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UNCLASSIFIED

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

EL SALVADOR

PROJECT PAPER

PEACE AND NATIONAL RECOVERY
AMENDMENT NUMBER 1

AID/LAC/P-813
CR-732

PROJECT NUMBER: 519-0394

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: C (A = Add, C = Change, D = Delete)

Amendment Number: 1

DOCUMENT CODE: 3

COUNTRY/ENTITY: El Salvador

3. PROJECT NUMBER: 519-0394

4. BUREAU/OFFICE: LAC 519

5. PROJECT TITLE (maximum 40 characters): Peace and National Recovery

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 04 DD 30 YY 97

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 92 B. Quarter 2 C. Final FY 96

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 92 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total	19,000	56,000	75,000	51,000	140,000	191,000
(Grant)	(19,000)	(56,000)	(75,000)	(51,000)	(140,000)	(191,000)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country		28,000	28,000		48,000	48,000
Other Donor(s)						
TOTALS	19,000	84,000	103,000	51,000	188,000	239,000

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) LES				26,352		30,000		106,250	
(2) DTF				50,000		34,750		84,750	
(3)									
(4)									
TOTALS				76,352		64,750		191,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters).

To support implementation of the Salvadoran Peace Accords and the National Reconstruction Program by assisting the reintegration of ex-combatants, the economic and social reactivation of the formerly conflictive zones, and the democratic reintegration of their population.

14. SCHEDULED EVALUATIONS

Interim MM 09 YY 93 MM 09 YY 94 Final MM 01 YY 97

15. SOURCE/ORIGIN OF GOODS AND SERVICES: [X] 000 [ ] 941 [ ] Local [ ] Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)

Method of implementation and financing are hereby concurred with.

Frederick Ryley, A/CONT

17. APPROVED BY

Signature: John Sanbrailo

Title: John A. Sanbrailo, Director, USAID/El Salvador

Date Signed: MM 03 DD 08 YY 93

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT AUTHORIZATION AMENDMENT NO. 1

Name of Country: El Salvador

Name of Project: Peace and National Recovery

Number of Project: 519-0394

1. Pursuant to Sections 103, 104, 105, 106, and 531 of the Foreign Assistance Act of 1961, as amended, and to Section 531 of the FY 1991 Foreign Operations Appropriations Act, the Peace and National Recovery Project in El Salvador was authorized on March 25, 1992. The Authorization is hereby amended as follows:

a. The authorized life-of-project grant funding is increased by $25,000,000, from $166,000,000 to $191,000,000.

b. The Project Authorization cited above remains in force except as hereby amended.

A. S. Wm

Aaron S. Williams
Acting Assistant Administrator
Bureau for Latin America and the Caribbean

4/26/93

Date

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PEACE AND NATIONAL RECOVERY
PROJECT PAPER AMENDMENT

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ACRONYMS

ABS	ANNUAL BUDGET SUBMISSION
ADECOSAL	SALVADORAN ASSOCIATION FOR DEVELOPMENT AND COOPERATION OF THE EAST
AGAPE	AGAPE ASSOCIATION OF EL SALVADOR
AID (USAID)	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
ALFALIT	WELFARE AND CULTURAL ASSOCIATION
ANC	PEASANTS/FARMERS NATIONAL ASSOCIATION
ANDA	NATIONAL WATER AND SEWER ADMINISTRATION
ANEP	NATIONAL ASSOCIATION OF PRIVATE ENTERPRISE
ANTEL	NATIONAL TELECOMMUNICATIONS ADMINISTRATION
APSISA	HEALTH SYSTEMS SUPPORT PROJECT
ASAI	SALVADORAN INTEGRATED SUPPORT ASSOCIATION
ASALDIG	SALVADORAN ASSOCIATION FOR WAR DISABLED AND HANDICAPPPED (FEBRUARY 23)
BCR	CENTRAL RESERVE BANK
BFA	AGRICULTURAL DEVELOPMENT BANK
CAM	MICROENTERPRISE SUPPORT CENTER
CARITAS	CRS NATIONAL AFFILIATE
CAPS	CENTRAL AMERICAN PEACE SCHOLARSHIP PROGRAM
CEL	NATIONAL ELECTRIC POWER COMPANY
CENDEPESCA	NATIONAL CENTER FOR FISHING DEVELOPMENT
CENREN	NATIONAL CENTER FOR RESTORING NATURAL RESOURCES
CERPROFA	ARMED FORCES REHABILITATION CENTER
CG	CONSULTATIVE GROUP
CIRES	INTEGRATION AND RECONSTRUCTION COMMITTEE FOR EL SALVADOR
CLASP	CARIBBEAN AND LATIN AMERICAN SCHOLARSHIP PROGRAM
CLUSA	COOPERATIVE LEAGUE OF THE UNITED STATES OF AMERICA
CNFPS	CONSOLIDATED NON-FINANCIAL PUBLIC SECTOR
CODECOSTA	COOPERATIVE AND COMMUNITY COORDINATION OF INTEGRATED DEVELOPMENT OF THE COAST
COIDESAM	INTERDIOCESAN COMMITTEE FOR DEVELOPMENT OF SAN MIGUEL
COMCORDE	COORDINATING COMMITTEE FOR ECONOMIC DEVELOPMENT OF THE EAST
CONARA	NATIONAL COMMISSION FOR THE RESTORATION OF AREAS
CONADES	NATIONAL COMMISSION FOR DISPLACED FAMILIES
COPAZ	NATIONAL COMMISSION FOR THE CONSOLIDATION OF PEACE
COVINTEC	AGRICULTURAL AND VOCATIONAL TRAINING INSTITUTION
CPA	CERTIFIED PUBLIC ACCOUNTANT
CRCC	RETURNEE COMMITTEE OF CUSCATLAN AND CABAÑAS
CREA	CREATIVE ASSOCIATES INTERNATIONAL INC.
CREDHO	RETURNEE COMMITTEE OF HONDURAS
CRS	CATHOLIC RELIEF SERVICES
CRUS	USULUTAN RECONSTRUCTION COMMITTEE
CY	CALENDAR YEAR
DA	DEVELOPMENT ASSISTANCE
DIMECONU	BOARDS FOR COMMUNITY IMPROVEMENT OF NORTHERN USULUTAN

DGC	DIRECTORATE GENERAL OF ROADS
DGR	GENERAL DIRECTORATE FOR RECONSTRUCTION
DTF	DEMOBILIZATION AND TRANSITION FUND
EC	EUROPEAN COMMUNITY
EEC	EUROPEAN ECONOMIC COMMUNITY
ESAF	EL SALVADOR ARMED FORCES
ESF	ECONOMIC SUPPORT FUND
FAA	FOREIGN ASSISTANCE ACT
FEDECCREDITO	FEDERATION OF RURAL SAVINGS AND LOAN COOPERATIVES (CREDIT UNION FEDERATION)
FEDECOOPADES	EL SALVADOR FEDERATION OF AGRICULTURE AND LIVESTOCK PRODUCTION COOPERATIVE ASSOCIATIONS
FEPADE	FOUNDATION OF ENTREPENEURS FOR EDUCATIONAL DEVELOPMENT
FINCA	FOUNDATION FOR INTERNATIONAL COMMUNITY ASSISTANCE
FIS	SOCIAL INVESTMENT FUND
FMLN	FARABUNDO MARTI NATIONAL LIBERATION FRONT
FU	FORENSIC UNIT
FUNDAC	"MANUEL FRANCO" CUSCATLAN FOUNDATION
FUNDASALVA	ANTI-DRUG FOUNDATION OF EL SALVADOR
FUNTER	TELETHON FOUNDATION PRO-REHABILITATION
FUSADES	SALVADORAN FOUNDATION FOR ECONOMIC AND SOCIAL DEVELOPMENT
FY	FISCAL YEAR
GAES	ECONOMIC AND SOCIAL ADVISORY GROUP (MINISTRY OF PLANNING)
GAO	GENERAL ACCOUNTING OFFICE
GDP	GROSS DOMESTIC PRODUCT
GOES	GOVERNMENT OF EL SALVADOR
HCC	HOST COUNTRY CONTRACTING
HCOLC	HOST COUNTRY-OWNED LOCAL CURRENCY
IBRD	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK)
IBE	EMMANUEL BAPTIST CHURCH
ICITAP	INTERNATIONAL CRIMINAL INVESTIGATIVE TRAINING ASSISTANCE PROGRAM (US DEPARTMENT OF JUSTICE)
IDB	INTER-AMERICAN DEVELOPMENT BANK
IGN	NATIONAL GEOGRAPHIC INSTITUTE
ILO	INTERNATIONAL LABOR ORGANIZATION
IMF	INTERNATIONAL MONETARY FUND
INCAE	CENTRAL AMERICAN BUSINESS ADMINISTRATION INSTITUTE
IPSFA	ARMED FORCES SOCIAL ASSISTANCE INSTITUTE
IRC	INTERNATIONAL RESCUE COMMITTEE
ISDEM	SALVADORAN MUNICIPAL DEVELOPMENT INSTITUTE
ISRI	SALVADORAN REHABILITATION INSTITUTE
ISTA	SALVADORAN AGRARIAN TRANSFORMATION INSTITUTE (LAND REFORM)
LOP	LIFE OF PROJECT
MACS	MISSION ACCOUNTING CONTROL SYSTEM
MAG	MINISTRY OF AGRICULTURE
MDBs	MULTILATERAL DEVELOPMENT BANKS
MEA	MUNICIPALITIES IN ACTION

