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USAID/EL SALVADOR

FY 1992 ESF
POLICY REFORM SUPPORT
PROGRAM ASSISTANCE APPROVAL DOCUMENT

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I. PROGRAM SUMMARY

The Mission's ESF Policy Reform Support Program for FY 1992 will provide continued support to the Government of El Salvador economic stabilization and structural adjustment program initiated in mid-1989 with USG support. The GOES program has been highly successful in correcting macroeconomic imbalances and reshaping the economy toward greater reliance on market forces and the private sector. As a result, economic performance has greatly improved. Output is up, inflation is down, and exports are rebounding. Rising investment and large capital inflows reflect greater confidence in the economy. Moreover, there is convincing evidence that El Salvador's expanding economy is directly benefitting the poor. Urban employment has increased by as much as 100,000 over the last two years, and improved agricultural incentives have increased small farmer income.

Notwithstanding the notable progress to date, however, the Salvadoran economic recovery remains fragile as the policy reforms of the Cristiani Administration have yet to be fully consolidated. Moreover, per capita GDP is still 25 percent below that of 1978, and exports are only 55 percent of levels achieved in the late 1970s. Although fiscal performance has improved, the fiscal deficit remains a serious problem. While gains have been made in liberalizing trade and increasing reliance on competitive market forces, additional measures are needed to solidify the basic economic policy framework now in place to enable El Salvador to achieve self-sustained economic growth. Moreover, this policy reform "follow-through" includes politically difficult measures which must be completed soon as stiff resistance to reform is starting to mount in certain sectors.

The Program will cover a critical and politically difficult period as El Salvador initiates its transition from war to peace while consolidating recent gains in strengthening the democratic process, protecting human rights and building a market-oriented economy. Continued USG support will be essential to enable the Cristiani Administration to maximize economic and democratic reform achievements during 1992 and before the politically charged 1993 calendar year leading up to the March 1994 presidential elections.

The Mission's FY 1992 program will encourage the GOES to maintain its policy reform momentum through this difficult period. It will directly support the maintenance of sound macroeconomic policies and the deepening and consolidation of specific structural adjustment measures of particular importance to the achievement of Mission program objectives. It will also promote further progress toward improvement in the administration of justice.

In addition, the FY 1992 ESF Program will continue to support the LAC Bureau and Mission strategic objectives of broadly-based, sustainable economic growth and a stable democratic society. Furthermore, it will complement and reinforce the policy reform objectives of El Salvador's Stand-by Arrangement with the IMF, its Structural Adjustment Loan with the World Bank, and its Investment Sector Program with the Inter-American Development Bank.

The Program will also support GOES efforts to consolidate the peace. The GOES has undertaken implementation of a $1.4 billion National Reconstruction Program to rebuild the country's war-damaged infrastructure and reintegrate conflictive areas into the national economy. While external funding is being sought for most of the $1.4 billion, the GOES will be required to finance a substantial portion from domestic resources. That, plus sizeable additional expenses required to implement the January 16, 1992 peace accords, will place even further pressure on an already difficult fiscal situation. Local currency generated by the Mission's FY 1992 ESF Program will provide essential budget support during this critical year of political, social and economic transition in El Salvador.

An $80 million cash transfer will be disbursed in two equal tranches in the second and third quarters of calendar year 1992. The disbursements will be subject to satisfactory GOES performance in maintaining its overall economic stabilization and structural adjustment program, achieving specific improvements in public sector efficiency, encouraging private investment and strengthening the administration of justice. The dollars provided by the program will finance imported production inputs for the private sector and will facilitate the achievement of GOES 1992 Economic Program objectives of four percent real GDP growth and lower inflation. As discussed in Section IV.D., the Mission considers the cash transfer mode of assistance instead of a commodity import program to be the most appropriate given El Salvador's flexible, market-determined exchange rate regime. Local currency generated from the cash transfer will finance GOES counterpart contributions to USAID projects and, as mentioned above, provide general budget support. The Mission requests that the LAC Assistant Administrator approve the use of the general budget option.

II. MACROECONOMIC CONTEXT

A. GOES Economic Reform Performance

1. Overall Performance in 1991

The GOES continues to successfully implement its economic stabilization and structural adjustment program initiated in June 1989 with USG support. Building on the solid progress achieved during its first 18 months in office, the Cristiani Administration maintained monetary discipline, further liberalized domestic and external trade, improved public sector efficiency, and initiated the reprivatization of the state-owned commercial banks. In response, during 1991 real output grew 3.5 percent, inflation was

Table I
Government of El Salvador Economic Program for 1991
Macroeconomic Targets and Actual Performance

Performance Indicators	1989	1990	1991 Program Targets Original 12/90	1991 Program Targets Revised 9/91 1/	1991 Estimated Performance
Real GDP Growth Rate in percent	1.1	3.4	3-4	2.7	3.5
Inflation -- Percent Change in CPI					
Year-end Basis	23.5	19.3	10-14	15.0	9.8
Period Average	17.6	24.0	11-15	15.6	14.4
Fiscal Deficit as percent of GDP 2/:					
Central Government	4.9	3.2	2.5	3.8	5.1
Consolidated Nonfinancial Public Sector	5.8	2.5	2.6	3.4	4.4
Current Account Deficit 3/ in Balance of Payments as Percent of GDP	9.4	6.7	5.5	5.4	5.5
Increase in Net International Reserves of the Central Bank - in Millions of Dollars	37	117	70	70	41 4/
Growth in Broad Money Supply Percent Change Over Previous Year	12	27	14	21	20

Source: Central Reserve Bank
1/ Program revised in September 1991 to reflect impact of mid-year drought.
2/ Excluding grants.
3/ Excluding official transfers.
4/ Had Mission not withheld second FY 1991 ESF $45 million disbursement, target would have been met.

cut almost by one-half, the current account deficit of the balance of payments was reduced, and international reserves were further strengthened (see Table I). These gains were especially impressive considering that they were achieved in spite of continued internal conflict, further war-related sabotage, the Persian Gulf Crisis oil price shock, continued recession in the U.S. -- El Salvador's principal trading partner, reduced coffee exports, and El Salvador's mid-year drought.

Money and Credit: The most notable aspect of the GOES economic policy performance in 1991 has been the continuation of its moderately austere monetary program. During 1991, monetary and credit growth were well within levels consistent with reducing pressure on the balance of payments and the domestic price level while permitting real growth targets to be achieved. In 1991 overall growth of net banking system credit was held to 10.7 percent. In real terms, this was under one percent. The larger than programmed fiscal deficit required an injection of banking system credit resulting in a net increase in 1991 of 16 percent, or about six percent in real terms. Net credit to private sector grew 17 percent, a substantial increase over that of previous years. This permitted real growth targets to be achieved (see Statistical Annex, Tables D.1. through D.5).

Growth in the broad money supply dropped to 20 percent in 1991 compared to 1990's 28 percent rate. This is consistent with the lower accumulation of net international reserves and higher net repayments of the Central Reserve Bank's medium- and long-term foreign liabilities. Quasi-money growth registered a 29 percent increase, sharply higher than the seven percent increase in the basic money supply. This reflects a greater preference for financial assets because of higher real interest rates and exchange rate stability.

As a result of the recent relaxation in interest rate controls, rates for deposits have moved to levels more closely reflecting market forces. Moreover, in recent months a far greater degree of competition has been noted among banks for deposits. Also, the increased interest rate liberalization, along with lower inflation, has resulted in loan and deposit rates that are substantially positive in real terms.

Fiscal Accounts: Overall fiscal performance in 1991 fell considerably short of the mark. The overall deficit of the consolidated nonfinancial public sector (CNFPS) grew to 4.4 percent of GDP. This was well above the 2.5 percent level achieved in 1990 and the original 1991 program target of 2.6 percent. Much of the fiscal slippage can be attributed to two major factors. First, due to the mid-year drought greater than programmed transfers to the energy parastatal were required to cover additional operating losses resulting from increased higher-cost thermal power generation instead of cheaper hydroelectric power. Second, a consolidation of public sector domestic debt in 1989 and 1990 resulted in interest payments substantially greater than had been expected. In recognition of these developments, in September the GOES revised its 1992 CNFPS deficit target to 3.4 percent of GDP. This target also proved to be too optimistic as shortfalls in tax collections combined with greater than expected current expenditures widened the deficit to 4.4 percent of GDP.

Although substantially below levels expected at the beginning of the year, Central Government tax revenues in 1991 grew 23 percent compared to 1990, and, when adjusted for inflation, showed 13 percent real growth (see Statistical Appendix, Table C.2.). As a percentage of GDP, collections reached 8.6 percent, a marked improvement over the 7.6 and 8.1 percent achieved in 1989 and 1990, respectively. Contributing most importantly to the realized revenue gains were large increases in import duties, income and sales tax revenues. These resulted from tighter enforcement and the reduction of exemptions. They also reflect the higher level of overall economic activity which increased business and personal income, the volume of business transactions and imports. Nonetheless, 1991 collections fell well below the 9.3 percent of GDP program target. Contributing to this shortfall was a 45-day strike by Ministry of Finance personnel which resulted in substantial unrecoverable revenue losses and slow implementation of certain tax reforms. In addition, falling international coffee prices combined with a lower volume of coffee exports due to poor weather conditions resulted in a major drop in coffee export tax revenues.

On the expenditure side, performance was also weak. Central Government nominal expenditures jumped by nearly 40 percent. A major contributing factor in this increase was a more than doubling of domestic and external interest payments. This reflected substantially higher interest rates on domestic debt following a public sector debt consolidation exercise at the end of 1989 and 1990, as well as greater external debt service requirements following the expiration of the period covered by the 1990 Paris Club rescheduling agreement. As mentioned above, huge transfers to the energy parastatal due to the drought was another major factor. These increases pushed total 1991 Central Government expenditures to 14.2 percent of GDP, way above the initial program target near 12 percent. This, together with the lower than expected tax collections, resulted in a consolidated Central Government deficit, excluding grants, equal to 5.1 percent of GDP, well above the original program target of 2.5 percent. The larger than programmed deficit required an increase in banking system financing to 1.9 percent of GDP in 1991, up nearly one and one-half percentage points from 1990. An increase in net external financing of nearly one full percentage point of GDP was also required.

Privatization of Banking System: In late 1990 and in 1991 the GOES made major strides in its program to re-privatize the commercial banks and revitalize the financial system. Five key pieces of legislation were enacted into law providing the legal basis for privatization and financial reform. These included the Banking System Privatization Law, the Financial System Restructuring Law, a new Banking System Law, a new Organic Law of the Central Reserve Bank, and a new Organic Law of the Bank Superintendency. In November 1991 the GOES initiated the reprivatization of the largest two commercial banks. As of February 26, 1992, total shares sold to private individuals totalled 94 percent of one bank and 88 percent of the other.

Liberalized Trade Regime Maintained and Strengthened: During 1991, the GOES maintained its flexible, market-determined exchange rate regime. As programmed, in July the GOES reduced the maximum external tariff rate from 35 to 30 percent for all but a few categories (apparel, textiles, footwear, leather products, liquor, art work, antiques, and certain vehicles are still subject to the 35 percent rate). The minimum tariff rate remains at 5 percent. As a result, the average effective rate of protection has been reduced, significantly below the 28 percent average rate last year and well below the 44 percent average rate prevailing before the Cristiani administration initiated its trade regime reforms.

Agriculture Sector Reforms: The GOES expanded coverage of its basic grain price band regime to include rice in January 1991 and sorghum in November 1991. These are in addition to the price band for yellow corn which went into effect in June 1990. The Beneficiary Rights Law was passed on April 12, 1991. Now members of Agrarian Reform Phase I agricultural cooperatives can chose the form of land ownership they desire. Also, legislation was approved in March 1991 establishing the Land Bank, which facilitates land transfers from willing sellers to small farmers by providing long-term land purchase financing.

Prior to 1991, the GOES eliminated export taxes on sugar and shrimp and reduced the export tax on coffee. The GOES has included in its budget for 1992 a further reduction in the coffee export tax as another step toward its eventual elimination.

The Salvadoran Institute for Coffee Research (ISIC) was closed down and 264 employees separated. Also, the Basic Grains Supply Institute (IRA) remained closed and its 1100 employees were separated from public service.

2. GOES Performance on FY 1991 ESF Supported Measures

The GOES showed similar strong overall performance in policy reform areas supported by the Mission's 1991 ESF program. As indicated above, although overall fiscal performance was less than ideal, the GOES successfully implemented its 1991 economic program which achieved 3.5 percent real GDP growth and substantially lower inflation. With respect to particular measures supported by the FY 1991 ESF program:

- New fiscal measures were developed to reduce tax exemptions, unify the sales tax rate at five percent, tighten up tax collections and improve cash flow management operations. As indicated above, tax revenues increased to 8.6 percent of GDP in 1991, up from 8.1 percent the year before.

- A committee to review and evaluate the GOES strategy for integrated financial management and auditing was established at the beginning of June 1991, and a draft law has been prepared to improve the operations of the Court of Accounts, the GOES audit agency.

- An assessment of public sector employment efficiency was completed in September and the GOES has developed a plan to adjust public sector employment levels and rationalize salary structures. Moreover, the GOES has gone beyond the scope of the ESF-supported measure by initiating implementation of specific elements of the plan. These include the introduction of voluntary separation and accelerated retirement programs for government workers and the termination of employment for public workers illegally on strike.

- A presidential commission for liquidation and privatization of state-owned enterprises was established in May and the Privatization Law was approved by the Legislative Assembly in the same month. However, the privatization commission was later disbanded and the process stalled.

- On April 12, 1991, the Legislative Assembly approved beneficiary rights legislation for agrarian reform beneficiaries, as mentioned above.

- In the area of judicial reform, the GOES has developed and adopted a comprehensive agenda for legal reform to improve criminal justice, launched a public awareness campaign, and established a technical unit within the Ministry of Justice to draft and promote legal reforms. Additionally, the constitutional reforms ratified in October and November 1991 (a result of the peace process), extend the term of office of Supreme Court magistrates, stagger their appointments and require that the Assembly appoint members to the National Council of the Judiciary. The latter reform was enacted as a means for ensuring that a wider range of views are taken into account in developing slates for judicial branch appointments.

One area where GOES performance was lacking related to its failure to maintain the basic grains price band mechanism, which had been designed to stabilize domestic grain prices from excessive world price fluctuations and domestic supply shocks. The mechanism was supported directly by the Mission's 1990 ESF Program, and it aimed to correct longstanding policy distortions which have reduced the incomes of basic grains producers, most of whom are low-income farmers. The system was established for yellow corn in late 1990 and for rice and sorghum in 1991. In October 1991, under considerable pressure from powerful special interest groups, the GOES reduced the external tariff rate supporting the price band for yellow corn from 20 to 10 percent. The Mission protested this change due to its nontransparent nature and the resultant immediate windfall gains for a small number of wealthy poultry producers at the expense of large numbers of low-income farmers. The Mission withheld disbursement of the second $45 million tranche of FY 1991 ESF until February 1992 when the GOES restored the 20 percent tariff for yellow corn and took measures to mitigate the adverse impact of the 10 percent rate on basic grains farmers.

Table II

El Salvador: GOES Performance on Targets Contained in IMF Stand-by Arrangement

As of 6-30-91	Target	Actual	Margin (+) Excess (-)
Net Banking System Credit to the Consolidated Nonfinancial Public Sector Cumulative Amount from 12-31-90 (Millions of colones)	-95 1/	-95	--
Change in Net Assets of the Central Reserve Bank Outstanding Stock (Millions of Colones)	4555	3200	+1355
Net International Reserves of the Central Reserve Bank Outstanding Stock (Millions of Dollars)	354	362	+8
Stock of External Arrears on Medium and Long Term External Debt (Millions of Dollars)	0	0	0
New External Credits Contracted by the Public Sector and the Central Reserve Bank from January 1 - June 30, 1991 (Millions of Dollars)			
Less than one year	30	0	+30
1-5 years	50	0	+50
1-12 years	60	0	+60

Source: IMF

1/ Adjusted to reflect reprogramming of IBRD SAL first tranche disbursement from the second to the third calendar quarter of 1991 due to strictly technical reasons.

3. GOES Performance on IMF and IBRD Programs

International Monetary Fund: The GOES was in full compliance with the quantitative performance targets through June, the last quarterly review scheduled under its IMF Stand-by Arrangement which expired August 26, 1991 (see Table II). The IMF Article IV mission to El Salvador during October applauded El Salvador's overall economic program and reached agreement in principle on the terms and conditions for a follow-on stand-by arrangement which was approved by the IMF Executive Board on January 6, 1992.

World Bank: The GOES also achieved full compliance with the first and second tranche conditionality of the World Bank's Structural Adjustment Loan (SAL), and the World Bank made its first $25 million disbursement in July and the second of equal value in December. Specific reforms supported by the SAL include, inter-alia, relaxation of interest rate controls, further progress toward privatization of the banking system, the elimination of all price controls on basic grains, and further external trade liberalization.

B. The Economy's Response

In 1991, the Salvadoran economy continued to respond well to the economic reforms of the Cristiani Administration. Notwithstanding a major mid-year drought, overall economic performance was impressive in 1991.

Output: Preliminary estimates show that the strong economic expansion begun in 1990 and spurred by 7.4 percent real growth in agriculture continued in 1991 and spread convincingly to other sectors. Propelled by the continuation and extension of the economic liberalization measures initiated in 1989 and 1990, real GDP growth in 1991 is estimated to have reached 3.5 percent (see Statistical Appendix, Table A.1.a.). This is within the 1991 program target range of 3 to 4 percent and above the 3.4 percent rate achieved last year which was the highest in twelve years. Real per capita GDP grew 1.1 percent in 1991, and, together with the 1.2 percent growth in 1990, mark the only two consecutive years with substantial positive growth since 1978.

Except for agriculture, the sector most adversely affected by the drought, strong performance was achieved across the board in 1991. The construction sector, reflecting accelerated implementation of the public sector investment program (expenditures on fixed capital formation rose 64% in 1991 over 1990) and increases in private sector housing construction, rebounded strongly from 1990's 13 percent drop and registered a real gain in output over 10 percent for 1991. Consistent with the sharp increase in construction activity, cement production and consumption rose by 9.5 percent and 9.2 percent, respectively. Utilities output increased 3.5 percent, in spite of drought-related electricity rationing. Transportation rose 7 percent, and commerce grew 4.4 percent. Real GDP originating in other services expanded by 3.8 percent.

Despite long periods of energy rationing, industrial output rose 4.9 percent in 1991, well above the 2.8 annual average percentage growth of the previous five years. The most rapidly growing industries were food processing, textiles, and chemicals. The impact on manufacturing output due to the rationing of electricity was reduced by the use of generators and rearrangement of labor shifts to hours when electricity was available.

Regarding agriculture, although the drought was not as severe as first expected, it erased what could have been a second consecutive record year for basic grains production. Reflecting the improved incentive structure for small farmers, the area planted in 1991 for corn, rice and beans was increased substantially over the previous year -- for the second year in a row. However, the mid-year drought caused production to fall 14 percent below beginning-of-the-year projections. This, coupled with a drought-induced six percent drop in earnings from livestock and a 7.5 percent contraction in the 1990/91 coffee harvest, resulted in a 0.3 percent decline in real agricultural value added in 1991, far below last year's 7.4 percent increase. Without the drought agricultural output would likely have increased by 2.5 percent, and this would have pushed overall real GDP growth to 4.1 percent instead of the 3.5 percent recorded.

Investment: Current estimates indicate a major turnaround in investment in 1991 (see Statistical Appendix, Table A.2.a). Fixed capital formation marked an impressive 18 percent increase, reversing the previous year's 17 percent drop and increasing fixed capital formation to 13.5 percent of GDP, up from 11.8 percent in 1990. The acceleration in the pace of public sector project implementation contributed to a 21 percent jump in public investment. This was in sharp contrast to last year's 38 percent fall. Reflecting improved investor confidence in the Salvadoran economy and in the economic policies of the Cristiani Administration, private sector investment is estimated to have grown by 17 percent in 1991, a major improvement over 1990's 33.6 percent decline. However, due to the continuation of the huge inventory drawdowns begun the previous year, overall gross investment grew by only 11.5 percent for the year. Nonetheless, it pushed gross domestic investment up nearly a full percentage point of GDP to 12.8 percent from 11.9 percent the year before.

The 1991 investment jump was financed by a major increase in domestic savings. As a percent of GDP, private sector savings rose from 5.4 percent in 1990 to 7.3 percent in 1991. Contributing to this increase were higher real interest rates and increased confidence in the financial system. This, combined with a slight improvement in public sector savings (from a minus 0.3 percent to a minus 1.1 percent), brought the overall domestic savings rate to 7.2 percent of GDP, substantially higher than the 5.1 percent rate recorded in 1990. External savings, measured as the current account balance (in the balance of payments) less official transfers, equalled 5.5 percent of GDP in 1991, down from 6.7 percent in 1990, and 9.4 percent in 1989.

Consumer prices: Reflecting continued tight monetary policies, a stable exchange rate, and lower petroleum prices, inflation was cut nearly in half during 1991. The change in the consumer price index (CPI) fell to 9.8 percent in 1991, far below the 19.3 percent rate recorded in 1990 and below the original 1991 program target range of 10-14 percent (see Statistical Appendix, Table B.3). It was the lowest annual inflation rate in seven years. It is noteworthy to point out that this reduction was achieved in spite of the mid-year drought which caused a temporary surge in agricultural prices and forced many manufacturers to use higher-cost energy from their own generators.

As shown below, the CPI drop was observed across the board in all consumption categories. The food price component which accounts for 50 percent of the CPI by weight, rose 12 percent in 1991, the lowest since 1984, and well below the 32 percent average for 1988-1989.

Table III

El Salvador
Consumer Price Index
Annual Percent Changes

	1988	1989	1990	1991
Overall	18.2	23.5	19.3	9.8
Food	30.6	32.6	18.7	12.2
Clothing	5.8	9.9	10.4	5.1
Housing	0.4	6.6	28.2	5.8
Other	10.0	17.1	15.1	6.0

Contributing to the drop in food price inflation were major increases in the production of rice, beans which registered a record harvest and sorghum. The mid-year drought primarily affected corn production and, as mentioned above, caused smaller losses than expected.

Balance of Payments: Regarding external performance, 1991 showed considerable further improvement. As mentioned, the current account deficit dropped to 5.5 percent of GDP. This drop was achieved primarily due to a 33 percent jump in remittances and in spite of a 12 percent increase in the merchandise trade deficit. The widening trade deficit resulted from a $103 million, eight percent surge in imports which was five times the $19 million, three percent increase in exports. The 1991 export increase was well below last year's $83 million, 17 percent jump. This lower growth in exports primarily reflects the continuing recession in the United States, El Salvador's principal export customer, and declining world prices for coffee, El Salvador's main export. Non-coffee exports rose $54 million or 16 percent; of this, nontraditional exports to markets outside the region grew $13 million or 12 percent. Some analysts also attribute El Salvador's slower export growth to a loss in international competitiveness due to a moderate but persistent appreciation of the real effective exchange rate (REER) from late

1990 through the third quarter of 1991. This reemergence in 1991 of El Salvador's historical "Dutch Disease" symptoms can be attributed mostly to the surge in remittances. As shown in Statistical Appendix, Table B.6, El Salvador's REER index registered a 12 percent appreciation from the fourth quarter of 1990 through the third quarter of 1991. This partially offset the gains in Salvadoran export competitiveness achieved from the end of 1989 to the end of 1990 when the REER depreciated by almost 19 percent. However, a modest nominal depreciation in the colón/dollar exchange rate combined with El Salvador's zero rate of inflation during the last quarter and the recent weakening of the dollar in world currency markets, have reversed this trend. A moderate depreciation of El Salvador's REER during the last quarter of 1991 brought the REER appreciation for the year as a whole to nine percent. While this suggests that the "Dutch disease" effect should not be considered a major problem at this point, El Salvador's export competitiveness will be closely monitored.

While overall import levels have increased, there was a noticeable shift in composition from consumer items to production inputs. Durable and nondurable consumer goods, which had jumped 35 percent in 1990 mostly because of lower external tariffs, fell nearly 8 percent in 1991. Intermediate goods imports, excluding petroleum, rose 11.8 percent primarily due to greater purchases of manufacturing, agricultural and construction inputs. Reflecting the strong recovery in the manufacturing and transportation sectors, imports of industrial machinery, and other capital goods rose by 34 percent in 1991. This is in sharp contrast to 1990 when capital goods imports dropped 16 percent.

Primarily reflecting a huge drop in private capital inflows, the capital account surplus dropped in 1991 by 42 percent to $132 million compared to $229 million in 1990. However, net official disbursements jumped from just over one million dollars in 1990 to $65 million in 1991. Also contributing to a lower capital account surplus in 1991 were Central Bank moves to accelerate payment of medium-term credits to international commercial banks

In spite of the lower capital account surplus, the Central Reserve Bank was still able to realize a substantial strengthening of its international reserve position (see Statistical Appendix, Table D.4). This was possible because of the 33 percent increase in remittances, which helped lower the current account deficit by more than one full percentage point of GDP, and by the $90 million 1991 component of the 1990-1991 Paris Club external debt rescheduling (overall package totalled $135 million for both years). Net international reserves marked a $41.5 million increase in 1991 and gross reserves reached a level equivalent to 4.1 months of imports.

During the entire period of its 1990/91 IMF stand-by arrangement, El Salvador elected not to draw any of the SDR 35 million, 40 percent of quota, available. Should favorable balance of payments trends continue, it is unlikely that El Salvador will utilize any of the SDR 41.5 million (approximately $59.3 million) available under its January 6, 1992 follow-on stand-by arrangement which is programmed to be in effect through March 5,

1993. Nonetheless, those funds, equal to 47 percent of quota, will remain available to El Salvador should external performance deteriorate.

C. Impact of Adjustment on the Poor

The economic adjustment process underway in El Salvador is creating a macroeconomic environment with better incentives and support for lower-income groups to become more productive in the medium to long term. In fact, substantial evidence exists that marginal groups have already benefitted from the effects of the adjustment program. For instance, contributing about 50 percent of the increase in GDP in 1990 was a 7.4 percent surge in output originating in the agricultural sector. The elimination of Government marketing monopolies resulted in substantial increases in prices available to farmers at the farm gate. Many of these farmers are considered to be in the lower income groups. There is also evidence that many agricultural workers were paid wages considerably above the legal minimum wage in 1990, as farmers had trouble finding available labor. While this can be partially explained due to irregular weather patterns which altered harvest schedules for some crops, a 7.4 percent jump in agricultural output has to be considered a major factor as well. Higher agricultural production has also helped to hold down food prices at the consumer level, which has especially benefitted the urban poor.

In addition, preliminary results from the Ministry of Planning's multipurpose household survey show that employment in urban areas increased by up to 100,000 between early 1989 and early 1991. This lowered the open unemployment rate to 7.5 percent, about one percentage point lower than two years ago. Moreover, approximately 40,000 part-time workers were able to convert to full-time employment, causing the visible underemployment rate to drop from 12.8 percent to 7.5 percent. Also, a Mission-funded study on the impact of structural adjustment on agriculture showed an increase in agricultural employment since 1989 equivalent to 26,000 full time jobs.

Notwithstanding this progress, there are still significant categories of vulnerable groups which require special attention to prevent undue hardship during the adjustment process. These people include those currently living in extreme poverty and employed in non-agricultural fields. These are largely urban residents who are unable to purchase a nutritionally adequate food basket.

The Cristiani Administration has made a major reduction in poverty one of its top goals. As part of its economic adjustment program, it has developed a strategy to create higher-paying job opportunities for the poor through economic growth which stimulates an efficient use of labor. It is also engaging in activities designed to improve the educational status and health condition of the poor and hence their capacity to respond to increased opportunities for productive employment. These activities are being complemented by the establishment of a social safety net for those poor groups which do not benefit immediately from the new opportunities resulting from the economic adjustment program.

In concert with both bilateral and multilateral donors, the Cristiani Administration has instituted a number of programs and activities to assist the most vulnerable groups. The implementation of a number of current donor-funded projects has been accelerated, bolstered with new funds and expanded geographically to create as many new, albeit temporary, jobs during the adjustment period as possible. These include earthquake reconstruction activities to rebuild and rehabilitate schools, hospitals, roads and bridges; expansion of urban water and sanitation facilities; installation of rural water systems; and the construction of small scale infrastructure in rural townships. These jobs will provide badly needed additional sources of income for poor families. Also, society at large will benefit from the economic and social infrastructure that will be put in place through these programs.

In order to promote activities specifically designed to cushion the impact of adjustment on vulnerable groups, the Government has created The Salvadoran Social Investment Fund (FIS). The Fund will channel an estimated $30 million to $60 million in donor resources annually to projects primarily designed to benefit low-income groups. The projects will be implemented by private nonprofit organizations and municipalities. They will be targetted to the poorest areas of the country and will help low-income groups meet their basic education, health and nutritional needs. The FIS will also finance activities designed to promote domestic production, including local investments in infrastructure and occupational training.

In addition to the above, the National Reconstruction Program will provide assistance for those adversely affected by the war through the restoration of local infrastructure, education, and health services in the former conflictive zones.

D. GOES Economic Program for 1992

The GOES economic team fully understands the critical importance of maintaining its economic reform momentum during 1992. They realize that achievement of adjustment measures must be maximized before the politically charged period leading up to the March 1994 presidential elections. Moreover, 1992 will be an especially delicate year politically. As a result of the termination of hostilities and the implementation of the peace plan, additional political forces will be integrated into El Salvador's political system. Many of these groups, including FMLN members and sympathizers, may not fully support many elements of the GOES economic program. The Cristiani Government has already found it increasingly difficult to gain legislative approval of certain reforms after the ARENA Party lost its absolute majority in the Legislative Assembly in the March 1991 elections. With additional opposition political pressure groups on the scene, legislative passage of economic reforms will be even more difficult.

The GOES also realizes that continued adherence to its sound macroeconomic management practices is essential to preserve the confidence generated to date of the private sector in its economic program. In addition, the Cristiani economic team prefers that these reforms be implemented quickly to ensure that their positive economic impact be felt as soon as possible, and, hopefully, by the time of the 1994 elections.

The GOES Economic Program for 1992 consists of two major components: macroeconomic stabilization designed to achieve four to five percent real GDP growth while holding inflation to 8-10 percent, and structural adjustment component to consolidate, expand and deepen the adjustment measures implemented to date.

1. Macroeconomic Stabilization

While overall economic performance has improved dramatically over the last two years, El Salvador's continuing fiscal problems and high external trade deficit show that serious internal and external imbalances persist. In recognition of this, in 1992 the GOES will continue to pursue monetary, fiscal and exchange rate policies designed to move the economy closer to internal and external balance, i.e., where the fiscal deficit can be fully financed by medium- and long-term external financing and the current account deficit in the balance of payments can be covered by medium- and long-term capital inflows.

The cornerstone of the macroeconomic stabilization program is the Central Reserve Bank's monetary program for 1992. The monetary authorities plan to hold total domestic credit expansion to 9 percent. Growth in net banking system credit to the consolidated nonfinancial public sector is to be held to only one percent. This will permit credit to the private sector to grow by 17 percent, or 7-9 percent in real terms. The programmed growth in the overall money supply (M2) is also 17 percent.

