGRAMMED						
	BPP	0.00	0.00	0.00	0.00	
		65,856.66	30,964.56	34,892.30	564.90	
TOTAL B		83,741.01	37,782.01	45,959.00	1,691.10	
C. BROADENING THE BENEFITS OF GROWTH						
1. Agrarian Reform Support						
-Agrarian Reform Credit (519-0263)	RDO	10,000.00	5,000.00	5,000.00	0.00	A
-Agrarian Reform Financing (519-0307)	RDO	25,000.00	25,000.00	0.00	10,000.00	A
-Support to the Agrarian Reform Sector	RDO	2,927.99	0.00	2,927.99	0.00	B
		37,927.99	30,000.00	7,927.99	10,000.00	
2. Social Sector Support						
-Educational System Revitalization (519-6295)						
.Construction and Reconstruction	DET	2,568.00	1,837.00	731.00	0.00	A
.School Maintenance	DET	6,014.00	2,295.00	3,719.00	725.00	A
.Administration and Directorate	DET	418.00	218.30	199.70	0.00	A
		9,000.00	4,350.30	4,649.70	725.00	
-Population Dynamics (519-0210)	HPN	1,000.00	1,000.00	0.00	0.00	A
-Health Systems Support (519-0308)						
.Health Systems Support (Medicines/Equip)	HPN	12,000.00	12,000.00	0.00	0.00	A
.Rural Health Aid (ARS)	HPN	800.00	242.00	558.00	0.00	A
.Malaria (Estuaries)	HPN	3,000.00	800.00	2,200.00	0.00	A
.Child Survival Program	HPN	1,500.00	1,500.00	0.00	0.00	A

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COUNTRY/EL SALVADOR

STATUS OF 1987 LOCAL CURRENCY PROGRAM
THRU FEBRUARY 29, 1988
(in thousands of Colones - 1 US\$ = 5.0)

Source/Purpose	Responsible AID/Divisio	CY1987	Disburse.	Balance	Working Capital	Action Plan Status
.Med. Control and Med. Supplies Unit	HPN	1,400.00	1,400.00	0.00	0.00	A
.Relocation of Eastern Zone Offices	HPN	3,000.00	3,000.00	0.00	0.00	A
.Expansion and Remodeling of the Health Systems Support Project	HPN	763.00	324.00	439.00	0.00	A
.UNISFAM Warehouse Projects	HPN	227.00	0.00	227.00	0.00	A
.Unprogramed	HPN	10.00	0.00	10.00	0.00	
		22,700.00	19,266.00	3,424.00	0.00	
-Remodeling, Rehabilitation and -Equipping of Hospitals and Health Centers (MINISTRY of HEALTH)	MPN	12,300.00	12,300.00	0.00	0,700.00	A
		45,000.00	36,916.30	8,083.70	7,425.00	
TOTAL C		82,927.99	66,916.30	16,011.69	17,425.00	
TOTAL PL 480 Ft 1987		175,000.00	104,928.31	70,071.69	19,166.10	

ECONOMIC SUPPORT FUND FY 1987

EXTRAGORDINARY BUDGET FOR ECONOMIC REACTIVATION

1. ECONOMIC AND SOCIAL STABILIZATION

1. National Plan

- Restoration Projects (CONARA)	IRD/MP	30,970.00	32,935.30	4,034.70	0.00	A
- Combined Civic Action Projects (CONARA)	IRD/MP	3,450.50	3,000.00	450.50	0.00	A
- Emergency Projects	IRD/MP	2,500.00	1,500.00	1,000.00	0.00	A
- Administration (CONARA)	IRD/MP	2,600.00	2,600.00	0.00	1,058.20	A
		45,520.50	40,035.30	5,485.20	1,058.20	

2. Restoration of Public Services

Infrastructure

- Rural Electrification (CEL)	IRD	8,000.00	8,000.00	0.00	3,300.00	A
- Rural Electrification	IRD	3,000.00	3,000.00	0.00	1,800.00	A
- United to Reconstruct Plan		11,000.00	11,000.00	0.00	4,800.00	

- Installation Protection (CEL)	IRD	2,000.00	2,000.00	0.00	1,515.30	A
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COUNTRY/EL SALVADOR

STATUS OF 1987 LOCAL CURRENCY PROGRAM
THRU FEBRUARY 29, 1988
(in thousands of Colones - 1 US\$ = 5.0)

Source/Purpose	Responsible AID/Division	CY1987	Disburse.	Balance	Working Capital	Action Plan Status
-Protection Works For Bridges (CEL/FENADESAL)						
.Protection Works on Highways	IRD	600.00	600.00	0.00	0.00	D
.Lighting The San Marcos Lempa Bridge	IRD	800.00	800.00	0.00	400.00	A
		1,400.00	1,400.00	0.00	400.00	
-Rehabilitation, Reconstruction and Bridge Networks (MINISTRY OF PUBLIC WORKS)						
.Road Repair	IRD	10,000.00	9,422.60	577.40	0.00	A
.Sanitation and Pavement Projects	IRD	6,500.00	4,117.80	322.20	0.00	A
.Restoration of The National Roads	IRD	12,000.00	12,000.00	0.00	0.00	A
		28,500.00	25,540.40	955.60	0.00	
-Heavy Construction Equipment (AME)						
-Special Resources Office (ORE)	IRD	5,044.10	5,044.10	0.00	0.00	F
	IRD	155.90	151.20	4.70	0.00	A
		5,200.00	5,195.30	4.70		
		46,100.00	45,135.70	964.30	6,715.30	
3. Assistance To Displaced Persons						
-Displaced Family Support (MINISTRY OF INTERIOR-COMAGES)	HPM	8,600.00	6,120.10	1,679.90	0.00	A
-Food Distribution (MINISTRY OF INTERIOR-DIGECO)	HPM	3,200.00	3,199.90	0.10	0.00	A
		11,200.00	9,320.00	1,880.00	0.00	
4. Institutional Support						
-Extraordinary Budget Auditing and Training (COURT OF ACCOUNTS-SETEFE)	DPP	2,568.00	838.00	1,750.00	0.00	E
. Court of Account Delegation	DPP	1,538.00	838.00	700.00	0.00	
. SETEFE Auditing Program	DPP	1,020.00	0.00	1,020.00	0.00	
. Seminars and English Language Training	DPP	30.00	0.00	30.00	0.00	
-Implementation and Analysis of Surveys (MIFLAN-IPROS)	DPP	1,000.00	603.90	396.10	376.90	A
-Salvadoran Institute for the Rehabilitation of Invalids (ISRI)	HPM	500.00	500.00	0.00	331.00	A
-Court of Accounts (Modernization)	CONT	3,660.00	1,500.00	2,160.00	1,750.00	A
-Geotechnical Research Center	IRD	500.00	500.00	0.00	123.70	A
		8,268.00	3,941.90	4,326.10	2,581.60	
Sub-total-1		111,066.50	98,432.90	12,655.60	10,355.10	

11. ECONOMIC RECOVERY

1. Agricultural Development

-Real Estate Registry (MINISTRY OF JUSTICE)	IRD	0.00	0.00	0.00	0.00	D
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COUNTRY/EL SALVADOR

STATUS OF 1987 LOCAL CURRENCY PROGRAM
THRU FEBRUARY 29, 1988
(in thousands of Colones - 1 US\$ = 5.0)