MOE	MINISTRY OF EDUCATION
MOH	MINISTRY OF HEALTH
MOP	MINISTRY OF PUBLIC WORKS
NGOs	NON-GOVERNMENTAL ORGANIZATIONS
NCJ	NATIONAL COUNCIL OF THE JUDICIARY
NRC	NATIONAL RECONSTRUCTION COMMITTEE
NRECA	NATIONAL RURAL ELECTRIFICATION COOPERATIVE ASSOCIATION
NRP	NATIONAL RECONSTRUCTION PROGRAM
OIM	INTERNATIONAL ORGANIZATION FOR MIGRATION
ONUSAL	UNITED NATIONS OBSERVER MISSION FOR EL SALVADOR
PACT	PRIVATE AGENCIES COLLABORATING TOGETHER
PAHO	PAN-AMERICAN HEALTH ORGANIZATION
PDD	PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT
PL	PUBLIC LAW
PN	NATIONAL POLICE
PNC	NATIONAL CIVILIAN POLICE
PP	PROJECT PAPER
PROCOMES	COMMUNITY PROJECTS OF EL SALVADOR
PRODEPAS	NGO STRENGTHENING PROJECT FOR SALVADORAN DEVELOPMENT AND PEACE
PROPEMI	PROGRAM FOR SMALL AND MICRO-ENTERPRISE
PVOs	PRIVATE VOLUNTARY ORGANIZATIONS
REDES	SALVADORAN FOUNDATION FOR RECONSTRUCTION AND DEVELOPMENT
RIG	REGIONAL INSPECTOR GENERAL
RIG/A/T	REGIONAL INSPECTOR GENERAL/AUDIT/TEGUCIGALPA
RPRH	LAND REGISTRY OFFICE
SABE	STRENGTHENING ACHIEVEMENT IN BASIC EDUCATION PROJECT
SAL	STRUCTURAL ADJUSTMENT LOAN
SET	SUPREME ELECTORAL TRIBUNAL
SETEFE	TECHNICAL SECRETARIAT FOR EXTERNAL FINANCING
SIU	SPECIAL INVESTIGATIONS UNIT
SNF	NATIONAL SECRETARIAT FOR THE FAMILY
SRN	SECRETARIAT FOR NATIONAL RECONSTRUCTION
SSA	ARCHDIOCESAN SOCIAL SECRETARIAT
TA	TECHNICAL ASSISTANCE
UN	UNITED NATIONS
UNDP	UNITED NATIONS DEVELOPMENT PROGRAM
UNHCR	UNITED NATIONS HIGH COMMISSION ON REFUGEES
UNICEF	UNITED NATIONS CHILDREN'S EDUCATIONAL FUND
USG	UNITED STATES GOVERNMENT
USDA	UNITED STATES DEPARMENT OF AGRICULTURE
USTR	UNITED STATES TRADE REPRESENTATIVE
WFP	WORLD FOOD PROGRAM
WHO	WORLD HEALTH ORGANIZATION

I. EXECUTIVE SUMMARY

The purpose of this Project Paper Amendment is threefold. First, this amendment provides an update on progress in implementing the National Reconstruction Program in support of the Salvadoran Peace Accords signed on January 16, 1992. Second, it details the recent Project budget reprogramming which directs support to ex-combatant reintegration, the war wounded, land transfers, demobilization of the national police and other key elements of the Peace Accords and the National Reconstruction Program. And third, this Amendment identifies critical funding gaps which the GOES will present at the April 1, 1993, Consultative Group Meeting and requests additional resources as part of the USG's continued support for the Salvadoran peace process.

The $250 million USG assistance package to be disbursed over the 1992-97 period, which was reviewed and approved one year ago, has been adapted to meet urgent needs in order to help keep the peace process on track. The reprogramming of funds necessitated by these changing requirements created gaps in the financing for other activities which are key to the National Reconstruction Program. The slowness with which the donor community has responded to El Salvador's postwar needs, and the limited areas to which they are willing to direct their support, argue more strongly than ever for greater USG assistance during this critical period of national reconciliation.

An increase of $50 million in the total funding level for the Peace and National Recovery Project is necessary to accomplish the objectives agreed to one year ago. This revised funding level can be reached in part ($25 million) from USAID's on-going projects and ESF-generated local currencies. Remaining requirements ($25 million) will have to be met with resources new to the Project, but within the Mission's overall funding levels.

Status of the Peace Accords

In the year since the signing of the historic Chapultepec Peace Accords, major progress has been made in consolidating the reconciliation and recovery process. At the December 15, 1992, Reconciliation Day Ceremony, the U.N. Secretary General, together with the Government of El Salvador (GOES) and the Farabundo Martí National Liberation Front (FMLN) declared El Salvador's 12-year civil war officially over. An important chapter in El Salvador's history came to an end. The GOES and the FMLN are learning that, despite their differences, they can live and work together.

Major accomplishments were achieved over the past year, both in terms of meeting Peace Accord benchmarks and in implementing the National Reconstruction Plan. While the initial demobilization schedule established at Chapultepec suffered delays, tense deliberations under U.N. mediation and critical donor (mostly USG) support were successful in bringing about the full demobilization of the FMLN. The El Salvador Armed Forces (ESAF) have been reduced from over 60,000 to approximately 30,000. A.I.D. assistance to demobilizing ex-combatants was critical, perhaps indispensable, to the successful conclusion of the war as symbolized by the December 1992 ceremony. An unprecedented purging of the ESAF officer corps is being implemented and military reforms have been adopted. The FMLN has been legalized as a

democratic political party and its members have begun the process of reintegration into the civilian life of the country. A new national police force (PNC) and police academy are being established under civilian control. An on-going U.N.-negotiated land transfer program gives first priority to FMLN ex-combatants. Other assistance programs are underway including efforts to document and register to vote ex-combatants and the civilian population in the formerly conflictive areas of the country.

Major justice sector and electoral reforms have also been adopted by the National Assembly. These include, among others, a new Electoral Code, the creation of a more representative National Council of the Judiciary, and reforms to strengthen the Judicial Career Service. A law was enacted guaranteeing individuals the right to public defense and revisions of the criminal and criminal procedures codes are in the latter stages of drafting. A new Human Rights Ombudsman was named and initiated operations in mid-1992. Civilians have been selected to replace military officers directing the Special Investigations Unit (SIU) and a plan has been developed for the SIU's complete civilianization.

Some progress was made in developing a basis for reforming the labor code through labor-government-business collaboration in the Socio-Economic Forum. A noteworthy breakthrough in these discussions was reached on February 17, 1993 with the signing of a "Social Pact" by labor, the private sector and the GOES. This Pact has been characterized by labor leaders as containing obvious steps to improve internationally recognized worker rights. Judged by any standard, the democratic reforms adopted by El Salvador over the past year are clearly of historic dimensions.

As the 1994 electoral campaign heats up, however, sharp exchanges between the right and the left over the unresolved differences of the peace process and El Salvador's future can be expected. Issues related to implementation of the Ad Hoc Commission's report, reactions to the release of the Truth Commission's report, deployment of the new PNC and demobilisation of the existing national police, land transfers, agricultural credit, treatment of the war wounded, demining and other concerns will continue to dominate the reconciliation process.

Progress Under the National Reconstruction Plan

Essential to the successful consolidation of peace in El Salvador is the five-year, $1.4 billion National Reconstruction Program (NRP) to rebuild the country and reintegrate formerly conflictive areas into the growing national economy. The NRP is assisting the transition of ex-combatants to a peacetime economy by providing training, employment and other benefits; extending basic education and health services to the formerly conflictive areas; transferring land to ex-combatants and small farmers; and rehabilitating the country's war-torn infrastructure.