In order to meet the monetary program target of nearly flat growth in net credit to the public sector, the overall public sector deficit (before grants) will have to be cut to the equivalent of 2.9 percent of GDP. This would represent a marked decrease from the 4.4 percent of GDP deficit for 1991. In order to accomplish this goal, Central Government tax collections will have to be increased to 9.4 percent of GDP compared to 8.6 percent in 1991. This will require major improvements in tax policy, administration and enforcement. At the same time, a number of reforms to improve overall economic efficiency, such as the reduction of coffee export tax rates and the reduction of tariff schedules, will need to be made up through greater administrative efficiency.

The GOES has already sped up many of its planned reforms in tax policy and administration. Although the top import duties have been reduced from over 200 percent of value to 30 percent, and are planned to be reduced to only 20 percent, it is expected that this more reasonable range of import duty rates will reduce incentives to smuggle as well as improve the ease of classification of imports. At the same time, efforts to improve the administration and reduce procedures in customs operations as well as efforts to improve import valuation promise to enhance enforcement efforts.

Table IV
Government of El Salvador Economic Program for 1992
Macroeconomic Targets

Performance Indicators	Estimated Performance 1991	Program Target 1992
Real GDP Growth Rate in Percent	3.5	4.5
Inflation -- Percent Change in CPI		
Year-end Basis	9.8	8-10
Period Average	14.4	9-11
Fiscal Deficit as Percent of GDP 1/:		
Central Government	5.1	2.8
Consolidated Nonfinancial Public Sector	4.4	2.9
Current Account Deficit 2/ in Balance of Payments as Percent of GDP	5.5	4.7
Increase in Net International Reserves of the Central Bank - in Millions of Dollars	41	90 3/
Growth in Broad Money (M2) Supply-Percent Change Over Previous Year	20	15

Source: Central Reserve Bank.

1/ Excluding Grants.
2/ Excluding official transfers.
3/ This includes the $45 million FY 1991 ESF second disbursement originally programmed for the fourth quarter of 1991.

Recent changes in the income tax schedule (both for individuals and businesses) lower the top marginal tax rate while eliminating most deductions. Progressivity is maintained by excluding the first 20 thousand colones in annual income from taxation. The combination of reduced top marginal tax rates along with the elimination of most deductions, along with some other changes, promise to enhance taxpayer compliance and should yield greater tax revenues. In the meantime, tax policy changes are being followed up with measures to improve tax forms, procedures and audit.

The GOES is planning to substitute a value-added tax (VAT) for the present stamp tax. The present tax has been difficult to enforce and has imposed a number of distortions on the economy. The VAT promises to be more easily enforced, having a number of built-in self-enforcing procedures. A proposal for the VAT has been put before the private sector for discussion and is expected to be promulgated in April or May of this year. The VAT is expected to be effective in July of this year. The proposed VAT anticipates a rate of 15 percent on value-added. Aside from rebates for production of investment products and exportation, there are no exemptions included in the present proposal. Should this proposal be approved the opportunities for raising revenue yield while reducing economic distortions are great. Administrative and computer systems are already being made at the Ministry of Finance to manage this new tax.

The GOES remains firmly committed to maintaining its flexible, market-determined exchange rate regime. Given the balance of payments projections above, the GOES economic program has targetted an increase in net international reserves of the Central Bank consistent with the GOES's goal of achieving a level of gross official reserves equal to the equivalent of five months worth of imports. This is considered a prudent objective given that El Salvador has a small (by world standards), very open economy highly dependent on one major export product (coffee) and quite vulnerable to external shocks. Maintenance of an adequate reserve cushion is also advisable considering the uncertain political and security climate within which the economic program must operate.

The GOES has indicated that it intends to completely liberalize interest rates no later than June 1992 and, conditions permitting, as early as March 1992. This would be six to nine months ahead of the original timetable contained in the GOES economic program for 1989-94 and included in the IBRD SAL policy reform matrix.

2. Structural Adjustment

Complementing the stabilization component, the 1992 GOES economic program includes a number of structural adjustment measures designed to improve the efficiency of resource allocation and thus contribute to the achievement of sustainable economic growth over the medium term. The reforms programmed for 1992 will further liberalize the trade regime, enhance export competitiveness, improve the investment climate, revitalize the financial sector, increase the level and effectiveness of investment in social sectors, and increase public sector operational efficiency.

Nominal external tariff rates will be limited to a range of 5 to 20 percent by July for all but a few categories (apparel, textiles, footwear, leather products, liquor, art work, antiques, and certain vehicles), for which the maximum rate will be no greater than 25 percent.

Price controls will continue to be limited to only those areas where regulation is needed due to monopolistic or oligopolistic market structures. These include wheat flour, sugar, cement and petroleum products. Regulated prices will be periodically adjusted to reflect changes in production costs and market demand conditions. Retail prices for gasoline were liberalized in January 1992.

3. Continued Support from IFIs

The GOES's improved policy stance has enhanced its image with international financial institutions, enabling it to obtain cooperation and financial assistance in support of its economic program. A follow-on IMF Stand-by Arrangement was approved by the IMF Board on January 6, 1992. It will support GOES internal and external stabilization efforts through February 1993 with assistance in the development of a monetary and fiscal program designed to reduce both the overall fiscal and balance of payments current account deficits.

The World Bank SAL, approved in March 1991, remains in effect through June 1993 and encourages continued progress toward a more open and transparent external trade regime, improved fiscal performance, liberalized interest rates, further financial sector reform, reduced constraints to expanded agricultural output and improved social services. The Inter-American Development Bank plans to encourage the development of a more hospitable environment for domestic and foreign investment through its Investment Sector Loan programmed to begin in mid 1992 (see Annex B -- El Salvador: Policy Reform Matrix -- All Donors).

E. The National Reconstruction Program

The GOES has developed a National Reconstruction Program (NRP) for the post-war period to facilitate and accelerate the process of economic recovery. This will be accomplished primarily through rehabilitation of war-damaged infrastructure and by reintegrating the conflictive zones into the national economy. The NRP seeks to ensure that economic growth will be broad-based by focusing on the most severely affected parts of the country, emphasizing democratic participation, and allowing local governments to exercise greater decision-making regarding investment programs and other activities in their communities. As currently planned, implementation of the NRP will require $1.4 billion over six years, although 70 percent of that amount will not be needed until the last three years of the Program.

The Mission has proposed its own, $250 million program to support the GOES NRP. Approximately two-thirds of this total will come from currently programmed funds with the rest representing expected new appropriations. Of the approximately $160 million in existing funds, $35 million will be in the form of host country-owned local currency (HCOLC) which is programmed to be disbursed over four years.

While the GOES anticipates that nearly all NRP expenditures will be financed by external resources, NRP implementation will still result in additional fiscal pressures on GOES finances. The use of HCOLC for the NRP will limit the amount available for general budget support and require the GOES to make adjustments elsewhere in the budget. Also, while difficult to quantify at this point, recurrent costs of the NRP associated with maintenance of roads and other infrastructure, health posts and schools will be substantial.

F. Principal Problem Areas and Constraints to Growth

As outlined above, the GOES has shown considerable commitment to constructive economic reforms and continues to make notable progress in implementing its ambitious economic reform program. However, as outlined below, the progress is fragile and certain problem areas remain.

1. Fiscal Weakness

The GOES continues to face enormous fiscal pressures. Although the Cristiani government had been able to achieve notable improvement during its first two years in power (i.e., 1989 and 1990), 1991 was not a year of success in terms of controlling government spending, raising revenues nor controlling the fiscal deficit.

The GOES continues to do what it can to improve fiscal performance. In the first (partial) year of the Cristiani administration government current spending declined to 10.5 percent of GDP compared to 11.1 percent in 1988. In 1990 government spending as percent of GDP declined again, this time to 10.1 percent. However, in 1991 rapid rises in interest payments and the purchases of goods and services other than wages (i.e., supplies and maintenance

Table V
Prime Spending
(% of GDP)

	1986	1987	1988	1989	1990	1991	1992 P
Non-interest current spending	11.7	10.9	10.2	9.6	9.0	9.1	8.4
Total current spending	13.0	11.9	11.1	10.5	10.1	11.3	10.4
Interest spending	1.3	1.0	0.9	0.9	1.1	2.2	2.0

"P" refers to GOES planned expenditures.

spending) caused government's spending targets to be exceeded. If prime current spending, i.e., current spending excluding interest payments, is taken into account, we see in Table V that there is very little room left for reducing government outlays. Indeed, non-interest recurrent spending in 1991 was only .1 percent of GDP greater than it had been in 1989, and in 1989 was at the lowest point since before 1986. Planned non-interest recurrent spending for 1992 is only at 8.4 percent of GDP.

Despite the rather ambitious target the GOES has set for itself for further reducing spending during 1992, further progress in closing the fiscal deficit will more likely come on the revenue side. Reflecting this, the Cristiani administration has demonstrated its solid commitment toward improving tax performance and has begun a number of initiatives to improve tax policies, administration and enforcement. As a result, tax revenues have climbed from 7.6 percent of GDP in 1989 to 8.1 percent in 1990 and 8.6 percent in 1991. Despite this steady progress in increasing revenues, tax revenues as percent of GDP remain well below the levels experienced between 1986-1988. Much of this lackluster performance is due to declining receipts on coffee exports, resulting from declining world prices for coffee, reduced export volumes, and lower tax rates.

In recognition of the need to further improve revenue collections while imposing fewer economic burdens on society, the GOES, with support from the USAID-funded Modernization of the Salvadoran Tax System (MOST) project, in coordination with assistance from the International Monetary Fund and the Interamerican Development Bank, has recently taken a number of steps to improve its tax system and raise revenues. These steps include: reducing economic disincentives by reducing the top marginal income tax rate while eliminating most deductions and exemptions and by coordinating personal and business income taxes; improving the tariff schedule, which should reduce smuggling and improve enforcement, classification and valuation; taken a number of steps to improve treasury functions, such as drafted new contracts with banks and hence reducing float on government revenues; and, is planning and/or has implemented a number of administrative improvements.

The GOES 1992 monetary program supported by an IMF Stand-by Arrangement places strict limits on banking system credit to the both the Central Government and the rest of the nonfinancial public sector. Satisfactory fiscal performance is therefore essential to avoid excessive recourse to banking system credit to finance the public sector deficit and thus enable the GOES to keep its monetary program on track, provide adequate credit to an expanding private sector, and achieve its output and inflation objectives.

In order to help the GOES meet its monetary program targets and stay in compliance with its IMF Stand-by, the Mission will program with the GOES Host Country Owned Local Resources (HCOLC) for general budget support in 1992. These resources will finance activities already included in the GOES 1992 budget and thus not result in additional expenditures.

2. Public Sector Inefficiencies

a. Electricity Rates and the Fiscal Deficit

While the energy parastatal CEL raised electricity rates by 30 percent during June 1991, current rates remain among the lowest in the region and only cover about 50 percent of the long-run marginal cost of producing electricity. In addition, due to the mid-year drought, which limited the availability of cheaper hydroelectric energy, CEL has had to increase its reliance on higher-cost thermal-power generation. This has resulted in large operational deficits at CEL and required transfers exceeding 300 million colones from the Central Government during 1991. These operational losses increased the 1991 fiscal deficit by the equivalent of .6 percentage points of GDP. Rate adjustments are sorely needed to encourage energy conservation and more efficient electricity use and to reduce the drain on the fiscal accounts.

b. Public Sector Employment Efficiency

A USAID-financed study on public-sector employment efficiency completed in September suggested that the rate of redundancy in the public workforce might be as high as 40 percent. The GOES is already implementing a plan to reduce public sector employment by several thousand employees by the end of 1992. This will be accomplished through the continuation of an early retirement program, a new program to encourage voluntary separation, the closing down of additional parastatal operations such as IRA and ISIC, and further attrition combined with a continued hiring freeze. Options containing measures for forced retirement and involuntary separation are also being considered. In addition, the GOES is developing a strategy to rationalize public-sector salaries, making them competitive with the private sector and providing sufficient remunerative incentives to retain quality staff. Direct Mission support for an actuarial management study of the public employees retirement system will assist the GOES in assessing the costs and in designing the procedures for early retirement of public sector employees.

Progress on some of the measures to reduce the public workforce will run head on into stiff resistance from well organized and highly vocal employee unions and opposition political parties. Therefore, it is essential that the GOES complete most elements of its public-sector employment adjustment program during calendar year 1992 and before the politically charged period leading up to the 1994 presidential elections. Direct Mission support for some of these measures, as well as the use of ESF local currency resources to fund employee mobilization/adjustment costs, may be required to achieve GOES adjustment targets by the end of 1992.

c. Integrated Financial Management and Auditing

Another area of Mission concern relates to the slower-than-expected pace of GOES efforts to modernize its financial management and audit systems.

The Ministry of Finance is responsible for revenue generation (taxation), budgeting, treasury management, and accounting components of the GOES financial management structure. The laws, regulations and procedures governing these functions are scaterred and badly in need of modernization and codification. For example, the accounting system is centralized and does not record information classified according to organizational units of the GOES. This particular aspect is being addressed by the GOES through assistance of a consultant funded by the IMF. The budget system has no single head but is found shared among various public entities. There is lack of coordination between budgeting and treasury which causes problems with liquidity and accumulation of short-term debt. Additionally, in the treasury area, cash flow analyses are not prepared to serve as a management tool.

The Court of Accounts (CA) is El Salvador's supreme audit agency. It was created by constitutional mandate in 1939 as an independent arm of the legislature to review all authorizations for and expenditures of public funds. Article 195 of the Constitution empowers the Court of Accounts to "authorize all disbursements of public funds and intervene preventively in all those transactions which either directly or indirectly affect the Government's balance sheet accounts."

USAID Management and project officers find that the Court of Accounts intervention in the government expenditure process is one of the most serious impediments to project implementation because of the pre-control function on all public sector institutions. The A.I.D. Inspector General has determined that the Salvadoran Court of Accounts does not meet the requirements of supreme audit institutions. Furthermore, the control methodology followed by the Court of Accounts is inconsistent with the LAC Bureau strategy on accountability. The GOES entities implementing USAID/El Salvador-financed projects have been criticized by A.I.D. federal and non-federal auditors for the lack of adequate accounting records and orderly supporting documentation.

The Salvadoran public sector has grown so much that the exercise of a centralized accounting and control function is not efficient. For example, the public sector budgets subject to the CA's intervention for 1940 and 1990 were 24.3 million and 4.95 billion colones, respectively. In 1990 a study conducted by KPMG Peat Marwick--Policy Economics Group concluded that a simultaneous improvement in many areas of financial management such as budgeting, accounting, treasury and audit was required. The same year, in order to address the requirement for modernization in the financial management, the GOES created a special commission to direct, coordinate and supervise a program of integrated financial management and auditing improvement. This committee is composed of the Minister of Finance, the Minister of Planning and the President of the Court of Accounts.

The Mission's rationale for support of integrated financial management and auditing is directly related to the LAC Bureau's Economic Assistance Strategy for Central America -- 1991 to 2000. The Bureau strategy consolidates the gains made throughout the region towards democratization by encouraging democratically elected governments to improve their management and financial practices and to become more effective and efficient. There is little doubt that Mission's assistance to integrated financial management and the modernization of El Salvador's Court of Accounts can have a direct impact on the continuing consolidation of democratization in El Salvador as accountability for public funds improves. Currently the Mission is in the process of developing its strategic objectives for the upcoming five years. Improved accountability of public institutions is being considered as a major program output contributing to the efficiency of the government and consolidation of democracy.

d. Privatization

An area were the pace of reform has been less than ideal is that of privatization of nonfinancial activities. (As indicated above, privatization of the banking system is moving well.) Other than the financial system, El Salvador's public sector is not excessively involved in productive and commercial activities compared to some of its Central American neighbors. Yet, privatization of certain, primarily agricultural-related activities, has been included in the GOES economic program. In May 1991 legislation was approved allowing the formation of a privatization commission. Initially, the commission was to consist of members from both the public and private sectors. Recently, however, the GOES decided to limit participation to the public sector only. The Commission has encountered numerous difficulties in setting itself up and has not been able to make satisfactory progress on the implementation of the GOES action plan for privatization. The Mission continues its discussions with the GOES on the membership of the Commission and has promised technical assistance to the Commission once policy issues are resolved.

3. Export Performance

While El Salvador's overall balance of payments performance has improved dramatically over the last two years, a quick look at the country's trade balance reveals that external stabilization has not been achieved. Notwithstanding two consecutive years of favorable export growth, overall export levels remain well below those needed to support sustained economic growth. El Salvador's 1991 merchandise export earnings totalled $600 million, only 44 percent of merchandise imports, resulting in a merchandise trade deficit equal to 12.8 percent of GDP. Moreover, the 1991 export level is only a little over one-half of the $1.1 billion average achieved during 1979-1980. It is doubtful that in the near term El Salvador's coffee exports will reach the high levels achieved prior to the dissolution of the quota system under the International Coffee Agreement. Nontraditional exports to the Central American region have picked up noticeably from about $90 million in 1986 to nearly $200 million in 1991. However, they are still far below the almost $300 million achieved in 1980, especially in real terms. Efforts to break down barriers and revitalize intra-regional trade could contribute toward major increases in this export category over the near term.

Earnings from nontraditional exports to extra-regional markets remain relatively low compared to most of El Salvador's Central American neighbors. Despite the 31 percent surge in 1990 plus near 12 percent growth in 1991, these exports accounted for only $123 million or 20 percent of total export earnings in 1991.

The GOES trade and exchange regime liberalization measures have made a major contribution toward improving El Salvador's export competitiveness and laying the basis for strong export growth over the near term. In the meantime the GOES must continue on its publicly announced schedule of further external tariff rate adjustments designed to reduce the effective rate of protection and proceed with further elimination of bureaucratic impediments to exports. It is also essential that it maintain its flexible and market-determined exchange rate regime.

4. The Investment Climate

The economic policy framework put in place by the Cristiani Government has contributed to a much higher level of business confidence and resulted in substantially increased private investment. However, in order to achieve further increases in domestic and foreign investment to levels required to support sustained economic growth, the GOES must expand its efforts at reducing the remaining impediments to investment. These include various legal and regulatory requirements impeding entry, inadequate protection of intellectual property rights (IPR), excessive bureaucratic procedures and an inefficient and unpredictable judicial system lacking an adequate degree of impartiality. It is expected that many of these issues will be addressed in conjunction with the design and implementation of the IDB's investment sector loan program for El Salvador later this year. However, timely action on a number of specific measures of particular importance to the USG and the Mission's program objectives is required early in 1992. These include improving the intellectual property rights law, revision of the existing labor code, and resolving bona fide international investment disputes.

III. IMPROVING THE ADMINISTRATION OF JUSTICE

A. Progress to Date

The inability of the Salvadoran justice system to successfully resolve publicized crimes in the early 1980s led the USG to embark on an assistance program designed to resolve specific technical weaknesses identified in the system, among them: the lack of scientific methods for criminal investigations, the lack of protection for key participants in judicial proceedings, and inadequate funding (e.g., materials such as copies of laws, and typewriters) for the court system. This assistance program, now seven years old, while successful in addressing many of these issues, has unfortunately not resulted in the profound changes in the administration of justice sought. Instead, our experience has shown that the problems of the system are more basic -- judicial branch independence from political and economic interests, selective investigation and prosecution, in part, resulting from military control of the police, and a populace basically unaware of their rights in judicial proceedings. None of these were the focus of USG assistance through FY 1990.

Studies commissioned by the Mission in 1989 and 1990 concluded that fundamental structural changes were needed in the organization and operation of the judicial process. Changes recommended included: strengthening the independence of the National Council of the Judiciary to reduce political influence in the judicial branch appointment process, extending Supreme Court magistrate terms of office, strengthening the role of the Attorney General in investigations, and substantive reforms to the criminal and criminal procedural code to afford maximum protection of individual rights in legal proceedings. Armed with this study, the U.S.G. decided to increase policy dialogue efforts and link U.S. economic assistance under the 1991 ESF Program to progress on three specific areas identified: development and adoption of a comprehensive legal reform agenda, increased independence of the judiciary, and heightened public awareness. Considerable support and receptivity within the Executive Branch to addressing these fundamental structural problems was found and a plan of action (i.e., a calendar for substantive reforms and public awareness campaign) was developed and launched.

Subsequent to our agreement with the GOES on the ESF policy reform matrix, the GOES and the FMLN reached agreement on a series of Constitutional reforms that would be presented to the Legislative Assembly to alleviate underlying political and institutional obstacles to more just and responsive judicial processes in El Salvador. These reforms, which have now been ratified by the present Legislative Assembly, have helped to accelerate the reform process and are first steps toward reducing the politicization and selective prosecution that has characterized the Salvadoran justice system. Specifically, judicial branch independence (and reduced politicization) will be strengthened through reforms which extend Supreme Court magistrates terms of office from five to nine years, stagger their appointments every three years to avoid any one legislature's domination of the Supreme Court, require a two-thirds majority vote of the Assembly for Supreme Court nominations, and ensure judicial branch financial independence from the executive by earmarking a percentage of the national budget (six percent) for the judicial branch. Additionally, the Assembly will now be responsible for appointments to the National Council of the Judiciary, the institution that develops candidate lists for all judicial branch appointments. This reform is intended to reduce the politicization of appointments that has characterized the system by ensuring a more balanced representation of interests on the Council. Selective prosecution should be diminished as well, through Constitutional reforms that (a) place responsibility for oversight of the specialized Commission on Criminal Investigations under the clear authority of the Attorney General, (b) establish a new independent Office of the Solicitor (Procurador) for Human Rights, which will be responsive to the Legislative Assembly, as opposed to the Executive Branch, and charged with human rights investigation and prosecution, and (c) place the police under civilian control.

B. Constraints to an Impartial and Timely Administration of Justice

Actions cited above represent important first steps to improving the administration of justice in El Salvador. As important as these achievements are, however, they mark only the beginning of what must be a long-term effort to ensure just and responsive judicial processes in El Salvador. Major constraints persist: the dependence of the National Council of the Judiciary on the judicial branch; the dependence of investigative agencies on the military and the judicial branch; inadequate funding for the public defender and public prosecutor's office, particularly with respect to salary levels, office support, and in-service training programs; and the lack of a broad political consensus and popular support on measures needed to ensure fairness and impartiality in the system. Each of these constraints is described in greater depth below.

Legislative reforms are needed to establish the National Council of the Judiciary as a truly non-partisan, independent body. The Constitutional reforms enacted place responsibility for appointing members to the Council with the National Assembly and require a two-thirds majority vote; this change should improve the representativeness of the National Council. However, the Council remains a dependency of the Judicial Branch. Its budget is submitted to the Assembly through the Supreme Court, and it is co-located with the Court. Supreme Court magistrates also continue to sit on the Council. This not only distracts them from their principal function of rendering judicial decisions, but it also calls into question the objectivity of the Council in developing candidate slates for judicial branch appointments.

Selective prosecution of criminal cases in El Salvador has resulted from the undue influence of economic, political and military forces in judicial proceedings. Constitutional reforms reduce military involvement in criminal investigations by establishing a civilian police and increasing the Attorney General's role in the investigative process. . Implementing these reforms, however, will require further legal action, including revisions to the law which created the Commission for the Investigation of Criminal Acts to place it under the responsibility of the Attorney General's Office and to eliminate Ministry of Defense participation in the Commission. Budget resources must also be provided to the Commission, which is now 100 percent funded through U.S.G. dollar assistance and U.S.G.-generated host country local currency.

The judicial sector as a whole, including the Ministry of Justice (and the prison system), the courts, the public defenders office, and the Attorney General's Office, are seriously underfunded. Higher levels of resources are needed, to adjust salary levels so as to attract and retain more competent people, conduct in-service training programs to improve substantive and practical legal knowledge, implement improved court administrative practices, and to finance the purchase of basic equipment and materials. The Constitutional reforms approved provide for this level of financial independence and stability for the courts, by allocating to them 6 percent of the national budget. However, there is no similar provision nor commitment by the Legislature and Executive to increase budget allocations provided to the

Offices of the Attorney General and Public Defenders. Both offices are highly dependent on USG funding.

Legal reforms to improve access and the transparency of the system are needed both to protect individual rights, and to build public confidence in the administration of justice as a means for resolving disputes fairly when they arise. The legal reform agenda adopted by the GOES will, if carried through and accompanied by reforms described above, provide the guarantees and procedural framework for broadening access and improving the protection of individual rights. This agenda includes:

changes to the existing criminal procedural code by June 1992 to permit release pending and during trial and to widen the defense's role in pre-trial proceedings,

modifications to the organic law of the Procurador General's Office to formally incorporate the public defender's program into the Agency's functions and budget;

a substantive revision to the criminal code; and

a new criminal procedure code, that among other things removes the investigation and sentencing functions from the same judge.

The GOES has already presented the draft law on the public defender's pro ram to the Assembly, completed drafts on several other reforms, and begun the process of discussion and vetting of legal reform proposals with the legal community and general public. As the GOES proceeds to develop legal reform proposals in other, more controversial areas, such as reforms to the criminal procedural code, greater resistance will be likely despite support both within and outside the government for judicial reform. Thus, it is imperative that public information and awareness efforts continue, particularly those directed at the legal community and lawmakers.

C. Proposed Administration of Justice Strategy

The U.S. Mission in El Salvador has undertaken a stock-taking exercise and is now finalizing a draft of an administration of justice strategy that will guide USG efforts over the next five to seven years. This strategy recommends that USG assistance be focused on nourishing, expanding and accelerating the reform movement that has emerged in El Salvador. The Ministry of Justice has taken a leadership role within the GOES on judicial reform, pressing forward with concrete legal proposals to broaden protection of individual rights, improve criminal investigation and prosecution, and overhaul the criminal and criminal procedural codes. A number of private organizations -- some independent and some with ties to political parties from the left as well as the right -- have also emerged as reform advocates. Moreover, the GOES-FMLN negotiations during 1991 led to a number of breakthroughs, embodied both in Constitutional reforms enacted the latter part of 1991 and the Chapultepec

Peace Accords of January 1992, that once implemented will strengthen judicial branch independence, place criminal investigations in the hands of civilian organizations, and improve the prosecution of human rights cases. The proposed U.S. assistance strategy focuses on enabling Salvadorans to take advantage of the new opening and possibilities created as a result of the Peace Accords and growing Salvadoran support for justice sector reform.

Significant obstacles to a sustainable justice reform program continue to exist, however, among them a weak institutional base, poorly trained legal professionals, lack of a tradition valuing a fair and equitable justice system, and a populace generally ignorant of their rights and responsibilities in a law-abiding society. Moreover, advocates for reform do not now have an effective voice nor broad popular support, and without external support, will be ill-prepared to combat opposition likely from individuals and interest groups that have benefitted under the present system. While the GOES, through the Ministry of Justice, has clearly taken a leadership role in judicial reform, its resolve will be tested as the reform process proceeds, particularly as the country approaches the next Presidential election period. Continued USG policy dialogue efforts will therefore be needed to sustain the GOES commitment to substantive reform and timely implementation of the legislative reform agenda adopted in 1991.

The Constitutional reforms approved in April 1991, and subsequently ratified in November 1991-January 1992, as noted earlier, should help to improve Supreme Court and lower court independence from outside political interests, reduce military influence in investigations, and strengthen the role of the Attorney General in criminal investigations. The Chapultepec Peace Accords further provide for a broadening of the interests on the National Council of the Judiciary -- the body which develops candidate slates for judicial branch appointments -- and places the National Judicial Training Center under its oversight (as apposed to the Supreme Court). Measures included support for GOES-initiated legal reform efforts described earlier related to reforming the criminal and criminal procedural codes, institutionalizing the public defenders program started with USAID funding, permanently establishing the Commission for the Investigation of Criminal Acts as a civilian organization, and providing adequate budget support for the justice sector organizations. Moreover, the measures lend support for implementing the Peace Accord Agreements regarding the National Council of the Judiciary, with particular emphasis on the issue of operational independence of the Council. Targetted U.S. project assistance will also be required to enable the GOES to overcome the institutional, human resource and other constraints to a lasting justice sector reform effort. U.S. and other donor assistance will be needed to finance technical assistance, training and other costs associated with strengthening the institutional base, professionalizing the judiciary, improving court administration, strengthening justice sector monitoring groups and professional associations, and expanding informational programs designed to increase public understanding of their basic rights and responsibilities.

IV. FY 1992 ESF PROGRAM

A. Overview

The Mission's FY 1992 ESF Policy Reform Support Program will contribute importantly to the achievement of USG foreign policy objectives in El Salvador and Central America. These include consolidating the peace process, facilitating national reconstruction and reconciliation, promoting the evolution of an economy based on increased reliance on competitive market forces and the private sector, and a further strengthening of democratic institutions.

The Program is fully consistent with and directly supportive of each of the four goals of the Mission's FY 1990-1994 CDSS: (1) economic and social stabilization; (2) economic growth; (3) broadening the benefits of growth; and (4) strengthening democratic institutions. It will also support LAC Bureau and Mission Action Plan objectives of: (1) the achievement of broadly-based, sustainable economic growth; (2) support for the evolution of stable, democratic societies, and (3) response to needs for international cooperation in addressing specific challenges to the attainment of growth and democracy.

B. Program Rationale

The ESF cash transfer program is an essential part of the Mission's overall program to address the existing constraints to sustainable, improved economic performance and further progress in the administration of justice. Project funding, while very helpful, is not sufficient to enable the GOES to succeed in the implementation of many of the policy reform measures discussed in this document. Moreover, the external resources made available through the program will facilitate achievement of GOES 1992 economic program targets.

The principal focus of this year's program is on economic and democratic policy reform. In the past, a primary objective of the Mission's ESF programs had been to provide essential balance of payments support to enable El Salvador to achieve substantially higher levels of economic growth. Given El Salvador's continued strong balance of payments performance over 1990-1991, the need for large external transfers to bolster the economy has been reduced. As previously described, improved GOES policies (many supported by previous ESF programs) have increased confidence in the Salvadoran economy and have led to major gains. For example, stable monetary policy, lower inflation, the flexible exchange rate regime, the legalization of the foreign exchange trading houses, positive real interest rates and increased confidence in the restructured financial system, have resulted in inflows of remittances and short-term capital averaging almost $75 million per month in 1991.

Given this improved economic performance and current, relatively strong, external position, balance of payments support is no longer considered a primary objective of the Mission's ESF program. However, the Mission remains concerned regarding prospects for sustaining the recent positive external sector trends. These concerns are explained in more detail below. Unquestionably, the consolidation of the current GOES policy reform process is essential towards improving such prospects. Furthermore, the reform processes in building El Salvador's democracy are still in their infancy.

The following discussion covers four fundamental bases for the Mission's FY 1992 ESF program:

1. Continued Support for Reform

The principal rationale for the Mission's FY 1992 ESF program is to encourage further GOES policy reforms. Indeed, the Mission's previous ESF cash transfer programs have contributed considerably to a better macroeconomic policy framework, implementation of important structural reforms, and the establishment of a plan for revising the legal framework for the administration of criminal justice and initiating a public debate. This has resulted in stronger overall economic performance, and a more hospitable climate for the consolidation of democracy, major USG, LAC and Mission program objectives. Notwithstanding such progress, however, the economic recovery remains fragile as the policy reforms of the Cristiani Government have yet to be fully consolidated. The FY 1992 program will support GOES efforts to expand and deepen the structural adjustment process.