Source/Purpose	Responsible AID/Divisio	CY1987	Disburse.	Balance	Working Capital	Action Plan Status
		0.00	0.00	0.00	0.00	
2. Private Sector Support						
-Advertising Campaigns and Training (BCR)	PRE	1,000.00	1,000.00	0.00	0.00	A
-Logistic Support for Eastern Region Credit Program (BCR)	PRE	1,000.00	1,000.00	0.00	0.00	A
		2,000.00	2,000.00	0.00	0.00	
Sub-total II		2,000.00	2,000.00	0.00	0.00	
III. BROADENING the BENEFITS of GROWTH						
1. Social Sector Support						
-Nutrition (MINISTRY of HEALTH)	HPN	500.00	500.00	0.00	0.00	A
-Medical Attention to Indigent (MINISTRY of HEALTH)	HPN	600.00	600.00	0.00	0.00	A
-Water Projects for Rural and Urban Areas (MUSA)	IRD	28,000.00	10,238.90	17,761.10	0.00	A
-School and Health Centers on Haciendas (DIOECO)	HPN	2,000.00	850.00	1,150.00	850.00	A
		31,100.00	12,188.90	18,911.10	850.00	
2. Housing Sector Support						
-Fronavapo						
Administration	HUD	688.00	767.40	120.60	100.00	A
Investment Projects	HUD	17,112.00	17,112.00	0.00	0.00	A
		18,000.00	17,879.40	120.60	100.00	
3. Investment Projects Fund						
-Tikal Project	IRD	3,067.00	3,067.10	(0.10)	3,067.10	A
-Bridge Overpass San Salvador/Santa Tecla	IRD	932.10	932.10	0.00	0.00	A
-Enlargement Santa Tecla/San Salvador Highway	IRD	1,524.00	1,524.00	0.00	0.00	A
-Chaltupan and Pedregal Streets	IRD	2,310.40	2,310.40	0.00	0.00	A
-Sanjaya River Culvert	IRD	597.10	597.10	0.00	0.00	A
-Mexicanos Market	IRD	800.00	800.00	0.00	0.00	A
-Jacamal Market	IRD	800.00	800.00	0.00	0.00	A
-Rehabilitation of San Marcos Market	IRD	400.00	400.00	0.00	0.00	A
-Unprogrammed	GPP	69,569.50	0.00	69,569.50	0.00	A
		80,000.10	10,430.70	69,569.40	3,067.10	
Sub-total III		129,106.10	40,499.00	88,601.10	4,017.10	

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COUNTRY/EL SALVADOR

STATUS OF 1987 LOCAL CURRENCY PROGRAM
THRU FEBRUARY 29, 1988
(in thousands of Colones - 1 US\$ = 5.0)

Source/Purpose	Responsible AID/Division	CY1987	Disburse.	Balance	Working Capital	Action Plan Status
IV. DEMOCRATIC INSTITUTION and HUMAN RIGHTS						
1. Counterpart To A.I.D. Project						
-Judicial Reform Project (519-0296)						
.Supreme Court	DDI	1,300.00	800.00	500.00	0.00	A
.Attorney General	DDI	2,626.50	2,558.80	67.70	0.00	A
.Corelesal	DDI	1,200.00	845.00	354.40	700.00	A
.Investigation Coma	DDI	1,600.00	1,600.00	0.00	0.00	A
.Judicial Protection Unit	DDI	300.00	0.00	300.00	0.00	
		6,426.50	5,204.40	1,222.10	700.00	
2. Judicial Administration						
-Human Rights Commission	DDI	1,595.50	1,595.50	0.00	21.80	A
-Solicitor General for the Poor	DDI	1,000.00	1,000.00	0.00	0.00	A
		2,595.50	2,595.50	0.00	21.80	
OTHER DONORS COUNTERPART						
CAREI						
.El Trunco (Santiago de Maria/San Miguel) CA-1	IRD	25,000.00	13,421.40	11,578.60	0.00	A
BIRF						
.MIPLAN Building	IRD	2,500.00	0.00	2,500.00	0.00	D
FRANCE						
.ROSALES HOSPITAL (CONSTRUCTION)	IRD	10,000.00	0.00	10,000.00	0.00	B
		37,500.00	13,421.40	24,078.60	0.00	
Sub-total IV		46,522.00	21,221.30	25,300.70	721.80	
V. RESERVE FUND						
	GPP	1,289.40	0.00	1,289.40	0.00	
TOTAL EXTRAORDINARY BUDGET		290,000.00	162,153.20	127,846.80	15,094.00	

ORDINARY AND INVESTMENT BUDGET SUPPORT

A. ECONOMIC STABILIZATION

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COUNTRY/EL SALVADOR

STATUS OF 1987 LOCAL CURRENCY PROGRAM
THRU FEBRUARY 29, 1988
(in thousands of Colones - 1 US\$ = 5.0)

Source/Purpose	Responsible AID/Division	CY1987	Disburse.	Balance	Working Capital	Action Plan Status
I. MINISTRY OF PUBLIC WORKS						
-Urban Development	DPP	7,043.00	6,631.00	412.00	0.00	E
-Urban Works Maintenance	DPP	4,441.00	3,310.50	1,130.50	0.00	E
-Cartographical and Cadastral Studies	DPP	9,190.60	7,818.20	1,371.80	0.00	E
-Road and Highway Construction and Improvement	DPP	21,516.00	16,468.30	5,047.70	0.00	E
-Regional Highways	DPP	564.00	542.90	21.10	0.00	E
		42,754.60	34,770.90	7,983.10	0.00	
2. MINISTRY OF AGRICULTURE AND LIVESTOCK						
-Conservation and Development of Natural Resources	DPP	8,055.00	6,693.10	1,361.90	0.00	E
-Development of Fishing Resources	DPP	3,932.00	3,508.10	423.90	0.00	E
		11,987.00	10,201.20	1,785.80	0.00	
TOTAL A		54,741.60	44,972.10	9,768.90	0.00	
B. ECONOMIC RECOVERY						
1. MINISTRY OF AGRICULTURE AND LIVESTOCK						
-Livestock Development and Animal Health	DPP	8,200.00	6,750.20	1,449.80	0.00	E
TOTAL B		8,200.00	6,750.20	1,449.80	0.00	
C. BROADENING THE BENEFITS OF GROWTH						
1. MINISTRY OF INTERIOR						
-Support and Development of the Community Infrastructure	DPP	2,486.00	2,183.10	302.90	0.00	E
-Improvement of Marginal Communities Infrastructure	DPP	988.00	561.90	426.10	0.00	E
-Community Development of the Northern Zone	DPP	457.00	457.00	0.00	0.00	E
-Complementary Feeding and Nutrition	DPP	3,443.00	1,435.20	2,007.80	0.00	E
		7,374.00	4,661.20	2,712.80	0.00	
2. MINISTRY OF EDUCATION						
-General Administrative Services	DPP	6,250.00	4,469.00	1,781.00	0.00	E
-Pre-Investment and Functioning of Ministry Investment	DPP	2,912.00	2,110.70	801.30	0.00	E
Construction, Reconstruction, Refurnishing and Expansion of Schools and Ministry Institutions	DPP	5,400.00	4,100.90	1,299.10	0.00	E
-Equipping of Schools and Ministry Institutions	DPP	5,000.00	5,000.00	0.00	0.00	E
		19,562.00	15,680.60	3,881.40	0.00	
3. MINISTRY OF PUBLIC WORKS						

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COUNTRY/EL SALVADOR

STATUS OF 1987 LOCAL CURRENCY PROGRAM
THRU FEBRUARY 29, 1988
(in thousands of Colones - 1 US\$ = 5.0)