The GOES initiated implementation of the NRP on February 1, 1992, the first day of the formal cease-fire, with local currencies which USAID and the GOES had agreed to preposition for this purpose. The GOES formally presented the NRP to the donor community, with the FMLN in attendance, at a Consultative Group Meeting in March 1992. The donor community's response to the GOES

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presentation was very encouraging--over $800 million in assistance was pledged, including $250 million from the U.S. based on Washington's approval of USAID's Peace and National Recovery Project Paper in March 1992. An agreement with the GOES for the Peace and National Recovery Project was signed in early May 1992 and, as of the end of March 1993, total assistance provided by USAID through this and other projects in the Mission's portfolio exceeds $60 million. Final commitments and disbursement of other donor resources have been slower than expected. At a Consultative Group Meeting scheduled for April 1, 1993, the GOES will seek accelerated donor support, especially fast-disbursing assistance, targetted most urgently on the PNC, land transfers, ex-combatant assistance, implementation of democratic reforms, and poverty alleviation in the ex-conflictive zones.

USG support for the NRP has been instrumental in addressing pressing needs, both planned and unplanned, during this critical first year since the signing of the Peace Accords. The most urgent need has involved the ex-combatants, of both sides, to ensure that the sensitive demobilization process continued. To begin, USAID contributed $500,000 directly to the U.N. to meet the immediate humanitarian needs of FMLN troops as they moved into their 15 Accords-designated assembly areas. This requirement was not anticipated in the Peace and National Recovery Project Document and, as the negotiations evolved, other significant unplanned needs were identified as both the FMLN and the ESAF insisted on separate and special reintegration assistance.

Ex-combatant assistance has thus far consisted of household furnishings for 10,100 members of the FMLN, agricultural starter packages for over 7,500 FMLN ex-combatants, agricultural technical assistance and credit provided through Catholic Relief Services and 12 NGOs linked to the FMLN, UNDP/USAID-sponsored vocational training, and pre-diagnosis and medical treatment for the FMLN war wounded. The most sensitive and urgent issue for keeping the peace process on track has been access to land. USAID is providing $44 million to assist the GOES in transferring land in accordance with the recently approved U.N. plan. A total of 22,500 ex-combatants will receive an average of five <u>manzanas</u> (1 <u>manzana</u> equals 1.7 acres) of land each under this plan. In addition, under the plan, 25,000 <u>tenedores</u> (squatters) are also to receive land.

Support for other aspects of the national reconstruction plan has also had significant impact in reactivating the formerly conflictive zones. Twelve hundred small-scale social and economic infrastructure projects have been initiated in the 115 NRP target municipalities under the USAID-financed Municipalities in Action (MEA) program. MEA projects were selected as priorities by the communities themselves through a system of open town meetings. This achievement is especially significant given the impetus it has provided for democratic decision-making, local government empowerment and rapid employment generation. In addition to MEA and various GOES agencies, USAID's support for the NRP uses as many channels as possible to ensure the effective flow of benefits to, and the participation of, the maximum number of those most affected by the war. As of the end of 1992, the number of NGOs receiving AID funding for activities in formerly conflictive areas totalled 42, of which 25 had not previously received AID funding and 13 were associated with the FMLN.

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This Project Paper Amendment will also describe the progress which has been made thus far in a number of other important areas, such as equipping and supplying health posts, providing vaccinations, treating civilians traumatized by the war, reopening schools, hiring teachers, providing agricultural and microenterprise credit and technical assistance, providing vocational and technical training, and rehabilitating roads and electric power lines. The ability to mount such a comprehensive national reconstruction effort with the participation of a wide variety of public and private institutions in a relatively short period of time has been impressive. Overcoming the lingering mistrust on both sides, however, will depend to a large degree on the GOES' increasing capacity to deliver the services needed to reactivate the former conflictive zones in a timely and efficient manner.

REVISED RESOURCE REQUIREMENTS

The Project Paper observed that "the fluid nature of the negotiation process and an immediate postwar period of uncertainty argue for an openness to bridging critical gaps along the road to a sustainable peace." The first year of the national reconstruction implementation period has indeed called for a great deal of openness and flexibility.

A number of adjustments have been necessary in order to "bridge critical gaps," especially with respect to reintegrating ex-combatants of both sides into civilian society. Support to the U.N. for immediate humanitarian needs of demobilizing FMLN combatants was mentioned previously, as were agricultural starter packages, household starter kits, and specific, tailored training programs. Other unplanned ex-combatant needs which are being addressed include: a special FMLN leadership transition initiative and support for demobilizing the national police. In addition, we now know that budgets for land transfers, agricultural credit, scholarships and the war wounded were underestimated in the original Project Paper.

The Project budget reprogramming which addressed these adjustments resulted in funding shortfalls for other activities, particularly agricultural credit and infrastructure rehabilitation requirements such as rural roads and rural electric transmission lines. These funding needs are unlikely to be met adequately by other donors or by the GOES' already strained national budget.

As detailed in the Summary Budget Table below, an increase of $50 million in Project funding is necessary to address the shortfall resulting from the budget reprogramming and accomplish the objectives agreed to one year ago. This increased funding level in part ($25 million) reflects a greater level of support for national reconstruction from USAID's ongoing portfolio and ESF-generated local currencies. However, $25 million in resources additional to the Project, but within the Mission's overall funding levels, will be necessary to meet the funding requirements for expanding agricultural credit and for rural roads, bridges and extending electricity to small rural settlements.

SUMMARY BUDGET
($ millions)

Components	Original Budget	Current Budget	Additional Requirement: Existing Projects	Additional Requirement: New Resources	Total Project Amendment Budget
1. Immediate Conflictive Zone Relief	4	4	0	0	4
2. Ex-Combatant Assistance*	8	80	0	10	90
3. Social and Economic Reactivation	157	110	17	5	132
4. Land Transfer Mechanisms*	15	16	8	0	24
5. Infrastructure	56	27	0	10	37
6. Program Audit and Management	10	13	0	0	13
TOTAL	250	250	25	25	300

* The Ex-Combatant Assistance Component also includes $20 million in financing for land transfers.

The Mission believes that the additional $50 million in Project funding is justified for the following reasons:

- Tremendous progress has been made over the past year to consolidate the peace and national reconciliation process. As the negotiations have evolved, unforeseen requirements surfaced which required immediate attention and which served to widen the financial gap for meeting priority needs.

- Other donor support for national reconstruction has not lived up to the expectations created by the pledges made at the March 1992 Consultative Group Meeting. While USG leadership will be especially important at the April 1993 Consultative Group meeting, other donor financing is unlikely to materialize quickly for agricultural credit and rural infrastructure rehabilitation activities for which additional AID resources are being requested.

- Now that the U.N.'s Land Transfer Plan has been accepted by both sides and its implementation has begun, a major hurdle has been passed to

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consolidating the peace process. For the nearly 50,000 beneficiaries of this Plan and for the small farm residents of the formerly conflictive areas, credit to put their land into production is an urgent need. The Peace Accords call for a 'timely and sufficient' response by the GOES in addressing the agricultural credit requirement. The Government's 1992 credit program fell far short of the need and the estimated unmet resource requirement for the entire NRP period exceeds $180 million. USAID and GOES funds positioned for the 1993 crop cycle leave a shortfall of $15 million for which additional resources are being requested under this Amendment.

- The formerly conflictive zones will not easily reenter Salvadoran society if infrastructure impediments are not overcome. A formidable barrier to reintegration, both physical and psychological, has been created due to more than $1 billion of direct damage to, or indirect neglect of, the country's public service infrastructure. The inability to quickly address these needs will not only reinforce the political fractionalisation of the country and the deep distrust of the central government by residents of the NRP areas, but it will also hinder social and economic reactivation. The FMLN has made a priority appeal for rural infrastructure rehabilitation, especially rural roads and rural electrification. While other donors have committed large sums for infrastructure, this assistance will be slow to arrive (e.g., 1995 for the IDB roads project) and will primarily address major road, water and power sector needs. The $10 million in additional resources requested under this Amendment will fill a critical gap in the rural areas.

- USG support for the peace and reconciliation process has been critical. The proposed funding request will help El Salvador build upon the momentum generated to date for its national reconstruction program in the all-important period leading up to the March 1994 national elections. These elections will be one of the most important events in the history of El Salvador, being in effect a national referendum on the peace process as well as on the economic and democratic reforms implemented in recent years. It will also be the first election in which the FMLN participates as a democratic political party. The success of this election and the democratic transition of June 1994 will represent a major milestone in the consolidation of Salvadoran democracy and will be one of the most important USG foreign policy achievements in Central America.