Continued USG support for economic and democratic reforms in El Salvador will be especially critical during 1992 as the country initiates its transition from war to peace. As new political forces enter the arena, the Cristiani Administration will be under greater pressure to defend its economic reforms aimed at increasing reliance on market forces and the private sector. Most of the new political groups entering the equation do not favor such reforms and would prefer to turn the clock back to the days of greater state control over the economy. Already opposition is mounting to GOES privatization plans. Also, several groups are seriously proposing the resumption of price controls and the reestablishment of the basic grains marketing board. Countering these forces will be difficult but essential to keeping the economic reform program on track. The leverage provided by $80 million in ESF will be needed to provide the additional encouragement required for the GOES to move ahead with reform.

The leverage provided by the Mission's ESF program will also give critical reinforcement to the policy reform agendas of other international financial institutions. El Salvador's improved economic policy stance has greatly enhanced the country's image with other donors and lending agencies. Indeed, the IMF and the World Bank have recently joined the USAID Mission in taking a major role in negotiating the content of the GOES economic stabilization and structural adjustment measures to be supported by external resources. However, there is still an important role for the USG. First, the funds of the other institutions are largely provided on a loan basis, are therefore somewhat less attractive, and thus provide less leverage. Moreover, it is not uncommon for countries with IMF and IBRD programs in process to experience slowdowns and/or backsliding in their policy reform efforts once large disbursements under those programs have been made. The added incentive provided by ESF cash transfers can be decisive in keeping such reform programs on track.

Furthermore, the program will aim to ensure adequate progress on those specific measures of particular interest and importance to the USG and the Mission. Such measures may not be high on the agendas of the other institutions. Many of the individual measures included in the proposed ESF program policy reform matrix represent actions not included in other donor programs, e.g., those related to judicial reform and integrated financial management and auditing for the public sector. Also, strong overall economic performance in El Salvador is vital to USG foreign policy objectives and too important to leave solely to other agencies.

2. Fiscal Support

As described in Section II, above, the GOES continues to face persistent fiscal difficulties, and 1992 is expected to be a most difficult year. The GOES has made a strong commitment to fiscal reform and is now undertaking a major effort with Mission-financed technical assistance to essentially overhaul its tax system.

At this point the Mission sees little reason to doubt the resolve of the GOES to press ahead with its fiscal reform program. Nonetheless, the GOES will be required to take some politically difficult tax reform measures in the coming months. While top marginal tax rates for the most part are being reduced, enforcement of those taxes will have to be tightened, and this could result in substantial resistance by groups and individuals not accustomed to paying taxes. In recognition of these potential difficulties, the Mission considers it highly advisable to complement our technical assistance support for tax reform with ESF conditionality. The added leverage of linking ESF disbursements to satisfactory completion of specific fiscal measures should contribute to their adoption, especially regarding the most politically difficult reforms.

However, even with speedy implementation of the GOES tax reform program, increased revenue generations from a more efficient and equitable tax regime will not materialize to any substantial degree in the near term. Furthermore, while limited progress is expected soon on the revenue side, the GOES is likely to face steadily increasing pressure on the expenditure side. First, the fiscal accounts are still feeling the impact of the mid-1991 drought which lowered water reservoirs to critically low levels. This required the state-owned electric power company to generate more expensive thermal energy instead of the relatively cheap hydroelectric power. The extra costs have been estimated at near 30 million colones per month, and these will accrue through the advent of the next rainy season expected about May 1992.

Even with the end of El Salvador's 12-year civil war, fiscal pressures will continue. While the termination of hostilities should generate some fiscal savings, it is expected that these will be more than offset by new GOES expenditures related to its National Reconstruction Program. Although substantial new external funding for much of this is anticipated, the GOES will have to absorb substantial costs related to expenditures for local goods and services and the continued maintenance of the rebuilt infrastructure. This will especially be the case immediately after a formal cease fire as other donors will not be in a position to provide quick disbursing assistance for some time. Moreover, most of the recovery program activities cannot wait; it will be imperative that they be implemented quickly after a ceasefire to support the peace process and prevent its unraveling.

Given the particularly difficult fiscal situation faced by the GOES during 1992, and given the GOES commitment to comprehensive fiscal reform, the Mission proposes programming a portion of ESF local currency resources for general budget support. This will help relieve GOES fiscal pressures by covering expenditures for specific social programs already included in the GOES budget and which contribute to the achievement of USG and Mission program objectives. In addition, these funds are proposed to be used to cover the local currency cost of high-priority external and domestic debt service payments coming due during CY 1992.

The use of ESF local currency resources for general budget support will also add to the leverage already provided by the ESF cash transfer dollars.

3. Strengthening Democratic Institutions and Improving the Protection of Human Rights

Through the inclusion of judicial reform in the FY 91 ESF Program conditionality, the U.S. Mission was successful in heightening our policy dialogue efforts and obtaining the GOES's commitment to a comprehensive legal reform agenda that offers great promise in terms of more just and responsive judicial processes. Experience has shown, however, that building the political consensus necessary to finalize and implement such reforms will not be easy. A sustained effort to engage the legal community, political leadership and the general public in the debate of legal reform proposals prior to their presentation to the National Assembly will be necessary. Given the numerous other priorities of the Government, including the National Reconstruction Plan, and the political sensitivity of judicial reform, the added support of ESF conditionality will bolster USG policy dialogue efforts and help ensure that reforms are implemented in a timely fashion.

4. Macroeconomic Considerations

Although not a principal program objective, the disbursement of $80 million in FY 1992 ESF resources will enable the GOES to achieve its 1992 economic program objectives of four to five percent real GDP growth while reducing inflation to between 8-10 percent. As in previous years, the program will also provide critical budget support to the Central Government.

In addition to the ESF program's contribution toward achievement of GOES 1992 economic program objectives, other macroeconomic considerations relate to the Mission's view that El Salvador still has a ways to go to achieve sustained strong external performance. While recent economic performance has been truly impressive, it has to be emphasized that external stabilization, just as with internal stabilization, has yet to be achieved. For example:

- The merchandise trade balance as a percent of GDP has grown from 6.3 percent in 1980 to 12.8 percent in 1991.

- While merchandise exports showed strong growth in 1990, and continued, albeit slower growth was experienced in 1991, total export earnings reached only $600 million in 1991. This is about 44 percent of projected imports and only 55 percent of the dollar-value achieved in 1979, El Salvador's peak year for exports. In real terms, of course, exports are an even smaller percentage of their 1979 peak.

- Notwithstanding recent and continuing efforts to diversify exports, El Salvador is still excessively dependent on the export revenue of one product -- coffee, and international price prospects for coffee are not encouraging.

- The period covered by the September 1990 Paris Club debt rescheduling ended September 30, 1991. (Regarding debt to the USG, currently, El Salvador must pay an average of $28 million per year to service A.I.D. and P.L. 480 loans. In this respect, EAI debt reduction provisions would greatly help El Salvador.)

- El Salvador has not yet achieved a stable, sustainable balance of payments condition. Much of the improved balance of payments position is the result of ephemeral trends related to the current stage of the structural adjustment process. For example, a large portion of foreign exchange inflows represents the effects of a stock adjustment, not permanent flows.

- Another part of the explanation for the huge capital inflows relates to interest rate policy. Through most of 1991 the GOES had determined interest rates based on a formula (devised with the World Bank) which relied heavily on past inflation. Thus, as inflation quickly dropped, real interest rates rose and, according to some observers, overshot. This encouraged further capital inflows. With generally lower interest rates now, these foreign exchange inflows are starting to partially abate.

- The current balance of payments situation is potentially highly volatile, and should expectations change, substantial instability could result. This is because the current exchange rate/interest rate regime is being driven largely by expectations that the nominal exchange rate will not depreciate substantially. Should those expectations suddenly change, foreign exchange inflows would be significantly affected and possibly reversed.

The above considerations place El Salvador's recent balance of payments gains in a more sober light. They also provide added emphasis to the importance of further GOES efforts to consolidate its economic reform program.

C. Program Objectives

The Mission's FY 1992 ESF Program is designed to assist the GOES achieve the following specific objectives: improved fiscal performance, strengthened integrated financial management and auditing of the public finances, accelerated financial sector reform, and further gains in the administration of justice. In addition, the Program will contribute to the attainment of GOES 1992 Economic Program goals of four to five percent real GDP growth, 8-10 percent inflation, a reduction in the balance of payments current account deficit of 4.5 percent of GDP and a reduction in the fiscal deficit of the consolidated nonfinancial public sector to 2.9 percent of GDP.

D. Conditionality

1. Strategy

The conditionality package described below is designed to maximize the leverage of ESF resources while fully supporting important USG and Mission objectives. Therefore, the Mission intends to use ESF conditionality to support a limited number of top priority reforms grouped in five principal areas. From an operational perspective, the conditionality package has been constructed to minimize Mission management requirements and to prevent the need for excessive and complicated monitoring and reporting.

The Mission will use its ESF cash transfers to reinforce IMF and IBRD support for macroeconomic stabilization and structural adjustment measures embodied in the GOES 1992 economic program. At the same time, the Mission's policy dialogue process will encourage the GOES to include in its 1992 Economic and Social Program specific measures aimed at improving the tax system, achieving integrated financial management, increasing public sector efficiency, creating a better investment climate and strengthening human rights through improved administration of justice.

2. Policy Reforms to be Supported

This section lists all proposed measures to be supported by the FY 1991 ESF Policy Reform Support Program. Additional discussion is provided for selected measures. A matrix presenting all measures according to ESF disbursement schedule is attached as Annex A.

a. Improve Fiscal Performance

(1) Electricity Tariffs

<u>Measures</u>: Make the first adjustment toward the goal of bringing electricity tariffs up to where they cover long-run marginal cost of production. Make initial adjustments in rates. Demonstrate satisfactory progress in implementation of financial restructuring plan for CEL (the energy parastatal).

<u>Discussion</u>: With USAID and IBRD financial assistance, the GOES is conducting studies of the public electric company's financial operations. These include an inventory and revaluation of assets and an analysis of the current electricity rate structure. The GOES plans a 30 percent rate hike in May 1992 followed by another 30 percent adjustment in early 1993. These two rate changes should bring tariff rates to within 25 percent of the long-run marginal cost of production.

(2) Tax System Improvement

<u>Measures</u>: Submit value-added tax law to the Legislative Assembly. Develop a draft of a new organic customs law to be submitted to the Legislative Assembly.

<u>Discussion</u>: In 1992 the GOES will continue the implementation of tax reform measures under the Modernization of Salvadoran Tax System (MOST) Program. One of the most inefficient aspects of the GOES' tax system has been the stamp tax. The present stamp tax imposes a 5 percent tax on transactions. Because the tax is imposed on each phase of the production process it tends to have a "cascading" effect, which, depending on production processes, can have a final effective tax on consumption of around 15 to 20 percent. The tax discriminates against domestic production and other processes that entail considerable vertical disintegration and hence is non-neutral. In addition, the tax is very difficult to enforce and hence has had poor revenue performance. The GOES has recently published for public discussion its intention to submit a revision to the tax on goods and services in the form of a value-added tax (VAT). The GOES has proposed a VAT with a rate of 15 percent on value-added at each stage of production and with very few exemptions. The VAT does not discriminate against domestic production nor does it discriminate amongst production processes, since it is not transactions based. In addition, the VAT has a number of self-enforcing aspects to it that promise to ease enforcement and, hence, raise yield. The draft legislation will be submitted to the Legislative Assembly before June. The GOES expects to gain Assembly passage and put the VAT into effect by July 1992.

(3) Rationalize Public Sector Operations

<u>Measure</u>: Implement privatization process; establish a realistic 1992 Action Plan; and initiate implementation of the Action Plan. Initiate two privatizations.

<u>Measure</u>: Continue implementation of public sector employment reduction program.

b. **Strengthen Integrated Financial Management and Auditing**

<u>Measures</u>: Conduct review of laws governing treasury and budgeting operations.

Develop action plan to modernize treasury and budgeting operations laws.

<u>Discussion</u>: One of the problems facing the GOES regarding its financial management functions is the dispersion and inconsistencies of its laws and regulations governing its budgeting, treasury, accounting and audit operations. For example, the Treasury Law requires the Court of Accounts to perform precontrol (prior review) of payments to be made by the Treasury Department of the Ministry of Finance. The budget system has no single lead agency but is shared among the Ministry of Finance and Planning. There is lack of coordination between budgeting and treasury which causes problems with liquidity and accumulation of short-term debt. Building on the progress made to date, the GOES will contract experts to further review the laws governing these functions and to introduce appropriate reforms for their modernization and consistency with other financial management functions. Specifically, the GOES will further review the laws governing the treasury and budgeting operations of the public sector. This will lead to the promulgation of new organic laws which must be compatible with the existing Accounting Law and the projected interim organic legislation of the Court of Accounts. An action plan will be developed for this purpose and will include improvement on the existing procedures to allow for reduction of time in processing of the GOES's payment obligations.

<u>Measure</u>: The GOES will submit to the Legislative Assembly an interim organic law to reform the Court of Accounts.

<u>Discussion</u>: One of the most significant administrative problems facing the GOES is the existence of the precontrol function in the Court of Accounts. The current practice obstructs timely processing of all government actions and creates a false sense of security and confidence. The First Inter-American Conference on the Problems of Fraud and Corruption in Government-held in Miami, Florida in December 1989, identified precontrol as a mechanism for extortion. According to the participants, "public officials who exercise precontrol are the only public servants not integrated into the hierarchy of the agency over which they are exercising control and are not accountable for the decisions they make or actions they take. In this way external precontrols actually contribute to corruption rather than prevent it."

El Salvador is one of the only countries left in Latin America which is still using the precontrol function. To date, despite direct technical assistance financed by USAID, the GOES has not been able to overcome the opposition of long-time bureaucrats to reform the Court of Accounts. An interim organic law for the Court of Accounts builds on the conditionality in the FY 1991 program and attempts to deepen the GOES concern about this issue by requiring the GOES to develop legislation to redefine the precontrol function and to develop a real post-audit capability.

Measure: Prepare action plan for auditing the GOES financial statements. The audit will be performed in accordance with the professional standards prescribed by the International Organization of Supreme Audit Institutions (INTOSAI).

Discussion: In the classic definition of democracy by Abraham Lincoln, "Democracy is Government of the people, by the people and for the people." Public knowledge of the results of government operations is a key element in a lasting democratic process. Accountability is necessary to sustain the democratic process, and accountability means that every act or action is subject to independent, professional, non-partisan audit review and public report of results.

The Constitution of El Salvador recognizes the role of public disclosure of financial operations in the democratic process. Article Number 168 of the Constitution of El Salvador requires the Ministry of Finance to present to the Legislative Assembly an annual financial statement which according to Article 195 of the Constitution must have been audited by the Court of Accounts. Unfortunately, the Court of Accounts has been unable to audit the financial statements prepared by the Ministry of Finance. The last audited financial statement covered the government operations for the year 1987 and was presented to the Legislative Assembly on July 15, 1988. The purpose of this measure is twofold, first to reinforce the concept that audited annual financial statements are essential to the maintenance of a democratic society and, second to keep the GOES attention focused on strengthening and modernizing the Court of Accounts.

Measure: The GOES will develop regulations to institutionalize the cash flow programming of the Treasury Department and thus establish time limits for public sector processing of payments to its suppliers.

Discussion: With duplicate and redundant budget controls in the Ministry of Finance and the Court of Accounts and the absence of regular cash flow projections to govern treasury operations, it may take from six to eleven months before a payment for goods or services ordered by the GOES is actually made. Such practice undermines sustained economic development and weakens the democratic process. Entities that deal with the GOES must include in their prices to the government the carrying costs for the inordinate payment processing time. Over time, higher prices result in the acquisition of fewer goods and services or a larger deficit. Both of these slow growth. Slow payment processing is also detrimental to the democratic process because it tends to limit participation in the economic process by small and disadvantaged businesses that are unable to compete for government contracts because they cannot assume or finance the carrying costs associated with a slow, bureaucratic payment process.

Passage of this measure will set new standards for efficiency in government operations. To implement prompt payment procedures every Ministry within the GOES will have to examine its operations. Additionally, this measure adds increased pressure on the GOES to abandon the precontrol function now exercised by the Court of Accounts.

c. Financial Sector Reform

Measures: Eliminate remaining controls on lending and deposit rates.

Complete privatization of two banks. Initiate privatization of two additional banks.

Complete administrative assessment of superintendency of banks. Satisfactory progress in implementation of action plan for strengthening the superintendency of banks.

Issue public statement announcing that new private banks will be permitted to open after July 22, 1993, and describing required procedures.

Discussion: The GOES has made notable progress towards revitalization of the financial sector. In late 1990 and early 1991, the GOES gained Legislative Assembly approval of five key pieces of legislation which provide the legal basis for privatization of the commercial banks and strengthening of the financial system. These included the Banking System Privatization Law, the Financial System Restructuring Law, a new Banking System Law, a new Organic Law of the Central Reserve Bank, and a new Organic Law of the Financial System Superintendency.

In November 1991 the GOES initiated the reprivatization of the largest two commercial banks. As of February 26, 1992, total shares sold to private individuals totalled 94 percent of one bank and 88 percent of the other. The full privatization process on these two banks will be completed by March 1992. Before August 1992, the GOES will initiate privatization of at least two additional commercial banks. Full privatization of all commercial banks and other savings and loan associations is expected by June 1993.

The Banking System Privatization Law prohibited the establishment of new banks for two years from the date (July 22, 1991) that the Law went into effect. This temporary limit on competition was established to facilitate the privatization process. The Mission wants to discourage possible attempts to further delay the entry of new banks. Therefore, the Central Bank will be expected to make a public announcement before October 1992 that new private banks will be permitted to open after July 22, 1993. The statement will also describe in detail the procedures required to establish new banks.

Regarding the Superintendency of the Financial System, as mentioned above, a new Organic Law of the Superintendency of the Financial System has been approved by the Legislative Assembly. This legislation expands the powers and increases the independence of the Superintendency. An action plan to strengthen the Superintendency has been developed and will be implemented with USAID-financed technical assistance. Prior to April 1992, an administrative assessment of the Superintendency will be completed. Based on this assessment, administrative restructuring of the Superintendency will be initiated before the end of 1992. Also, the implementing regulations for the Organic Law of the Bank Superintendency will be completed by the end of 1992.

Another component of the GOES financial sector reform program relates to interest rate liberalization. During 1991 controls on deposit and lending rates were gradually reduced. By the end of March 1992, all deposit and lending rates will be fully liberalized.

d. Administration of Justice

Conditionality included in the 1992 ESF Policy Reform Program related to strengthening the administration of justice builds upon accomplishments made under the 1991 program, and include two specific areas: (a) continued progress on the GOES's criminal legislative reform agenda, and (b) increased resource allocations to the Public Ministry for criminal investigations, prosecution, and public defense.

Measure: Specifically, by June 1992, the GOES will submit legislation to the Legislative Assembly to: (i) formally ascribe the function of public defense in criminal cases to the Procurador General de la República; and (ii) establish the Commission for the Investigation of Criminal Acts (CIHD, which is composed of the Special Investigative Unit and Forensic Laboratory) as a civilian organization with functional responsibility to the Attorney General. Conditionality for the second tranche of ESF funding will include continued implementation of the GOES's legislative reform agenda relating to criminal and criminal procedure law and strategy for building public and legislative branch support for reforms presented to the Assembly.

Discussion: In August 1991, the Minister of Justice presented its legislative reform agenda to USAID and requested three foreign experts to assist the MOJ in drafting both specific and comprehensive reforms to the criminal and criminal procedure codes. This agenda closely follows recommendations of an AID-financed study on areas of reform needed to improve the administration of justice, and establishes a timeframe for presentation of draft laws to the Assembly. The first major roadmark is June 1992, by which time the MOJ will present reforms to: permit release pending and during trial for the majority of crimes, reduce the 72-hour administrative detention period to 12 to 24 hours, formally ascribe the function of public defense to the Public Ministry, widen the role of the defense attorneys in pre-trial proceedings, and strengthen the habeas corpus law, as well as several other changes to the criminal procedure code. The focus of these reforms is on maximizing the protection of individual liberties and reducing opportunities for human rights abuses. Additionally, the GOES must begin the process of civilianizing the CIHD, as a condition for continued USG funding support (FY 91 FAA). Given the priority of reforms related to public defense and the CIHD, the Ministry of Justice is committed to presenting these reforms during the first quarter of CY 1991. The continuation of the active GOES public awareness campaign will be important not only to facilitating passage of the reforms presented by the MOJ to the Legislative Assembly, but also to building broader support within the country for the judicial reform program.

<u>Measure</u>: Second, by October 1992 the GOES will carry out a study of the composition, independence and operation of the National Council on the Judiciary, with recommendations to improve its functioning and independence.

<u>Discussion</u>: This policy measure addresses one of the key institutional constraints to the professionalization and depoliticization of the judiciary. As a result of Constitutional reforms ratified in November 1991, efforts are underway to reform the organic law of the Council. In addition to modifying the composition of the Council, this modification should include reforms to ensure the financial independence and integrity of the Council's actions.

<u>Measure</u>: By October 1992 the GOES will complete a study of the financial needs of the Public Ministry to discharge its functions of criminal investigation, prosecution and public defense.

<u>Discussion</u>: As noted in the Constraints section, recent Constitutional reforms provide the courts with greater financial autonomy and security, but do not address the problem of underfunding for the Public Ministry. The Public Defender's Office now receives 100% of its support through the AID program, with the Attorney General receiving nearly 50% of its budget from AID. While additional resources are needed to expand geographic coverage, at a minimum the portion of the extraordinary budget now financed by AID needs to be incorporated into the GOES ordinary budget so that accomplishments can be sustained. The study required herein will assist the GOES to identify and quantify resource requirements, both to ensure the continued operation of programs now financed through USG resources, but also

to meet the additional costs of expanding the public defense and Attorney General's Office to areas of the country not now adequately covered.

e. Consolidating Sustainable Growth

(1) Macroeconomic Program

Measure: Continued satisfactory progress in achieving macroeconomic targets.

(2) Structural Adjustment

Measure: Maintain structural adjustment measures initiated under GOES economic program.

Discussion: The policy reform matrix supported by the FY 1992 ESF program includes a statement designed to encourage maintenance of sound macroeconomic policies and discourage slippage, especially in areas of key importance to USG and the Mission's program, e.g., price bands, overall fiscal performance. The proposed program will provide an important reinforcement to the IMF and IBRD programs.

Measures: Further liberalize trade regime. Eliminate existing tariff exemptions related to investment goods for autonomous public enterprises and government entities. Remove remaining import permit requirements for basic grains, milk and fibers for sacks. Remove export restrictions on white corn, rice and beans. Reduce import duties to a range of 5 to 20 percent for most categories. Unify tariffs at 20 percent for corn flour, corn gluten, sorghum, and beans; and at 15 percent for powdered milk, wheat and wheat flour.

(3) Encourage Private Investment

Measures: Prepare preliminary plan to improve investment climate and initiate actions under investment plan.

Make progress toward resolution of bona fide international investment disputes.

Draft a comprehensive intellectual property (IPR) rights law and submit it to the Legislative Assembly.

Develop plan for reforming labor code and complete draft legislation for revised labor code.

<u>Discussion</u>: The GOES has made notable progress towards increasing incentives for domestic and foreign investment. Improved investor confidence is evidenced by recent increases in private investment as described in earlier sections. However, there still remain important obstacles to furthr improve the investment climate. Regarding foreign investment, confidence in the El Salvadoran economy will be further enhanced by resolution of bona fide international investment disputes.

While the Mission expects that the IDB will take the lead in this area with its Investment Sector Loan, ESF conditionality will be used to reinforce investment-related reforms of particular interest to the USG. Also, the Mission will encourage the IDB to include on its reform agenda some of the measures important to the USG, e.g., the protection of intellectual property rights.

3. GOES Strategic Framework Statement

The GOES Strategic Framework Statement which places the above measures in their long-term context is attached as Annex C.

E. Dollar Resources

Two disbursements are scheduled under the FY 1992 ESF Program -- one about the end of June and the other about the end of October. The first disbursement will be linked to GOES reform measures which can be completed by the end of the second calendar quarter. The second disbursement will be linked to GOES reform measures programmed for completion by October. Disbursements made on a semi-annual basis are considered sufficient to encourage policy reforms while sufficiently spreading out the financial impact of the cash transfer. More frequent disbursements would add to the Mission's program management burden without providing significant benefits.

As in previous year programs, the Mission has selected the cash transfer mechanism over a commodity import program (CIP) mode as the more appropriate form of ESF non-project assistance. The cash transfer mechanism provides a quick disbursing, flexible form of assistance to support El Salvador's external accounts and public finances. While under certain circumstances a CIP could also provide effective quick-disbursing assistance, such would not be the case in El Salvador.

As described in sections above, the Mission has successfully used the ESF cash transfers to encourage the adoption of comprehensive and far reaching economic and democratic reforms in El Salvador. In this process the GOES has replaced its inefficient multiple-exchange rate regime based on a highly overvalued fixed official rate with a fully liberalized market-determined system. The existence of the flexible market-determined rates makes the CIP option impractical. Indeed, a CIP would be counterproductive in this market-oriented, private sector driven trade and payments regime. Importers would find the CIP costlier than importing through normal commercial channels. Thus, in order to move the CIP, a preferential exchange rate would have to be created to subsidize CIP participants to offset the higher costs associated with using the CIP. This would result in the reestablishment of a more inefficient multiple-rate regime, and represent a major step backwards for El Salvador's economic reform program. Moreover, under its IMF stand-by arrangement, the GOES has pledged not to reintroduce multiple exchange rate practices.

The Central Reserve Bank's price checking unit, initially established with USAID-financed technical assistance to verify prices of merchandise imports financed under the ESF program, was terminated in FY 1991 with AID/W concurrence (91 STATE LOU 077620). The price checking unit performed an important function under El Salvador's previous overvalued fixed exchange rate regime where it served to limit the overinvoicing of imports. This helped prevent unauthorized access to foreign exchange at preferential rates. Under El Salvador's current flexible, market-determined system, the exchange rate varies with supply and demand, and there are no preferential rates. Therefore, the incentive to engage in overinvoicing of imports to obtain additional foreign exchange at preferential rates has disappeared. As long as El Salvador maintains its flexible exchange rate regime, the Mission sees no need to resume price checking operations.

F. Separate Dollar Account

This Mission will continue to use the same procedures in effect for the FY 1991 ESF Program to implement this year's ESF cash transfer program. These procedures are summarized in the paragraphs below.

1. **U.S. Dollar and Local Currency Deposits**

The Central Reserve Bank of El Salvador (BCR) will open separate interest bearing accounts (referred to as the Separate Account) in U.S. banks exclusively for the deposit and retention of funds from the FY 1992 ESF Program. The BCR will request disbursement of funds by submitting a letter of request together with AID Form 1130-2, indicating the names of one or more U.S. commercial banks, their complete addresses, American Banking Association (ABA) numbers, BCR account numbers, and amounts to be deposited.

Upon receipt of the request, the Office of the Controller will arrange for deposit to the Separate Account as specified in the disbursement request. All funds deposited to the Separate Account and all interest earned on these deposits will be retained in the Separate Account and withdrawn in accordance with the terms and conditions described below, which will be repeated in the Grant Agreement.

Within two working days of receipt of bank notification of deposit of funds to the Separate Account, the BCR will deposit in a local special account an amount in local currency equivalent to the dollar amount disbursed by USAID to the Separate Account. Within five working days of receipt of the deposit notification from the U.S. bank or banks, the BCR shall inform the Controller, in writing, of the amount of dollars received, the exchange rate used and the amount of local currency deposited.

The amount of local currency to be deposited shall be determined by applying the BCR reference rate on the date of deposit of U.S. dollars to the Separate Account. Under the procedures governing the flexible exchange rate regime in El Salvador, the BCR reference rate is calculated weekly as the average rate in the free market for foreign exchange.

Using the services of an independent U.S. CPA firm, USAID/El Salvador has conducted a review of procedures and systems at the BCR during the review of transactions applied to the 1988, 1989 and 1990 Programs and has determined that the BCR can properly manage the Separate Account. Additionally, USAID/El Salvador Financial Analysis Staff have continued to make periodic visits to the BCR to ensure that the systems in place at the time of the CPA evaluation continue in effect.

2. **Eligibility Dates**

Funds deposited to the Separate Account may be withdrawn to support otherwise eligible transactions for which the BCR has evidence that the physical import of goods took place and that foreign exchange was disbursed to support imports on or after the effective date of the Grant Agreement until the Separate Account balances are fully liquidated or twelve months from the signing of the Program Agreement, whichever occurs first.

Funds redeposited to the Separate Account as a result of the independent verification process shall only be withdrawn based upon transactions for which the BCR has evidence that the physical import of goods took place and that foreign exchange was disbursed to support the import after the date of the redeposit and up to twelve months from the signing of the Program Agreement.

3. **Eligibility Criteria**

All transactions funded through the Separate Account shall meet the following eligibility criteria and be properly identified by code, source and amount as specified below:

a. Product Category — Code

Product Category	Code
Raw material	A
Intermediate goods	B
Capital goods	C
Spare parts	D
Agricultural inputs	E
Petroleum	F

b. Economic Sector Division — Code

Manufacturing..1
Agricultural...2
Agroindustrial...3
Commercial...4
Construction...5
Transportation...6
Communications...7
Energy...8
Services...9

c. <u>Type of Product</u> <u>Code</u>

NAUCA classification................................Standard Code

d. <u>Petroleum</u>

Grant funds may be used to finance imports of petroleum and its derivatives only from the United States.

e. <u>Source</u>

To be eligible under the Agreement, the source of all products imported must be the United States of America to include its possessions and the Commonwealth of Puerto Rico.

The Mission will continue to monitor developments related to financial sector reform in El Salvador. These include exchange rate liberalization, interest rate decontrol, privatization of commercial banks and the reopening of the financial system to new foreign and domestic private banks. Should it be determined that these developments have an adverse impact on the effectiveness of the reimbursement mechanism now in place, the Mission and the GOES will negotiate the appropriate changes and make adjustments accordingly.

G. Local Currency Resources — Programming Issues

1. Background

Local currency resources generated from ESF Balance of Payments dollars continue to play a crucial role in Mission efforts to foster broad-based economic growth, support evolution of a stable, democratic society; and facilitate international cooperation in addressing specific challenges. ESF local currencies have financed activities in five areas: (1) counterpart for A.I.D. projects, (2) specific GOES/Mission high priority activities such as the PVO support fund and municipal development projects; (3) general budget support to GOES development Ministries, such as health, education and agriculture and counterpart for other donor projects in those Ministries; (4) A.I.D. OE trust funds; and (5) A.I.D. program trust funds.