Source/Purpose	Responsible AID/Divisio	CY1987	Disburse.	Balance	Working Capital	Action Plan Status
-Geotechnical Research	DPP	1,400.00	1,196.40	203.60	0.00	E
		1,400.00	1,196.40	203.60	0.00	
4. MINISTRY OF PUBLIC HEALTH AND SOCIAL ASSISTANCE						
-Expansion of the Health Services Network	DPP	3,102.50	2,510.00	592.50	0.00	E
-Construction, Expansion and Improvement of Ministry Buildings	DPP	103.50	0.00	103.50	0.00	E
-Rural Basic Sanitation	DPP	4,116.00	3,009.40	1,106.60	0.00	E
-Functioning of Ministry Investment Programs	DPP	1,401.00	1,016.70	384.30	0.00	E
		8,723.00	6,534.10	2,188.90	0.00	
TOTAL C		37,059.00	28,072.30	8,986.70	0.00	
TOTAL ORDINARY BUDGET SUPPORT		100,000.00	79,794.60	20,205.40	0.00	
AGRARIAN REFORM COMPENSATION	DPP	90,000.00	0.00	90,000.00	0.00	
TOTAL ORDINARY BUDGET		190,000.00	79,794.60	110,205.40	0.00	
PRIVATE SECTOR SUPPORT						
1. Line of Credit for Reactivation of the Eastern Region (ECR)						
-Refinancing (Subsidy Interest Rates)	PRE	25,000.00	25,000.00	0.00	0.00	
-Guarantee Fund	PRE	65,000.00	65,000.00	0.00	0.00	E
-Line of Credit for Reactivation of the Eastern Region	PRE	45,000.00	45,000.00	0.00	0.00	E
-FOINVER	PRE	90,000.00	90,000.00	0.00	0.00	E
		225,000.00	225,000.00	0.00	0.00	
2. Lines of Credit to the Private Sector (ECR)						
-Industry Special Line of Credit	PRE	65,000.00	0.00	65,000.00	0.00	E
-Small Business Program	PRE	5,000.00	0.00	5,000.00	0.00	E
-National Reconstruction Special Fund (FERM)	PRE	5,000.00	0.00	5,000.00	0.00	E
-Export Services	PRE	5,000.00	0.00	5,000.00	0.00	E
		75,000.00	0.00	75,000.00	0.00	
TOTAL PRIVATE SECTOR		300,000.00	225,000.00	75,000.00	0.00	

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COUNTRY/EL SALVADOR

STATUS OF 1987 LOCAL CURRENCY PROGRAM
THRU FEBRUARY 29, 1988
(in thousands of Colones - 1 US\$ = 5.0)

Source/Purpose	Responsible AID/Divisio	CY1987	Disburse.	Balance	Working Capital	Action Plan Status
AID OPERATING EXPENSE AND PROGRAM SUPPORT		25,000.00	25,000.00	0.00	0.00	E
TOTAL ESF 87		805,000.00	491,947.80	313,052.20	15,094.00	
AGRICULTURAL GRANT AGREEMENT 410 0						
I. AGRICULTURAL DEVELOPMENT						
-Laboratory Equipment for ISIC	RGO	350.00	350.00	0.00	0.00	A
-Agricultural and Land Tenure Survey (IFERA)	RGO	600.00	600.00	0.00	0.00	A
-Integrated Rural Development (CEAIA- PRODERINI)	RGO	468.00	166.10	301.90	467.10	A
-Integrated Pest Control (CENFA- CIP)	RGO	65.00	0.00	65.00	65.00	A
-Agricultural Support to the National Agricultural School (EMA)	RGO	100.00	100.00	0.00	0.00	A
-Institutional Support (DGRD)	RGO	1,307.00	1,307.00	0.00	1,055.00	A
-Increase in the Number of Beneficiaries (ISTA-CABIGRA)	RGO	800.00	800.00	0.00	0.00	A
-Reforestation and Soil Conservation Projects (CENFEN)	RGO	1,000.00	452.30	547.70	250.00	A
-Agricultural Statistics (DGEA)	RGO	1,475.00	1,475.00	0.00	0.00	A
-Subsidy for Phase I Cooperative Managers and Accounts (DGER)	RGO	1,500.00	1,500.00	0.00	0.00	A
-Colig Intensification Program (ISIC)	RGO	1,235.00	1,235.00	0.00	1,209.00	A
-Animal Health Program (CDB)	RGO	900.00	617.90	282.10	0.00	A
-Plant Health Program (CDBW)	RGO	2,400.00	2,076.90	323.10	0.00	A
-CENCAP	RGO	423.00	0.00	423.00	422.30	A
-Support to the Agrarian Reform	RGO	3,674.00	0.00	3,674.00	0.00	B
TOTAL		16,547.00	10,760.20	5,786.80	3,466.40	
II. RESERVE FUND		3,953.00	0.00	3,953.00	0.00	
TOTAL		20,500.00	10,760.20	9,739.60	3,466.40	

PROJECTS TO BE FINANCED UNDER THE
MEMORANDUM OF UNDERSTANDING ON
THE 1988 LOCAL CURRENCY PROGRAM BALANCE OF PAYMENTS/ESF

A. Extraordinary Budget for Economic Reactivation	<u>ALLOCATION</u> (Thousands of ₡)
A.1 Counterparts to A.I.D. Projects	10,200
A.1.1 Judicial Reform Project (0296)	10,200
A.2 Counterparts for Other Donors Projects	41,300
A.2.1 IDB Projects	28,000
- Sewage System and Potable Water	20,000
- Livestock Development and Animal Health	8,000
A.2.2 Other Donors Projects	13,300
- Rosales Hospital (France)	13,300
A.3 Other Priority Projects	229,600
A.3.1 Restoration of Public Services Infrastructure	41,000
- Rural Electrification (CFI)	7,000
- Protection Works for Bridges (CFI)	1,200
- Installations Protection (CIT)	5,000
- San Marcos Lengua Bridge (FINADESAL)	800
- Rehabilitation, Reconstruction and Restoration of the National Roads and Bridge Network (Ministry of Public Works)	15,000
- Machinery and Equipment Administration (AME) (Ministry of Public Works)	12,000
A.3.2 National Plan	90,000
- Restoration Projects (CCNARA)	77,800
- Combined Civic Action Projects (CCNARA)	5,000
- Emergency Projects (CCNARA)	3,000
- Administration (CCNARA)	4,200

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PROJECTS TO BE FINANCED UNDER THE
MEMORANDUM OF UNDERSTANDING ON
THE 1988 LOCAL CURRENCY PROGRAM BALANCE OF PAYMENTS/ESF

	<u>ALLOCATION</u> (Thousands of ₡)
A.3.3 Private Sector Support	43,200
- Free Trade Zone (San Bartolo)	25,000
- Private Voluntary Organizations (PVO's)	18,200
A.3.4 Agricultural Development	32,300
- Agrarian Reform Sector Support	23,500
- Coffee Rehabilitation	7,000
- Integrated Pest Control/IXCAP/CENTIA	600
- Lumber and Firewood/IXCAP/CENTIA	300
- Agricultural Statistics	900
A.3.5 Assistance to Displaced Persons	5,600
- Assistance to Displaced Families (CONADES)	4,600
- Food Distribution (DIDECO)	1,000
A.3.6 Social Sector Support	17,000
- Rehabilitation of Invalids (ISEI)	2,000
- Water Projects for Rural and Urban Areas (ANDA)	15,000
A.3.7 Institutional Support	500
- Auditing Program (SETHFF)	500
TOTAL EXTRAORDINARY BUDGET	281,100
 B. Ministry of Finance	
B.1 Ordinary Budget Support	100,000
TOTAL MINISTRY OF FINANCE	100,000

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PROJECTS TO BE FINANCED UNDER THE
MEMORANDUM OF UNDERSTANDING ON
THE 1988 LOCAL CURRENCY PROGRAM BALANCE OF PAYMENTS/ESF

ALLOCATION
(Thousands of ₺)

C. Central Reserve Bank	
C.1 Private Sector Support	
C.1.1 Lines of Credit	340,000
C.1.2 Advertising Campaigns and Training	2,000
C.1.3 Logistic Support for Credit Program	1,500
TOTAL CENTRAL RESERVE BANK	343,500
D. Agency for International Development (A.I.D.)	35,000
TOTAL (A - D)	759,600
E. Reserve Fund	
E.1 Restricted	92,500
E.2 Available	15,400
TOTAL RESERVE FUND	107,900
GRAND TOTAL	867,500

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PROJECTS TO BE FINANCED UNDER THE
MEMORANDUM OF UNDERSTANDING ON THE
1988 LOCAL CURRENCY PROGRAM P.L. 480 TITLE I
(THOUSANDS OF COLONES)