- The GOES pressed ahead with its economic reform program in 1992 determined not to let it be undermined during the country's social, economic and political transition from war to peace. While the economy continues to respond impressively to the improved economic policies, democratic reforms and the advent of peace, serious problems remain. The fiscal situation deteriorated sharply in 1992, reflecting in part the higher than expected expenditures to implement the Peace Accords. In real terms, merchandise exports and per capita GDP remain well below levels of the late 1970s. USAID's proposed FY 1993 ESF program will support GOES efforts to continue democratic reforms as well as to consolidate and deepen economic reforms required to improve internal and external balance and reduce El Salvador's reliance on external transfers. The local currency generated by the FY 1993 ESF Program is indispensable to maintaining forward momentum on high priority development programs and supporting vital budgetary expenditures needed for implementing GOES economic and democratic reforms while complying with IMF standby targets.

ISSUES

1. The Need to Accelerate Assistance from the Donor Community

While several donors have pledged large amounts to help El Salvador finance its NRP, they have been exceedingly slow in committing and disbursing these funds. There are major gaps in funding the PNC and its Academy, land transfers, ex-combatant assistance - especially agricultural credit, implementation of democratic reforms and other high priority activities. As a result, in 1993-94 the GOES may be forced to increase its own domestic financing for these programs thereby increasing the fiscal deficit, fueling inflation and possibly reversing the excellent economic performance experienced to date.

To avoid these negative consequences, USG support is needed to urge other donors to provide fast-disbursing program assistance in support of the NRP at the upcoming April 1, 1993 Consultative Group meeting. For example, the World Bank should be encouraged to design its Structural Adjustment Loan II (SAL II) program, now scheduled for approval in September 1993, as a vehicle other donors can use to provide cofinancing. These funds could generate local currency for the PNC and its Academy, the Land Bank, ex-combatant assistance, agricultural credit, democratic institution strengthening, and other costs arising from implementing the Peace Accords. The USG should use the upcoming CG meeting to urge the IBRD, IDB, EEC, and the German and Japanese Governments to increase their support for the Peace Accords and the NRP and to accelerate start-up of assistance already committed. The April 1993 CG is likely to be the last opportunity El Salvador has to attract major donor assistance for the Peace Accords.

2. Uncertainty Surrounding U.S. Trade and Investment Policies

Changes in U.S. policy in late 1992 could adversely affect Salvadoran economic growth and implementation of the Peace Accords. The passage of Section 599 of the FY 1993 Foreign Assistance Appropriation Legislation has virtually stopped our support to this country's foreign investment promotion and the development of new Free Zones that were projected to create 100,000 new jobs in the 1990s (see San Salvador 01612 for further details). A change in USTR/USDA policy has required the GOES to commit itself to phase out its new agricultural price band system with unknown consequences on Salvadoran efforts to improve small farmer incomes and to reintegrate large numbers of ex-combatants who will receive land and agricultural credit for basic grain production. El Salvador's potential loss of its GSP privileges, which would have devastating effects on this country's non-traditional exports and employment, may have been averted by the signing of the "Social Pact," although a final USG decision on this issue will not be made until April 1, 1993 (see San Salvador 01753 for further details). These issues highlight even more the importance of USG assistance for the NRP in order to better help El Salvador consolidate its peace process.

3. NGO Participation in National Reconstruction

The FMLN, community groups, a variety of Salvadoran NGOs and numerous groups in the United States have registered strong concerns, particularly in the early days of NRP, about NGO involvement in reconstruction.

The Project incorporates NGOs as essential channels for assistance to the formerly conflictive zones, although it was recognized that some --especially those which had not previously received USG funding--would have difficulty being certified to receive our funding directly, given their lack of acceptable funds management and accounting systems essential for prudent management of taxpayer funds. However, the Project has found ways to ameliorate such obstacles--directly though the Secretariat for National Reconstruction (SRN), through municipalities, or through umbrella NGO mechanisms as well as arrangements to provide strengthening assistance to NGOs. A recent GAO report comments positively on USAID and GOES efforts to ensure greater participation of NGOs and particularly ones affiliated with the FMLN.

4. Addressing the Agricultural Credit Constraint

There has also been criticism of GOES and USAID efforts with the Agricultural Development Bank (BFA) which was too slow in making credit available in the formerly conflictive zones for the 1992 crop cycle. One report supports the findings of the Special Agrarian Commission of the National Commission for the Consolidation of Peace (COPAZ) that "credit services in the conflictive zones are being blocked by the current (1992) credit requirements and procedures (of the BFA) which are inconsistent both with the real situation of land tenancy and with the stipulations of the Peace Accords." While the critics sometimes fail to mention that USAID credit funds were made available through the Credit Union Federation (FEDECCREDITO) and NGO channels as well as the BFA, we agree with the thrust of the criticism and are working closely with the GOES to seek major improvements for the coming growing season.

Nevertheless, it is important to note that the National Reconstruction Secretariat (SRN) and the BFA have prepared new guidelines that will be put into effect this year for agricultural production loans for ex-combatants and tenedores (squatters) in NRP areas. These guidelines eliminate two previous special conditions. Beneficiaries will no longer have to prove that they have worked the land for at least two years before qualifying for a BFA loan. Also, the BFA has decided to eliminate loan ceilings for credit to cooperatives and has increased the ceiling for individual loans. USAID is encouraging active public education programs to enhance the extension of credit to the broadest possible number of beneficiaries in 1993. As a result of these improvements and efforts to make credit available through a variety of other mechanisms, it is expected that the number of loans extended during the 1993 crop cycle will greatly exceed that for the 1992 crop cycle.

5. Credit Terms for NRP Beneficiaries

As the 1993 crop cycle approaches, the FMLN has begun to apply pressure on the Government to relax the terms on which agricultural credit will be provided, citing the combined debt burden that ex-combatant beneficiaries will face from other credits received or expected for land transfers and housing purposes under the NRP. Making reference to recent special treatment by the Government of certain sectors, such as debt rescheduling for some producers and subsidies to coffee growers, the FMLN argues that the rationale for making exceptions for ex-combatants and others affected by the war is more urgent and pressing. Proposals have been presented which would reduce interest rates on agricultural production and housing loans from 15.5% and

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18%, respectively, to 6%, with a one-year grace period in the case of housing credit. This 6% interest rate parallels the rate negotiated in the Peace Accords for land transfer financing. No such exceptional rates were negotiated for credit programs.

To accede to these demands would run counter to impressive measures taken in recent years to strengthen the country's financial system, namely bank privatization, market-determined interest rates, and the gradual elimination of directed lines of credit. Subsidized credit for NRP beneficiaries would also serve to undermine BFA efforts to remedy its portfolio ills, including the fact that half of its loans are non-performing, and would severely restrict NGOs' efforts to achieve sustainability over the longer term.

The Mission has taken and intends to maintain a firm stance in favor of market-determined interest rates. The outcome of the GOES' ongoing negotiations on the FMLN's demands and the sensitive character of this juncture in the peace process, however, may require that we consider other options. Establishment of a separate NRP trust fund within the BFA, for example, may be necessary so as to avoid imposing a greater burden on the BFA's already troubled portfolio. The FMLN together with ONUSAL may eventually force the GOES to provide agricultural credit to ex-combatants and others on a highly subsidized basis, even though the Peace Accords do not require such action. The option of even providing resources on a grant rather than loan basis perhaps should also be reexamined, although past discussions with AID/Washington and GOES authorities on this topic have met with stiff opposition.

II. BACKGROUND

A. Status of the Peace Accords

The signing of Peace Accords between the Farabundo Marti National Liberation Front (FMLN) and the Government of El Salvador (GOES) on January 16, 1992, in Chapultepec, Mexico opened a new chapter in Salvadoran history. The Peace Accords call for far-reaching changes including military, electoral and judicial reforms, the creation of a new civilian police force, the transfer of large amounts of agricultural lands to FMLN ex-combatants, a national reconstruction program, and the legalization of the FMLN as a political party. The Accords required amendments to the Constitution, carried out in 1991 and early 1992, as well as significant international financing, which is still being sought from a range of international donors. The success of the cease-fire, separation of forces, and final demobilization of the FMLN military structure is of historic importance to El Salvador, Central America and the United States. A December 15, 1992 ceremony celebrated the final demobilization of insurgents who had waged a 12-year war against the government and completion of major ESAF restructuring and other democratic reforms. It was attended by international leaders including the Secretary General of the United Nations and the Vice President of the United States.