Beginning in 1982-1983, the Mission developed complex regulations and procedures to guide management of the program, and to improve accountability. The Mission provided support and encouragement to the GOES entity, the Technical Secretariat for External Financing (SETEFE) in the Ministry of Planning, charged with overall LC fund administration to improve its management, control and accountability of the program. During the 1980s, the local currency program grew until it encompassed hundreds of projects, programs and implementing institutions. The LC Program became a heavy management burden for the Mission and the GOES. Its size and complexity precipitated delays in implementation and micro-management of the portfolio.

Beginning in 1989 and continuing to the present, the Mission and the GOES initiated reforms in the management of the local currency program. The basic decision variables included: (1) the need to focus on principal target areas and project results; (2) the need to streamline the program's and Mission regulations and procedures, while maintaining appropriate levels of accountability; (3) the fact that the GOES, through SETEFE, had significantly improved systems for management, control and accountability, and should assume greater responsibility; and (4) requirements for programmatic and financial consolidation.

As a result of these efforts, the Mission and the GOES agreed then to modify the program to emphasize project impact, delegate more operational authority to GOES agencies and Mission technical offices, reduce review and approval time, and clean up unallocated and/or undisbursed funds. Steps taken included: redesigning the local currency action plan format to stress purpose, objectives and activities instead of inputs; giving Mission technical offices the lead on review and approval of incoming action plans, thereby reducing time and paperwork substantially; placing more audit accountability and responsibility on the GOES Court of Accounts and SETEFE; limiting implementing institutions to submitting only one action plan per program, thereby reducing the total number of local currency action plans to around 50 and significantly reducing the subsequent number of reprogrammings; and establishing a biannual system to facilitate the clean-up of unused funds.

While in effect for less than one year, the reform program has demonstrated positive results, and the Mission expects to report clearer impact data and greater efficiencies achieved as time passes. In particular, the revised format for the action plan is more concise and more clearly identifies performance indicators. The number of new action plans has dropped almost 35 percent, and they more definitively target Mission and GOES objectives. Within USAID, the streamlined procedures have reduced the average review and approval period for new action plans from eight weeks to three. The GOES is increasingly taking the decision-making lead on financial reprogrammings and minor activity changes, thereby easing the burden on Mission staff. SETEFE implemented a strong audit and certification program, with well-defined scheduling benchmarks and a penalty system; this encouraged recipient entities to significantly improve their accounting systems. Via the biannual clean-up exercise, the Mission and SETEFE identified over 100 terminated and uninitiated action plans, some going back to 1983, with cumulatively ₡400 million made available. These action plans were officially retired and virtually all of the collected funds were used for both ordinary budget support and a guarantee fund for agrarian reform farmers.

2. FY 1992 Program

The Mission will apply the new local currency guidance (issued July 1991) to the generations accrued from the FY 92 dollar disbursements. Fortunately, our current program either matches or surpasses the requirements in the policy guidance. Nevertheless, the guidance requires that certain issues be addressed in the PAAD document for AID/W consideration.

a. **The General Assessment**: In 1990, the Mission completed the General Assessment of Accountability and Vulnerability. It reported that the Mission had an overall medium to high level of confidence in the budgeting and financial management systems of the GOES. Specifically, the report said that "the budgeting and reporting systems of the host country are reasonably adequate to report allocations and expenditures from the general (ordinary budget) fund. A 1988-89 audit performed by RIG/A/T reconfirmed this finding by concluding that the Ministry of Finance has the necessary management and financial capability to manage the Host Country-Owned Local Currency in the general fund." SETEFE, which manages the special account and the extraordinary budget, is generally recognized as a capable organization. As noted earlier, the Mission works closely with SETEFE in all aspects of managing the local currency program: jointly programming local currency; approving action plans; tracking action plan goals, purposes and activities; reviewing program and financial reports; and participating in the audit programs. In the past two years, SETEFE has greatly strengthened its audit/accountability institutional focus and capacity. While SETEFE is not a perfect institution, the Mission has a high level of confidence in its overall capabilities.

To further strengthen overall GOES, and particularly Ministry of Finance, financial management capabilities, the Mission and other donors have begun to implement a series of activities to modernize El Salvador's public finance system. USAID/El Salvador, the IMF, the World Bank, the IDB and UNDP are all working via technical assistance and conditionality to help El Salvador modernize budgeting, accounting, auditing and other financial management systems. USAID/El Salvador specific assistance is explained below. First, a quick response, short-term technical assistance team is assembled to improve financial management systems of host country institutions receiving or under consideration for AID or local currency funding. Second, a major effort to help the GOES develop and implement an integrated financial management system, focussing particularly on the Ministry of Finance and the Court of Accounts, has been initiated (see Section D.2.b.). Third, a two-year technical assistance team has recently arrived to work with the GOES to modernize the Salvadoran tax system.

b. **Programming Options**: The Mission and GOES will continue to program funds for the ordinary and extraordinary budgets, and OE and program trust. Within the ordinary budget, the Mission plans to select the general budget (deficit) option. General budget or deficit financing is an attractive approach given that the GOES is implementing an IMF Stand-by Arrangement which places strict limits on net banking system credit to the public sector. Reducing credit to the public sector will permit higher levels of banking system credit to finance private sector investment, production and employment. The new AID local currency guidance indicates the need for a high degree of confidence in GOES accounting and control systems to select this option. In the foregoing discussion, the Mission demonstrated the overall sound capabilities to manage the funds on the part of SETEFE and the Ministry of Finance. While some problems still exist, the Mission and other donors are applying significant levels of expertise to foment improvements. With this in mind, we request, per the new guidance, that the LAC Assistant Administrator approve the use of this option.

The local currency program will continue to support direct counterpart for on-going AID DA projects through the extraordinary budget (extra-budgetary support). The Mission will no longer program counterpart for new DA funded (starting FY 92) projects, except for new ones having a direct impact on the National Reconstruction Program (NRP). Pursuant to a Mission decision taken last year, we will also eliminate approval and funding disbursements for GOES priority projects through the jointly programmed extraordinary budget (except in cases needed to implement the FY 92 Peace Accords), thereby continuing the trends of reducing the number of management units and passing more authority to the GOES.

Priority projects are stand-alone activities managed by GOES implementing entities without supporting dollars. The Mission actively participated in managing and monitoring these activities. While in having some success, these projects required significant oversight and time by Mission staff. In terms of making prioritizing decisions within a consolidation framework, the majority of these activities were felt to have a lesser impact on the achievement of Mission objectives. If the GOES wishes to continue these efforts, it will be its responsibility through the normal government ordinary budget allocation process.

Now that the long sought peace is finally arriving in El Salvador, the Mission will be using DA, ESF and ESF local currency generation resources in a major effort to promote the economic reactivation of the conflictive zones by helping to restore their access to basic services and assisting the democratic reintegration of the population. The Mission's proposed five year assistance package will require the equivalent of approximately $35 million U.S. in HCOLC. The Mission estimates that approximately the equivalent of $20 million will be needed to support the NRP from the 1992 HCOLC generations.

Mission plans for the trust fund will correspond to the levels approved by AID/W for operating expenses. The Mission will allocate funds through the program trust for the AIFLD-sponsored Salvadoran Labor Management Foundation, and, in addition, for the University of Central America (UCA) debt payment as legislated by Congress. On the latter case, the GOES has agreed to assume the debt. Both AID and UCA have requested that the U.S. Congress nullify or change the legislative language to recognize the GOES decision. Once both these changes occur, the funds reserved from last year's and this year's generations will likely be reprogrammed for ordinary budget support.

c. **Interest Policy**: The guidance indicated that AID policy favors local currency being placed into interest bearing accounts in a deposit taking institution, with interest programmed as if it were principal. The local currency program has generated such large levels of funding that the Mission determined that interest generated would undermine stabilization efforts and would represent unsound monetary policy. Therefore, in accordance with the policy, the Mission Director will issue a written determination not to follow AID's preference.

d. **Program Performance Indicators**: The action plans, through which extraordinary budget resources are allocated, have accompanying indicators, i.e., purpose and output level targets. For general budget support, the Mission will develop budgetary-based indicators, which will be included in the program agreement or subsequent documentation.

e. **Illustrative Planning Levels**: Although the Mission has not discussed the FY92 program with the GOES, we have estimated the following requirements:

	($ Million)
Extraordinary Budget * (AID Counterpart and GOES Priority Projects)	57.7
Ordinary Budget	10.0
OE Trust	3.6
Program Trust **	8.7
	80.0

* Includes approximately the equivalent of $20 million for National Reconstruction and $38 million for counterpart to AID projects.

** Represents $3.7 million for the AIFLD-sponsored labor management foundation and $5.0 million for the University of Central America.

ANNEX A

GOES 1992 ECONOMIC PROGRAM
MEASURES SUPPORTED BY FY 1992 ESF PROGRAM

	JUNE First Disbursement	**OCTOBER** Second Disbursement
1. **Improve Fiscal Performance**		
a. Electricity Tariffs	Make first adjustment towards the goal of bringing electricity tariffs up to where they cover long-run marginal cost of production.	Satisfactory progress in implementation of financial restructuring plan for CEL (the energy parastatal).
b. Improve Tax Policy and Administration	Submit value-added tax legislation to the Legislative Assembly.	Develop a draft of a new organic customs law to be submitted to the Legislative Assembly.
c. Rationalize Public Sector Operations	Implement privatization process; establish a realistic 1992 Action Plan.	Implementation of 1992 Privatization Action Plan including initiation of two privatizations.
	Continue implementation of public sector employment reduction program.	Continue implementation of public sector employment reduction program.
2. **Strengthen Integrated Financial Management and Auditing**	Conduct review of laws governing treasury and budgeting operations. Develop action plan to modernize treasury and budgeting operations laws.	The GOES will submit to the Legislative Assembly an interim organic law to reform the Court of Accounts.
		Prepare an action plan for auditing the GOES financial statements. The audit will be performed in accordance with the professional standards prescribed by the International Organization of Supreme Audit Institutions (INTOSAI).
		The GOES will develop regulations to institutionalize the cash flow programming of the Treasury Department and thus establish time limits for public sector processing of payments to its suppliers.

ANNEX A

GOES 1992 ECONOMIC PROGRAM
MEASURES SUPPORTED BY FY 1992 ESF PROGRAM

	JUNE First Disbursement	**OCTOBER** Second Disbursement
3. **Financial Sector Reform**	Eliminate remaining controls on lending and deposit rates.	
	Complete privatization of two banks.	Initiate privatization of two additional banks.
	Complete administrative assessment of superintendency of banks.	Satisfactory progress in implementation of action plan for strengthening the superintendency of banks.
		Issue public statement announcing that new private banks will be permitted to open after July 22, 1993, and describing required procedures.
4. **Administration of Justice**	Submit draft law to Legislative Assembly to: (i) formally ascribe the function of public defense in criminal cases to the Procurador General de la República; and (ii) permanently establish the Commission for the Investigation of Criminal Acts (composed of the Special Investigative Unit and Forensic Laboratory) as a civilian organization with functional responsibility to the Attorney General.	The GOES will have initiated an active campaign to promote adoption of reforms presented to the Legislative Assembly. Continue to implement legislative reform agenda relating to elements of the criminal and criminal procedural laws.
		Carry out study on composition, independence, and operation of the National Council on the Judiciary and initiate implementation of recommendations to improve functioning and independence of the Council.

ANNEX A

GOES 1992 ECONOMIC PROGRAM
MEASURES SUPPORTED BY FY 1992 ESF PROGRAM

	JUNE First Disbursement	**OCTOBER** Second Disbursement
4. Administration of Justice (cont)		Complete study of the financial needs of the Public Ministry to discharge its functions of criminal investigation, prosecution and public defense and develop strategy to meet these recurrent costs through ordinary GOES budget resources.
5. <u>Consolidating Sustainable Growth</u>		
a. Macroeconomic Program	Continue to implement GOES economic program. Performance targets for 1992: Fiscal deficit: 2.9% of GDP Public Sector Savings: 1.1% of GDP; BOP Current Account deficit: 4.5% of GDP; Monetary targets consistent with 4% real GDP growth and 8-10% inflation.	Continued satisfactory progress in achieving macroeconomic targets.
b. Structural Adjustment	Maintain structural adjustment measures initiated under GOES economic program.	Maintain structural adjustment measures initiated under GOES economic program.
	Eliminate existing tariff exemptions related to investment goods for public autonomous institutions and government entities.	Import duties reduced to a range of 5 to 20 percent for all categories (except shoes, leather products, apparel and others listed in Tariff Annex III for which the maximum rate will be 25 percent).
	Remove remaining import permit requirements for basic grains, milk and fibers for sacks. Remove export restrictions on white corn, rice and beans.	Unify tariffs at 20% for: corn flour corn gluten sorghum beans and at 15% for: powdered milk wheat wheat flour

ANNEX A

GOES 1992 ECONOMIC PROGRAM
MEASURES SUPPORTED BY FY 1992 ESF PROGRAM

	<u>JUNE</u> First Disbursement	<u>OCTOBER</u> Second Disbursement
c. Private Investment	Prepare preliminary plan to improve investment climate.	Initiate actions under investment plan.
	Make progress toward resolution of bona fide international investment disputes.	
	Draft comprehensive intellectual property rights (IPR) law.	Submit IPR law to Legislative Assembly.
	Develop plan for reforming the labor code.	Complete draft legislation for revised labor code.

WPPECON 5166
March 9, 1992

ANNEX B

EL SALVADOR: POLICY REFORM MATRIX — ALL DONORS

INSTITUTION	PROGRAM/DATE OF AGREEMENT AMOUNT	POLICY REFORM AREAS SUPPORTED	KEY MEASURES
A.I.D.	ESF Policy Reform CY 92 $80 million	Improve Fiscal Performance	Improve tax policy and administration. Rationalize public sector operations. Adjust electricity tariffs.
		Strengthen Integrated Financial Management and Auditing	Improve treasury and budgeting operations.
		Financial Sector Reform	Elimination of interest rate controls. Continue privatization of the financial system. Strengthening of the Superintendency.
		Administration of Justice	Strengthen the administration of justice.
		Consolidating Sustainable Growth	Continued implementation of sound macroeconomic stabilization and structural adjustment program. Improve investment climate.
World Bank	SAL 3/91 $75 million	Trade and Exchange Rate Policy	Market-determined exchange rate system. Tariff adjustments/elimination of exemptions.
		Fiscal Policy	Expansion of the tax base. Increased public sector savings. Strengthen tax administration. Improve taxation system equity. Introduction of the value-added tax.
		Interest Rate & Monetary Policy	Gradual elimination of interest rate controls. Reduced administrative credit allocation.
		Financial Sector Reform	Privatization of the Financial System. Strengthening of the Superintendency.
		Agriculture Sector	Elimination of price controls on basic grains.
		Social Sector	Social compensation programs for the poor. Improvements in social services quality, coverage and efficiency. Delivery of nutritional assistance to the poor.

EL SALVADOR: POLICY REFORM MATRIX — ALL DONORS

INSTITUTION	PROGRAM/DATE OF AGREEMENT	POLICY REFORM AREAS SUPPORTED	KEY MEASURES
World Bank (cont.)	Social Sector Rehabilitation Project 6/91 $26 million	Basic Services Development Institutional Development	Improve coverage and delivery of basic social services. Strengthen MOH and MOE planning and management capacity. Strengthen MIPLAN capacity to develop a social sector information system.
	Power Sector Project 9/91 $11 million	Sector Studies	Reforms on electricity pricing policy. Institutional and legal reforms. Privatization of power distribution.
		Engineering and Management Studies	Assessment of the management efficiency and organization of CEL.
		Acquisition of materials	Improve planning, systems reliability and electricity rate design.
		Training Program	Management development program.
	PRISA CY 92 $60 million	Institutional Reform	Strengthen MAG planning and management capacity. Rationalize public sector agricultural expenditures.
		Privatization of Agricultural Enterprises and Services	Privatization of INCAFE and INAZUCAR. Privatization of ENA and ISIC.
		Research and Extension Rehabilitation of Irrigation Districts Vegetable and Animal Health Strengthening of Private Sector Basic Grains Marketing	Improve CENTA administrative and institutional capacity. Privatization vis-a-vis other alternatives. Irrigation pricing policy. Strengthen Project design capabilities. Reforms on pricing system for service charges. Privatization of IRA and BFA's marketing activities.

EL SALVADOR: POLICY REFORM MATRIX — ALL DONORS

INSTITUTION	PROGRAM/DATE OF AGREEMENT	POLICY REFORM AREAS SUPPORTED	KEY MEASURES
Inter-American Development Bank	Global Program of Multisectoral Credit 4/91 $60 million	Financial Sector Reform	Strengthening of the Financial System and the Superintendency.
	Investment Sector Loan 9/92 $50 million	Improve Private Investment Climate	Measures to create a more hospitable environment for domestic and foreign private investment.
International Monetary Fund	Stand-by Arrangement 1/92 SDR 41.5 million	Macroeconomic Stabilization	Limits on domestic credit. Fiscal restraint. Net international reserve target.

WPPECON 141
March 12/92

ANNEX C

GOVERNMENT OF EL SALVADOR

STRATEGIC FRAMEWORK STATEMENT

NOTE: A copy of the GOES Strategic Framework Statement is being circulated separately.

AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR, C. A.

ENVIRONMENTAL THRESHOLD DECISION

Project Location	:	El Salvador
Project Title and number	:	Policy Reform Program 519-0378
Funding	:	$80,000,000 (ESF)
Life of Project	:	1 year
IEE Prepared by	:	Ken Ellis Environmental Officer USAID/El Salvador
Recommended Threshold Decision	:	Categorical Exclusion
Mission Threshold Decision	:	Concur with Recommendation
Date Prepared	:	March 11, 1992
Comments	:	The Grant Agreement will contain a condition indicating that no pesticides will be procured without first completing an environmental assessment and having it approved by AID/W.

John A. Sanbrailo
Director

3/13/92
Date

Description:

This program consists of a cash transfer of $80,000.000 to provide balance of payments assistance to support economic stabilization and recovery in El Salvador during FY 91. This assistance supports the Government of El Salvador's (GOES) policies and programs designed to (i) improve fiscal economic performance; (ii) strengthen integrated financial management and auditing of the public sector; (iii) accelerate financial sector reform; (iv) improve the administration of justice; and (v) consolidate sustainable growth. The program will also provide foreign exchange to the Salvadoran private sector for the purchase of raw materials, intermediate and capital goods, spare parts, and other imports as may be agreed to between the GOES and A.I.D. The Salvadoran private sector will use the imports for the manufacturing, agricultural, agroindustrial, commercial, construction, transportation, communications, and energy subsectors of the economy. Availability of funds under this Program is contingent upon GOES progress in meeting economic objectives.

Determination

Pursuant to A.I.D. environmental regulations expressed in 22 CFR, Section 216.2(c)(1) (ii), an IEE is generally 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 approval of financing or 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."

Moreover, Handbook 3, Appendix D, Section 216.2(c)(2) (vi) states that "Contributions to international, regional or national organizations by the United States which are not for the purpose of carrying out a specifically identifiable project of projects" are not subject to AID's environmental procedures. The above exemptions do not apply, however, to assistance for the procurement or use of pesticides.

The FY 91 program will not provide support for the purchase or use of pesticides. A condition will be placed in the Grant Agreement indicating that no pesticides will be procured or used without first completing an Environmental Assessment and having it approved by the LAC Bureau Environmental Officer.

Recommendation: That no further environmental study be undertaken for this PAAD and that you sign the Environmental Threshold Decision facesheet, indicating your approval of a categorical exclusion for this program.

ECON:5180

Agency for International Development
Washington, D.C. 20523

EL SALVADOR - FY 1992 POLICY REFORM SUPPORT - PAAD

OMISSION OF DISCUSSION SECTIONS

Please refer to pages 35 and 36, Conditionality section, D.2.a.(3), entitled, **"Rationalize Public Sector Operations"**.

Omitted were discussions of the measures:

Implement privatization process and **Continue implementation of public sector employment reduction program**

Those discussions of the measures are attached here and will be part of the final version of subject document.

<u>Measures</u>: Make the first adjustment toward the goal of bringing electricity tariffs up to where they cover long-run marginal cost of production. Make initial adjustments in rates. Demonstrate satisfactory progress in implementation of financial restructuring plan for CEL (the energy parastatal).

<u>Discussion</u>: With USAID and IBRD financial assistance, the GOES is conducting studies of the public electric company's financial operations. These include an inventory and revaluation of assets and an analysis of the current electricity rate structure. The GOES plans a 30 percent rate hike in May 1992 followed by another 30 percent adjustment in 1994. These two rate changes should bring tariff rates to within 25 percent of the long-run marginal cost of production.

(2) Tax System Improvement

<u>Measures</u>: Submit value-added tax law to the Legislative Assembly. Develop a draft of a new organic customs law to be submitted to the Legislative Assembly.

<u>Discussion</u>: In 1992 the GOES will continue the implementation of tax reform measures under the Modernization of Salvadoran Tax System (MOST) Program. One of the most inefficient aspects of the GOES' tax system has been the stamp tax. The present stamp tax imposes a 5 percent tax on transactions. Because the tax is imposed on each phase of the production process it tends to have a "cascading" effect, which, depending on production processes, can have a final effective tax on consumption of around 15 to 20 percent. The tax discriminates against domestic production and other processes that entail considerable vertical disintegration and hence is non-neutral. In addition, the tax is very difficult to enforce and hence has had poor revenue performance. The GOES has recently published for public discussion its intention to submit a revision to the tax on goods and services in the form of a value-added tax (VAT). The GOES has proposed a VAT with a rate of 15 percent on value-added at each stage of production and with very few exemptions. The VAT does not discriminate against domestic production nor does it discriminate amongst production processes, since it is not transactions based. In addition, the VAT has a number of self-enforcing aspects to it that promise to ease enforcement and, hence, raise yield. The draft legislation will be submitted to the Legislative Assembly before June. The GOES expects to gain Assembly passage and put the VAT into effect by July 1992.

(3) Rationalize Public Sector Operations

<u>Measure</u>: Implement privatization process; establish a realistic 1992 Action Plan; and initiate implementation of the Action Plan. Initiate two privatizations.

Discussion: This measure is intended to encourage the GOES to reactivate its privatization process for the nonfinancial sector. The GOES has agreed to initiate the implementation of two separate privatization activities of major commercial/productive activities before October 1992. Five additional privatization actions are programmed to be initiated during 1993. By June 1994, the end of the Cristiani Administration's term in office, the GOES expects to complete all seven privatizations. An action plan is being prepared and will be completed by June 1992. The action plan will identify the specific activities/companies to be privatized and indicate the time frame to complete the process.

Measure: Continue implementation of public sector employment reduction program.

Discussion: The GOES has indicated a commitment to continue its program to reduce public sector employment in 1992. This will be accomplished primarily through two initiatives introduced during 1991. These are the early retirement option and the voluntary separation program. By the end of 1992 the GOES expects that between 10 to 15 thousand employees will chose to end public sector employment through these two programs.

b. **Strengthen Integrated Financial Management and Auditing**

Measures: Conduct review of laws governing treasury and budgeting operations.

Develop action plan to modernize treasury and budgeting operations laws.

Discussion: One of the problems facing the GOES regarding its financial management functions is the dispersion and inconsistencies of its laws and regulations governing its budgeting, treasury, accounting and audit operations. For example, the Treasury Law requires the Court of Accounts to perform precontrol (prior review) of payments to be made by the Treasury Department of the Ministry of Finance. The budget system has no single lead agency but is shared among the Ministry of Finance and Planning. There is lack of coordination between budgeting and treasury which causes problems with liquidity and accumulation of short-term debt. Building on the progress made to date, the GOES will contract experts to further review the laws governing these functions and to introduce appropriate reforms for their modernization and consistency with other financial management functions. Specifically, the GOES will further review the laws governing the treasury and budgeting operations of the public sector. This will lead to the promulgation of new organic laws which must be compatible with the existing Accounting Law and the projected interim organic legislation of the Court of Accounts. An action plan will be developed for this purpose and will include improvement on the existing procedures to allow for reduction of time in processing of the GOES's payment obligations.

STATISTICAL APPENDIX

Table A.1.a.
El Salvador: Gross Domestic Product -- by Sector of Origin 1982 - 1991.

In Constant 1962 Prices.	Millions of 1962 Colones										Annual Growth Rates in Percent								
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 1/	82/81	83/82	84/83	85/84	87/86	88/87	89/88	90/89	91/90
GDP at Market Prices	2847.7	2870.4	2935.6	2993.6	3012.5	3093.5	3143.8	3177.0	3285.0	3399.0	-5.6	0.8	2.3	2.0	2.7	1.6	1.1	3.4	3.5
Primary Production	754.4	730.5	754.7	746.6	723.6	739.1	732.4	736.0	790.0	787.9	-4.7	-3.2	3.3	-1.1	2.1	-0.9	0.5	7.3	-0.3
Agriculture and Related Sectors	750.6	726.8	750.9	742.8	719.7	734.7	727.7	731.1	785.5	782.9	-4.7	-3.2	3.3	-1.1	2.1	-1.0	0.5	7.4	-0.3
Mining	3.8	3.7	3.8	3.8	3.9	4.4	4.7	4.9	4.5	5.0	0.0	-2.6	2.7	0.0	12.8	6.8	4.3	-8.2	11.1
Secondary Production	671.1	687.5	691.4	719.3	737.4	766.2	792.9	811.8	820.9	864.4	-7.0	2.4	0.6	4.0	3.9	3.5	2.4	1.1	5.3
Manufacturing	480.9	490.5	496.9	515.4	528.3	544.1	560.5	574.4	591.6	620.4	-8.4	2.0	1.3	3.7	3.0	3.0	2.5	3.0	4.9
Construction	90.4	92.2	86.9	90.9	93.3	104.0	112.2	116.2	101.3	111.5	-4.1	2.0	-5.7	4.6	11.5	7.9	3.6	-12.8	10.1
Utilities	99.8	104.8	107.6	113.0	115.8	118.1	120.2	121.2	128.0	132.5	-2.5	5.0	2.7	5.0	2.0	1.8	0.8	5.6	3.5
Services	1422.2	1452.4	1489.5	1527.7	1551.5	1588.2	1618.5	1629.2	1674.1	1746.7	-5.4	2.1	2.6	2.6	2.4	1.9	0.7	2.8	4.3
Transportion and Communications	161.3	170.9	175.6	178.8	179.7	183.0	186.7	189.0	201.0	215.1	-6.5	6.0	2.8	1.8	1.8	2.0	1.2	6.3	7.0
Commercial Services	468.3	478.1	487.1	489.5	491.0	497.9	500.1	516.9	533.0	556.3	-12.0	2.1	1.9	0.5	1.4	0.4	3.4	3.1	4.4
Financial Services	98.5	98.7	99.7	102.7	104.2	106.7	108.8	98.5	100.5	104.5	5.8	0.2	1.0	3.0	2.4	2.0	-9.5	2.0	4.0
Housing	137.3	140.1	142.3	144.4	144.8	148.5	152.7	156.4	160.3	164.7	2.6	2.0	1.6	1.5	2.6	2.8	2.4	2.5	2.7
Public Administration	356.3	366.3	384.5	411.6	430.1	447.4	462.6	457.7	464.8	483.4	3.0	2.8	5.0	7.0	4.0	3.4	-1.1	1.6	4.0
Other Services	200.5	198.3	200.3	200.7	201.7	204.7	207.6	210.7	214.5	222.7	-11.5	-1.1	1.0	0.2	1.5	1.4	1.5	1.8	3.8

	As Percent of Total GDP										Contribution to Overall GDP Growth by Sector (in Percent)								
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 1/	82/81	83/82	84/83	85/84	87/86	88/87	89/88	90/89	91/90
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary Production	26.5	25.4	25.7	24.9	24.0	23.9	23.3	23.2	24.0	23.2	21.8	-105.3	37.1	-14.0	19.1	-13.3	10.8	50.0	-1.8
Agriculture and Related Sectors	26.4	25.3	25.6	24.8	23.9	23.7	23.1	23.0	23.9	23.0	21.8	-104.8	37.0	-14.0	18.5	-13.9	10.2	50.4	-2.3
Mining	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.0	-0.4	0.2	0.0	0.6	0.6	0.6	-0.4	0.4
Secondary Production	23.6	24.0	23.6	24.0	24.5	24.8	25.2	25.6	25.0	25.4	29.9	72.2	6.0	48.1	35.6	53.1	56.9	8.4	38.2
Manufacturing	16.9	17.1	16.9	17.2	17.5	17.6	17.8	18.1	18.0	18.3	26.1	42.3	9.8	31.9	19.5	32.6	41.9	15.9	25.3
Construction	3.2	3.2	3.0	3.0	3.1	3.4	3.6	3.7	3.1	3.3	2.3	7.9	-8.1	6.9	13.2	16.3	12.0	-13.8	8.9
Utilities	3.5	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.9	3.9	1.5	22.0	4.3	9.3	2.8	4.2	3.0	6.3	3.9
Services	49.9	50.6	50.7	51.0	51.5	51.3	51.5	51.3	51.0	51.4	48.3	133.0	56.9	65.9	45.3	60.2	32.2	41.6	63.7
Transportion and Communications	5.7	6.0	6.0	6.0	6.0	5.9	5.9	5.9	6.1	6.3	6.6	42.3	7.2	5.5	4.1	7.4	6.9	11.1	12.4
Commercial Services	16.4	16.7	16.6	16.4	16.3	16.1	15.9	16.3	16.2	16.4	37.6	43.2	13.8	4.1	8.5	4.4	50.6	14.9	20.4
Financial Services	3.5	3.4	3.4	3.4	3.5	3.4	3.5	3.1	3.1	3.1	-3.2	0.9	1.5	5.2	3.1	4.2	-31.0	1.9	3.5
Housing	4.8	4.9	4.8	4.8	4.8	4.8	4.9	4.9	4.9	4.8	-2.1	12.3	3.4	3.6	4.6	8.3	11.1	3.6	3.9
Public Administration	12.5	12.8	13.1	13.7	14.3	14.5	14.7	14.4	14.1	14.2	-6.1	44.1	27.9	46.7	21.4	30.2	-14.8	6.6	16.3
Other Services	7.0	6.9	6.8	6.7	6.7	6.6	6.6	6.6	6.5	6.6	15.4	-9.7	3.1	0.7	3.7	5.8	9.3	3.5	7.2

Source: Central Reserve Bank of El Salvador.
1/ Estimated values.

Table A.1.b.
El Salvador: Gross Domestic Product -- by Sector of Origin 1982 - 1991.

In Current Prices.