	<u>ALLOCATION</u>
A. Extraordinary Budget for Economic Reactivation	
A.1 Counterpart to A.I.D. Projects	101,100
A.1.1 Agrarian Reform Credit (519-0263) (Management Information System)	500
A.1.2 Water Management (519-0303)	2,700
A.1.3 Agrarian Reform Financing (519-0307)	25,000
A.1.4 Population Dynamic (519-0210)	1,000
A.1.5 Health Systems Support (519-0308)	20,000
A.1.6 Industrial Stabilization (519-0287)	4,600
A.1.7 Educational System Revitalization (519-0295)	22,300
A.1.8 Industrial Parks (519-0323)	15,000
A.1.9 Agricultural Technology Transfer (519-0335)	10,000
A.2 Counterparts for Other Areas Projects	26,500
A.2.1 IDB Projects	11,500
- Highway Network Rehabilitation	2,000
- Energy Sector Rehabilitation	3,000
- Telephonic Rehabilitation	3,500
- Pre-Investment Studies (POSEP)	2,000
- Sale Registry of Tax Payers (RUCC/CC)	1,000
A.2.2 IERD Projects	15,000
- Earthquake Reconstruction	15,000
SUB TOTAL	127,600
B. Reserve Fund	2,400
TOTAL	130,000

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>I. ECONOMIC POLICY MEASURES</u>		
<u>A. Fiscal Policy</u>		
<u>1. Incomes</u>		
-Perform an audit on income and property tax payers in order to investigate 4,103 cases	March-December 1988	Ministry of the Treasury
-Perform an audit of non-prescribed periods concerning net worth taxes serial A, husbandry land taxes and on capitalized profits or those kept in reserve. It is expected that 215.2 million colones will be collected	March-December 1988	Ministry of the Treasury
-Design a prototype in order to establish 5 peripheral tax administration units within the urban area	May 1988	
-Design an accounting system in accordance with the operational volume of small entrepreneurs and businessmen	June 1988	
-Continue with projects such as Fiscal Audits, Taxpayer Control, Government Stamps Control, Transit Tax Collection. Around 3,000 audits are expected to be carried out	March-December 1988	Ministry of the Treasury
-Implement measures in order to recuperate delinquent tax and to collect approximately 215.0 million		
-Reprogram lotteries introducing new reforms in the routine lotteries in the following manner:	May 1988	Ministry of the Treasury
Before:	Now:	National Lottery
1st prize 200%	150%	
2nd prize 150%	100%	
3rd prize 50%	100%	

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PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>I. ECONOMIC POLICY MEASURES</u>		
-Concerning Extraordinary lotteries, the first prize of Q1.0 million colones will be divided in two Q500,000 prizes	May 1988	Ministry of the Treasury National Lottery
-Implement instantaneous lottery, beginning in June	June 1988	Ministry of the Treasury National Lottery
<u>2. Expenditures</u>		
-Continue with prohibition to open new contracts and wage posts in the Central Government as well as in the rest of the public sector	Jan.-Dec. 1988	Ministry of the Treasury Autonomous Institutions
-Continue with the policy of suppressing all Government job vacancies	Jan.-Dec. 1988	Ministry of the Treasury Autonomous Institutions
-Continue with gradual reduction of transfers from the Central Government to Autonomous Institutions	Jan.-Dec. 1988	Ministry of the Treasury
-Dictate expenditure guidelines for this current year in order to avoid expense increases beyond budgeted	Feb.-May 1988	Ministry of the Treasury
-Elaborate a ruling instrument, in order to regulate public expenditure incorporating autonomous institutions so as to generalize a criteria of Public Expenditure Austerity	Feb.-March 1988	Ministry of the Treasury
-Follow-up and control, by the supervising Ministry, of all Autonomous Institutions budget operations, to ensure that the approved action plans and institutional budgets are complied with	Jan.-Dec. 1988	Ministry of the Treasury/ Autonomous Institutions/ Ministry of Public works

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>I. ECONOMIC POLICY MEASURES</u>		
<u>3. Domestic Debt Administration</u>		
-Search for instruments which would accommodate the payment of the public domestic debt to the financial capacity of the Government	April 1988	Ministry of the Treasury
-Credit the Q295.0 million the GOES owes the financial system in accrued interests through bonds, and establish a new mechanism by which accrued bonds may be substituted by new bonds	January 1988	Ministry of the Treasury
-Limit the floating debt of the Central government to a maximum not more than the level reached at December 31st, 1987, and to make an effort to reduce it during 1988 in accordance with availability of resources	Jan.-Dec. 1988	Ministry of the Treasury
<u>4. Administrative and Operational Support Measures</u>		
-Elaborate a Tax Law which will establish a uniform application of regulations and principles	June 1988	Ministry of the Treasury
-Carry out basic activities, such as the elaboration of study programs and training of Administrative and Technical Personnel, necessary for the implementation of ISAP (Salvadorean Institute for Public Administration)	January 1989	Ministry of the Treasury

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PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>I. ECONOMIC POLICY MEASURES</u>		
-Perform a study on the possibility of merging the General Directorate of Direct Revenue Service with the Indirect Revenue Service	April-Dec. 1988	Ministry of the Treasury
-Remodel Central Facilities to improve working conditions and to give a better service to the public.		National Procurement Agency
-Computerize the institutions' operations through technical cooperation that would provide the institution with the necessary equipment and training	March-December 1988	National Procurement Agency
-Elaborate projects on the revaluation of pensions; increase of the Minimum Pension, and Christmas bonus for Pensioners and other projects in order to give better benefits to the beneficiaries	December 1988	INPEP (National Institute for Public Employee Pensions)
-Modernize and update the computation system throughout the institution	March-December 1988	INPEP
-Microfilm the 3.5 million payroll sheets of payees	Jan.-June 1988	INPEP
-Carry out the "Pensioners Priority Attention Project" Phase II in order to decentralize activities such as information, reception of documents; and ratification of pensions	Jan.-June 1988	INPEP
-Design a well defined salary scale system for the whole Public Administration	Sept.-Oct. 1988	Ministry of the Treasury

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>I. ECONOMIC POLICY MEASURES</u>		
-Elaborate a document comprising the "Pension System Coordination" (ISSS, IFFSA and INPEP)	August 1988	INPEP
-Improve the service for Mortgage Loans in order to provide service to the 10,995 applications from the Administrative and Teaching Sectors and grant 1,468 loans to both sectors	Jan.-Dec. 1988	INPEP
-Improve the service for Personal Loans to provide service to the 10,989 applications from the Administrative and Teaching sectors, and to grant 8,666 loans to both sectors	Jan.-Dec. 1988	INPEP
<u>B. Monetary-Credit Policies</u>		
<u>1. Monetary</u>		
-Allow a maximum expansion of payment means of 16%	Note: monthly follow-up of measures included in Monetary Budget (Annex I Tables)	BCR
-Make gradual adjustments in the legal reserve requirement, according to anticipated liquidity levels		BCR
-Place and re-purchase Monetary Stabilization Bonds in order to counteract cyclical movements of liquidity faced by financial institutions		BCR
<u>2. Credit Measures</u>		
-Limit expansion of credit, up to 17.4% for commercial and Mortgage Banks; up to 14.3% for the Central Bank and up to 14.1% for the Banking System as a whole		BCR

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>I. ECONOMIC POLICY MEASURES</u>		
-Carry out a sectorial distribution of credits granted by commercial banks and the Mortgage Bank in accordance with established Production goals		BCR-Commercial Banks
-Have the ECR purchase bonds up to Q100 million from the GOES		Ministry of the Treasury ECR
-Have the ECR grant a temporary loan to INCAFE during the first months of the year to allow the latter to finance its operational expenses and pay advances to coffee growers		BCR
-Ensure that at least 15% of the loan portfolio with own resources from Commercial Banks and the Mortgage Bank is granted to small enterprises (with assets up to Q750,000) and 2.5% to microenterprises (with assets up to Q100,000)		BCR-Commercial Banks
<u>C. External Sector Policy</u>		
-Reduce to 3 the priorities of services for the assignment of foreign exchange, in the following manner:	February 1988	BCR
a) Basic foodstuff, medicines, fuels, raw material and other items for production, and machinery		
b) Health, study, travel and retirement expenses		
c) Other goods, services, transfers and capital flows turnover not specified in priorities a) and b)		