Consolidation of the peace process remains the overriding national issue. Despite delays and tensions surrounding the final phase of the cease-fire, the prognosis for full reintegration of the FMLN into civilian life

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remains good. On December 14, 1992, the Supreme Electoral Tribunal approved the official inscription of the FMLN political party, clearing the way for its participation in presidential, legislative, and municipal elections in 1994.

President Cristiani, pursuant to the Peace Accords, has disbanded special military units and has begun to remove and reassign armed forces personnel accused of human rights and other abuses (per the findings of the Ad Hoc Commission's report). President Cristiani is consulting closely with both the FMLN and the U.N. in implementing the Ad Hoc Commission's report recommendations.

Recent progress on other democratic and judicial reforms has been promising. The following measures, inter alia, have been implemented: the role of the Supreme Electoral Tribunal has been strengthened and a new electoral code enacted; civilians have been selected to replace military officers as the Executive Director and Deputy Director of the Special Investigations Unit (SIU) and a plan developed for its complete civilianization; a law was enacted in mid-1992 guaranteeing individuals the right to public defense; complete revisions of the criminal and criminal procedures codes are in the latter stages of drafting; two laws reforming the National Council for the Judiciary (NCJ) and judicial career law have been enacted; and a Human Rights Ombudsman was named in May 1992 and formally initiated operations in July. All these measures show marked improvement of democratic institutions, processes and procedures.

The law creating the NCJ is potentially the most important judicial reform measure brought about by the Peace Accords. The NCJ law is a significant step forward, effectively broadening participation in the judicial appointment process. The NCJ will screen and nominate slates of candidates for supreme and lower court judges, and evaluate the performance of judges. In addition, the NCJ will be responsible for operating a judicial professionalization school which will train judges and prosecutors. The NCJ will also formulate recommendations for improving the judicial branch's operations.

The success of the national reconstruction process is tied closely to the health of the nation's economy. Even before the end of the civil war, the structural adjustment program of the Cristiani administration began to show results. In 1991, El Salvador enjoyed the highest rate of economic growth (3.5 percent) since the war began. The economy continued to show remarkable signs of recovery in 1992, despite a drought, electricity rationing, and an unprecedented drop in coffee prices.

Key policy reform gains included further trade liberalization, elimination of interest rate controls, the introduction of a value-added tax, a major increase in electricity tariffs, strengthening of the financial system including completing the privatization of three commercial banks, and improving public sector accountability by upgrading integrated financial management and auditing. Significant progress was also made in continuing to diversify El Salvador's sources of international assistance by maintaining IMF support, completing a World Bank SAL I Program and initiating work on SAL II, signing an IDB Investment Sector Loan and other large IDB loans, completing a USG debt reduction agreement, and obtaining commitments of new assistance from the EEC, Japan, Germany and other donors.

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The economy continues to respond impressively to the improved economic policies, democratic reforms and the advent of peace. Real output grew 4.6 percent in 1992, the highest growth achieved in 14 years. Major gains were registered in employment and investment. Agricultural policy reforms, including a price band system, produced the largest basic grain harvest on record while increasing small farmer incomes. Beginning in August 1992, inflation surged, the result of the introduction of the value-added tax, of adjustments in utility and public transportation rates, and looser monetary policy. However, preliminary data suggest that the benefits of the economic adjustment and recovery are reaching the poor. For example, the percent of urban households living in poverty declined in 1992 and there was a significant expansion in primary education and health services. Additionally, total employment increased by more than 100,000 during the past two years. The GOES also initiated an impressive social safety network. This includes the Social Investment Fund (FIS), the National Reconstruction Program, the Municipalities in Action Program and other activities to cushion the effects on the poor of the economic adjustment process.

While improved growth and lower inflation from market-based structural adjustment dramatically improved El Salvador's overall economic outlook, serious problems remain. The costs of implementing the Peace Accords, the remaining subsidy on electricity prices, and lower than expected tax receipts have widened the fiscal deficit. The peace process imposed dramatically higher costs and international funding for the peace effort has not kept pace with pledges of international support. The Peace Accords brought a large land distribution program and the creation of an entirely new civilian national police force, and costly justice sector, human rights, and electoral reforms, as well as training and other programs for ex-combatants and residents of the formerly conflictive zones. The slow response of international donors has imposed a heavy burden on the Salvadoran government in meeting the requirements of a historic peace agreement.

The Accords also call for a tripartite Socio-Economic Forum with equal representation from labor, government, and the private sector. The government committed itself to seeking consensus in this forum on a new labor code and measures to mitigate the effects of the government economic plan on the poor. The Forum got off to a slow start in April 1992 when the umbrella private sector organisation (ANEP) boycotted the Forum to protest the continuation of illegal land seizures and the government's failure to protect property rights. ANEP eventually joined the Forum in September after the government threatened to begin negotiations of the labor code without the presence of the private sector if the boycott continued. All three sectors in the Forum agreed to a three-part agenda: discussion of emergency compensation measures for workers and the poor; debate of a series of agrarian issues and ratification of international labor organization (ILO) conventions; and discussion of the new labor code.

Although tension and mutual recriminations continued to characterise labor-management relations in late 1992 and early 1993, a major breakthrough was achieved with the signing of a "Social Pact" on February 17, 1993 by labor, the private sector and the GOES. The Social Pact sets a deadline of April 30 for completion of tripartite review of specific International Labor Organization (ILO) conventions considered high priority by labor. The Pact also sets a deadline of September 30, 1993 for completion of a new labor code to be reached by consensus among labor, business, and GOES representatives.

The Pact calls for strict respect for the right of association as provided for in the Constitution. The GOES committed itself to facilitate union registration and review jointly with labor all cases where registration has been denied. These and other provisions of the Pact are to be verified by a special commission which will include equal representation from labor, business and the GOES.

The successful conclusion--without incident--of the Salvadoran ceasefire is a testament to the will and perseverance of all involved. The FMLN and the GOES are learning that, despite their differences, they can live and work together. As the 1994 electoral campaign nears, however, sharp exchanges between the right and left over the unresolved differences of the peace process and El Salvador's future can be expected. Issues related to the implementation of the Ad Hoc Commission's report, reactions to the yet-to-be released Truth Commission's report, deployment of the new PNC and demobilization of the existing national police, land transfers, treatment of the war wounded, NGO participation in national reconstruction, demining and other concerns will continue to dominate the reconciliation process.

B. Status of GOES Reconstruction Program

The Government's National Reconstruction Program (NRP) is a five-year (1992-97) effort designed to support the integration of the population most affected by the conflict into the economic life of the country. The NRP is re-establishing basic services and reconstructing infrastructure in the areas most affected by the conflict, which are located in 115 municipalities in the northern, central and eastern parts of the country. The NRP's target population of nearly 1.8 million includes: (a) 41,500 ex-combatants and war wounded (30,000 from the El Salvador Armed Forces - ESAF, and 11,500 from the FMLN); (b) 60,000 displaced persons forced to abandon their place of residence and work; (c) 26,000 repatriated persons that left the country and returned under the U.N. High Commission on Refugees' (UNHCR's) sponsorship; and (d) over 1.6 million residents of the 115 target municipalities.

The NRP has evolved in several respects from the description included in the original Project Document. The Program consists of three components: investment projects; strengthening democratic institutions; and technical assistance to help design and implement the first two components. The implementation of the investment projects component is divided into two phases: a contingency phase which began immediately after the formal cease fire commenced on February 1, 1992 and was essentially completed by the end of 1992; and a medium-term phase which will extend through 1996 with specific projects beginning as soon as financing is made available.

Total funding requirements for the NRP were originally estimated to be $1.4 billion. The GOES has revised the NRP's total financing needs, incorporating its efforts to strengthen democratic institutions and various agreements reached with the FMLN during the past year -- some of which were based on proposals from the U.N. Secretary General (e.g. the land transfer plan). Also, some of the needs originally identified have been or are being met with local resources while other needs have been scaled down somewhat. Overall needs are now estimated to be $1.8 billion, or $400 million more than the level presented at the March 1992 Consultative Group meeting. Taking into account approximately $400 million in GOES commitments and approximately $600 million in donor commitments to date, including grants and loans currently

under negotiation, the GOES will present a request for over $800 million in additional donor resources at the April 1993 Consultative Group meeting.

The implementation of the NRP is being coordinated by the National Reconstruction Secretariat (SRN), which was created by Executive Decree on January 30, 1992 as a cabinet level organization. The SRN incorporated the National Commission for the Restoration of Areas (CONARA) which has administered the Municipalities in Action (MEA) program. The Government has emphasized the use of existing instruments and institutions to implement the NRP and avoid duplication and waste of resources.