	Millions of Colones										Annual Growth Rates in Percent								
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 1/	82/81	83/82	84/83	85/84	87/86	88/87	89/88	90/89	91/90
GDP at Market Prices	8966.2	10151.8	11657.2	14330.8	19762.9	23140.6	27365.8	32230.0	41057.0	47725.0	3.7	13.2	14.8	22.9	17.1	18.3	17.8	27.4	16.2
Primary Production	2089.0	2175.7	2338.0	2631.3	3995.6	3236.5	3847.8	3825.2	4664.4	4928.6	-1.4	4.2	7.5	12.5	-19.0	18.9	-0.6	21.9	5.7
Agriculture and Related Sectors	2075.4	2160.5	2319.8	2610.6	3968.9	3198.4	3800.8	3767.0	4599.0	4846.7	-1.5	4.1	7.4	12.5	-19.4	18.8	-0.9	22.1	5.4
Mining	13.6	15.2	18.2	20.7	26.7	38.1	47.0	58.2	65.4	81.9	8.8	11.8	19.7	13.7	42.7	23.4	23.8	12.4	25.2
Secondary Production	1882.2	2159.4	2473.6	3118.0	4050.9	5252.4	6158.3	7426.1	9511.7	11244.8	2.6	14.7	14.6	26.1	29.7	17.2	20.6	28.1	18.2
Manufacturing	1381.9	1572.1	1837.1	2345.7	3085.7	4044.8	4808.5	5836.3	7647.2	8956.7	1.7	13.8	16.9	27.7	31.1	18.9	21.4	31.0	17.1
Construction	300.6	343.4	355.3	437.0	547.1	710.4	814.5	984.3	1071.8	1309.5	5.8	14.2	3.5	23.0	29.8	14.7	20.8	8.9	22.2
Utilities	199.7	243.9	281.2	335.3	418.1	497.2	535.3	605.5	792.7	978.6	4.2	22.1	15.3	19.2	18.9	7.7	13.1	30.9	23.5
Services	4995.0	5816.7	6845.6	8581.5	11716.4	14651.7	17359.7	20978.7	26880.9	31551.6	6.4	16.5	17.7	25.4	25.1	18.5	20.8	28.1	17.4
Transportion and Communications	346.7	411.5	480.6	613.3	815.8	1060.8	1205.5	1415.8	1897.2	2273.8	5.6	18.7	16.8	27.6	30.0	13.6	17.4	34.0	19.9
Commercial Services	2088.8	2509.5	2994.8	3897.8	5626.5	7275.3	8721.3	10831.5	14186.7	16751.9	3.0	20.1	19.3	30.2	29.3	19.9	24.2	31.0	18.1
Financial Services	330.8	357.8	392.1	442.0	564.0	640.0	779.2	795.0	923.6	1163.7	12.1	8.2	9.6	12.7	13.5	21.8	2.0	16.2	26.0
Housing	471.0	537.9	629.5	747.4	939.3	1182.1	1520.3	1892.5	2366.3	2720.6	14.4	14.2	17.0	18.7	25.8	28.6	24.5	25.0	15.0
Public Administration	1049.7	1176.9	1366.2	1602.8	1976.5	2207.1	2384.8	2713.6	3231.9	3655.3	11.3	12.1	16.1	17.3	11.7	8.1	13.8	19.1	13.1
Other Services	708.0	823.1	982.4	1278.2	1794.3	2286.4	2748.6	3330.3	4275.2	4986.3	3.1	16.3	19.4	30.1	27.4	20.2	21.2	28.4	16.6

	As Percent of Total GDP										Contribution to Overall GDP Growth by Sector (in Percent)								
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 1/	82/81	83/82	84/83	85/84	87/86	88/87	89/88	90/89	91/90
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary Production	23.3	21.4	20.1	18.4	20.2	14.0	14.1	11.9	11.4	10.3	-9.2	7.3	10.8	11.0	-22.5	14.5	-0.5	9.5	4.0
Agriculture and Related Sectors	23.1	21.3	19.9	18.2	20.1	13.8	13.9	11.7	11.2	10.2	-9.6	7.2	10.6	10.9	-22.8	14.3	-0.7	9.4	3.7
Mining	0.2	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.1	0.2	0.1	0.3	0.2	0.2	0.1	0.2
Secondary Production	21.0	21.3	21.2	21.8	20.5	22.7	22.5	23.0	23.2	23.6	14.8	23.4	20.9	24.1	35.6	21.4	26.1	23.6	26.0
Manufacturing	15.4	15.5	15.8	16.4	15.6	17.5	17.6	18.1	18.6	18.8	7.1	16.0	17.6	19.0	28.4	18.1	21.1	20.5	19.6
Construction	3.4	3.4	3.0	3.0	2.8	3.1	3.0	3.1	2.6	2.7	5.1	3.6	0.8	3.1	4.8	2.5	3.5	1.0	3.6
Utilities	2.2	2.4	2.4	2.3	2.1	2.1	2.0	1.9	1.9	2.1	2.5	3.7	2.5	2.0	2.3	0.9	1.4	2.1	2.8
Services	55.7	57.3	58.7	59.9	59.3	63.3	63.4	65.1	65.5	66.1	94.4	69.3	68.3	64.9	86.9	64.1	74.4	66.9	70.0
Transportion and Communications	3.9	4.1	4.1	4.3	4.1	4.6	4.4	4.4	4.6	4.8	5.8	5.5	4.6	5.0	7.3	3.4	4.3	5.5	5.6
Commercial Services	23.3	24.7	25.7	27.2	28.5	31.4	31.9	33.6	34.6	35.1	19.1	35.5	32.2	33.8	48.8	34.2	43.4	38.0	38.5
Financial Services	3.7	3.5	3.4	3.1	2.9	2.8	2.8	2.5	2.2	2.4	11.1	2.3	2.3	1.9	2.3	3.3	0.3	1.5	3.6
Housing	5.3	5.3	5.4	5.2	4.8	5.1	5.6	5.9	5.8	5.7	18.5	5.6	6.1	4.4	7.2	8.0	7.7	5.4	5.3
Public Administration	11.7	11.6	11.7	11.2	10.0	9.5	8.7	8.4	7.9	7.7	33.2	10.7	12.6	8.8	6.8	4.2	6.8	5.9	6.3
Other Services	7.9	8.1	8.4	8.9	9.1	9.9	10.0	10.3	10.4	10.4	6.7	9.7	10.6	11.1	14.6	10.9	12.0	10.7	10.7

Source: Central Reserve Bank of El Salvador.
1/ Estimated values.

Table A.2.a.
El Salvador: Gross Domestic Product -- by Sector of Final Demand, 1982 - 1991.

In Constant 1962 Prices.	Millions of 1962 Colones										Annual Growth Rates in Percent									
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 1/	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90
GDP at Market Prices	2847.7	2870.4	2935.6	2993.6	3012.5	3093.5	3143.8	3177.0	3285.0	3399.0	-5.6	0.8	2.3	2.0	0.6	2.7	1.6	1.1	3.4	3.5
Gross Domestic Expenditure	2875.9	2868.1	2971.6	3059.4	3140.1	3153.5	3259.9	3436.1	3304.0	3417.4	-7.6	-0.3	3.6	3.0	2.6	0.4	3.4	5.4	-3.8	3.4
Consumption Expenditures	2520.1	2542.5	2636.3	2742.8	2755.5	2785.1	2823.3	2848.7	2914.2	2982.8	-7.2	0.9	3.7	4.0	0.5	1.1	1.4	0.9	2.3	2.4
Private Sector	2084.6	2113.7	2175.3	2250.6	2244.9	2259.2	2284.3	2316.0	2376.6	2423.6	-8.5	1.4	2.9	3.5	-0.3	0.6	1.1	1.4	2.6	2.0
Public Sector	435.5	428.8	461.0	492.2	510.6	525.9	539.0	532.7	537.6	559.2	-0.4	-1.5	7.5	6.8	3.7	3.0	2.5	-1.2	0.9	4.0
Gross Domestic Investment	355.8	325.6	335.3	316.6	384.6	368.4	436.6	587.4	389.8	434.6	-10.2	-8.5	3.0	-5.6	21.5	-4.2	18.5	34.5	-33.6	11.5
Gross Fixed Capital Formation	338.7	313.5	320.8	353.6	380.1	414.7	430.2	469.2	388.0	457.5	-10.1	-7.4	2.3	10.2	7.5	9.1	3.7	9.1	-17.3	17.9
Private Sector	163.7	178.0	199.4	241.9	285.8	306.8	305.1	318.5	293.8	343.7	1.5	8.7	12.0	21.3	18.1	7.3	-0.6	4.4	-7.8	17.0
Public Sector	175.0	135.5	121.4	111.7	94.3	107.9	125.1	150.7	94.2	113.8	-18.8	-22.6	-10.4	-8.0	-15.6	14.4	15.9	20.5	-37.5	20.8
Changes in Inventories	17.1	12.1	14.5	-37.0	4.5	-46.3	6.4	118.2	1.8	-22.9										
Net Exports	-28.2	2.3	-36.0	-65.8	-127.6	-60.0	-116.1	-259.1	-19.0	-18.4										
Exports of Goods and Nonfactor Services	588.4	698.1	674.4	648.1	566.4	636.6	576.8	476.1	718.9	731.8	-14.8	18.6	-3.4	-3.9	-12.6	12.4	-9.4	-17.5	51.0	1.8
Imports of Goods and Nonfactor Services	616.6	695.8	710.4	713.9	694.0	696.6	692.9	735.2	737.9	750.2	-21.5	12.8	2.1	0.5	-2.8	0.4	-0.5	6.1	0.4	1.7
Net Factor Payments	-72.7	-104.5	-86.3	-73.9	-72.0	-70.1	-58.5	-77.7	-76.5	-72.4	40.0	43.9	-17.4	-14.4	-2.6	-2.5	-16.6	32.9	-1.6	-5.4
Gross National Product at Market Prices	2774.7	2765.6	2849.3	2919.8	2940.7	3023.5	3085.2	3099.2	3208.5	3326.6	-6.4	-0.3	3.0	2.5	0.7	2.8	2.0	0.5	3.5	3.7

	As percent of Total GDP										Contribution to Overall GDP Growth by Sector (in Percent)									
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Gross Domestic Expenditure	101.0	99.9	101.2	102.2	104.2	101.9	103.7	108.2	100.6	100.5	139.7	-34.4	158.7	151.4	427.0	16.5	211.5	530.7	-122.3	99.5
Consumption Expenditures	88.5	88.6	89.8	91.6	91.5	90.0	89.8	89.7	88.7	87.8	115.8	98.7	143.9	183.6	67.2	36.5	75.9	76.5	60.6	60.2
Private Sector	73.2	73.6	74.1	75.2	74.5	73.0	72.7	72.9	72.3	71.3	114.8	128.2	94.5	129.8	-30.2	17.7	49.9	95.5	56.1	41.2
Public Sector	15.3	14.9	15.7	16.4	16.9	17.0	17.1	16.8	16.4	16.5	1.1	-29.5	49.4	53.8	97.4	18.9	25.0	-19.0	4.5	[illegible]
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Domestic Investment	12.5	11.3	11.4	10.6	12.8	11.9	13.9	18.5	11.9	12.8	23.9	-133.0	14.9	-32.2	359.8	-20.0	135.6	454.2	-183.0	39.3
Gross Fixed Capital Formation	11.9	10.9	10.9	11.8	12.6	13.4	13.7	14.8	11.8	13.5	22.5	-111.0	11.2	56.6	140.2	42.7	30.8	117.5	-75.2	61.0
Private Sector	5.7	6.2	6.8	8.1	9.5	9.9	9.7	10.0	8.9	10.1	-1.4	63.0	32.8	73.3	232.3	25.9	-3.4	40.4	-22.9	43.8
Public Sector	6.1	4.7	4.1	3.7	3.1	3.5	4.0	4.7	2.9	3.3	23.9	-174.0	-21.6	-16.7	-92.1	16.8	34.2	77.1	-52.3	17.2
Changes in Inventories	0.6	0.4	0.5	-1.2	0.1	-1.5	0.2	3.7	0.1	-0.7	1.4	-22.0	3.7	-88.8	219.8	-62.7	104.8	336.7	-107.8	-21.7
Net Exports	-1.0	0.1	-1.2	-2.2	-4.2	-1.9	-3.7	-8.2	-0.6	-0.5	-39.7	134.4	-58.7	-51.4	-327.0	83.5	-111.5	-430.7	222.3	0.5
Exports of Goods and Nonfactor Services	20.7	24.3	23.0	21.6	18.8	20.6	18.3	15.0	21.9	21.5	60.3	483.3	-36.3	-45.3	-432.3	86.7	-118.9	-303.3	224.8	11.3
Imports of Goods and Nonfactor Services	21.7	24.2	24.2	23.8	23.0	22.5	22.0	23.1	22.5	22.1	100.0	348.9	22.4	6.0	-105.3	3.2	-7.4	127.4	2.5	10.8
Net Factor Payments	-2.6	-3.6	-2.9	-2.5	-2.4	-2.3	-1.9	-2.4	-2.3	-2.1										
Gross National Product at Market Prices	97.4	96.4	97.1	97.5	97.6	97.7	98.1	97.6	97.7	97.9										

Source: Central Reserve Bank of El Salvador.
1/. Estimated values.

Table A.2.b.
El Salvador: Gross Domestic Product -- by Sector of Final Demand, 1982 - 1991.

In Current Prices.	Millions of Colones										Annual Growth Rates in Percent									
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 1/	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90
GDP at Market Prices	8966	10152	11657	14331	19763	23141	27366	32230	41057	47725	3.7	13.2	14.8	22.9	37.9	17.1	18.3	17.8	27.4	16.2
Gross Domestic Expenditure	9477	10702	12448	15415	20628	24786	29138	35605	45641	53222	2.5	12.9	16.3	23.8	33.8	20.2	17.6	22.2	28.2	16.6
Consumption Expenditures	8291	9478	11054	13860	18009	21926	25637	30373	40791	47075	3.5	14.3	16.6	25.4	29.9	21.7	16.9	18.5	34.3	15.4
Private Sector	6877	7871	9184	11640	15206	18744	22153	26443	36141	41753	3.5	14.5	16.7	26.7	30.6	23.3	18.2	19.4	36.7	15.5
Public Sector	1415	1607	1869	2220	2803	3181	3484	3930	4649	5322	3.4	13.6	16.3	18.7	26.2	13.5	9.5	12.8	18.3	14.5
Gross Domestic Investment	1185	1224	1394	1554	2619	2861	3501	5232	4851	6147	-3.7	3.2	13.9	11.5	68.5	9.2	22.4	49.4	-7.3	26.7
Gross Fixed Capital Formation	1130	1180	1336	1723	2594	3158	3456	4293	4834	6387	-3.7	4.4	13.2	29.0	50.5	21.8	9.4	24.2	12.6	32.1
Private Sector	585	716	881	1251	2091	2481	2607	3169	3904	5138	8.5	22.3	23.0	42.0	67.2	18.6	5.1	21.6	23.2	31.6
Public Sector	545	464	455	473	502	677	848	1124	930	1249	-14.1	-14.8	-1.9	3.8	6.3	34.8	25.3	32.5	-17.3	34.3
Changes in Inventories	56	44	59	-169	26	-297	45	938	17	-240										
Net Exports	-510	-550	-791	-1084	-865	-1646	-1772	-3375	-4584	-5497										
Exports of Goods and Nonfactor Services	2042	2486	2536	3199	4875	4395	4327	4261	6528	7169	-11.5	21.7	2.0	26.2	52.4	-9.9	-1.5	-1.5	53.2	9.8
Imports of Goods and Nonfactor Services	2553	3036	3327	4283	5740	6040	6099	7636	11113	12665	-12.1	18.9	9.6	28.8	34.0	5.2	1.0	25.2	45.5	14.0
Net Factor Payments	-229	-370	-343	-354	-472	-525	-509	-788	-956	-1016	53.9	61.6	-7.3	3.2	33.4	11.1	-3.0	54.9	21.2	6.3
Gross National Product at Market Prices	8737	9782	11314	13977	19291	22616	26857	31442	40101	46709	2.8	12.0	15.7	23.5	38.0	17.2	18.8	17.1	27.5	16.5

	As percent of Total GDP										Contribution to Overall GDP Growth by Sector (in Percent)									
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Gross Domestic Expenditure	105.7	105.4	106.8	107.6	104.4	107.1	106.5	110.5	111.2	111.5	72.8	103.4	116.0	111.0	96.0	123.1	103.0	133.0	113.7	113.7
Consumption Expenditures	92.5	93.4	94.8	96.7	91.1	94.7	93.7	94.2	99.4	98.6	87.1	100.1	104.6	105.0	76.4	116.0	87.8	97.4	118.0	94.3
Private Sector	76.7	77.5	78.8	81.2	76.9	81.0	80.9	82.0	88.0	87.5	72.7	83.9	87.2	91.9	65.6	104.7	80.7	88.2	109.9	84.2
Public Sector	15.8	15.8	16.0	15.5	14.2	13.7	12.7	12.2	11.3	11.2	14.4	16.2	17.4	13.1	10.7	11.2	7.2	9.2	8.1	10.1
Gross Domestic Investment	13.2	12.1	12.0	10.8	13.3	12.4	12.8	16.2	11.8	12.9	-14.3	3.2	11.3	6.0	19.6	7.1	15.2	35.6	-4.3	19.4
Gross Fixed Capital Formation	12.6	11.6	11.5	12.0	13.1	13.6	12.6	13.3	11.8	13.4	-13.6	4.2	10.4	14.5	16.0	16.7	7.0	17.2	6.1	23.3
Private Sector	6.5	7.0	7.6	8.7	10.6	10.7	9.5	9.8	9.5	10.8	14.3	11.0	11.0	13.8	15.5	11.5	3.0	11.6	8.3	18.5
Public Sector	6.1	4.6	3.9	3.3	2.5	2.9	3.1	3.5	2.3	2.6	-27.9	-6.8	-0.6	0.6	0.5	5.2	4.1	5.7	-2.2	4.8
Changes in Inventories	0.6	0.4	0.5	-1.2	0.1	-1.3	0.2	2.9	0.0	-0.5	-0.8	-1.0	1.0	-8.5	3.6	-9.6	8.1	18.4	-10.4	-3.9
Net Exports	-5.7	-5.4	-6.8	-7.6	-4.4	-7.1	-6.5	-10.5	-11.2	-11.5	27.2	-3.4	-16.0	-11.0	4.0	-23.1	-3.0	-33.0	-13.7	-13.7
Exports of Goods and Nonfactor Services	22.8	24.5	21.8	22.3	24.7	19.0	15.8	13.2	15.9	15.0	-82.7	37.4	3.3	24.8	30.9	-14.2	-1.6	-1.4	25.7	9.6
Imports of Goods and Nonfactor Services	28.5	29.9	28.5	29.9	29.0	26.1	22.3	23.7	27.1	26.5	-109.9	40.8	19.3	35.8	26.8	8.9	1.4	31.6	39.4	23.3
Net Factor Payments	-2.6	-3.6	-2.9	-2.5	-2.4	-2.3	-1.9	-2.4	-2.3	-2.1										
Gross National Product at Market Prices	97.4	96.4	97.1	97.5	97.6	97.7	98.1	97.6	97.7	97.9										

Source: Central Reserve Bank of El Salvador.
1/. Estimated values.

Table A.3
El Salvador:
Urban Work Force
By Sex and Economic Sector
(Number of persons)

	Total		Male		Female	
	1989	1991	1989	1991	1989	1991
a. Total	739856	841574	437303	483204	302553	358370
Agriculture	80805	92461	67256	72068	13549	20393
Mining	77	863	77	863	0	0
Industry	164112	202216	92900	109674	71212	92542
Electricity, gas, water	5008	7094	4852	5846	156	1248
Construction	43899	45080	43070	42614	829	2466
Commerce	198392	229379	68147	82555	130245	146824
Transport. and Commun.	40877	47733	37921	44542	2956	3191
Financial Establish.	22472	25765	14681	15630	7791	10135
Services	184214	190983	108399	109412	75815	81571
b. Formal Sector	372949	432578	249717	282001	123232	150577
Agriculture	40715	58088	30341	40799	10374	17289
Mining	77	621	77	621	0	0
Industry	86189	101021	56009	64724	30180	36297
Electricity, gas, water	4757	7094	4683	5846	74	1248
Construction	22566	23852	21849	21653	717	2199
Commerce	43897	55525	25462	33311	18435	22214
Transport. and Commun.	16837	18754	14494	16514	2343	2240
Financial Establish.	20958	21948	13576	13495	7382	8453
Services	136953	145675	83226	85038	53727	60637
c. Informal Sector 1/	366907	408996	187586	201203	179321	207793
Agriculture	40090	34373	36915	31269	3175	3104
Mining	0	242	0	242	0	0
Industry	77923	101195	36891	44950	41032	56245
Electricity, gas, water	251	0	169	0	82	0
Construction	21333	21228	21221	20961	112	267
Commerce	154495	173854	42685	49244	111810	124610
Transport. and Commun.	24040	28979	23427	28028	613	951
Financial Establish.	1514	3817	1105	2135	409	1682
Services	47261	45308	25173	24374	22088	20934

Source: Household Survey, Ministry of Planning.
1/ Domestic Service is not included.

Table A.4.
El Salvador
Urban Labor Market Analysis
1989-1991 1/
(Numbers of Persons and Percentages)

	1989	1991	Average Annual Percent Change
Working Age Population (WAP) 2/	1,672,500	1,831,763	4.7
Economically Active Population (EAP)	862,120	962,801	5.7
Total Employment	790,121	890,330	6.2
Population Fully Employed	679,696	818,000	9.7
Visible Underemployment 3/	110,425	72,330	-19.1
Unemployment	71,999	72,471	0.3
Separated	49,366	50,136	0.8
New Entrants	22,633	22,335	-0.7
Economically Inactive Population (EIP)	810,380	868,962	3.6
Students	419,540	433,494	1.6
Homemakers	287,986	298,802	1.9
Retirees	16,971	19,918	8.3
Disabled	74,287	78,129	2.6
Others	11,596	38,619	82.5
	(percentage)		
Employment Rate	91.6	92.5	
Underemployment Rate 3/	12.8	7.5	
Full employment Rate	78.8	85.0	
Open Unemployment Rate	0.0	7.5	
Participation Rate (EAP/WAP)	51.5	52.6	

Source: Ministry of Planning, Household Surveys.

1/. Surveys conducted during October 1988 through February 1989 for the 1989 figures, and surveys conducted during October 1990 through February 1991 for the 1991 figures.
2./ Population aged 10 and above.
3./ Those working less than 35 hours per week and seeking full time employment.

Table A.5
El Salvador : Savings and Investment, 1988-1991
(millions of colones)

	1988	1989	1990	Prel. 1991
(Current Prices)				
Gross Domestic Investment	3500.8	5231.6	4850.7	6146.6
Gross Fixed Capital Formation	3455.7	4293.4	4833.5	6386.7
Private Sector	2607.3	3169.2	3903.5	5138.0
Public Sector	848.4	1124.2	930.0	1248.7
Changes in Inventories	45.1	938.2	17.2	-240.1
Gross National Savings	4514.7	8261.9	7611.9	8752.2
Private Sector	4430.5	8764.3	7742.1	9315.2
Public Sector	84.2	-502.4	-130.2	-563.0
Foreign Savings 1/	-1013.9	-3030.3	-2761.2	-2605.6
(As percent of GDP at current prices)				
Gross Domestic Investment	12.8	16.2	11.8	12.9
Gross Fixed Capital Formation	12.6	13.3	11.8	13.4
Private Sector	9.5	9.8	9.5	10.8
Public Sector	3.1	3.5	2.3	2.6
Changes in Inventories	0.2	2.9	0.0	-0.5
Gross National Savings	16.5	25.6	18.5	18.3
Private Sector	16.2	27.2	18.9	19.5
Public Sector	0.3	-1.6	-0.3	-1.2
Foreign Savings 1/	-3.7	-9.4	-6.7	-5.5
(Constant 1962 Prices)				
Gross Domestic Investment	436.6	587.4	389.8	434.6
Gross Fixed Capital Formation	430.2	469.2	388.0	457.5
Private Sector	305.1	318.5	293.8	343.7
Public Sector	125.1	150.7	94.2	113.8
Changes in Inventories	6.4	118.2	1.8	-22.9
Gross National Savings	563.1	927.7	611.7	618.8
Private Sector	552.6	984.1	622.2	658.6
Public Sector	10.5	-56.4	-10.5	-39.8
Foreign Savings 1/ 2/	-126.5	-340.3	-221.9	-184.2
(As percent of GDP in constant 1962 prices)				
Gross Domestic Investment	13.9	18.5	11.9	12.8
Gross Fixed Capital Formation	13.7	14.8	11.8	13.5
Private Sector	9.7	10.0	8.9	10.1
Public Sector	4.0	4.7	2.9	3.3
Changes in Inventories	0.2	3.7	0.1	-0.7
Gross National Savings	17.9	29.2	18.6	18.2
Private Sector	17.6	31.0	18.9	19.4
Public Sector	0.3	-1.8	-0.3	-1.2
Foreign Savings 1/ 2/	-4.0	-10.7	-6.8	-5.4

1/. Balance of Payments Current Account excluding official transfers.
2/. Foreign savings deflated by the gross domestic investment deflator.

Table B.1
El Salvador:
Consumer Price Index
By Major Category
1985-1991

	Weights	1985	1986	1987	1988	1989	1990	1991
				(December 1978=100)				
				I. Period Averages				
General	100.0	252.9	333.6	416.6	498.9	586.9	727.8	832.6
Foodstuffs	50.1	260.9	344.0	431.3	558.1	708.8	891.7	1050.9
Clothing	8.3	269.8	364.2	427.3	458.6	489.9	551.8	593.9
Housing	23.5	259.1	338.4	422.0	453.1	463.7	588.4	638.4
Miscellaneous	18.1	214.7	284.9	363.6	412.9	454.9	535.2	589.0
				II. End of Period				
General		286.7	373.7	447.0	528.5	652.6	778.8	855.0
Foodstuffs		294.2	383.2	469.5	613.2	813.0	965.4	1083.6
Clothing		302.9	410.6	445.0	470.9	517.3	571.1	600.0
Housing		296.2	373.5	448.3	450.2	479.9	615.2	650.9
Miscellaneous		246.3	323.4	383.7	422.1	494.4	569.2	603.4
				(Annual percentage changes)				
				I. Period Averages				
General		22.3	31.9	24.9	19.8	17.6	24.0	14.4
Foodstuffs		18.9	31.9	25.4	29.4	27.0	25.8	17.9
Clothing		24.4	35.0	17.3	7.3	6.8	12.6	7.6
Housing		32.6	30.6	24.7	7.4	2.3	26.9	8.5
Miscellaneous		18.4	32.7	27.6	13.6	10.2	17.7	10.1
				II. End of Period				
General		31.9	30.3	19.6	18.2	23.5	19.3	9.8
Foodstuffs		27.5	30.3	22.5	30.6	32.6	18.7	12.2
Clothing		31.9	35.6	8.4	5.8	9.9	10.4	5.1
Housing		46.1	26.1	20.0	0.4	6.6	28.2	5.8
Miscellaneous		26.8	31.3	18.6	10.0	17.1	15.1	6.0

Source: General Directorate of Statistics and Census.

Table B.2
El Salvador:
Consumer Price Index
Annual, Quarterly and Monthly Indices
1978-1991
(December 1978 = 100)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Annual	93.82	108.69	127.55	146.44	163.60	185.07	206.74	252.86	333.64	416.56	498.91	586.92	727.75	832.55
Quarter I	87.54	103.34	117.84	139.93	155.29	174.98	200.57	227.00	300.45	387.07	462.71	541.42	684.32	799.01
Quarter I	91.53	106.45	126.16	145.24	161.89	179.62	205.30	243.69	323.21	413.40	496.56	566.63	726.33	823.20
Quarter I	97.00	110.47	131.52	149.14	166.17	189.90	207.75	260.64	344.95	424.36	513.08	603.76	736.35	853.99
Quarter I	99.20	114.49	134.66	151.43	171.05	195.79	213.31	280.12	365.93	441.40	523.29	635.88	764.00	854.01
January	87.71	101.54	115.26	138.13	153.57	173.71	199.29	221.55	291.78	381.55	454.37	531.74	668.16	793.48
February	87.50	103.45	117.05	140.30	154.53	174.41	199.74	226.56	301.66	384.18	460.59	542.07	682.82	796.14
March	87.42	105.04	121.22	141.36	157.76	176.83	202.68	232.88	307.92	395.49	473.18	550.45	701.97	807.41
April	89.51	105.65	123.93	143.69	159.86	176.89	204.79	237.98	315.86	408.68	486.45	553.10	717.45	811.57
May	91.48	106.70	126.52	144.96	161.72	179.23	205.39	242.54	322.74	413.02	496.15	561.50	723.21	825.61
June	93.61	107.01	128.02	147.07	164.09	182.73	205.73	250.55	331.04	418.50	507.08	585.30	738.34	832.42
July	96.46	108.21	130.95	148.28	164.64	185.70	206.71	256.01	335.35	421.77	523.95	595.80	741.85	852.41
August	96.42	109.49	131.16	149.13	164.99	190.34	207.72	259.76	346.34	423.28	506.08	605.21	730.27	853.89
September	98.11	113.72	132.45	150.01	168.88	193.66	208.83	266.15	353.17	428.03	509.20	610.26	736.92	855.66
October	98.63	114.01	133.60	150.90	169.76	194.20	209.11	272.84	359.38	435.37	519.77	623.75	748.96	856.03
November	98.96	114.62	134.23	151.38	170.95	195.30	213.53	280.85	364.68	441.87	521.56	631.35	764.28	850.99
December	100.00	114.84	136.15	152.01	172.44	197.87	217.30	286.68	373.74	446.96	528.53	652.55	778.76	855.01

Source: General Directorate of Statistics and Census.

1/ Annual and quarterly figures are period averages.