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>I. ECONOMIC POLICY MEASURES</u>		
-Reduce the list of goods whose import has been banned by Executive Decree No.1322	February 1988	BCR
-Gradually free the prior deposits for imports	February 1988	BCR
-Amplify the special accounts of foreign currency deposits	February 1988	BCR
-Approve and issue the Tax Certificates	March 1988	Ministries of the Treasury & Frgn. Trade
-Increase the premium granted through a prompt reimbursement bonus to exporters of non-traditional products for repatriation of export proceeds	February 1988	BCR
-Approve and carry out the "Guarantee to Foreign Investment Law"		Ministry of Foreign Trade
*Re-examine the project at an inter-institutional level	Jan.-March 1988	
*Present the new project before the Economic Committee for its discussion and approval	May-December 1988	
*Present the new project before the National Assembly for its approval	April 1988	
*Draft the Rules and Regulations	April-Sept. 1988	
*Present the Rules and Regulations before the National Assembly	Oct.-Dec. 1988	
*Implement the Law and the Regulations		
-Publish the guidelines for foreign investors	March 1988	Ministry of Foreign Trade
-Devise and carry out the regulations on Zona Franca San Bartolo and that related to services		Ministry of Foreign Trade

PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>I. ECONOMIC POLICY MEASURES</u>		
*Compile basic documentation on similar regulations in other countries	Jan.-Feb. 1988	
*Devise preliminary regulation projects	March-April 1988	
*Set Work Groups from the private and government sectors	May-July 1988	
*Present revised regulations before the National Assembly for discussion	Aug.-Oct. 1988	
*Implement them	November 1988	
-Improve and make perfect the services offered by CENTREX through: the mechanization of the information systems		Ministry of Foreign Trade
*First stage: Installation of the BACH system	January-March 1988	
*Second stage: Issue of a license in line	April-June 1988	
*Third stage: Evaluation of the services offered by CENTREX and its operativeness	July-Aug. 1988	
*Fourth stage: Corrections	Sept.-Oct. 1988	
*Operation of CENTREX	November 1988	
-Carry out a High Level Course Specialization for technicians in private and public institutions related to export activities. Such course should be carried out with both technical and financial external support.		Ministry of Foreign Trade
*Creation of a Training Project for the exporting sector at high levels	Jan.-March 1988	
*Presentation and negotiation of the Project to international organizations to obtain their financial backing	April-June 1988	
*Course to be developed by INCAE	April-June 1988	
*Execution of the project	July 1988	

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PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>I. ECONOMIC POLICY MEASURES</u>		
-Devise pre-investment studies of the UC/ELS/83/178 program, development of the electronic industry in El Salvador which the MICE foresees to develop with U.N. technical and financial assistance		Ministry of Foreign Trade (MICE)
*Creation of a program of inter-institutional activities to prepare the first stage of a sectoral study	Jan.-June 1988	
*Second phase to be developed by an external consultant according to the results obtained from the sectoral study	July 1988	
*Informational and study tours	Sept.-Dec. 1988	
-Preparation of a Salvadorean proposal by the Ministry of Economics on Trade and Industrial policies within the frame of the Central American Tariff Agreement and the Central American Common Market Reactivation Program	June 1988	Ministry of Economics
-Promote the establishment of a Regional and by Country Center of Trade and Industrial Information	June 1988	Ministry of Foreign Trade
-Establishment of local Trade and Investment Information Centers at the Embassies and Consulates of El Salvador	March 1988	Ministry of Foreign Trade- Ministry of Foreign Affairs
<u>D. Income Protection Policy</u>		
-Increase minimum wages for farm and city workers at a rate which will allow workers to recuperate part of their purchasing power loss caused by inflation	April 1988	Minimum Salary National Committee

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PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>I. ECONOMIC POLICY MEASURES</u>		
-Prepare campaigns directed to the consumers to influence on consumption habits, better spending of the family budget, and on prices, quality, weights and measures	Feb.-Nov. 1988	Ministry of Economics
-Maintain the price control system on the basic or strategic products	Jan.-Dec. 1988	Ministry of Economics
-Establish a follow-up system for prices, weights, quality and measures for basic products	Feb.-Dec. 1988	Ministry of Economics
-Encourage the organization of consumer cooperatives at urban and rural levels, to benefit the workers and the creation of family larders in public and private enterprises which do not have one yet		Ministry of Economics
*Design the project for the creation and operation of larders and consumer cooperatives	Feb.-April 1988	
*Implement the project	May 1988	
-Regulate the distribution of generic medicines to make them more easily available to the public, and to develop an extensive coverage program informing their characteristics and the advantages of their use	Feb.-Dec. 1988	Ministries of Economics and Health
-Continue with already initiated studies and carry out others related to the trading of beef, chicken eggs, liquid milk and others	Feb.-Dec. 1988	Ministry of Economics
-Strengthen the Consumer Protection Program	February 1988	Ministry of Economics



PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
II. <u>PRODUCTION POLICY MEASURES</u>		
A. <u>AGRICULTURAL SECTOR</u>		
1. <u>Macropolicy for Agrarian, Cattle and Fishery Reform, emphasizing Feeding Safety</u>		Production and
a) <u>Basic Cereals</u>		
-Carry out the purchase of established volumes of basic cereals, giving priority to cooperatives within the reformed sector and small farmers clients of the BFA	March-December 1988	Institute for the Regulation of Supplies (IRA)
-Have available for the farmers enough supplies of corn, rice and sorgo seeds	March-December 1988	Ministry of Agriculture (MAG)
-Organize small farmers into solidary or pre-cooperative groups	March-December 1988	MAG
-Develop the program for the construction of silos at farm level in order to avoid speculation and reduce intermediaries action in the trade	May-December 1988	National Agriculture & Agronomy Technology Center (CENTA)
-Carry out research in the fields on genetic improvement and agronomy. Validate the results of research done in similar conditions to those faced by the farmers	March-December 1988	CENTA
-Give technical support to producers of basic cereals, giving priority to small and medium farmers	Jan.-Dec. 1988	Regional Mngmt MAG
b) <u>Cotton</u>		
-Closely oversee the compliance with the elimination of stubble in 14,000 Ha.	Jan.-March 1988	Regional Mgmt MAG

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PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>II. PRODUCTION POLICY MEASURES</u>		
-Divide into zones the areas for cotton growing in high yielding soil, up to a max. of 28,000 Ha (40,000 Mz) to guarantee satisfaction of domestic textile industry demand and a surplus for export, also covering part of the local oil and animal meal markets	Jan.-May 1988	Natural Resources Center, MAG
-Carry out an investigation for genetic improvement, integral handling of pests (8 sub-projects and 14 essays)	June-Dec. 1988	COPAL-CENTA-MAG
-Give technical support in 28,000 Ha. (40,000Mz)	March-December 1988	Regional Mngmt. CENTA
-Train farmers (3 courses)	March-December 1988	Regional Mngmt. CENTA
-Quality control of fertilizers and pesticides	March-November 1988	BCR
-Approve the crop credits line and the re-financing	January 1988	BCR
-Grant import license to COPAL for 12,500 MTn simple fertilizers 3,000 MTn compound fertilizers 2,000 MTn Mg SO ₄	Jan.-March 1988	MAG
c) <u>Coffee</u>		
-Transfer technology to 37,500 coffee growers through training and awareness leading to the adoption of this technology	March-December 1988	Institute for Coffee Investigations (ISIC)
-Generate technology through 74 research essays on: Agriculture, entomology, genetics, plant pathology, agriculture and soil engineering, and agriculture chemistry	March-December 1988	ISIC

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>II. PRODUCTION POLICY MEASURES</u>		
-Improve the yields and productivity levels of existing coffee plantations in an area of 33,950 Ha increasing the national average productivity level to 420kg/Ha of dried beans (1500/M ²)	March-December 1988	ISIC, Regionals
-Increase yield and productivity in 2,400 plots from both reformed and non-reformed sectors through renovation, recoulation and replanting of coffee plantations	March-December 1988	ISIC, Regionals
-Promote industrialization of coffee sub-products and by-products to achieve a more intensive exploitation with products such as BIOSAS, liquors, concentrates, sweets, etc.	March-December 1988	ISIC
-Provide coffee growers with seeds and improved vegetative material to promote increasing yields (2440kg of seed and 5.2 million plants)	March-December 1988	ISIC, Regionals
-Provide services of soil chemistry and foliar analyses to improve fertilization techniques (3000 soils and 1000 foliars)	March-December 1988	ISIC
d) <u>Sugar Cane</u>		
-Apply the system of paving according to the quality of the sugar cane received at the mills	Nov.-Dec. 1988	INAZUCAR
-Select areas favorable for sugar cane growing (7042 Ha (10,000M ²) of new areas near the sugar mills).	Jan.-Nov. 1988	MAG, National Resource Center