The GOES considers the NRP to be highly complementary to its overall proverty alleviation program. A key premise of the NRP is that national reconstruction and reconciliation is a shared responsibility of the Government and all sectors of society. The original Project Paper detailed the extensive efforts of the GOES to ensure adequate consultation in the design of the NRP. This process of consultation has been continued and amplified during implementation of the program. The degree to which this sense of shared responsibility has taken hold is manifested in the wide array of institutions which are involved in the implementation of the NRP through one of the three "windows" that the SRN makes available (see chart on following page).

Communities and affected groups have been consulted through "extended open town meetings" (cabildos abiertos ampliados) on the major problems they face and their priority needs. Over 1,000 projects identified through the cabildos abiertos ampliados were implemented during the first year of the program. NGO participation has surpassed the most optimistic expectations with over 40 NGOs currently implementing NRP projects (see chart on following page). The private sector is also participating actively in the program, particularly in the areas of training and microenterprise. The FMLN, in particular, has been consulted and many of its suggestions and recommendations have been, and continue to be, included in the program. Several NGOs close to the FMLN are implementing important components of the NRP.

Many government institutions are also contributing to the NRP. Principal among their contributions to date are: (a) land transfers through the Land Bank; (b) rehabilitation and reconstruction of distribution lines and sub-stations through the National Electric Power Company (CEL); (c) agricultural credit through the Banco de Fomento Agropecuario (BFA); (d) the financing of urgent poverty-oriented projects through the Social Investment Fund (FIS); (e) reestablishment of telephone service by the Telecommunications Authority (ANTEL); (f) the construction of water and sewerage systems by the Water and Sewage Authority (ANDA); (g) the reopening of health posts and vaccination campaigns by the Ministry of Health (MOH); (h) certification of students and reopening and supplying schools by the Ministry of Education (MOE); and (i) repair of rural roads by the Ministry of Public Works (MOP).

In explaining the NRP to the donor community, the GOES underscores the fact that its support for the peace and national reconciliation process is being implemented within a framework that is fully consistent with the GOES' Economic and Social Program. The GOES makes it clear that the NRP complements and expands the Cristiani administration's core investment and poverty alleviation programs. In fact, the GOES intends to focus its presentation to the April Consultative Group meeting on the progress it has achieved in

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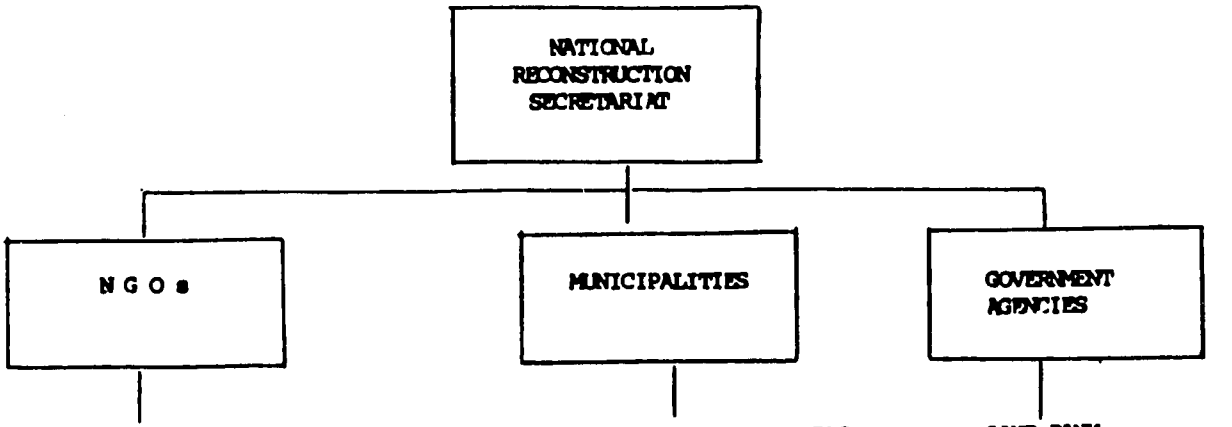
NATIONAL RECONSTRUCTION PROGRAM'S
EXECUTING AGENCIES



AGAPE
ASAI
CIRES
COMCORDE
CREA
CRS
- SSA
- IBE
- COIDESAM
- CARITAS ZACATECOLUCA
- SOCORRO LUTERANO
- CREDHO
- CORPORACION FE Y TRABAJO
- FUNDACION 16 DE ENERO (FMLN)
- ASAI
- COMITE DE RECONSTRUCCION DEL SUR DE GUAZAPA
- COMITE DE RECONSTRUCCION DEL NORTE DE GUAZAPA
- CRUS
- FEDECOPADES
- ALFALIT
- ANC
- ADECOSAL
- CODECOSTA
- DIMECONU
- CROC
FUNDAC
FUNDASALVA
PRODEPAS
CLUB 700 OPERACION BENDICION
PROCOMES
TECHNOSERVE
COVINTEC
FEPADE
SALESIANOS DON BOSCO
SALESIANOS RICALDONE
SOS DE LA CONSTRUCCION
UNIVERSIDAD ALBERT EINSTEN
INSTITUTO EMILIANI
CAMARA DE COMERCIO
FUSADES/PROPEMI
REDES
COSALCIDER
CIAZO
CGEISA
FUNDACION 16 DE ENERO
ASALDIG

115 PRN MUNICIPALITIES

LAND BANK
CENDEPESCA
CENREN
DGC/MOP
FIS
ISRI
MAG
MOE
MOH
SNF
PUBLIC ENTERPRISES

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implementing both its poverty alleviation strategy and the NRP. In addition, the GOES will present the most urgent financial requirements for consideration by the donor community.

C. Summary of USG Assistance to Date

The USG supports the Salvadoran peace process through a comprehensive package of assistance to reintegrate warring factions into the social and economic life of the country and to revitalize areas whose populations had been most affected by the war - physically, economically and socially. The total assistance package of $250 million includes $180 million in new resources; $35 million from existing and planned projects; and the equivalent of $35 million in ESF-generated local currencies. The $180 million in new funding consists of $166 million for the Peace and National Recovery Project (519-0394), an additional $8 million for the Health Systems Support (APSISA) Project (519-0308); and a $6 million increase for the Strengthening Achievement in Basic Education (SABE) Project (519-0357). As of March 31, 1993, total expenditures and commitments under this assistance package exceeded $60 million. The $250 million AID contribution to the NRP is to be disbursed over a five-year period (1992-97).

USAID had jointly agreed earlier with the GOES to preposition about 114 million colones (approx. $14 million) generated by our ESF and PL-480 programs to be available for critical needs when a ceasefire was achieved. In fact, local currency support to reconstruction was available on the first day of the ceasefire, February 1, 1992. The new Peace and National Recovery Project agreement was signed with the GOES in early May 1992. U.S. aid for national reconstruction which began with the ceasefire provided an immediate and broad response to the postwar situation, particularly in the 115 municipalities constituting formerly conflictive areas, including: immediate conflictive zone relief, ex-combatant assistance, economic and social recovery, land transfers, and infrastructure rehabilitation. A description of the major accomplishments to date, organized by component, is provided below.

1. Immediate Assistance

This component (shortened from "Immediate Conflictive Zone Relief") is essentially complete. It was intended to address the most immediate, especially humanitarian, needs following the signature of the Peace Accords. Documentation, food distribution, health services delivery, PVO support, a land mine awareness campaign, a socio-demographic profile, and administrative expenses for the National Reconstruction Secretariat (SRN) were the principal activities contemplated under this component. Reacting to the quickly changing postwar environment, this component had to be adapted in various ways. Certain activities, such as the mine awareness program, were financed by other sources (UNICEF). Based on a project-funded food needs study and a review of actual demand, the food distribution activity was scaled back significantly. PVO support was largely funded under the Socio-Economic Reactivation Component, described below.

Resources under this Component were used, however, to support two important, but unanticipated, U.N.-led initiatives. USAID contributed $500,000 to the U.N. as part of a multi-donor effort to meet the immediate needs of FMLN troops as they moved into their 15 Accords-designated assembly areas. This contribution was used for medicines and medical supplies, potable

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water and sanitation facilities, shelter materials and equipment to store food and tools. Another contribution of $1 million was given to the U.N. for support of the Truth Commission, made up of three internationally renowned authorities, to review and recommend actions on major human rights violations during the years of conflict. The Commission's report is due to be submitted in mid-March 1993.