Table B.3
El Salvador:
Consumer Price Index
Annual, Quarterly and Monthly Rates of Change
1979-1991

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
a. Annual Percentage Change-- Period Average 1/													
Annual	15.9	17.3	14.8	11.7	13.1	11.7	22.3	31.9	24.9	19.8	17.6	24.0	14.4
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Quarter I	18.0	14.0	18.7	11.0	12.7	14.6	13.2	32.4	28.8	19.5	17.0	26.4	16.8
Quarter II	16.3	18.5	15.1	11.5	10.9	14.3	18.7	32.6	27.9	20.1	14.1	28.2	13.3
Quarter III	13.9	19.1	13.4	11.4	14.3	9.4	25.5	32.3	23.0	20.9	17.7	22.0	16.0
Quarter IV	15.4	17.6	12.5	13.0	14.5	9.0	31.3	30.6	20.6	18.6	21.5	20.1	11.8
b. 12-Month End-of-Period Percentage Change 2/													
January	15.8	13.5	19.8	11.2	13.1	14.7	11.2	31.7	30.8	19.1	17.0	25.7	18.8
February	18.2	13.1	19.9	10.1	12.9	14.5	13.4	33.1	27.4	19.9	17.7	26.0	16.6
March	20.2	15.4	16.6	11.6	12.1	14.6	14.9	32.2	28.4	19.6	16.3	27.5	15.0
April	18.0	17.3	15.9	11.3	10.7	15.8	16.2	32.7	29.4	19.0	13.7	29.7	13.1
May	16.6	18.6	14.6	11.6	10.8	14.6	18.1	33.1	28.0	20.1	13.2	28.8	14.2
June	14.3	19.6	14.9	11.6	11.4	12.6	21.8	32.1	26.4	21.2	15.4	26.1	12.7
July	12.2	21.0	13.2	11.0	12.8	11.3	23.8	31.0	25.8	24.2	13.7	24.5	14.9
August	13.6	19.8	13.7	10.6	15.4	9.1	25.1	33.3	22.2	19.6	19.6	20.7	16.9
September	15.9	16.5	13.3	12.6	14.7	7.8	27.4	32.7	21.2	19.0	19.8	20.8	16.1
October	15.6	17.2	12.9	12.5	14.4	7.7	30.5	31.7	21.1	19.4	20.0	20.1	14.3
November	15.8	17.1	12.8	12.9	14.2	9.3	31.5	29.8	21.2	18.0	21.1	21.1	11.3
December	14.8	18.6	11.6	13.4	14.7	9.8	31.9	30.4	19.6	18.2	23.5	19.3	9.8
c. Moving 12-Month Period Average Percentage Change 3/													
January		15.7	17.9	14.1	11.9	13.3	11.4	24.0	31.9	23.9	19.6	18.4	23.4
February		15.2	18.4	13.3	12.1	13.4	11.4	25.7	31.3	23.3	19.4	19.1	22.6
March		14.9	18.5	12.9	12.1	13.6	11.4	27.1	31.0	22.6	19.1	20.1	21.5
April		14.9	18.3	12.6	12.1	14.0	11.5	28.5	30.7	21.7	18.6	21.4	20.1
May		15.1	18.0	12.3	12.0	14.3	11.9	29.7	30.3	21.1	18.0	22.7	18.9
June		15.5	17.6	12.0	12.0	14.4	12.7	30.6	29.8	20.8	17.5	23.6	17.8
July		16.3	16.9	11.9	12.1	14.3	13.7	31.1	29.3	20.7	16.6	24.5	17.1
August		16.8	16.4	11.6	12.5	13.7	15.1	31.8	28.4	20.5	16.7	24.5	16.8
September		16.8	16.1	11.6	12.7	13.1	16.7	32.2	27.4	20.3	16.8	24.5	16.4
October		16.9	15.7	11.5	12.9	12.5	18.6	32.3	26.5	20.2	16.9	24.4	16.0
November		17.0	15.4	11.6	13.0	12.1	20.5	32.1	25.8	19.9	17.2	24.4	15.2
December		17.3	14.8	11.7	13.1	11.7	22.3	31.9	24.9	19.8	17.6	24.0	14.4
d. Monthly Percentage Change													
January	1.5	0.4	1.5	1.0	0.7	0.7	2.0	1.8	2.1	1.7	0.6	2.4	1.9
February	1.9	1.6	1.6	0.6	0.4	0.2	2.3	3.4	0.7	1.4	1.9	2.2	0.3
March	1.5	3.6	0.8	2.1	1.4	1.5	2.8	2.1	2.9	2.7	1.5	2.8	1.4
April	0.6	2.2	1.6	1.3	0.0	1.0	2.2	2.6	3.3	2.8	0.5	2.2	0.5
May	1.0	2.1	0.9	1.2	1.3	0.3	1.9	2.2	1.1	2.0	1.5	0.8	1.7
June	0.3	1.2	1.5	1.5	2.0	0.2	3.3	2.6	1.3	2.2	4.2	2.1	0.8
July	1.1	2.3	0.8	0.3	1.6	0.5	2.2	1.3	0.8	3.3	1.8	0.5	2.4
August	1.2	0.2	0.6	0.2	2.5	0.5	1.5	3.3	0.4	-3.4	1.6	-1.6	0.2
September	3.9	1.0	0.6	2.4	1.7	0.5	2.5	2.0	1.1	0.6	0.8	0.9	0.2
October	0.3	0.9	0.6	0.5	0.3	0.1	2.5	1.8	1.7	2.1	2.2	1.6	0.0
November	0.5	0.5	0.3	0.7	0.6	2.1	2.9	1.5	1.5	0.3	1.2	2.0	-0.6
December	0.2	1.4	0.4	0.9	1.3	1.8	2.1	2.5	1.2	1.3	3.4	1.9	0.5

Source: General Directorate of Statistics and Census.
1/ Quarterly figues represent change from same quarter of previous year.
2/ Change in index of indicated month compared to same month of previous year.
3/ Change in average of index for twelve-month period ending with indicated month compared to preceeding twelve-month period.

Table B.4.a.
El Salvador: Gross Domestic Product Deflators -- by Sector of Origin 1982 - 1991.

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 1/
a. Deflators 1962 = 100										
GDP at Market Prices	314.9	353.7	397.1	478.7	656.0	748.0	870.5	1014.5	1249.8	1404.1
Primary Production	276.9	297.8	309.8	352.4	552.2	437.9	525.4	519.7	590.4	625.5
Agriculture and Related Sectors	276.5	297.3	308.9	351.5	551.5	435.3	522.3	515.3	585.5	619.1
Mining	357.9	410.8	478.9	544.7	684.6	865.9	1000.0	1187.8	1453.3	1638.0
Secondary Production	280.5	314.1	357.8	433.5	549.3	685.5	776.7	914.8	1158.7	1300.9
Manufacturing	287.4	320.5	369.7	455.1	584.1	743.4	857.9	1016.1	1292.6	1443.7
Construction	332.5	372.5	408.9	480.7	586.4	683.1	725.9	847.1	1058.0	1174.4
Utilities	200.1	232.7	261.3	296.7	361.1	421.0	445.3	499.6	619.3	738.6
Services	351.2	400.5	459.6	561.7	755.2	922.5	1072.6	1287.7	1605.7	1806.4
Transportion and Communications	214.9	240.8	273.7	343.0	454.0	579.7	645.7	749.1	943.9	1057.1
Commercial Services	446.0	524.9	614.8	796.3	1145.9	1461.2	1743.9	2095.5	2661.7	3011.3
Financial Services	335.8	362.5	393.3	430.4	541.3	599.8	716.2	807.1	919.0	1113.6
Housing	343.0	383.9	442.4	517.6	648.7	796.0	995.6	1210.0	1476.2	1651.9
Public Administration	294.6	321.3	355.3	389.4	459.5	493.3	515.5	592.9	695.3	756.2
Other Services	353.1	415.1	490.5	636.9	889.6	1117.0	1324.0	1580.6	1993.1	2239.0
b. Annual Growth Rates										
GDP at Market Prices	9.9%	12.3%	12.3%	20.6%	37.0%	14.0%	16.4%	16.5%	23.2%	12.3%
Primary Production	3.4%	7.6%	4.0%	13.8%	56.7%	-20.7%	20.0%	-1.1%	13.6%	5.9%
Agriculture and Related Sectors	3.4%	7.5%	3.9%	13.8%	56.9%	-21.1%	20.0%	-1.4%	13.6%	5.7%
Mining	8.8%	14.8%	16.6%	13.7%	25.7%	26.5%	15.5%	18.8%	22.4%	12.7%
Secondary Production	10.3%	12.0%	13.9%	21.2%	26.7%	24.8%	13.3%	17.8%	26.7%	12.3%
Manufacturing	11.0%	11.5%	15.4%	23.1%	28.3%	27.3%	15.4%	18.4%	27.2%	11.7%
Construction	10.3%	12.0%	9.8%	17.6%	22.0%	16.5%	6.3%	16.7%	24.9%	11.0%
Utilities	6.9%	16.3%	12.3%	13.5%	21.7%	16.6%	5.8%	12.2%	24.0%	19.3%
Services	12.5%	14.0%	14.8%	22.2%	34.4%	22.2%	16.3%	20.1%	24.7%	12.5%
Transportion and Communications	13.0%	12.0%	13.7%	25.3%	32.4%	27.7%	11.4%	16.0%	26.0%	12.0%
Commercial Services	17.0%	17.7%	17.1%	29.5%	43.9%	27.5%	19.3%	20.2%	27.0%	13.1%
Financial Services	5.9%	7.9%	8.5%	9.4%	25.8%	10.8%	19.4%	12.7%	13.9%	21.2%
Housing	11.5%	11.9%	15.2%	17.0%	25.3%	22.7%	25.1%	21.5%	22.0%	11.9%
Public Administration	8.0%	9.1%	10.6%	9.6%	18.0%	7.3%	4.5%	15.0%	17.3%	8.7%
Other Services	16.5%	17.5%	18.2%	29.9%	39.7%	25.6%	18.5%	19.4%	26.1%	12.3%

Source: Central Reserve Bank of El Salvador.
1/ Estimated values.

Table B.4.b.
El Salvador: Gross Domestic Product Deflators -- by Sector of Final Demand, 1982 - 1991.

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 1/
(1) Deflators (1962 = 100)										
GDP at Market Prices	314.9	353.7	397.1	478.7	656.0	748.0	870.5	1014.5	1249.8	1404.1
Gross Domestic Expenditure	329.5	373.1	418.9	503.8	656.9	786.0	893.8	1036.2	1381.4	1557.4
Consumption Expenditures	329.0	372.8	419.3	505.3	653.6	787.2	908.0	1066.2	1399.7	1578.2
Private Sector	329.9	372.4	422.2	517.2	677.4	829.7	969.8	1141.7	1520.7	1722.8
Public Sector	324.8	374.8	405.5	451.0	548.9	604.9	646.4	737.8	864.8	951.8
Gross Domestic Investment	333.1	375.8	415.9	491.0	681.0	776.5	801.8	890.6	1244.4	1414.3
Gross Fixed Capital Formation	333.5	376.3	416.4	487.4	682.3	761.5	803.3	915.0	1245.7	1396.0
Private Sector	357.4	402.1	441.6	517.0	731.7	808.6	854.6	995.0	1328.6	1494.9
Public Sector	311.2	342.5	375.0	423.1	532.8	627.5	678.2	746.0	987.3	1097.3
Changes in Inventories	325.7	362.8	403.4	456.5	571.1	642.3	704.7	793.7	955.6	1048.5
Net Exports	---	---	---	---	---	---	---	---	---	---
Exports of Goods and Nonfactor Services	347.1	356.1	376.0	493.6	860.7	690.3	750.1	895.0	908.1	979.6
Imports of Goods and Nonfactor Services	414.0	436.4	468.3	599.9	827.1	867.1	880.1	1038.6	1506.0	1688.3
Net Factor Payments	314.9	353.7	397.1	478.7	656.0	748.0	870.5	1014.5	1249.8	1404.1
Gross National Product at Market Prices	314.9	353.7	397.1	478.7	656.0	748.0	870.5	1014.5	1249.8	1404.1
(2) Annual Growth Rates										
GDP at Market Prices	9.9%	12.3%	12.3%	20.6%	37.0%	14.0%	16.4%	16.5%	23.2%	12.3%
Gross Domestic Expenditure	10.9%	13.2%	12.3%	20.3%	30.4%	19.6%	13.7%	15.9%	33.3%	12.7%
Consumption Expenditures	11.5%	13.3%	12.5%	20.5%	29.3%	20.5%	15.3%	17.4%	31.3%	12.8%
Private Sector	13.1%	12.9%	13.4%	22.5%	31.0%	22.5%	16.9%	17.7%	33.2%	13.3%
Public Sector	3.8%	15.4%	8.2%	11.2%	21.7%	10.2%	6.9%	14.1%	17.2%	10.1%
Gross Domestic Investment	7.2%	12.8%	10.7%	18.1%	38.7%	14.0%	3.3%	11.1%	39.7%	13.7%
Gross Fixed Capital Formation	7.1%	12.8%	10.7%	17.0%	40.0%	11.6%	5.5%	13.9%	36.1%	12.1%
Private Sector	6.9%	12.5%	9.8%	17.1%	41.5%	10.5%	5.7%	16.4%	33.5%	12.5%
Public Sector	5.8%	10.1%	9.5%	12.8%	25.9%	17.8%	8.1%	10.0%	32.3%	11.1%
Changes in Inventories	9.3%	11.4%	11.2%	13.1%	25.1%	12.5%	9.7%	12.6%	20.4%	9.7%
Net Exports	---	---	---	---	---	---	---	---	---	---
Exports of Goods and Nonfactor Services	3.9%	2.6%	5.6%	31.3%	74.4%	-19.8%	8.7%	19.3%	1.5%	7.9%
Imports of Goods and Nonfactor Services	12.0%	5.4%	7.3%	28.1%	37.9%	4.8%	1.5%	18.0%	45.0%	12.1%
Net Factor Payments	9.9%	12.3%	12.3%	20.5%	37.0%	14.0%	16.4%	16.5%	23.2%	12.3%
Gross National Product at Market Prices	9.9%	12.3%	12.3%	20.5%	37.0%	14.0%	16.4%	16.5%	23.2%	12.3%

Source: Central Reserve Bank of El Salvador.
1/. Estimated values.

Table B.5
El Salvador : Exchange Rates Trends
Monthly Average Rates, 1990-1991
(colones per dollar)

1990 1/	OFFICIAL RATE		INTER-BANK RATE		EXCHANGE HOUSE RATE 2/		BLACK MARKET RATE	
	BUY	SELL	BUY	SELL	BUY	SELL	BUY	SELL
January	5.00	5.00	6.62	6.63			7.09	7.19
February	5.00	5.00	6.90	6.92			7.52	7.59
March	6.90	6.92	7.76	7.79			8.14	8.26
April	6.90	6.92	7.77	7.80			8.01	8.13
May 2/	6.90	6.92	7.69	7.73	7.84	7.90	7.83	7.93
June	7.62	7.66	7.62	7.65	7.80	7.85	7.77	7.85
July	7.72	7.75	7.69	7.73	7.84	7.89		
August	7.82	7.85	7.79	7.83	7.86	7.90		
September	7.88	7.92	7.88	7.92	7.98	8.05		
October	8.02	8.07	7.99	8.02	8.09	8.15		
November	8.07	8.12	8.06	8.11	8.11	8.15		
December	8.09	8.14	8.07	8.13	8.09	8.14		

1991	OFFICIAL RATE		INTER-BANK RATE		EXCHANGE HOUSE RATE 1/		BLACK MARKET RATE	
	BUY	SELL	BUY	SELL	BUY	SELL	BUY	SELL
January	8.02	8.09	8.02	8.09	8.05	8.11		
February	8.04	8.09	8.02	8.08	8.04	8.09		
March	7.99	8.03	7.97	8.03	7.99	8.04		
April	7.97	8.03	7.96	8.03	7.98	8.02		
May	7.97	8.02	7.96	8.03	7.97	8.01		
June	7.98	8.03	7.97	8.04	7.99	8.03		
July	7.98	8.03	7.97	8.04	7.99	8.03		
August	7.98	8.03	7.97	8.04	7.98	8.02		
September	7.99	8.04	8.00	8.06	8.01	8.05		
October	8.07	8.13	8.08	8.15	8.09	8.15		
November	8.11	8.17	8.10	8.17	8.12	8.16		
December	8.10	8.16	8.09	8.16	8.10	8.15		

Source: CENTRAL RESERVE BANK OF EL SALVADOR

1/. From January 1, 1990 to March 5, 1990 all official transactions had been transferred to the inter-bank market. On March 16, 1990, the official market was reestablished at 6.9 colones per U.S. dollar. In April 1990, foreign exchange trading houses were legalized. In May 1990, the official rate was set as the arithmetic mean of the inter-bank and the exchange house rate, both freely floating rates.
2/. Since May, 1990 exchange houses are estimated to handle almost all transactions previously registered through the black market.

Table B.6
El Salvador: Real Effective Exchange Rate Trends, 1986-1991
(1980 = 100)

	Real Effective Exchange Rate 1/ 2/	Nominal Effective Exchange Rate	Relative Consumer Prices (Local Currencies)	Exchange Rate terms of U.S. Dollars	Consumer Price (Seasonally Adjusted)	Consumer Price Index
1986						
I	123.3	117.8	104.8	54.3	236.4	235.6
II	119.8	110.4	108.6	50.0	251.8	253.4
III	126.5	111.1	113.9	50.0	270.1	270.4
IV	132.8	111.5	119.0	50.0	288.2	286.9
1987						
I	135.1	111.3	121.4	50.0	304.5	303.5
II	139.8	114.3	122.3	50.0	321.7	324.2
III	144.3	118.7	121.6	50.0	332.4	332.7
IV	145.2	118.3	122.7	50.0	348.0	346.1
1988						
I	148.4	121.6	122.0	50.0	363.8	362.8
II	157.5	127.4	123.6	50.0	386.1	389.3
III	169.5	139.0	122.0	50.0	402.0	402.2
IV	168.9	142.3	118.7	50.0	413.1	410.2
1989						
I	155.0	133.4	116.2	44.7	425.3	424.4
II	155.9	133.9	116.4	43.5	440.2	444.2
III	158.7	134.8	117.7	41.7	473.3	473.3
IV	165.7	143.7	115.3	41.5	501.9	498.5
1990						
I	150.0	135.6	110.6	35.9	537.4	536.5
II	143.3	132.9	107.8	32.8	564.5	569.4
III	137.8	132.1	104.4	31.8	577.2	577.3
IV	134.7	131.8	102.3	30.9	603.3	599.0
1991						
I	139.3	138.7	100.5	31.1	627.2	626.4
II	146.0	147.3	99.3	31.2	640.0	645.4
III	151.3	151.2	100.1	31.2	669.6	669.5
IV	147.0	152.4	96.5	30.8	674.7	669.5
	Year End Percent Change					
1989	-1.9					
1990	-18.7					
1991	9.1					

Source: International Monetary Fund
1/. Increases in the real effective exchange rate denotes local currency appreciation.
2/. Using seasonally adjusted price indices.

Table B.7
El Salvador:
Minimum Wages (Nominal)
According to Type of Economic Activity
1984-1991
(End-of-period--in colones per 8 hour day)

Economic Activity and Area	1984	1985	1986	1987	1988	1989	1990	1991
Agricultural Workers								
Men 16 years and older	5.2	5.2	8.0	8.0	10.0	10.0	11.5	13.0
Women 16 years old and older	4.6	4.6	8.0	8.0	10.0	10.0	11.5	13.0
Under 16 years of age	4.6	4.6	7.0	7.0	9.0	9.0	10.5	12.0
Disabled	n/a	n/a	7.0	7.0	9.0	9.0	10.5	12.0
Harvesting Workers								
Coffee	14.3	14.3	14.3	14.3	16.3	16.3	19.5	19.5
Sugar	11.5	11.5	11.5	11.5	13.5	13.5	16.2	16.2
Cotton	10.5	10.5	10.5	10.5	12.0	12.0	14.4	14.4
Agricultural Industries								
Coffee processing plant	14.0	14.0	14.0	14.0	17.0	17.0	17.0	17.0
Sugar mills	8.0	8.0	8.0	8.0	11.0	11.0	11.0	11.0
Gining mill	8.0	8.0	8.0	8.0	11.0	11.0	11.0	11.0
Industry and Services								
San Salvador	13.0	13.0	15.0	15.0	18.0	18.0	21.0	23.5
Rest of the Country	11.9	11.9	14.0	14.0	17.0	17.0	20.0	22.5
Commerce								
San Salvador	13.0	13.0	15.0	15.0	18.0	18.0	21.0	23.5
Rest of the Country	11.9	11.9	14.0	14.0	17.0	17.0	20.0	22.5

(Rate of Increase)

Economic Activity and Area	1985	1986	1987	1988	1989	1990	1991
Agricultural Workers							
Men 16 years and older	0.0%	53.8%	0.0%	25.0%	0.0%	15.0%	13.0%
Women 16 years old and older	0.0%	73.9%	0.0%	25.0%	0.0%	15.0%	13.0%
Under 16 years of age	0.0%	52.2%	0.0%	28.6%	0.0%	16.7%	14.3%
Disabled	n/a	n/a	0.0%	28.6%	0.0%	16.7%	14.3%
Harvesting Workers							
Coffee	0.0%	0.0%	0.0%	14.0%	0.0%	20.0%	0.0%
Sugar	0.0%	0.0%	0.0%	17.4%	0.0%	20.0%	0.0%
Cotton	0.0%	0.0%	0.0%	14.3%	0.0%	20.0%	0.0%
Agricultural Industries							
Coffee processing plant	0.0%	0.0%	0.0%	21.4%	0.0%	0.0%	0.0%
Sugar mills	0.0%	0.0%	0.0%	37.5%	0.0%	0.0%	0.0%
Gining mill	0.0%	0.0%	0.0%	37.5%	0.0%	0.0%	0.0%
Industry and Services							
San Salvador	0.0%	15.4%	0.0%	20.0%	0.0%	16.7%	11.9%
Rest of the Country	0.0%	17.6%	0.0%	21.4%	0.0%	17.6%	12.5%
Commerce							
San Salvador	0.0%	15.4%	0.0%	20.0%	0.0%	16.7%	11.9%
Rest of the Country	0.0%	17.6%	0.0%	21.4%	0.0%	17.6%	12.5%

Source: Ministry of Labor.

Table C.1. El Salvador: Consolidated Operations of the Nonfinancial Public Sector, 1986 - 1991

a. In Millions of Current Colones	1986	1987	1988	1989	1990	(Prel) 1991
Revenue and grants	3628.9	4021.5	4057.2	3852.2	5440.1	6310.0
Current revenue	3314.4	3414.1	3514.7	3307.4	4538.9	5494.0
Tax revenue	2746.6	2816.9	2839.3	2457.0	3330.1	4106.0
Nontax revenue	362.4	325.7	399.0	688.3	916.5	1066.0
Operating surplus of public enterprises	205.4	271.5	276.4	162.1	292.3	322.0
Capital revenue	2.7	19.8	0.5	12.2	16.9	19.0
Foreign grants	311.8	587.6	542.0	532.6	884.3	797.0
Expenditure and net lending	3728.8	4089.4	4436.9	5196.3	5586.8	7602.0
Current expenditure	2795.0	3149.8	3430.5	3809.8	4669.1	6057.0
Consumption and interest	2654.7	2960.3	3186.7	3465.1	4171.5	5481.0
Current transfers	140.3	189.5	243.8	344.7	497.6	576.0
Capital expenditure	855.1	920.4	946.1	1297.2	971.5	1489.0
Fixed capital formation	752.1	849.9	946.1	1254.9	880.8	1442.0
Capital transfers	103.0	70.5	0.0	42.3	90.7	47.0
Net lending	78.7	19.2	60.3	89.3	-53.8	56.0
Current account deficit (-)	519.4	264.3	84.2	-502.4	-130.2	-563.0
Overall deficit (-) before grants	-411.7	-655.5	-921.7	-1876.7	-1031.0	-2089.0
Overall deficit (-)	-99.9	-67.9	-379.7	-1344.1	-146.7	-1292.0
External financing (net)	260.7	206.2	318.3	509.6	541.5	1196.0
Disbursements	526.5	437.9	565.6	715.0	589.8	1477.0
Amortization	-265.8	-231.7	-247.3	-205.4	-452.1	-942.0
Other	0.0	0.0	0.0	0.0	403.8	661.0
Internal financing (net)	-160.8	-138.3	61.4	834.5	-394.9	218.0
Banking System	-297.7	0.6	-156.1	838.9	19.2	644.0
Central Reserve Bank	-285.5	138.7	-27.4	913.3	61.0	756.0
Banks	-12.2	-138.1	-128.7	-74.4	-41.8	-112.0
Bonds outside banking system	55.0	16.9	-33.2	-1.8	4.9	37.0
Other 1/	81.9	-155.8	250.7	-2.6	-419.0	-463.0
Undetermined						-120.0

Source : Central Reserve Bank.

1/ Includes payment arrears and other adjustments to cash basis.

Table C.1. El Salvador: Consolidated Operations of the Nonfinancial Public Sector, 1986 - 1991 (Completed)

b. Annual Growth Rates	1986	1987	1988	1989	1990	(Prel) 1991
Revenue and grants		10.8%	0.9%	-5.1%	41.2%	16.0%
Current revenue		3.0%	2.9%	-5.9%	37.2%	21.0%
Tax revenue		2.6%	0.8%	-13.5%	35.5%	23.3%
Foreign grants		88.5%	-7.8%	-1.7%	66.0%	-9.9%
Expenditure and net lending		9.7%	8.5%	17.1%	7.5%	36.1%
Current expenditure		12.7%	8.9%	11.1%	22.6%	29.7%
Capital expenditure		7.6%	2.8%	37.1%	-25.1%	53.3%
Fixed capital formation		13.0%	11.3%	32.6%	-29.8%	63.7%
c. As percent of GDP						
Revenue and grants	18.4%	17.4%	14.8%	12.0%	13.3%	13.2%
Current revenue	16.8%	14.8%	12.8%	10.3%	11.1%	11.5%
Tax revenue	13.9%	12.2%	10.4%	7.6%	8.1%	8.6%
Foreign grants	1.6%	2.5%	2.0%	1.7%	2.2%	1.7%
Expenditure and net lending	18.9%	17.7%	16.2%	16.1%	13.6%	15.9%
Current expenditure	14.1%	13.6%	12.5%	11.8%	11.4%	12.7%
Consumption and interest	13.4%	12.8%	11.6%	10.8%	10.2%	11.5%
Capital expenditure	4.3%	4.0%	3.5%	4.0%	2.4%	3.1%
Fixed capital formation	3.8%	3.7%	3.5%	3.9%	2.1%	3.0%
Current Account Deficit (-)	2.6%	1.1%	0.3%	-1.6%	-0.3%	-1.2%
Current Account Deficit (-) Excluding Interest	4.9%	2.9%	1.8%	-0.5%	0.9%	1.1%
Overall deficit (-)						
Including Grants	-0.5%	-0.3%	-1.4%	-4.2%	-0.4%	-2.7%
Excluding Grants	-2.1%	-2.8%	-3.4%	-5.8%	-2.5%	-4.4%
External financing (net)	1.3%	0.9%	1.2%	1.6%	1.3%	2.5%
Internal financing (net)	-0.8%	-0.6%	0.2%	2.6%	-1.0%	0.5%
Banking System	-1.5%	0.0%	-0.6%	2.6%	0.0%	1.3%

Source : Central Reserve Bank.

Table C.2. El Salvador: Consolidated Central Government Operations, 1986 - 1991

a. In Millions of Current Colones	1986	1987	1988	1989	1990	(Prel) 1991
Revenue and grants	3159.2	3306.2	3385.8	3182.6	4436.7	5125.0
Current revenue	2711.7	2731.2	2728.9	2617.4	3535.4	4307.0
Tax revenue	2537.5	2613.3	2562.5	2457.0	3330.1	4106.0
Nontax revenue	174.2	117.9	166.4	160.4	205.3	201.0
Current transfers from public enterprises	133.3	29.3	114.9	42.5	30.5	48.0
Capital revenue	2.4	0.0	0.0	0.1	1.5	3.0
Foreign grants	311.8	545.7	542.0	522.6	869.3	767.0
Expenditure and net lending	3438.2	3592.8	3690.2	4232.6	4881.8	6776.0
Current expenditure	2567.2	2761.8	3042.2	3398.4	4147.5	5412.0
Wages and salaries	1456.9	1708.7	1821.0	2059.0	2404.9	2646.0
Goods and services	384.8	449.8	511.3	500.3	578.6	769.0
Interest	260.0	241.2	243.8	287.6	442.7	1062.0
Transfers	465.5	362.1	466.1	551.5	721.3	935.0
Rest of general government	216.2	232.8	238.5	309.8	357.4	532.0
Public enterprises	176.0	42.4	113.2	50.5	52.3	47.0
Public financial intermediaries	0.0	0.0	0.0	25.0	0.0	7.0
Private sector	67.7	78.6	105.0	157.3	300.1	344.0
Abroad	5.6	8.3	9.4	8.9	11.5	5.0
Capital expenditure	601.8	703.4	588.0	745.9	752.9	887.0
Fixed capital formation	484.6	532.4	468.2	642.6	409.4	645.0
Transfers	117.2	171.0	119.8	103.3	343.5	242.0
Rest of general government	14.3	56.5	119.8	61.0	114.7	148.0
Public enterprises	0.0	44.0	0.0	0.0	138.1	47.0
Public financial intermediaries	101.7	65.1	0.0	9.9	76.6	12.0
Private sector	1.2	5.4	0.0	32.4	14.1	35.0
Net lending to	269.2	127.6	60.0	88.3	-18.6	477.0
Rest of general government	169.0	107.4	0.0	-2.0	1.3	23.0
Public enterprises	-2.0	1.3	0.0	1.0	33.9	398.0
Public financial intermediaries	35.0	0.0	0.0	50.7	-56.7	42.0
Other	67.2	18.9	60.0	38.6	2.9	14.0
Current account deficit (-)	277.8	-1.3	-198.4	-738.5	-581.6	-1057.0
Overall deficit before grants	-590.8	-832.3	-846.4	-1572.6	-1314.4	-2418.0
Overall deficit (-)	-279.0	-286.6	-304.4	-1050.0	-445.1	-1651.0
External financing (net)	321.1	279.5	278.0	199.9	483.7	998.0
Disbursements	492.6	416.4	453.8	354.0	415.5	1097.0
Amortization 1/	-171.5	-136.9	-175.8	-154.1	-335.6	-760.0
Other	0.0	0.0	0.0	0.0	403.8	661.0
Internal financing (net)	-42.0	7.1	26.4	850.1	-38.6	653.0
Banking System	-186.9	142.7	-162.4	985.4	222.0	916.0
Central Reserve Bank	-301.5	84.4	-69.6	888.2	279.9	951.0
Banks	114.6	58.3	-92.8	97.2	-57.9	-35.0
Bonds outside banking system	-51.8	4.2	-39.0	1.3	0.0	37.0
Other 2/	196.7	-139.8	227.8	-136.6	-260.6	-300.0
Undetermined						

Source: Central Reserve Bank.
1/. Includes amortization of loans which were on lent or passed on to the rest of the public sector.
2/. Includes payment arrears and other adjustments to cash basis.