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PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
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II. PRODUCTION POLICY MEASURES

-Promote research in March-December 1988 CENTA

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>II. PRODUCTION POLICY MEASURES</u>		
-Promote research in plant improvement, evaluation of high yield sugar cane varieties that are also resistant to carbuncle	March-December 1988	CENTA
-Develop technology to improve yield and the quality of sugar cane juice for brown sugar (5 projects & 9 essays)	March-December 1988	CENTA
-Organize the Board for the Promotion of Sugar Cane Cultivation	Jan, Feb, March 1988	OSFA (MAG)
-Provide technical support to sugar cane growers to sow new areas (2100 Ha)	March 1988	Regional Mngmt. of MAG
e) <u>Livestock</u>		
-Enforce strict measures of health control at the frontiers to avoid the entrance of sick animals	March-December 1988	Regional Mngmt.
-Avoid slaughter of cows within reproductive age	March-December 1988	MAG
-Establish a strict control on the use of hygienical standards and other aspects related to animal slaughter and meat distribution	March-December 1988	Ministry of Health
-Continue with the inspection of poultry, hogs and cattle slaughter to guarantee the hygienic and sanitary conditions of meats products *Inspect for this purpose 85,000 cattle 60,000 hogs 15,000,000 poultry	Jan.-Dec. 1988	MAG

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>II. PRODUCTION POLICY MEASURES</u>		
-Encourage the change from an extensive livestock exploitation system to an intensive one through technical and credit assistant programs	March-december 1988	MAG
-Provide an overall technical support to 600 producers	March-december 1988	MAG
-Train husbandmen and their workers (50 courses)	March-December 1988	MAG
-Facilitate through credit lines for small and medium size farmers, the acquisition of grass cutters and the building of silos to guarantee animal feed during the dry season	June-October 1988	BFA
-Promote non-traditional oleaginous crops to substitute cottonseed as a source of protein through preferentially priced fertilizers and low interest loans	March-December 1988	BFA
-Comply with the program of sowing 3500 Ha of soya bean, particularly in the reformed sector	March-December 1988	BFA
-Develop programs of preventive medicine to fight brucellosis, encephalitis, subcutaneous worm infestation (torsalo) and TB to protect the cattle industry, ensuring its development and the domestic supply of meat, dairy products and others *Vaccination against brucellosis of 20,000 cows from 3 to 6 months old *Carry out a campaign against torsalo: 2160 cattle heads *Vaccinate 30,000 horses against encephalitis	March-December 1988	General Livestock Bureau

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PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>II. PRODUCTION POLICY MEASURES</u>		
<ul style="list-style-type: none"> *Maintain a strict lookout for exotic diseases checking reports of possible sources *Detection and control of: <ul style="list-style-type: none"> Brucellosis 45,000 diagnosis Tuberculosis 45,000 diagnosis *Develop 600 prophylactical plans for cattle 		
<ul style="list-style-type: none"> -Evaluate native goat herds to introduce new breeds and promote it with special credit lines *Train 1200 peasants in the techniques of goat husbandry *Provide a couple, ram and shegoat, to 1200 peasants over the 4 main areas of the country 	March-December 1988	MAG
<ul style="list-style-type: none"> -Expedite the prompt implementation of projects for modern slaughter houses which profit from all the sub-products of cattle and whose study is presently being assessed by FOSEP 	March-December 1988	MAG-City Hall
<ul style="list-style-type: none"> -Prepare a study on the production of pasture and fodder, nutrition and reproduction (18 essays) 	March-December 1988	Livestock Dev. Centers & Regional Agencies of MAG
<ul style="list-style-type: none"> -Promote cultivation and conservation of pastures and fodder (1,680 Ha) 	March-December 1988	(same as above)
<ul style="list-style-type: none"> -Provide technical assistance to improve hog husbandry through prevention of diseases and crossbreeding with special varieties 	Jan.-Dec. 1988	(same as above)

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PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
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II. PRODUCTION POLICY MEASURES

- *Provide technical assistance to 12,000 swineherds
 - *Vaccinate 20,000 hogs against cholera
 - *Develop 6 essays on feeding and handling
 - *Qualify hog raisers, technicians, and workers through 80 courses, 500 lectures and 200 practical demonstrations
- | | | |
|--|----------------------------|-------------------------------------|
| <ul style="list-style-type: none"> -Stimulate the development of bee-keeping to increase yields and diminish the negative effects of the african bee *Perform 2 essays to generate technology adjusted to our conditions *Develop. at national level, 22 courses, 70 lectures and 25 practical demonstrations *Stimulate the raising of 1200 selected queen bees | <p>March-December 1988</p> | <p>Husbandry Development Center</p> |
|--|----------------------------|-------------------------------------|
- e) Fishery
- | | | |
|--|----------------------------|-------------------------------|
| <ul style="list-style-type: none"> -Organize and train 60,000 persons dedicated to fishing activities | <p>April-December 1988</p> | <p>CENDEFESCA, Rural Dev.</p> |
| <ul style="list-style-type: none"> -Train technical groups in Technology Transference and Management | <p>April-December 1988</p> | <p>CENDEFESCA</p> |
| <ul style="list-style-type: none"> -Identify projects of this sub-sector and help to obtain external financing for them | <p>March-June 1988</p> | <p>CENDEFESCA</p> |

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PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>II. PRODUCTION POLICY MEASURES</u>		
-Establish zones of fishing resources in Salvadorean coasts	April-June 1988	CENDEFESCA
-Establish two fishery agencies at Barra de Santiago and Garita Palmera	July-December 1988	CENDEFESCA
-Draft the National Fishers' Registry	March-June 1988	CENDEFESCA
-Equip the Acajutla Small Fishers' Wharf	March-December 1988	CENDEFESCA
-Establish a program to permanently repopulate the country's continental water bodies	March-December 1988	CENDEFESCA
-Reproduce, under controlled conditions, two new species of sweet water fish	March-December 1988	CENDEFESCA
-Effect a basic research on sea water shrimp farms in reservoirs	July-December 1988	CENDEFESCA
-Study the adequacy of broadened scope Research Centers for aquaculture training	July-December 1988	CENDEFESCA
-Build and equip a sea water shrimp research laboratory	April-Sept. 1988	CENDEFESCA
-Rehabilitate communal and private reservoirs as well as floating cages projects	March-December 1988	CENDEFESCA
-Perform basic research on deep water fish still commercially untapped	April-June 1988	CENDEFESCA

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>II. PRODUCTION POLICY MEASURES</u>		
-Establish a distribution and sales plan for shrimp fishing by-products	April-December 1988	CENDEPESCA and Fisheries
-Regulate the industrial fisheries fleet by enforcing the General Fishing Activities Law and the fulfilment of the rules established based on it	March-December 1988	CENDEPESCA, Law Enforcement Bodies, Navy
<u>2. Peasant Development Macropolicies</u>		
-Incorporate women in production projects (1000 women-Regions III & IV)	March-December 1988	ENA-DGRD-CENCAP
-Train manual labor in 2000 peasant communities	March-December 1988	DGRD-CENCAP
-Promote enterprise organization, 1000 microenterprises	March-December 1988	DGRD-CENCAP
-Provide technical training for 5000 peasants entrepreneurs-to-be	March-December 1988	DGRD
-Provide basic infrastructure services through 1000 projects	March-December 1988	DGRD-ISTA-FINATA
-Give legal tenure of 150,000 plots of land	March-December 1988	DGRD
-Carry out peasant housing projects, 1000 for displaced persons and 30 community projects	March-December 1988	DGRD-ISTA-FINATA
-Increase ENA's enrollment of high school graduates coming from rural areas up to 50% of incoming students	Jan. December 1988	ENA

PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>II. PRODUCTION POLICY MEASURES</u>		
-Implement the "Bachilerato Agrícola" (Agrarian Technician) for peasant children	March-December 1988	ENA
-Provide modular agricultural and husbandry education for peasants through 2000 instructors	March-December 1988	ENA-DGRD CENCAP
-Train 300 promoters on programming and organizing	March-December 1988	DGRD
<u>3. Macropolicy for the Consolidation and Development of the Agrarian Reform</u>		
-Conclude the titling of 70 properties to Phase I cooperatives	March 1988	ISTA
-Conclude the titling of 10,500 properties to Phase III beneficiaries	March 1988	FINATA
-Transfer to FINATA lands belonging to ISTA as per Decree 842, for distribution among landless peasants	March 1988	ISTA-FINATA
-Approve the regulation of rights and duties of beneficiaries	March 1988	MAG-(PERACARA)
-Update Agrarian Reform Laws	Jan.-December 1988	MAG-(Legal Department)
-Carry out the project of reorganizing and retrieving of 70 cooperatives in crisis	March-December 1988	ISTA
-Study and carry out options for cultivating idle agricultural areas	March-December 1988	ISTA
-Implement the Land Bank		FINATA

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
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II. PRODUCTION POLICY MEASURES

- *Phase I Pilot project March 1988
incorporating 10,000 peasants
and 20,000 Ha.
- *End project: incorporating March-December 1988
30,000 peasants and 70,000 Ha.
- *Project of application of March-December 1988
law on plots exceeding
245 Ha. for a total of 33,000 Ha.
- Dispose of State owned March-December 1988 ISTA-FINATA
land for landless peasants:
9,700 Ha. in arrears
2,700 Ha. State owned
- Offer technical assistance March-December 1988 MAG (DGDR)
and training through the
Administration Program in
farms and management
- Transform 50 Phase I March-December 1988 ISTA
cooperatives into
self-sufficiency
- Rehabilitate 30 March-December 1988 ISTA
neglected cooperatives
- Increase to 1,500 the March-December 1988 ISTA
number of beneficiaries of
the agrarian reform
- Determine the options and March-December 1988 ISTA
incorporate to production
20,485 Ha. of available land
and 4,570 Ha. of pastures
presently idle

B. INDUSTRIAL SECTOR

1. General Measures

- Obtain international MAG
cooperation mainly from UNIDO
and/or SIECA to perform an
analysis of the industrial
branches in order to know the
productive capacity of the country

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PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>II. PRODUCTION POLICY MEASURES</u>		
-Identify the main problems, the utilization level of installed capacity, new potential areas of development and other, in order to redirect the industrial activity of the country		
*Efforts to obtain international cooperation	March-April 1988	Ministry of Economics
*Elaborate the study	May-November 1988	Ministry of Economics
-Create an integral program of stimuli and incentives addressed to the manufacturing industry based on the diagnosis of the industrial sectors, and taking mainly into consideration:	Nov.-Dec. 1988	Ministry of Economics
*Industrial dispersal		
*More value added generation		
*Enterprises dedicated to the production of basic need items		
*Priority development areas		
*Enterprises classified as strategic to increase the utilization level of their installed capacity		
*Appearance of new entrepreneurs at the micro and small enterprise levels		
-Design and enforce a system for industrial information to support both the entrepreneur sector as well as the internal work of the Ministry of Economics		Ministry of Economics
*Design of a project	March-February 1988	
*Negotiation for Funding	March-May 1988	
*Systematization of program	June 1988	
-Research the comparative advantages of El Salvador versus other Central American countries to stimulate those industrial sectors showing best possibilities	March-December 1988	Ministry of Economics

PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>II. PRODUCTION POLICY MEASURES</u>		
-Request from financial Foment institutions (FIGAPE, FEDDECREDITO, BFA, BANAFI, COFSAIN) the joint and separate elaboration of working programs and policies for industrial matters based on already established main guidelines		Ministry of Economics, FIGAPE, FED-DECREDITO, BFA, BANAFI, COFSAIN
*Request	March 1988	
*Elaboration	March-April 1988	
*Implementation	April 1988	
-Revise and apply the Industrial Standards Law, Decree 521, Dec. 23, 1961 published in "Diario Oficial" (Official Gazette) No. 239 Volume 193, Dec. 27, 1961		Ministry of Economics, Ministry of Health
*Revision	March-April 1988	
*Implementation	May 1988	
-Guide the purchasing policies of the GOES preferably towards domestic products	March-December 1988	Ministry of the Treasury
<u>2. Specific Measures</u>		
-Develop a promotional program on the research carried out by ISIC on the industrialization of coffee by-products, and promote among industrialists the utilization of available resources in the BCR for the agro-industry development	March-December 1988	Ministry of Economics
-Develop and widespread a program of available technology at the CENAP for the preparation, conservation and marketing of basic food stuff, fruits and others	March-December 1988	Ministry of Economics

PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>II. PRODUCTION POLICY MEASURES</u>		
-Mediate in negotiations between UNITEX and COPAL to insure the cotton supply for the textile industry and the establishment of a control mechanism for prices	March-July 1988	Ministry of Economics
-Develop a workers' and foremen training program in the textile and clothing industries, both in production and maintenance	March-May 1988	CENAF
-Negotiate financial assistance with the BID to develop a program to improve the management attitudes of small manufacturing enterprise' owners and to defray expenses of building and expansion of their facilities		Ministry of Economics
*Draft the project	April-June 1988	
*Obtain financing	July-December 1988	
-Training program		
-Expansion of facilities		
-Prohibit exportation of remainders and waste of iron, steel, copper and its alloys as bronze and brass and others including lead	March-December 1988	Ministry of Economics
-Perform technical and economic feasibility studies on fiber production from KENAF whose agronomical viability is already proven	July-December 1988	MIPLAN-FOSEP
-Update and promote among private enterprise, studies on the extraction of Kaolin from the Chalatenango lake to manufacture tiles, wash-basins and toilets	March-December 1988	Ministry of Economics

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
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II. PRODUCTION POLICY MEASURES

- Divulge among roof and floor clay tile manufacturers simple technology of easy application and low cost to save energy such as those of endless screw and double ventilation, as well as to stimulate the alternative use of energetics March-December 1988 Ministry of Economics
- Continue with the research for spreading the use of GASOHOL in land transportation March-June 1988 Ministry of Economics
- Establish a training program for human resources in the different areas related to chemical industry March-December 1988 CENAP
- Draft a feasibility study to analyze the potential of the national flora as a source of raw material for the chemical and pharmaceutical industries May-December 1988 Ministry of Economics

C. CONSTRUCTION SECTOR

1. Laws pending for approval by the National Assembly

- a) Laws on Human Settlements
Standardize, regulate and direct all activities of physical development which may take place
- * Planning of physical development
 - * Application of regulation programs
 - * Legislation of the transformation and use of the soil
 - * Control of usage of the land and of building
 - * Institutional frame

NB: These legislation deadlines depend entirely on the approval by the National Assembly
VMVDU

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PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>II. PRODUCTION POLICY MEASURES</u>		
b) <u>Special Law for Real Estate Registration</u>		
-Enable the registration of Real Estate acquired now or in the future for projects of FSV, IVU and local AMSS governments. They will be registered by command of the law and they will not need solvencies of any nature nor will pay any registry dues and will be exempted of every tax, levy or contribution		VMVDU (FRONAVIPO)
-Analyze those cases of Real Estate in conservation or irrigation areas, or subject to special regulations. A technical study will be required for their total or partial legalization		VMVDU
c) <u>Special Transitory Law for the illegal Urban Developments and Buildings erected before the aforementioned Law of Human settlements</u>		
-Donate to municipalities those plots of illegal developments still in the hands of the original developer to use them as parks or community areas		Local Governments
-Legalize the situation of developments and buildings which were erected wholly or partially violating the Urban Development and Construction Law		Local Governments
d) <u>Regulation for Antiseismic Designs in El Salvador</u>		
-Draft and enforce the antiseismic regulations		VMVDU