A Socio-Demographic Study, undertaken by a local NGO, FUNDASALVA, provided valuable information not only on the socio-economic status of repatriates, displaced, and residents of the ex-conflictive areas, but also examined each group's perceptions of their status, of the peace process, of national reconstruction, and of the major entities having a leadership role. With respect to documentation, assistance is being provided to the Salvadoran Municipal Development Institute (ISDEM) and the U.N. High Commission on Refugees (UNHCR) for assistance to mayors in the formerly conflictive zones. This assistance, in conjunction with technical assistance from the UNHCR, is helping to reconstitute municipal registers so that citizens may obtain their birth certificates, identification documents (cedulas), and voter registration cards.

2. Ex-Combatant Assistance

An early requirement identified to support ex-combatant reintegration was household starter kits and furnishings. Over 11,000 members of the FMLN would be settling into regular residences, many for the first time. So far, 10,100, including roughly 1,200 war-wounded, have received these household kits, which consist of basic furniture (beds, table, chairs), kitchenware and linens. To date, 7,500 FMLN ex-combatants who plan to pursue agriculture as a livelihood have also been provided with agricultural starter packages (which include basic tools and seed kits). A total of at least 11,000 FMLN and 11,200 ESAF ex-combatants will receive agriculture starter packages. The combined budget for these household furnishings and agriculture starter packages is $8.5 million.

Catholic Relief Services has provided agricultural technical assistance and credit to indigenous NGOs, including 12 FMLN support groups. The Foundation of Entrepreneurs for Educational Development (FEPADE), a local NGO dedicated to vocational-technical and business management training, has trained over 1,700 ESAF and FMLN ex-combatants, while four other NGO's have trained an additional 1,000 ex-combatants. Creative Associates (CREA), a US firm working as a non-profit organization, and the U.N. have developed socio-economic reintegration counselling programs, but so far CREA has not been able to begin the program with the FMLN. To date, CREA has counseled 6,155 ESAF ex-combatants. Project funds have contributed to UNDP-sponsored vocational agriculture training for 6,000 members of the FMLN. The Ministry of Health (MOH) has also recently begun a pre-diagnosis and medical treatment program for 3,000 disabled FMLN ex-combatants.

USAID has also supported specialized training opportunities for the FMLN leadership in business and economics. To date, FEPADE has conducted four one-day seminars for 84 FMLN senior officials in market economics and related subjects. In addition, USAID sponsored the attendance of 4 top FMLN leaders at an INCAE (the Central American Business Administration Institute) regional seminar on Public Administration and Leadership Skills in a

Democracy. These FMLN leaders returned to El Salvador with the conviction that a broader range of FMLN leaders could profit from this type of training.

This led to the design and USAID funding of ten INCAE seminars which will be conducted for the top leadership of the FMLN on the topics of macroeconomics, the functioning of market economies, local and municipal government, public administration, and project evaluation. These seminars, to be conducted during the first half of 1993, will be split between El Salvador and INCAE's main campus in Costa Rica. The seminars in Costa Rica on Local and Municipal Government and Public Administration will include representatives from other Salvadoran political parties as well. The number of participants will vary from 15 to 40 depending upon the subject matter and location of the course.

Access to land was perhaps the most sensitive issue which had to be resolved in order to successfully complete the Peace Accord terms for FMLN demobilization. The U.N. Land Transfer Plan which provides for land to a total of 22,500 ex-combatants (7,500 FMLN and 15,000 ESAF) was key to resolving this issue. Phase I of this Plan requires the GOES to provide 131,000 acres of land to 15,400 beneficiaries by the end of January 1993, at an estimated cost of between $42-50 million. Ex-combatants (6,000 FMLN and 7,900 ESAF) are the highest priority beneficiaries under the first phase. Only a third of Phase I targets was met by the end of January, however, due to unrealistic expectations and the inability of the FMLN to provide the information required on individual beneficiaries. USAID has programmed $24 million for land transfers through the Land Bank, the Ministry of Agriculture's Agrarian Reform Coordination Office (OCTA) and the Government's Agrarian Transformation Institute (ISTA). Another $20 million will be provided for additional Land Bank transfers to ex-combatants from the FY 1993 Demobilisation and Transition Fund (DTF).

USAID has been the principal donor providing support for land transfers to both civilians and ex-combatants through the Land Bank thus far. Up to now, the Land Bank has financed the sale of 11,200 acres of land throughout El Salvador to 2,300 beneficiaries. Of this amount, 4,600 acres were transferred in the former conflictive zones to 1,000 beneficiaries mainly in FMLN controlled areas.

To date, approximately 20,000 acres of government-owned land has been provided to 2,600 beneficiaries (roughly half to ex-combatants and half to squatters) through ISTA, the government's Agrarian Transformation Institute. USAID is helping ISTA with local currency support for its administrative costs.

The U.N. Plan provides a total of roughly 404,000 acres of land to 25,000 squatters (tenedores), in addition to the 22,500 ex-combatants. The preliminary cost estimates reach $142.5 million. However, these estimates are based on an average per-manzana price of $600. We believe that this U.N. figure will prove to be low and the total financing requirement will likely reach $170 million. The second phase of the plan, from February through April 1993, provides for about 34,000 acres to 3,000 ex-combatants (1,500 FMLN and 1,500 ESAF) at a cost of $9-10 million. The last phase, from May 1993 on, will provide 239,000 acres of land to 5,600 ESAF ex-combatants and 25,000 squatters, and require $92-110 million. For the total land transfer program, there currently exists an estimated funding gap of about $90 million.

As in other countries, land distribution takes time; land must be identified, titles checked, and so on. USAID is working closely with the GOES, FMLN, U.N., Land Bank, ISTA and others to help accelerate the process to the extent feasible. The U.N. Peacekeeping Force (ONUSAL) participates in each property negotiation, and is a signatory to transaction documents for FMLN beneficiaries. The FMLN now also participates in each negotiation and transaction. Furthermore, USAID has in place a concurrent audit of Land Bank operations, which, inter alia, should ensure transparency and fair market pricing.

USAID is also encouraging other donors to contribute to this vital program for consolidating the Salvadoran peace process. To date, the EEC has agreed to provide $12 million for land transfers to ex-combatants in one department through the Land Bank but these funds have only now started to disburse. However, there has been great donor reluctance to provide additional financing for land transfers.

3. Socio-Economic Reactivation

This component provides a comprehensive approach to the reactivation of the formerly conflictive areas. The key elements of this approach are: (a) community infrastructure/short-term employment via the Municipalities in Action (MEA) program; (b) health and education services; and (c) productive enterprise development.

a. Municipalities in Action

The SRN developed activities for municipalities targetted by the Project in advance of the actual signature of the Peace Accords. In this way, MEA initiated activities on February 1, 1992, the first day of the official cease-fire, with ESF-generated local currencies pre-positioned for this purpose. In the first year of reconstruction activity, MEA has financed and assisted 1,200 projects, costing $14 million, benefitting all 115 municipalities in the NRP area and providing approximately 7,300 person-months of employment. MEA's small-scale infrastructure projects include schools, health posts, market places, daycare centers, electrification, roads and more.

A major obstacle confronted by MEA and other NRP activities was a situation in which mayors in 40 municipalities were not allowed to return to their offices by the FMLN and perform their functions, despite terms of the Peace Accords which specifically stipulated this and acknowledged mayors as the legitimate civilian authority. Negotiations to reestablish these mayors have been prolonged, at times handled successfully on a case-by-case basis, at other times requiring the intervention of the U.N. There remain 3 mayors who are not yet functioning within their municipality.

b. Health and Education Services

The original Project Paper budgeted $8 million to be obligated through the APSISA Project to reopen 22 health posts and units that had been closed due to the conflict. However, in many cases, PVOs had filled this void by opening their own clinics. In most cases, these private health facilities will remain open, thus reducing the need to reopen MOH facilities.

However, many of the private centers were in need of more regular and adequate supply of pharmaceuticals, medical supplies and even equipment. At the same time, the MOH recognized that at its existing primary health care facilities throughout the ex-conflictive zones demand was rising for services, due to the improved mobility and accessibility after the cease-fire. The funds allocated to this activity will cover costs of 16 privately run primary health clinics and 115 MOH health posts and units in the ex-conflictive zones, to include provision of pharmaceuticals, medical supplies and equipment, and repair and/or installation of adequate water and sanitation facilities at the MOH posts and units.

The MOH also quickly incorporated the ex-conflictive zones into its already scheduled vaccination campaign. During April-May 1992, the MOH completed the first vaccination campaign for residents in the ex-conflictive zones. The 1993 vaccination campaign, which also includes NRP zones, began on February 28.