Table C.2. El Salvador: Consolidated Central Government Operations, 1986 - 1991 (Completed)

b. Annual Growth Rates	1986	1987	1988	1989	1990	1991
Revenue and grants	39.0%	4.7%	2.4%	-6.0%	39.4%	15.5%
Current revenue	42.7%	0.7%	-0.1%	-4.1%	35.1%	21.8%
Tax revenue	41.4%	3.0%	-1.9%	-4.1%	35.5%	23.3%
Nontax revenue	64.8%	-32.3%	41.1%	-3.6%	28.0%	-2.1%
Foreign grants	109.1%	75.0%	-0.7%	-3.6%	66.3%	-11.8%
Expenditure and net lending	34.5%	4.5%	2.7%	14.7%	15.3%	38.8%
Current expenditure	31.1%	7.6%	10.2%	11.7%	22.0%	30.5%
Wages and salaries	16.5%	17.3%	6.6%	13.1%	16.8%	10.0%
Goods and services	56.0%	16.9%	13.7%	-2.2%	15.7%	32.9%
Interest	47.1%	-7.2%	1.1%	18.0%	53.9%	139.9%
Transfers	63.9%	-22.2%	28.7%	18.3%	30.8%	29.6%
Capital expenditure	7.7%	16.9%	-16.4%	26.9%	0.9%	17.8%
Fixed capital formation	15.9%	9.9%	-12.1%	37.2%	-36.3%	57.5%
Transfers	-16.6%	45.9%	-29.9%	-13.8%	232.5%	-29.5%

c. As Percent of GDP	1986	1987	1988	1989	1990	1991
Revenue and grants	16.0%	14.3%	12.4%	9.9%	10.8%	10.7%
Current revenue	13.7%	11.8%	10.0%	8.1%	8.6%	9.0%
Tax revenue	12.6%	11.3%	9.4%	7.6%	8.1%	8.6%
Foreign grants	1.6%	2.4%	2.0%	1.6%	2.1%	1.6%
Expenditure and net lending	17.4%	15.5%	13.5%	13.1%	11.9%	14.2%
Current expenditure	13.0%	11.9%	11.1%	10.5%	10.1%	11.3%
Wages and salaries	7.4%	7.4%	6.7%	6.4%	5.9%	5.5%
Goods and services	1.9%	1.9%	1.9%	1.6%	1.4%	1.6%
Interest	1.3%	1.0%	0.9%	0.9%	1.1%	2.2%
Transfers	2.4%	1.6%	1.7%	1.7%	1.8%	2.0%
Capital expenditure	3.0%	3.0%	2.1%	2.3%	1.8%	1.9%
Fixed capital formation	2.5%	2.3%	1.7%	2.0%	1.0%	1.4%
Transfers	0.6%	0.7%	0.4%	0.3%	0.8%	0.5%
Net lending	1.4%	0.6%	0.2%	0.3%	0.0%	1.8%
Current account deficit (-)	1.4%	0.0%	-0.7%	-2.3%	-1.4%	-2.2%
Current account deficit (-) Excluding interest	2.7%	1.0%	0.2%	-1.4%	-0.3%	0.0%
Overall deficit (-)						
Excluding Grants	-3.0%	-3.6%	-3.1%	-4.9%	-3.2%	-5.1%
Including Grants	-1.4%	-1.2%	-1.1%	-3.3%	-1.1%	-3.5%
External financing (net)	1.6%	1.2%	1.0%	0.6%	1.2%	2.1%
Internal financing (net)	-0.2%	0.0%	0.1%	2.6%	-0.1%	1.4%
Banking System	-0.9%	0.6%	-0.6%	3.1%	0.5%	1.9%

Source: Central Reserve Bank.

1/. Includes amortization of loans which were on lent or passed on to the rest of the public sector.

Table C.3. El Salvador: Central Government Revenue and Grants by Category, 1986 - 1991

In Millions of Current Colones	1986	1987	1988	1989	1990	(Prel) 1991
Total revenue and grants	3159.2	3306.2	3385.8	3182.6	4436.7	5125.0
Current revenue	2711.7	2731.2	2728.9	2617.4	3535.4	4307.0
Tax revenue	2579.3	2588.2	2531.9	2457.0	3330.1	4106.0
Direct taxes	525.7	711.1	739.0	758.1	922.6	1221.0
Income tax	432.8	560.5	560.7	581.4	725.4	962.0
Personal	183.3	199.1	211.1	252.7		
Corporate	200.6	316.5	349.6	328.7		
Other	48.9	44.9	0.0	0.0	0.0	0.0
Wealth tax	57.1	108.6	119.8	118.9	124.8	172.0
Property transfer tax	35.8	42.0	58.5	57.8	72.4	87.0
Taxes on foreign trade	1168.4	701.5	592.2	445.5	720.0	836.0
Import taxes	204.1	258.6	214.3	312.8	464.8	600.0
Export taxes	964.3	442.9	377.9	132.7	255.2	236.0
Of which: on coffee	955.1	431.7	368.3	123.9	253.2	236.0
Taxes on domestic transactions	885.2	1175.6	1200.7	1253.8	1577.6	2000.0
Liquor and beer	108.5	123.1	123.4	141.2		
Cigarettes	78.6	94.1	113.6	101.5		
Sugar	3.1	2.7	5.5	4.7		
Petroleum products	28.9	33.8	34.4	40.5		
Selective consumption tax	20.8	26.3	20.3	4.5		
Other consumption tax	37.8	122.3	134.1	137.0		
Stamp tax	550.2	703.0	707.1	764.0	1006.8	1329.0
Automobile registrations	15.7	17.7	18.8	18.5		
Other taxes	41.6	52.6	43.5	41.9	570.8	671.0
Nontax revenue	174.2	117.9	166.4	160.4	205.3	201.0
Transfers from private sector (fees,fines, etc)	28.4	32.1	66.3	45.4	45.5	58.0
Income from public service	97.8	38.3	33.1	31.5	38.8	45.0
Sale of goods and services	29.8	17.3	26.3	28.3	34.5	55.0
Interest, rent, and dividends	13.7	22.4	23.0	42.5	44.2	61.0
Other	4.5	7.8	17.7	12.7	42.3	-18.0
Adjustment for tax/interest arrear	-41.8	25.1	30.6	0.4	-109.9	-49.0
Current transfers from public enterprises (public enterprises profits	133.3	29.3	114.9	42.5	30.5	48.0
Capital revenue	2.4	0.0	0.0	0.1	1.5	3.0
Foreign grants	311.8	545.7	542.0	522.6	869.3	767.0

Source: Central Reserve Bank of El Salvador and Ministry of Finance.
1/. For 1990 and following years "other taxes" include liquor and beer, cigarettes, etc.

Table D.1.
El Salvador: Monetary Survey

	1988	1989				1990				1991			
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
(In millions of colones)													
Liabilities to private sector (M3) 1/	7455.1	7255.8	7442.7	7535.9	8290.9	8725.9	9174.0	9602.3	10733.4	10809.1	10964.0	11738.9	12396.2
Money Supply (M2)	6961.9	6825.2	7030.5	7059.9	7774.0	8150.7	8331.7	8774.9	9886.2	10034.5	10243.4	11089.5	11824.9
Basic Money Supply (M1)	2742.7	2648.1	2643.7	2536.4	3163.4	3258.3	3055.7	3040.8	3861.3	3704.5	3433.2	3568.4	4132.3
Currency in circulation	1326.2	1230.6	1304.4	1241.9	1727.1	1501.6	1479.0	1461.1	1856.3	1785.8	1630.6	1598.7	2022.7
Sight deposits	1416.5	1417.5	1339.3	1294.5	1436.3	1756.7	1576.7	1579.7	2005.0	1918.7	1802.6	1969.7	2109.6
Quasi-money	4219.2	4177.1	4386.8	4523.5	4610.6	4892.4	5276.0	5734.1	6024.9	6330.0	6810.2	7521.1	7692.6
Time and savings deposits	4084.0	4038.8	4238.9	4373.3	4468.6	4747.8	5100.3	5556.0	5885.7	6201.2	6697.1	7309.2	7607.4
Trust funds	135.2	138.3	147.9	150.2	142.0	144.6	175.7	178.1	139.2	128.8	113.1	211.9	85.2
Other	493.2	430.6	412.2	476.0	516.9	575.2	842.3	827.4	847.2	774.6	720.6	649.4	571.3
Foreign currency deposits	274.0	208.9	194.9	242.8	276.2	369.4	593.2	580.0	579.9	558.7	523.2	459.8	383.9
Import deposits	18.4	10.8	8.6	6.2	5.5	4.9	51.2	55.3	36.9	19.7	2.5	0.5	0.6
Bonds	154.0	164.1	159.2	174.1	182.3	148.0	145.0	139.2	170.5	136.3	135.0	129.2	126.9
Private capital	46.8	46.8	49.5	52.9	52.9	52.9	52.9	52.9	59.9	59.9	59.9	59.9	59.9
Memoranda: Exchange rate for Central Bank	5.0	5.0	5.0	5.0	5.0	7.25	7.5	7.75	8.03	7.97	7.98	8.02	8.08
Exchange rate for Commerc. Banks	5.0	5.0	5.0	5.0	6.5	7.25	7.5	7.75	8.00	7.96	7.98	8.05	8.08
(As percent of M3)													
Money Supply (M2)	93.4	94.1	94.5	93.7	93.8	93.4	90.8	91.4	92.1	92.8	93.4	94.5	95.4
Basic Money Supply (M1)	36.8	36.5	35.5	33.7	38.2	37.3	33.3	31.7	36.0	34.3	31.3	30.4	33.3
Currency in circulation	17.8	17.0	17.5	16.5	20.8	17.2	16.1	15.2	17.3	16.5	14.9	13.6	16.3
Sight deposits	19.0	19.5	18.0	17.2	17.3	20.1	17.2	16.5	18.7	17.8	16.4	16.8	17.0
Quasi-money	56.6	57.6	58.9	60.0	55.6	56.1	57.5	59.7	56.1	58.6	62.1	64.1	62.1
Time and savings deposits	54.8	55.7	57.0	58.0	53.9	54.4	55.6	57.9	54.8	57.4	61.1	62.3	61.4
Trust funds	1.8	1.9	2.0	2.0	1.7	1.7	1.9	1.9	1.3	1.2	1.0	1.8	0.7
Other	6.6	5.9	5.5	6.3	6.2	6.6	9.2	8.6	7.9	7.2	6.6	5.5	4.6

1/ Of the consolidated Banking System

Table D.1.
El Salvador: Monetary Survey
(Concluded)

	1989	1990	1989 March	1989 June	1989 Sept.	1989 Dec.	1990 March	1990 June	1990 Sept.	1990 Dec.	1991 March	1991 June	1991 Sept.	1991 Dec.
			(Annual growth rates) 2/											
Liabilities to private sector (M3) 1/	11.2	29.5	-10.3	10.7	5.1	46.5	22.7	22.2	20.0	56.1	2.9	5.9	31.4	24.3
Money Supply (M2)	11.7	27.2	-7.6	12.6	1.7	47.0	20.8	9.2	23.0	61.1	6.1	8.6	37.4	29.3
Basic Money Supply (M1)	15.3	22.1	-13.1	-0.7	-15.3	142.0	12.6	-22.6	-1.9	160.0	-15.3	-26.2	16.7	79.8
Currency in circulation	30.2	7.5	-25.9	26.2	-17.8	274.0	-42.9	-5.9	-4.8	160.5	-14.3	-30.5	-7.6	156.2
Sight deposits	1.4	39.6	0.3	-20.3	-12.7	51.6	123.8	-35.1	0.8	159.5	-16.1	-22.1	42.6	31.6
Quasi-money	9.3	30.7	-3.9	21.6	13.1	7.9	26.8	35.2	39.5	21.9	21.8	34.0	48.8	9.4
Time and savings deposits	9.4	31.7	-4.4	21.3	13.3	9.0	27.4	33.2	40.8	25.9	23.2	36.0	41.9	17.3
			(Flows in millions of colones)											
Liabilities to private sector (M3) 1/	835.8	2442.5	-199.3	186.9	93.2	755.0	435.0	448.1	428.3	1131.1	75.7	154.9	774.9	657.3
Money Supply (M2)	812.1	2112.2	-136.7	205.3	29.4	714.1	376.7	181.0	443.2	1111.3	148.3	208.9	846.1	735.4
Basic Money Supply (M1)	420.7	697.9	-94.6	-4.4	-107.3	627.0	94.9	-202.6	-14.9	820.5	-156.8	-271.3	135.2	563.9
Currency in circulation	400.9	129.2	-95.6	73.8	-62.5	485.2	-225.5	-22.6	-17.9	395.2	-70.5	-155.2	-31.9	424.0
Sight deposits	19.8	568.7	1.0	-78.2	-44.8	141.8	320.4	-180.0	3.0	425.3	-86.3	-116.1	167.1	139.9
Quasi-money	391.4	1414.3	-42.1	209.7	136.7	87.1	281.8	383.6	458.1	290.8	305.1	480.2	710.9	171.5
Time and savings deposits	384.6	1417.1	-45.2	200.1	134.4	95.3	279.2	352.5	455.7	329.7	315.5	495.9	612.1	298.2

1/ Of the consolidated Banking System
2/ For annual data, percent change as of year-end compared to previous year-end. For quarterly data, percent change as of end of quarter compared to end of previous quarter converted to an annual rate.

12-Mar-92

Table D.2.
El Salvador: Accounts of the Central Reserve Bank

	1986	1987	1988	1989 1/	Adj. 1989 2/	1990	Adj. 1990 3/	1991
a. In millions of Colones								
Net International Reserves (NIR) 4/	755.1	1225.1	1049.7	1232.6	2262.2	3202.5	3034.2	3369.4
Assets	1322.3	1398.0	1275.5	1790.1	3157.5	4348.6	4187.4	3616.4
Liabilities	-567.2	-172.9	-225.8	-557.5	-895.3	-1146.1	-1153.2	-247.0
Domestic credit	4303.5	4658.5	5204.8	6111.0	5508.2	6269.4	6460.2	6193.0
Central Government (net)	1338.2	1422.6	1353.0	2241.3	3562.5	3784.3	4519.7	4660.2
Credit	1974.2	2083.3	2295.3	3286.9	4608.1	5124.8	5860.2	6312.1
Deposits (-)	-636.0	-660.7	-942.3	-1045.6	-1045.6	-1340.5	-1340.5	-1651.9
Rest of general government (net)	68.6	48.0	128.0	99.7	-41.7	-130.6	-130.6	-139.8
Credit	131.9	133.1	201.2	192.2	50.8	50.9	50.9	54.5
Deposits (-)	-63.3	-85.1	-73.2	-92.5	-92.5	-181.5	-181.5	-194.3
Nonfinancial public enterprises (net)	314.7	374.8	348.3	-45.9	-500.4	-620.8	-620.8	-839.5
INCAFE AND INAZUCAR (net)	408.0	469.3	671.8	592.6	33.3	51.7	51.7	78.0
Businesses and individuals	64.0	54.9	6.7	0.0	0.0	0.0	0.0	9.5
Monetary financial institutions	957.3	1237.5	1450.8	2315.5	2315.5	2249.0	2249.0	1093.9
Nonmonetary financial institutions	368.2	366.4	433.4	477.9	379.5	435.8	435.8	546.8
Official capital and reserves	-340.7	-351.7	-365.4	-385.8	-1150.1	-1190.1	-1190.1	-1284.8
Subscriptions to nonmonetary international financial institutions (net)	222.9	216.7	217.0	207.0	241.4	327.3	327.7	318.7
Unclassified assets (net)	902.3	820.0	961.2	608.7	668.2	1362.8	817.8	1750.0
Assets	5058.6	5883.6	6254.5	7343.6	7770.4	9471.9	9494.4	9562.4
Liabilities	5058.6	5883.6	6254.5	7343.6	7770.4	9471.9	9494.4	9562.4
Allocation of SDRs and valuation adjust.	152.5	176.2	167.3	164.7	264.5	283.6	285.4	288.5
AID related deposits	750.0	1368.7	1517.7	2088.8	1324.5	1317.9	1317.9	1045.3
Medium-and long-term foreign liabilities	2083.3	1760.4	1566.7	1767.8	2839.1	2962.0	2980.4	2313.2
Other liabilities	1987.0	1676.7	1513.4	1747.6	2806.6	2960.5	2978.9	2407.3
IMF: Trust Fund	96.3	83.7	53.3	20.2	32.4	1.5	1.5	0.0
Liabilities to monetary financial instit.	832.8	1192.6	1576.7	1525.0	1541.3	2873.7	2875.7	3175.4
Currency	116.7	56.9	68.8	90.5	90.5	119.7	119.7	175.0
Deposits	716.1	1135.7	1507.9	1434.5	1450.8	2226.2	2228.2	2505.0
Investment bonds	0.0	0.0	0.0	0.0	0.0	527.8	527.8	495.4
Liabilities to nonmonetary financial instit.	38.0	55.9	74.3	54.3	54.3	135.1	135.1	680.5
Liabilities to private sector	1202.0	1329.8	1351.8	1743.0	1746.7	1899.6	1899.8	2059.5
Currency in circulation	1156.5	1298.0	1326.2	1727.1	1727.1	1856.3	1856.3	2022.7
Sight deposits	8.5	6.5	5.4	9.8	9.8	6.4	6.4	36.2
Import deposits	37.0	25.1	18.4	5.5	8.8	36.9	37.1	0.6
Investment bonds	0.0	0.2	1.8	0.6	1.0	0.0	0.0	0.0
Memoranda: Net Domestic Assets (IMF Stand-by) 5/	3234.7	3202.0	3360.9	4351.1	3628.5	2933.7	3120.5	2011.8
Exchange rate	5.0	5.0	5.0	5.0	8.0	8.03	8.08	8.08

Note: Footnotes appear at the end of table D.2..

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Table D.2.
El Salvador: Accounts of the Central Reserve Bank
(Continued)

	1987	1988	1989 1/	Adj. 1989 2/	1990	Adj. 1990 3/	1991
b. Annual growth rates							
Net International Reserves (NIR) 4/	62.2	-14.3	17.4	...	41.6	...	11.0
Assets	5.7	-8.8	40.3	...	37.7	...	-13.6
Liabilities	-69.5	30.6	146.9	...	28.0	...	-78.6
Domestic credit	8.2	11.7	17.4	...	13.8	...	-4.1
Central Government (net)	6.3	-4.9	65.7	...	6.2	...	3.1
Credit	5.5	10.2	43.2	...	11.2	...	7.7
Deposits (-)	3.9	42.6	11.0	...	28.2	...	23.2
Rest of general government (net)	-30.0	166.7	-22.1	...	213.2	...	7.0
Credit	0.9	51.2	-4.5	...	0.2	...	7.1
Deposits (-)	34.4	-14.0	26.4	...	96.2	...	7.1
Nonfinancial public enterprises (net)	19.1	-7.1	-113.2	...	24.1	...	35.2
INCAFE AND INAZUCAR (net)	15.0	43.1	-11.8	...	55.3	...	50.9
Businesses and individuals	-14.2	-87.8	-100.0	...	...	...	...
Monetary financial institutions	29.3	17.2	59.6	...	-2.9	...	-51.4
Nonmonetary financial institutions	-0.5	18.3	10.3	...	14.8	...	25.5
Official capital and reserves	3.2	3.9	5.6	...	3.5	...	8.0
Subscriptions to nonmonetary international financial institutions (net)	-2.8	0.1	-4.6	...	35.6	...	-2.7
Unclassified assets (net)	-9.1	17.2	-36.7	...	103.9	...	114.0
Assets	16.3	6.3	17.4	...	21.9	...	0.7
Liabilities	16.3	6.3	17.4	...	21.9	...	0.7
Allocation of SDRs and valuation adjust.	15.5	-5.1	-1.6	...	7.2	...	1.1
AID related deposits	82.5	10.9	37.6	...	-0.5	...	-20.7
Medium-and long-term foreign liabilities	-15.5	-11.0	12.8	...	4.3	...	-22.4
Other liabilities	-15.6	-9.7	15.5	...	5.5	...	-19.2
IMF: Trust Fund	-13.1	-36.3	-62.1	...	-95.4	...	-100.0
Liabilities to monetary financial instit.	43.2	32.2	-3.3	...	86.4	...	10.4
Currency	-51.2	20.9	31.5	...	32.3	...	46.2
Deposits	58.6	32.8	-4.9	...	53.4	...	12.4
Investment bonds	...	...	...	...	...	...	-6.1
Liabilities to nonmonetary financial instit.	47.1	32.9	-26.9	...	148.8	...	403.7
Liabilities to private sector	10.6	1.7	28.9	...	8.8	...	8.4
Currency in circulation	12.2	2.2	30.2	...	7.5	...	9.0
Sight deposits	-23.5	-16.9	81.5	...	-34.7	...	465.6
Import deposits	-32.2	-26.7	-70.1	...	317.8	...	-98.4
Investment bonds	...	800.0	-66.7	...	...	...	...
Memoranda: Net Domestic Assets (IMF Stand-by) 5/	-1.0	5.0	29.5	...	-19.1	...	-35.5

Note: Footnotes appear at the end of table D.2..

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Table D.2.
El Salvador: Accounts of the Central Reserve Bank
(Concluded)

	1987	1988	1989 1/	Adj. 1989 2/	1990	Adj. 1990 3/	1991
c. Flows in millions of Colones							
Net international reserves	470.0	-175.4	182.9	...	940.3	...	335.2
Assets	75.7	-122.5	514.6	...	1191.1	...	-571.0
Liabilities	394.3	-52.9	-331.7	...	-250.8	...	906.2
Domestic credit	355.0	546.3	906.2	...	761.2	...	-267.2
Central Government (net)	84.4	-69.6	888.3	...	221.8	...	140.5
Credit	109.1	212.0	991.6	...	516.7	...	451.9
Deposits (-)	-24.7	-281.6	-103.3	...	-294.9	...	-311.4
Rest of general government (net)	-20.6	80.0	-28.3	...	-88.9	...	-9.2
Credit	1.2	68.1	-9.0	...	0.1	...	3.6
Deposits (-)	-21.8	11.9	-19.3	...	-89.0	...	-12.8
Nonfinancial public enterprises (net)	60.1	-26.5	-394.2	...	-120.4	...	-218.7
INCAFE AND INAZUCAR (net)	61.3	202.5	-79.2	...	18.4	...	26.3
Businesses and individuals	-9.1	-48.2	-6.7	...	0.0	...	9.5
Monetary financial institutions	280.2	213.3	864.7	...	-66.5	...	-1155.1
Nonmonetary financial institutions	-1.8	67.0	44.5	...	56.3	...	111.0
Official capital and reserves	-11.0	-13.7	-20.4	...	-40.0	...	-94.7
Subscriptions to nonmonetary interna-	0.0	0.0	0.0	...	0.0	...	0.0
tional financial institutions (net)	-6.2	0.3	-10.0	...	85.9	...	-9.0
Unclassified assets (net)	-82.3	141.2	-352.5	...	694.6	...	932.2
Assets	825.0	370.9	1089.1	...	1701.5	...	68.0
Liabilities	825.0	370.9	1089.1	...	1701.5	...	68.0
Allocation of SDRs and valuation adjust.	23.7	-8.9	-2.6	...	19.1	...	3.1
AID related deposits	618.7	149.0	571.1	...	-6.6	...	-272.6
Medium-and long-term foreign liabilities	-322.9	-193.7	201.1	...	122.9	...	-667.2
Other liabilities	-310.3	-163.3	234.2	...	153.9	...	-571.6
IMF: Trust Fund	-12.6	-30.4	-33.1	...	-30.9	...	-1.5
Liabilities to monetary financial instit.	359.8	384.1	-51.7	...	1332.4	...	299.7
Currency	-59.8	11.9	21.7	...	29.2	...	55.3
Deposits	419.6	372.2	-73.4	...	775.4	...	276.8
Investment bonds	0.0	0.0	0.0	...	527.8	...	-32.4
Liabilities to nonmonetary financial instit.	17.9	18.4	-20.0	...	80.8	...	545.4
Liabilities to private sector	127.8	22.0	391.2	...	152.9	...	159.7
Currency in circulation	141.5	28.2	400.9	...	129.2	...	166.4
Sight deposits	-2.0	-1.1	4.4	...	-3.4	...	29.8
Import deposits	-11.9	-6.7	-12.9	...	28.1	...	-36.5
Investment bonds	0.2	1.6	-1.2	...	-1.0	...	0.0
Memoranda: Net Domestic Assets (IMF Stand-by)	-32.7	158.9	990.2	...	-694.8	...	-1108.7

Note: Footnotes appear at the end of table D.2..

Footnotes to Table D.2.

1/ In 1989 credit to Central Government includes C392.2 million of accumulated unpaid interest obligations previously classified in "unclassified assets".

2/ For analytical purposes the following adjustments were made to the actual data for 1989 to enable a more appropriate comparison to 1990 data:

a) In December 1990 a consolidation of public sector debt was made. In this consolidation, debt previously held by several public institutions and autonomous agencies was assumed by the central government. The totals were as follows: C141.4 million from the Rest of General Government; C442.7 million from Nonfinancial Public Enterprises; C559.3 million fron INCAFE/INAZUCAR; C98.4 million from Other Official Credit Institutions; C185.6 million as unpaid interest previously classified in "other assets." The data in the "adjusted 1989" column have been changed to reflect the 1990 consolidation.

b) "1989 adjusted" includes a C764.3 million transfer from AID related deposits to official capital and reserves. This operation was made in December 1990.

3/ For analytical purposes the following adjustments were made to the actual data for 1990 to enable a more appropriate comparison to 1991 data:

a) In December 1991, a consolidation of Central Government debt was made, this consolidation consisted in a reclassification of credit for C709.9 million of short term credit pending formal registration, that was registered in "other assets"; and

b) C25.5 million of interest payable that was registered in "other assets".

c) NIR were adjusted in 1990 to reflect the reclassification of US$23.3 million (C188.3 million) in short term foreign assets to reserves for nonperforming assets completed in December 1991.

4/ For 1986-1989, gold is valued at US$250 per ounce. For 1990-1991, and in the adjusted 1989 data, gold is valued at US$325.00 per ounce.

5/ The IMF "Net Domestic Assets" target, is calculated as the sum of currency in circulation of the Central Reserve Bank, the stock of medium- and long-term foreign liabilities of the Central Reserve Bank, and the stock of administered deposits held by the Central Reserve Bank minus the stock of net international reserves of the Central Reserve Bank.

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Table D.3.
El Salvador: Accounts of the Consolidated Banking System 1/

	1986	1987	1988	1989 2/	Adj. 1989 3/	1990	Adj. 1990 4/	1991
a. In millions of Colones								
Net international reserves 5/	1120.1	1554.6	1268.0	1440.1	2518.0	3762.8	3599.6	3712.8
Assets	1794.6	1807.1	1635.8	2255.3	3730.4	5045.3	4890.6	4103.7
Liabilities	-674.5	-252.5	-367.8	-815.2	-1212.4	-1282.6	-1291.0	-390.9
Net Domestic Assets	8810.6	9084.3	10248.0	11616.1	11012.9	12530.7	12720.1	13865.4
Credit to public sector (net)	1637.1	1694.5	1551.0	2341.7	2870.6	3032.5	3768.4	3527.8
Central Government (net)	1633.8	1776.5	1614.0	2597.3	3874.1	4244.9	4980.8	5244.5
Credit	2303.7	2470.2	2590.2	3682.5	4983.4	5675.4	6410.8	7064.6
Deposits (-)	-669.9	-693.7	-976.2	-1085.2	-1109.3	-1430.5	-1430.0	-1820.1
Rest of the public sector	3.3	-82.0	-63.0	-255.6	-1003.5	-1212.4	-1212.4	-1716.7
Rest of general government (net)	-118.9	-203.6	-124.1	-36.4	-205.0	-416.5	-416.5	-508.6
Credit	220.6	231.3	352.2	441.5	300.1	179.8	179.8	76.1
Deposits (-)	-339.5	-434.9	-476.3	-477.9	-505.1	-596.3	-596.3	-584.7
Nonfinancial public enterprises (net)	122.2	121.6	61.1	-219.2	-798.5	-795.9	-795.9	-1208.1
Credit to private sector	5758.6	6238.7	7178.4	6986.6	6328.9	7935.7	7935.7	9308.3
INCAFE AND INAZUCAR (net)	408.0	469.3	671.8	592.7	33.4	51.7	51.7	78.0
Businesses and individuals	4980.2	5401.0	6071.1	5913.8	5913.8	7444.0	7444.0	8679.6
Nonmonetary financial institutions	370.4	368.4	435.5	480.1	381.7	440.0	440.0	550.7
Official capital and reserves	-493.1	-503.2	-605.7	-660.6	-1424.9	-1464.9	-1464.9	-1559.6
Subscriptions to nonmonetary international financial institutions (net)	222.9	216.7	217.0	206.8	206.8	327.3	327.7	318.7
Unclassified assets (net)	1685.1	1437.6	1907.3	2741.6	3031.5	2700.1	2153.2	2270.2
Assets	9930.7	10638.9	11516.0	13056.2	13530.9	16293.5	16319.8	17578.2
Liabilities	9930.7	10638.9	11516.0	13056.2	13530.9	16293.5	16319.8	17578.2
Allocation of SDRs and valuation adjust.	152.5	176.2	167.3	164.7	264.5	283.6	285.4	288.5
Medium-and long-term foreign liabilities	2094.7	1766.0	1568.7	1769.2	2841.2	2963.3	2981.8	2408.8
Other liabilities	1998.4	1682.3	1515.4	1749.0	2808.7	2961.8	2980.2	2408.8
IMF: Trust Fund	96.3	83.7	53.3	20.2	32.4	1.5	1.5	0.0
AID related deposits	750.0	1368.7	1517.7	2088.7	1324.5	1317.9	1317.9	1045.3
Liabilities to nonmonetary financial instit.	658.5	746.5	807.2	742.7	742.7	984.3	984.3	1439.4
Liabilities to private sector (M3)	6275.0	6581.5	7455.1	8290.9	8358.0	10744.4	10750.4	12396.2
Broad Money Supply (M2)	5926.9	6204.4	6961.9	7774.0	7774.0	9897.2	9897.2	11824.9
Money (M1)	2584.7	2551.0	2742.7	3163.4	3163.4	3861.3	3861.3	4132.3
Currency in circulation	1156.5	1298.0	1326.2	1727.1	1727.1	1856.3	1856.3	2022.7
Sight deposits	1428.2	1253.0	1416.5	1436.3	1436.3	2005.0	2005.0	2109.6
Quasi-money	3342.2	3653.4	4219.2	4610.6	4610.6	6035.9	6035.9	7692.6
Time and savings deposits	3320.6	3608.6	4084.0	4468.6	4468.6	5896.4	5896.4	7607.4
Trust funds	21.6	44.8	135.2	142.0	142.0	139.5	139.5	85.2
Other	348.1	377.1	493.2	516.9	584.0	847.2	853.2	571.3
Foreign currency deposits	107.5	158.8	274.0	276.2	340.0	579.9	585.7	383.9
Import deposits	37.0	25.1	18.4	5.5	8.8	36.9	37.1	0.6
Bonds	164.6	153.8	154.0	182.3	182.3	170.5	170.5	126.9
Private capital	39.0	39.4	46.8	52.9	52.9	59.9	59.9	59.9
Memoranda: Exchange rate for Central Bank	5.0	5.0	5.0	5.0	8.03	8.03	8.08	8.08
Exchange rate for Commerc. Banks	5.0	5.0	5.0	6.5	8.00	8.00	8.08	8.08

Note: Footnotes appear at the end of table D.3.