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PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>II. PRODUCTION POLICY MEASURES</u>		
e) <u>Special Housing Law for Rural and Urban Communities</u>		
-Create a fund specially designed for the acquisition or construction of houses, administered by the Social Fund for Housing		FSV
2. <u>OTHER REGULATIONS</u>		
-Consolidate the organism responsible for housing and human establishments by improving the already existing legal frame and providing technical and financial resources	March-December 1988	VMVDU
*Legal definition of the managerial structure of the VMVDU	March 1988	MOP
*Make the VMVDU directly responsible for the investment and working programs within its jurisdiction	March 1988	MOP
*Review and adequate the laws and regulations in all the institutions of this sub-sector	April-July 1988	VMVDU
-Define the scope of work of VMVDU through shaping and enforcing of national housing and urban development policies		
*Submit the National Housing Policy for approval	March 1988	VMVDU
*Draft the National Urban Development Policy	April-August 1988	VMVDU
*Draft the land policy	March-April 1988	VMVDU
*Guide and approve operational plans of all institutions within this sector	March 1988	VMVDU
-Expedite administrative formalities		

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PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
<u>II. PRODUCTION POLICY MEASURES</u>		
*Define the scope of VMVDU and local governments in the approval of permits and plans for buildings and developments	March 1988	VMVDU-City Councils
*Review the procedures for project approvals in order to reduce the required time	March 1988	VMVDU-ANDA-City Councils
*Review the procedures and requirements for the approval of short and long term loans for buildings and developments	March 1988	FNV-FRONAVIFO FSV-IVU-INPEP IPSFA
*Review and correct supply and building contracting laws	April-June 1988	MOF Ministry of the Treasury
*Unify criteria and requirements for building contractors in all of the public administration	April-June 1988	MOF
-Perform and update institutional market researchs for the promot commercialization of the housing units	March-December 1988	FNV-FSV-IVU
-Guide house builders towards satisfying the demand from all levels of income in the country	March-December 1988	VMVDU
-Expedite access to housing	March-December 1988	VMVDU
*Establish a secondary market for mortgages	March-December 1988	VMVDU
-Support the execution of progressive housing projects	March-December 1988	VMVDU
*Spend on progressive housing projects the monies recovered from reconstruction investment	Oct.-Dec. 1988	
*Propose to the Monetary Council mechanisms to insure availability of resources for progressive housing	June-July 1988	

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PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
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II. PRODUCTION POLICY MEASURES

- Massive development of rural housing
 - *Define which institution will be in charge of rural housing projects March 1988 VMVDU
 - *Apply socio-technical criteria to expedite the execution of projects March-December 1988 VMVDU
 - *Seek and direct soft financial resources March-December 1988 VMVDU
- Lower the housing cost
 - *Investigate possible mechanisms for price regulation and utilization of urban land April-Sept. 1988 VMVDU
 - *Promote markets for developed land March-December 1988 VMVDU
 - *Facilitate the creation of new construction companies March-December 1988 VMVDU
- Prepare a short term plan for FNV and/or PRONAVIPO for the acquisition of financial resources, both domestic and external March-December 1988 FNV-PRONAVIPO
- Give priority to the financing of housing projects outside the metropolitan area of San Salvador March-December 1988 MOP
- Recover, maintain and conclude projects of the national highway system March-December 1988 FNV-PRONAVIPO

D. ELECTRICAL POWER SECTOR

- Provide for the normal service of electrical power generated by thermal plants, as long as the economic resources to cover production costs are available
- *Draft projects to defray additional costs Jan.-March 1988 CEL
- *Approval and enforcement of this measure April 1988

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PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>II. PRODUCTION POLICY MEASURES</u>		
-Reduce the effects of the national energy crisis by enforcing the following measures:		
*Change the local time one hour ahead during the period between April and September		
-Draft the legislation	January 1988	CEL
-Project proposal for its approval and validation	Feb.-March 1988	CEL
-Execution of measures	April-Sept. 1988	CEL
*Introduce energy saving techniques to industries with high consumption	March 1988	CEL
*Generate electrical power at sugar mills (co-generation) using the sugar cane husk as fuel	March-December 1988	CEL
-Develop a national publicity campaign to promote energy saving	March-December 1988	CEL
-Continue with the development of the following projects:	Jan.-Dec. 1988	CEL
*A study of small hydroelectric power plants		
*Re-establish the public service		
*Action plan to introduce electricity in rural areas (8th project)		
*Swift development of geothermic field in Chiopilapa		
*Feasibility study of geothermic field at Chipilapa		
*Geothermal power plant at Berlin, Phase I		
*Pre-feasibility study of geothermal field in Coatepeque		
*Power interconnections between Honduras and El Salvador		

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PROGRAM OF MEASURES AND POLICIES

Specific Measures & Policies	Deadline	Responsible Institution
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II. PRODUCTION POLICY MEASURES

*National strategic reserve of fuel (RENC-Acajutla, RENC-Cutuco)		
*Seismic Prospecting Study on land		
-Evaluate and initiate the "National Energy Development Plan" for the 1988-2000 period, after approval and assignment of appropriate resources. This plan takes into account new projects beginning this year as well as some studies for energy production	March-December 1988	CEL
-Maximize the combined use of power plants operating from natural resources and the installation of the system for transmission, sub-transmission and distribution, as well as minimizing those operating on petroleum derivatives through electrical power purchase from INDE, Guatemala	Institutional Programs	CEL
	Continuously Active	
-Re-establish the system for transmission and sub-transmission damaged as a result of the political situation in the country	Jan.-Dec. 1988	CEL
-Continue negotiations for financing of those projects requiring external resources	Jan.-Dec. 1988	CEL
-Maintain negotiations with Mexico and Venezuela to insure continuous oil supply	Jan.-Dec.- 1988	CEL

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PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>II. PRODUCTION POLICY MEASURES</u>		
-Continue with the research and study on hydrocarbons and other renewable and non-renewable energy sources	Jan.-Dec. 1988	CEL
-Negotiate agreements of technological cooperation with electric power institutions of other countries and utilize at their most those already signed	Jan.-Dec. 1988	CEL
<u>E. TRANSPORTATION SECTOR</u>		
<u>1. Fiscal Incentives</u>		
-Exempt from payment of consular and import tariffs as well as any other tax or levy to the import of freight vehicles exceeding 3 tons capacity. Legal decree 714, 07/24/87, D.O.137 T.296	Jan.-Dec. 1988	Ministry of the Treasury
-Exempt from payment of consular and import tariffs as well as any other tax or levy to the import of chassis with a motor for tractors, and for vehicles for public transportation and freight (4 wheels on the rear axle). Legal decree 714, 07/24/87, D.O.137 T.296	Jan.-Dec. 1988	Ministry of the Treasury
<u>2. Other Measures</u>		
-Carry out unexpected inspections of the transport fleet to evaluate the prevailing conditions and authorize that they continue in circulation	March-December 1988	General Traffic Department
-Promote the cooperative model among motor shops for busing and freight enterprises, in order to reduce operational costs	March-December 1988	INSAFOCOP

PROGRAM OF MEASURES AND POLICIES

<u>Specific Measures & Policies</u>	<u>Deadline</u>	<u>Responsible Institution</u>
<u>II. PRODUCTION POLICY MEASURES</u>		
-Carry out a study of the real needs for collective transportation, to reorganize the different city routes and ensure that the number of units assigned to each of them is adequate	March-June 1988	General Transport Department
-Continue with the road security education program for drivers and pedestrians which promotes respect for traffic signforcenals	Jan.-Dec. 1988	CONESVI
-Establish regulations for the minibuses system and properly organize the services they provide	Jan.-Dec. 1988	General Traffic Department
-Establish a better control on the consumption of fuel assigned to mass transportation firms	March-June 1988	General Transport Department
-Maintain in force Decree 267 exempting buses, new or used, of import duties to allow their replacement and thus increase the existing fleets	Jan.-Dec. 1988	Ministry of Economics
-Study the need to re-schedule workers and students' shifts to avoid jams during rush hours	March-June 1988	General Transport Department