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Table D.3.
El Salvador: Accounts of the Consolidated Banking System 1/

	1987	1988	1989 2/	Adj. 1989 3/	1990	Adj. 1990 4/	1991
b. Annual growth rates							
Net international reserves 5/	38.8	-18.4	13.6	...	49.4	...	3.1
Assets	0.7	-9.5	37.9	...	35.2	...	-16.1
Liabilities	-62.6	45.7	121.6	...	5.8	...	-69.7
Net Domestic Assets	3.1	12.8	13.3	...	13.8	...	9.0
Credit to public sector (net)	3.5	-8.5	51.0	...	5.6	...	-6.4
Central Government (net)	8.7	-9.1	60.9	...	9.6	...	5.3
Credit	7.2	4.9	42.2	...	13.9	...	10.2
Deposits (-)	3.6	40.7	11.2	...	29.0	...	27.3
Rest of public sector	...	-23.2	305.7	...	20.8	...	41.6
Rest of general government (net)	71.2	-39.0	-70.7	...	103.2	...	22.1
Credit	4.9	52.3	25.4	...	-40.1	...	-57.7
Deposits (-)	28.1	9.5	0.3	...	18.1	...	-1.9
Nonfinancial public enterprises (net)	-0.5	-49.8	-458.8	...	-0.3	...	51.8
Credit to private sector	8.3	15.1	-2.7	...	25.4	...	17.3
INCAFE AND INAZUCAR (net)	15.0	43.1	-11.8	...	54.8	...	50.9
Businesses and individuals	8.4	12.4	-2.6	...	25.9	...	16.6
Nonmonetary financial institutions	-0.5	18.2	10.2	...	15.3	...	25.2
Official capital and reserves	2.0	20.4	9.1	...	2.8	...	6.5
Subscriptions to nonmonetary international financial institutions (net)	-2.8	0.1	-4.7	...	58.3	...	-2.7
Unclassified assets (net) 3/	-14.7	32.7	43.7	...	-10.9	...	5.4
Assets	7.1	8.2	13.4	...	20.4	...	7.7
Liabilities	7.1	8.2	13.4	...	20.4	...	7.7
Allocation of SDRs and valuation adjust.	15.5	-5.1	-1.6	...	7.2	...	1.1
Medium-and long-term foreign liabilities	-15.7	-11.2	12.8	...	4.3	...	-19.2
Other liabilities	-15.8	-9.9	15.4	...	5.4	...	-19.2
IMF: Trust Fund	-13.1	-36.3	-62.1	...	-95.4	...	-100.0
AID related deposits	82.5	10.9	37.6	...	-0.5	...	-20.7
Liabilities to nonmonetary financial instit.	13.4	8.1	-8.0	...	32.5	...	46.2
Liabilities to private sector	4.9	13.3	11.2	...	28.6	...	15.3
Broad Money Supply (M2)	4.7	12.2	11.7	...	27.3	...	19.5
Money (M1)	-1.3	7.5	15.3	...	22.1	...	7.0
Currency in circulation	12.2	2.2	30.2	...	7.5	...	9.0
Sight deposits	-12.3	13.0	1.4	...	39.6	...	5.2
Quasi-money	9.3	15.5	9.3	...	30.9	...	27.4
Time and savings deposits	8.7	13.2	9.4	...	32.0	...	29.0
Trust funds	107.4	201.8	5.0	...	-1.8	...	-38.9
Other	8.3	30.8	4.8	...	45.1	...	-33.0
Foreign currency deposits	47.7	72.5	0.8	...	70.6	...	-34.5
Import deposits	-32.2	-26.7	-70.1	...	317.8	...	-98.4
Bonds	-6.6	0.1	18.4	...	-6.5	...	-25.6
Private capital	1.0	18.8	13.0	...	13.2	...	0.0

Note: Footnotes appear at the end of table D.3.

Table D.3.
El Salvador: Accounts of the Consolidated Banking System 1/

	1987	1988	1989 2/	Adj. 1989 3/	1990	Adj. 1990 4/	1991
c. Flows in millions of Colones							
Net international reserves 5/	434.5	-286.6	172.1	...	1244.8	...	113.2
Assets	12.5	-171.3	619.5	...	1314.9	...	-786.9
Liabilities	422.0	-115.3	-447.4	...	-70.2	...	900.1
Net Domestic Assets	273.7	1163.7	1368.1	...	1517.8	...	1145.3
Credit to public sector (net)	57.4	-143.5	790.7	...	161.9	...	-240.6
Central Government (net)	142.7	-162.5	983.3	...	370.8	...	263.7
Credit	166.5	120.0	1092.3	...	692.0	...	653.8
Deposits (-)	-23.8	-282.5	-109.0	...	-321.2	...	-390.1
Rest of the public sector	-85.3	19.0	-192.6	...	-208.9	...	-504.3
Rest of general government (net)	-84.7	79.5	87.7	...	-211.5	...	-92.1
Credit	10.7	120.9	89.3	...	-120.3	...	-103.7
Deposits (-)	-95.4	-41.4	-1.6	...	-91.2	...	11.6
Nonfinancial public enterprises (net)	-0.6	-60.5	-280.3	...	2.6	...	-412.2
Credit to private sector	480.1	939.7	-191.8	...	1606.8	...	1372.6
INCAFE AND INAZUCAR (net)	61.3	202.5	-79.1	...	18.3	...	26.3
Businesses and individuals	420.8	670.1	-157.3	...	1530.2	...	1235.6
Nonmonetary financial institutions	-2.0	67.1	44.6	...	58.3	...	110.7
Official capital and reserves	-10.1	-102.5	-54.9	...	-40.0	...	-94.7
Subscriptions to nonmonetary interna-	0.0	0.0	0.0	...	0.0	...	0.0
tional financial institutions (net)	-6.2	0.3	-10.2	...	120.5	...	-9.0
Unclassified assets (net) 3/	-247.5	469.7	834.3	...	-331.4	...	117.0
Assets	708.2	877.1	1540.2	...	2762.6	...	1258.4
Liabilities	708.2	877.1	1540.2	...	2762.6	...	1258.4
Allocation of SDRs and valuation adjust.	23.7	-8.9	-2.6	...	19.1	...	3.1
Medium-and long-term foreign liabilities	-328.7	-197.3	200.5	...	122.1	...	-573.0
Other liabilities	-316.1	-166.9	233.6	...	153.1	...	-571.4
IMF: Trust Fund	-12.6	-30.4	-33.1	...	-30.9	...	-1.5
AID related deposits	618.7	149.0	571.0	...	-6.6	...	-272.6
Liabilities to nonmonetary financial instit.	88.0	60.7	-64.5	...	241.6	...	455.1
Liabilities to private sector	306.5	873.6	835.8	...	2386.4	...	1645.8
Broad Money Supply (M2)	277.5	757.5	812.1	...	2123.2	...	1927.7
Money (M1)	-33.7	191.7	420.7	...	697.9	...	271.0
Currency in circulation	141.5	28.2	400.9	...	129.2	...	166.4
Sight deposits	-175.2	163.5	19.8	...	568.7	...	104.6
Quasi-money	311.2	565.8	391.4	...	1425.3	...	1656.7
Time and savings deposits	288.0	475.4	384.6	...	1427.8	...	1711.0
Trust funds	23.2	90.4	6.8	...	-2.5	...	-54.3
Other	29.0	116.1	23.7	...	263.2	...	-281.9
Foreign currency deposits	51.3	115.2	2.2	...	239.9	...	-201.8
Import deposits	-11.9	-6.7	-12.9	...	28.1	...	-36.5
Bonds	-10.8	0.2	28.3	...	-11.8	...	-43.6
Private capital	0.4	7.4	6.1	...	7.0	...	0.0

Note: Footnotes appear at the end of table D.3.

Footnotes to Table D.3.

1/ Banking System defined as Central Reserve Bank plus Commercial and Mortgage Banks.

2/ In 1989 credit from Central Reserve Bank to Central Government includes C393.2 million of accumulated unpaid interest obligations previously classified in "unclassified assets".

3/ For analytical purposes the following adjustments were made to the actual data for 1989 to enable a more appropriate comparison to 1990 data:

a) In December 1990 in Central Reserve Bank balances a consolidation of public sector debt was made. In this consolidation, debt previously held by several public institutions and autonomous agencies was assumed by the central government. The totals were as follows: C141.4 million from the Rest of General Government; C442.7 million from Nonfinancial Public Enterprises; C559.3 million fron INCAFE/INAZUCAR; C98.4 million from Other Official Credit Institutions; C185.6 million as unpaid interest previously classified in "other assets." The data in the "adjusted 1989" column have been changed to reflect the 1990 consolidation.

b) "1989 adjusted" includes a C764.3 million transfer from AID related deposits to official capital and reserves. This operation was made in December 1990.

4/ For analytical purposes the following adjustments were made to the actual data for 1990, to enable a more appropriate comparison to 1991 data:

a) In December 1991, a consolidation of Central Government debt was made, this consolidation consisted in a reclassification of credit for C709.9 million of short term credit pending formal registration, that was registered in "other assets"; and

b) C25.5 million of interest payable that was registered in "other assets".

c) NIR were adjusted in 1990 to reflect the reclassification of US$23.3 million (C188.3 million) in short term foreign assets to reserves for nonperforming assets completed in December 1991.

5/ For 1986-1989, gold is valued at US$250 per ounce. For 1990-1991, and in the adjusted 1989 data, gold is valued at US$325.00 per ounce.

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Table D.4.
El Salvador
International Reserves of the Central Reserve Bank

(Millions of Dollars)

	1989	1990				1991			
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Net Reserves	282.8	211.0	292.2	377.6	398.8	354.4	397.2	449.2	417.1
Assets	394.7	360.2	433.2	525.5	541.5	492.3	464.3	468.0	447.7
Monetary gold 1/	152.5	152.5	152.5	152.5	152.5	152.5	152.5	152.5	152.5
Foreign exchange	242.2	207.7	280.7	372.8	389.0	339.8	311.8	315.5	295.2
Cash	1.6	3.5	3.2	0.4	0.2	0.3	0.4	0.3	0.3
Deposits abroad	142.8	132.9	202.9	326.8	333.3	288.1	271.6	181.8	178.1
of which, ESF separate dollar account	n.a	0.0	0.0	0.6	49.6	0.6	0.0	45.3	14.6
Investments 2/	0.2	0.1	0.1	0.1	0.1	0.1	0.1	95.8	103.4
Compensatory agreements	43.2	39.6	35.9	33.6	34.7	34.7	22.9	22.7	21.0
Transitory accounts	1.7	1.7	37.1	11.9	20.7	13.1	9.1	5.4	6.6
Interbank market	52.8	29.8	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Central American System of Payments	0.0	0.0	0.0	0.0	0.0	3.6	7.7	9.6	9.1
Reserves for nonperforming assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.3
SDR holdings	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Liabilities 3/	111.9	149.2	141.1	147.8	142.7	137.9	67.1	18.8	30.6
Short term loans	51.4	83.4	79.9	94.4	109.2	103.7	24.6	19.3	17.4
Time deposits	0.3	0.2	0.2	1.2	1.2	1.2	4.3	2.7	11.0
Compensatory and payments agreements	45.2	57.7	58.4	57.6	37.6	38.3	39.0	2.7	3.0
Central American Stabilization Fund (Net)	-15.0	-7.9	-2.7	5.3	5.3	5.3	0.8	5.8	0.8
International Monetary Fund (Net)	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Memoranda: Gross reserves in months of:									
imports of goods and services 4/	3.1	2.7	3.2	3.9	4.0	3.4	3.2	3.2	3.1
merchandise imports	4.1	3.4	4.1	5.0	5.1	4.3	4.1	4.1	3.9

1/ Gold valued at US$325.00 per troy ounce.
2/ Before September 1991, this amount was classified within deposits abroad.
3/ Liabilities with original maturity of one year or less.
4/ Program target for 1991.

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Table D.5.
El Salvador: Monetary Program for 1991/1992
Program targets and Actual Perfomance

	1990	1 9 9 1 Prog. 1/	Actual	Deviation	1992 Prog. 2/	Relative change 1991	1992
			(Million of Dollars)				
Net International Reserves (CRB)	398.8	468.8	417.1	-50.8	507.4	4.8	21.4
			(Million of Colones)				
Net Domestic Assets-CRB (IMF Stand-by) 3/	2933.7	1872.3	2011.8	139.5	2089.6	-31.4	3.9
Domestic Credit from Banking System	10968.2	12893.2	12836.1	-57.1	14124.8	17.0	10.0
Credit to public sector 4/	3032.5	3571.6	3527.8	-43.8	3624.4	16.3	2.7
Central Government (net)	4244.9	5183.1	5244.5	61.4	5359.9	23.5	2.2
Rest of public sector (net)	-1212.4	-1611.5	-1716.7	-105.2	-1735.5	41.6	1.1
Credit to Private Sector, through:	7935.7	9321.6	9308.3	-13.3	10500.4	17.3	12.8
INCAFE/INAZUCAR (net)	51.7	79.0	78.0	-1.0	78.0	50.9	0.0
Others Official credit Inst.	440.0	519.0	550.7	31.7	651.5	25.2	18.3
Commercial banks	7444.0	8723.6	8679.6	-44.0	9770.9	16.6	12.6
Liabilities to Private Sector (M3)	10733.4	12576.2	12396.2	-180.0	14554.8	15.5	17.4
Money Supply (M2)	9886.2	11753.2	11824.9	71.7	13643.2	19.6	15.4
Basic Money Supply (M1)	3861.3	3876.1	4132.3	256.2	4619.0	7.0	11.8
Quasi-Money	6024.9	7877.1	7692.6	-184.5	9024.2	27.7	17.3
Other	847.2	823.0	571.3	-251.7	911.6	-32.6	59.6
Memoranda: Exchange rate	8.03	8.00	8.08		8.30		
	8.00	8.00	8.08		8.30		

1/ Revised Monetary Program 1991, (As September 1991 revised for drought).

2/ Monetary Program 1992, of January 1992.

3/ The IMF "Net Domestic Assets" target, is calculated as the sum of currency in circulation of the Central Reserve Bank, the stock of medium-and-long-term foreign liabilities of the Central Reserve Bank, and the stock of administered deposits held by the Central Reserve Bank minus the stock of net international reserves of the Central Reserve Bank.

4/ Consolidated nonfinancial public sector (CNFPS).

Table E.1
El Salvador: Balance of Payments, 1989-1991.
(Millions of U.S. Dollars)

	1989			1990			1991 (Prel.)		
	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance
CURRENT ACCOUNT 1/			-466.2			-359.8			-325.7
GOODS AND SERVICES	803.0	1506.0	-703.0	903.4	1608.6	-705.2	942.1	1728.0	-785.9
Merchandise trade, 2/	497.5	1161.3	-663.8	580.2	1262.4	-682.2	600.2	1365.0	-764.8
Transportation	68.9	45.6	23.3	71.0	48.0	23.0	74.0	54.0	20.0
Travel	62.4	60.0	2.4	68.5	54.8	13.7	71.0	57.0	14.0
Factor income	17.5	138.8	-121.3	18.6	142.7	-124.1	22.0	149.0	-127.0
Direct investment	-.-	40.0	-40.0	18.6	29.4	-10.8	22.0	36.1	-14.1
Interest	17.5	98.8	-81.3	0.0	113.3	-113.3	0.0	112.9	-112.9
Government transactions	75.7	13.9	61.8	76.1	14.1	62.0	76.1	15.0	61.1
Other services	81.0	86.4	-5.4	89.0	86.6	2.4	98.8	88.0	10.8
Of Which Drawback:	71.9	56.9	15.0	83.0	65.0	18.0	134.2	111.2	23.0
PRIVATE TRANSFERS	237.4	0.6	236.8	346.0	0.6	345.4	460.9	0.7	460.2
OFFICIAL TRANSFERS	284.2	1.8	282.4	225.0	1.8	223.2	180.3	1.8	178.5
CAPITAL ACCOUNT	301.4	162.4	150.9	401.1	134.3	228.6	441.4	326.5	132.3
PRIVATE CAPITAL	0.0	66.4	-66.4	266.4	0.0	266.4	123.7	0.0	123.7
Direct investment	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Medium and long-term loans	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Short-term loans (including net errors and omissions)	0.0	66.4	-66.4	266.4	0.0	266.4	123.7	0.0	123.7
NONFINANCIAL PUBLIC SECTOR	186.2	36.0	150.2	71.2	70.1	1.1	184.5	120.0	64.5
Central Government	110.1	26.2	83.9	47.8	43.2	4.6	137.1	94.6	42.5
Rest of general government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public enterprises	76.1	9.8	66.3	23.4	26.9	-3.5	47.4	25.4	22.0
FINANCIAL PUBLIC SECTOR	115.2	60.0	67.1	63.5	64.2	-38.9	133.2	206.5	-55.9
Central Reserve Bank 3/	115.2	60.0	55.2	63.5	64.2	-0.7	133.2	206.5	-73.3
Deposit and mortgage banks	-.-	-.-	11.9	-.-	-.-	-38.2	-.-	-.-	17.4
Long term (net)	-.-	-.-	0.0	-.-	-.-	-.-	-.-	-.-	-.-
Short term (net)	-.-	-.-	0.0	-.-	-.-	-.-	-.-	-.-	-.-
Other public financial Intermediaries	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
OVERALL BALANCE (DEFICIT-)			-32.9			92.0			-14.9
Change in arrears (-decrease) 4/	69.5	0.0	69.5	45.8	104.5	-58.7	0.0	45.8	-45.8
Rescheduling of medium-term liabilities 5/			0.0			83.8			102.2
Net official reserves (increase -)			-36.6			-117.1			-41.5
MEMORANDA:									
Net Services			-39.2			-23.0			-21.1
Goods and Nonfactor Services	785.5	1367.2	-581.7	884.8	1465.9	-581.1	920.1	1579.0	-658.9

SOURCE: Central Bank of El Salvador and IMF.
NOTES: 1/. Excludes Official Transfers.
2/. Exports, f.o.b. and imports, c.i.f.
3/. Excludes medium-term liabilities converted from short-term.
4/. Includes arrears with the rest of Central America.
5/. Rescheduling with a four-year grace period in 1989. Includes for 1990 and 1991 Paris Club rescheduling.

Table E.2
El Salvador:
Merchandise Exports (F.O.B.)
By Principal Groups
1985 - 1991

	1985	1986	1987	1988	1989	1990	Prel. 1991
	(Value in millions of U.S. dollars; volume in thousands of quintals; unit price in U.S. dollars per quintal)						
Total exports, (F.O.B.)	695.1	755.0	590.9	608.8	497.5	581.5	600.2
Traditional exports	525.7	593.6	386.4	393.5	252.8	296.2	281.9
Coffee							
value	463.7	546.8	351.5	358.0	228.6	260.2	225.1
volume	3456.0	2937.0	3383.0	2729.0	2058.7	3231.8	2850.0
unit value	134.0	186.0	103.7	131.0	111.0	80.5	79.0
Cotton							
value	29.0	4.5	2.3	0.3	0.7	1.3	1.6
volume	514.0	131.6	58.0	8.0	14.7	21.0	23.0
unit value	56.0	34.2	40.0	39.0	47.6	61.9	69.6
Sugar							
value	23.2	25.3	12.1	19.2	13.5	20.3	35.1
volume	2422.0	2144.3	821.4	1702.0	622.2	973.4	2300.0
unit value	10.0	11.8	14.7	11.0	21.7	20.9	15.3
Shrimp							
value	9.8	17.0	20.5	16.0	10.0	14.4	20.1
volume	2565.0	4364.0	3576.0	3712.0	2162.0	3087.0	3200.0
unit value 1/	4.0	4.0	6.0	6.0	4.6	4.7	6.3
Nontraditional exports	169.4	161.3	204.5	215.3	244.7	285.3	318.3
CACM	95.7	91.0	119.6	139.8	160.6	175.0	195.3
to other markets	73.7	70.3	84.9	75.5	84.1	110.3	123.0
	(Annual percentage change)						
Total exports	-4.3	8.6	-21.7	3.0	-18.3	16.9	3.2
Traditional exports	5.3	12.9	-34.9	1.8	-35.8	17.2	-4.8
Nontraditional exports	-25.3	-4.8	26.8	5.3	13.7	16.6	11.6
CACM	-39.1	-4.9	31.4	16.9	14.9	9.0	11.6
To other markets	5.9	-4.6	20.8	-11.1	11.4	31.2	11.5
	(In percent of total value)						
Total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Traditional exports	75.6	78.6	65.4	64.6	50.8	50.9	47.0
Nontraditional exports	24.4	21.4	34.6	35.4	49.2	49.1	53.0
CACM	13.8	12.1	20.2	23.0	32.3	30.1	32.5
To other markets	10.6	9.3	14.4	12.4	16.9	19.0	20.5

Source: Central Reserve Bank of El Salvador.

1/. In U.S. dollars per kilogram.

Table E.3
El Salvador:
Merchandise Imports, (C.I.F.)
By Major Category
1985 - 1991

	1985	1986	1987	1988	1989	1990	Prel. 1991
			In millions of U.S. dollars				
Total Imports (C.I.F.)	961.3	934.9	994.1	1006.7	1161.3	1262.5	1365.0
Consumer Goods	258.8	207.0	240.5	258.2	294.6	398.8	368.5
Nondurables	210.9	181.8	208.4	224.9	258.0	361.3	334.4
Durables	47.9	25.2	32.1	33.3	36.6	37.5	34.1
Raw Materials	544.8	453.4	501.3	496.2	577.2	629.2	682.5
Agriculture	75.5	41.2	39.1	35.9	52.2	58.0	62.8
Of which: Fertilizers	39.5	24.7	27.3	23.5	32.5	29.8	31.5
Industry	417.5	363.2	394.3	390.5	414.4	486.4	507.8
Of which: Petroleum imports	133.2	82.0	104.3	81.0	87.0	121.8	115.5
Construction Materials	46.2	44.0	60.5	63.3	98.9	78.3	105.1
Other	5.6	5.0	7.4	6.5	11.7	6.5	6.8
Capital Goods	157.7	224.5	252.3	252.3	279.7	234.5	314.0
Agriculture	13.5	10.3	13.2	8.0	9.2	8.9	12.3
Industry	43.3	58.7	72.4	79.1	77.4	71.1	96.9
Transport	67.9	123.6	123.9	121.8	141.5	102.6	144.7
Construction	6.2	6.4	10.6	11.2	17.0	8.3	9.6
Other	26.8	25.5	32.2	32.2	34.6	43.6	50.5
Not Elsewhere Classified 1/	-.-	50.0	-.-	-.-	9.8	-.-	-.-
			(Annual percentage change)				
Total Imports (C.I.F.)		-2.7	6.3	1.3	15.4	8.7	8.1
Consumer Goods		-20.0	16.2	7.4	14.1	35.4	-7.6
Nondurables		-13.8	14.6	7.9	14.7	40.0	-7.4
Durables		-47.4	27.4	3.7	9.9	2.5	-9.1
Raw Materials		-16.8	10.6	-1.0	16.3	9.0	8.5
Agriculture		-45.4	-5.1	-8.2	45.4	11.1	8.3
Of which: Fertilizers		-37.5	10.5	-13.9	38.3	-8.3	5.7
Industry		-13.0	8.6	-1.0	6.1	17.4	4.4
Of which: Petroleum imports		-38.4	27.2	-22.3	7.4	40.0	-5.2
Construction Materials		-4.8	37.5	4.6	56.2	-20.8	34.2
Capital Goods		42.4	12.4	0.0	10.9	-16.2	33.9
Agriculture		-23.7	28.2	-39.4	15.0	-3.3	38.2
Industry		35.6	23.3	9.3	-2.1	-8.1	36.3
Transport		82.0	0.2	-1.7	16.2	-27.5	41.0
Construction		3.2	65.6	5.7	51.8	-51.2	15.7
Other		-4.9	26.3	0.0	7.5	26.0	15.8

Source: Central Reserve Bank of El Salvador; and Fund staff estimates.

1/ Includes emergency relief after the earthquake of 1986 and donations after the outbreak of civil war in late 1989.

Table E.4
El Salvador
Balance of Payments, 1989-1992
With Projections Through 1995
(millions of Dollars)

	1989	1990	Prel. 1991	Prog. 1992	Projections 1993	1994	1995
Current Account 1/	-466.2	-359.8	-325.7	-299.0	-257.5	-241.7	-230.1
Trade balance	-663.8	-682.2	-764.8	-785.9	-788.9	-804.4	-828.0
Exports, f.o.b.	497.5	580.2	600.2	683.6	798.1	909.6	1023.0
Coffee	228.6	258.9	225.1	272.0	336.0	387.6	432.0
Other traditional	24.2	35.9	56.8	56.6	61.0	63.8	67.2
Nontraditional	244.7	285.4	318.3	355.0	401.1	458.2	523.8
CACM	160.6	173.0	195.3	220.0	248.6	285.9	328.8
Rest of the world	84.1	112.4	123.0	135.0	152.5	172.3	195.0
Imports, c.i.f.	1161.3	1262.4	1365.0	1469.5	1587.0	1714.0	1851.0
Net factor payments	-121.3	-124.1	-127.0	-112.8	-119.5	-130.6	-139.8
Of which: interest	-78.2	-113.3	-112.9	-107.9	-114.3	-124.9	-133.7
Other services (net)	82.1	101.1	105.9	107.8	129.5	140.6	151.8
Private transfers	236.8	345.4	460.2	491.9	521.4	552.7	585.9
Official transfers	282.4	223.2	178.5	250.2	187.7	140.7	105.6
Of which ESF: 2/	157.0	98.0	45.0	125.0	--	--	--
Capital Account	150.9	228.6	132.3	139.2	32.4	89.9	178.6
Nonfinancial public sector	150.2	1.1	64.5	95.9	96.0	75.3	100.2
Disbursements	186.2	71.2	184.5	175.4	179.3	168.0	187.3
Amortization	36.0	70.1	120.0	79.5	83.3	92.7	87.1
Financial Sector	67.1	-38.9	-55.9	33.3	-4.0	-50.4	-4.0
Disbursements	127.1	25.3	150.6	78.0	86.0	72.9	73.2
Amortization	60.0	64.2	206.5	44.7	90.0	123.3	77.2
Private capital and net errors and omissions	-66.4	266.4	123.7	10.0	-59.6	65.0	82.4
New Financing	---	---	---	---	107.0	61.0	---
Overall balance	-32.9	92.0	-14.9	90.4	69.6	50.0	54.0
Net change in arrears (decrease -)	69.5	-58.7	-45.8	0.0	0.0	0.0	0.0
Rescheduling	0.0	83.8	102.2	0.0	0.0	0.0	0.0
Change in net official reserves (increase -)	-36.6	-117.1	-41.5	-90.4	-69.6	-50.0	-54.0
Memorandum Items							
Gross Official Reserves ($)	393.1	541.4	471.9	573.0	635.7	680.1	729.3
In Months of Imports	4.1	5.1	4.1	4.7	4.8	4.8	4.7
GDP (millions US $)	4958.5	5332.1	5965.6	6411.9	7413.7	8646.4	10171.0
Real GDP Growth Target Rate (¢)	1.1	3.4	3.5	4.5	4.5	5.0	5.0
Debt Service	174.2	247.6	439.4	232.1	287.6	340.9	298.0
(As percent of GDP)							
Trade balance	-13.4	-12.8	-12.8	-12.3	-10.6	-9.3	-8.1
Current account balance	-9.4	-6.7	-5.5	-4.7	-3.5	-2.8	-2.3
Official transfers	5.7	4.2	3.0	3.9	2.5	1.6	1.0
Capital account balance	3.0	4.3	2.2	2.2	0.4	1.0	1.8
Overall balance	-0.7	1.7	-0.2	1.4	0.9	0.6	0.5
New Financing	0.0	0.0	0.0	0.0	1.4	0.7	0.0
(As percent of exports of goods and services)							
Total debt service	21.7	27.4	46.6	22.3	25.0	26.8	21.2
Of which: interest	9.7	12.5	12.0	10.4	9.9	9.8	9.5

SOURCE: Central Reserve Bank.
1/. It does not include official transfers.
2/. Includes $ 45.0 millions in FY 1991 ESF originally programmed for CY 1991.

Table E.5
El Salvador:
Outstanding External Public Debt by Lender, 1988-1991 1/
(Millions of U.S. dollars)

	1988	1989	1990	1991 2/
Total	1714.0	1847.7	2117.3	2115.7
Multilateral	790.8	812.8	877.1	884.5
CABEI	99.4	112.6	140.4	120.8
IDB	520.7	573.0	592.1	589.8
IBRD	126.5	123.1	121.4	146.4
IMF	44.2	4.1	0.1	0.0
FIDA	0.0	0.0	6.6	6.6
OPEC	0.0	0.0	1.0	0.9
CAMSF	0.0	0.0	15.5	20.0
Bilateral	781.0	847.9	1097.8	1128.2
USG	577.6	617.0	763.2	813.3
AID	286.3	284.6	258.9	267.6
CCC-PL480	259.3	291.3	364.0	379.3
EXIMBANK	6.4	4.7	17.5	18.9
CCC-Program	25.6	36.4	45.4	54.8
FMF	NA	NA	77.4	92.7
Venezuela	89.2	77.0	55.9	57.6
Mexico	25.3	45.7	72.4	87.3
Other	88.9	108.2	206.3	170.0
Private Banks and others	142.2	187.0	142.4	103.0
Annual Growth Rates				
Multilateral		2.8	7.9	0.8
Bilateral		8.6	29.5	2.8
USG		6.8	23.7	6.6
Percent of Total	100.0	100.0	100.0	100.0
Multilateral	46.1	44.0	41.4	41.8
Bilateral	45.6	45.9	51.8	53.3
USG	33.7	33.4	36.0	38.4
Private Banks and others	8.3	10.1	6.7	4.9
Memorandum:				
Total Debt as Percent of GDP	33.2	37.3	39.7	35.5

Source: Central Reserve Bank.
1/ Includes BCR and Public Sector medium and long term debt.
2/ Balance as of June 30, 1991.

Table E.6
El Salvador
ESF Cash Transfers Relative to Macro Variables
1980 - 1992
(By calendar year)

Year		Amount (Millions of dollars)	As percent of: GDP	Exports	Imports	BOP Current account deficit		Central government fiscal deficit
1980	$	20	1.1	1.9	2.1	65.6	2/	14.6
1981		0	---	---	---	---		---
1982		100	5.6	14.3	11.7	83.5		65.5
1983		120	5.9	15.8	13.4	372.7		67.1
1984		135	5.8	18.6	13.8	202.7		98.7
1985		160	5.6	23.0	16.6	433.6		149.4
1986		130	3.3	17.2	13.9	93.5	2/	110.0
1987		204	4.4	34.5	20.5	85.5		122.6
1988		155	3.0	25.5	15.4	65.9		97.1
1989		157	3.2	31.6	13.5	33.7		64.9
1990		98	1.8	16.9	7.8	27.2		57.4
1991		90 1/	1.5	15.0	6.6	27.6		29.8
1992		80 1/	1.2	11.3	5.4	26.8		44.3
TOTAL	$	1449	3.0	15.9	10.5	56.5		64.6

Source: USAID

1/. For programm comparison purposes, the $45 million originally programmed for CY 1991 but actually disbursed in February 1992 is included in the 1991 total.

Table F.1
El salvador:
Selected Economic, Social, and
Demographic Indicators
1988 - 1991

	1988	1989	1990	1991
Population (in millions)	5.0	5.1	5.3	5.4
Population Growth Rate	2.0	2.1	2.2	2.3
GDP Real Growth Rate (percent)	1.6	1.1	3.4	3.5
Real Per Capita Growth Rate (percent)	-0.4	-1.1	1.2	1.1
GDP per capita ($)	1027	965	1015	1111
Prices				
C.P.I.				
End of Period (percent)	18.2	23.5	19.3	9.8
Period Average (percent)	19.8	17.6	24.0	14.4
GDP deflator, 1962=100 (percent)	16.4	16.5	23.2	12.3
Real Effective Exchange Rate, 1980=100 1/	16.4	-1.9	-18.7	9.1
Real Wages (percent) 2/	0.2	-15.0	-5.9	-2.2
Labor Market (urban)				
Employment (000s)	716	790	885	890
Unemployment Rate	9.4	8.4	10.0	7.5
Underemployment Rate (visible)	11.8	12.8	18.2	7.5

1/ Increases denotes local currency appreciation.
2/ Nominal minimun wages deflated by the consumer price index.