Three sub-components in the original Project Document (Rehabilitation of Physically and Sensorially Handicapped, Provision of Prosthetics and Orthotics, and Provision of Mental Health Services for Children) have been combined under a new heading: Treatment of the Civilian War Traumatized. In this activity, a variety of interventions have either been expanded or begun. The Teleton Pro-Rehabilitation Foundation (FUNTER), after lengthy discussions with FMLN groups, is opening six satellite centers in ex-conflictive areas and has provided prosthetics for 152 FMLN-sponsored amputees. The Salvadoran Rehabilitation Institute (ISRI) has received a grant to expand its regional center for treatment of the handicapped. Another PVO, Operation Blessing, is working with deaf children.

Funding added ($6 million) to the AID-financed Strengthening Achievement in Basic Education (SABE) Project has enabled the Ministry of Education (MOE) to purchase textbooks and classroom materials, school equipment and furniture necessary for 60 MOE schools to reopen in the ex-conflictive zones. The MOE has contracted 280 more teachers for reopened schools in the ex-conflictive zones, including "people's teachers" (maestros populares). The MOE has also certified approximately 2,900 primary level students (both children and adults) previously enrolled in "people's schools" (escuelas populares), and 1,400 secondary level students, permitting them to enter official classes at the beginning of the 1993 school year. School materials have also been distributed to the 81 "people's schools." This is just one example of how a GOES Ministry is attempting to reach out to the FMLN and link with institutions that were established during the war.

Approximately $9.3 million in USAID assistance is supporting a variety of PVO activities, including integrated assistance to help repatriated families re-establish themselves, community health and education services, potable water, child care centers, sewing machines for income-generation, nutrition and education for children and mothers, and others.

It should be noted that US PVOs and national NGOs have been actively providing both health and education services and productive enterprise development assistance. As outlined earlier, NGOs have multiple routes available to them for accessing AID funds--directly through the SRN,

from municipalities or through umbrella PVO mechanisms. All three windows are functioning. An umbrella arrangement between Catholic Relief Services (CRS) and the Secretariat has enabled CRS to channel funds (approximately $1.8 million by the end of 1992) to a total of 23 Salvadoran NGOs, of which 20 had not previously received USG funding and 12 are associated with the FMLN.

In addition, a USAID grantee, Medical Service Corporation International (MSCI), is also serving as an umbrella organization making grants to a wide variety of NGOs for maternal child health activities and thus far has provided an estimated $2.5 million of a planned total of $7.2 million in subgrants to 20 Salvadoran PVO's, of which 14 had not previously received AID funding; of the 14, eight are supportive of the FMLN. Also, the Secretariat has signed an AID-funded grant with PACT (a U.S. PVO) to provide institutional strengthening services to Salvadoran NGOs, in particular those which lack the essential management controls and accounting systems to be certified for AID funding. Furthermore, AID has strongly and consistently encouraged the GOES to maximize the participation of NGOs, especially those most active in formerly conflictive areas. The GOES has been responsive, deferring for one year the requirement that participating NGOs obtain personeria juridica (legal status). As of the end of 1992, these multiple lines of action had borne substantial results. The number of NGOs receiving AID funding for activities in formerly conflictive areas totalled 42, of which 25 had not previously received AID funding and 13 were linked to the FMLN.

c. Productive Enterprise Development

NGOs have also played a major role in the provision of small and microenterprise credit, technical assistance, and training. Beneficiaries include refugees and the displaced. The FINCA village bank model, directed primarily at women, has been used to finance 82 village banks to date in the formerly conflictive zones. A combined total of 550 village banks are to be established in the NRP areas. Using its reflows under the Small and Micro-Enterprise (PROPEMI) Project (519-0304), the Salvadoran Foundation for Economic and Social Development (FUSADES) has granted 76 loans totaling approximately $100,000 to small/micro-businesses in exconflictive areas. This activity helps the target population to enhance their skills and improve their livelihood by providing them with start-up or investment credit, usually linked to technical assistance, to start or expand their small or micro-enterprises. Other NGOs and GOES entities, such as COMCORDE and the National Secretariat for the Family, are also involved in administering these programs. A total of $6.8 million is budgeted for this activity.

To date, FEPADE has undertaken 109 vocational and technical training courses which have included 327 civilians from the areas most affected by the conflict along with ex-combatants. Training activities include agricultural as well as such technical training as mechanics, carpentry, masonry, machinery operation, sewing, data processing, and in many cases will be accompanied with short courses on basic small business management. Project funding for this sub-component amounts to $5.4 million. Newly added to this sub-component is the CAPS/CLASP peace scholarship programs, worth roughly $4.6 million, to provide short and long-term training in the U.S. for a variety of local leaders, including mayors, and others from the ex-conflictive zones. This brings the total for the sub-component to $10 million.

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PVOs such as Catholic Relief Services are providing technical assistance both to ex-combatants and to other target groups for agriculture, as well as production credit, either in cash or in kind. In addition, the GOES, through the Banco Nacional de Fomento Agrícola (BFA) and the Federation of Rural Savings and Loan Cooperatives (FEDECCREDITO), made $5 million of agricultural credit available for the former conflictive zones for the 1992 crop year. The BFA disbursed a total of $2.4 million in credits to 2,100 beneficiaries.

USAID was not satisfied with the implementation pace of these NRP credit programs during last year's agricultural cycle (May-August), and is taking measures to assure that this year's program will be more responsive to user needs by making more credit available to more beneficiaries in a more timely manner. (It should also be pointed out that the Peace Accords were signed in mid-January 1992, leaving little time for credit institutions to design programs, develop lending policies and procedures and initiate activities.)

Beginning in December 1992, USAID has held a series of planning sessions with the Boards of Directors, Administrators and credit agents from CRS, BFA, and FEDECCREDITO. The purpose of these meetings is to discuss the difficulties encountered during last year's program, and to make adjustments for this year. Each institution's action plan and projected loan portfolio for this cycle have been reviewed so as to improve the agricultural credit program this year. Many of the constraints encountered last year, and identified during these meetings, have been addressed. For example, the SRN and the BFA have prepared new guidelines that will eliminate the two "special conditions" for loan eligibility that were most often cited as constraints. Beneficiaries will no longer be required to prove that they have worked the land for at least two years to qualify for a loan. Instead, all that will be required is an ONUSAL certificate verifying their status as an ex-combatant, a cedula for loan documentation purposes, and verification from the Land Bank or the GOES that they are, or soon will be, beneficiaries of a land transfer. Also, the BFA streamlined the loan application process for all ex-combatants and eliminated loan ceilings for credit to cooperatives. It has also increased the ceiling for individual loans from 10,000 to 15,000 colones. In addition, the possibility of developing additional credit channels during the upcoming crop season to maximize credit availability is being explored.

Two U.S. PVOs (CLUSA and TECHNOSERVE) are now providing technical and marketing assistance in parallel with available credit for non-traditional agricultural exports to small farmers, including some FMLN ex-combatants. Through a series of meetings, presentations and field trips, USAID has also introduced FMLN ex-combatants and their leaders to the types of assistance available to them for producing non-traditional agricultural exports.

4. Land Transfer Mechanisms

The discussion of progress to date on land transfers was included under the Ex-combatant Assistance Component above which includes $20 million in DTF funding. The Land Transfer Mechanisms component refers to civilian beneficiaries, primarily squatters, included in the U.N. land transfer plan, and includes an additional $24 million in project funds.

5. Infrastructure

To date, resources from the Public Services Improvement Project (519-0320) have supported the Ministry of Public Works (MOP) to rehabilitate 191 Kms. of roads in ex-conflictive zones and work is underway on a further 21 Kms. Also, a road inventory in the ex-conflictive zones has been completed, forming the basis for a plan to rehabilitate an additional 296 Kms. in 1993.

The National Electric Power Company (CEL) is rehabilitating 59 Kms. of sub-transmission and distribution lines with labor from the MEA Reconstruction program and materials from USAID-financed CEL inventories. CEL also developed a plan to rehabilitate an additional 396 Kms. of sub-transmission and distribution lines and the reconstruction of seven substations. In the municipality of Villa Victoria (significant for the role the cantón of Santa Marta played in the waning months of the conflict), the MEA program has rehabilitated 21 Kms. of electrical distribution lines working through the National Rural Electrification Cooperative Association (NRECA). CEL has installed approximately 500 hook-ups. Also under MEA, an additional 109 Kms. of distribution lines in 57 communities have been identified for rehabilitation by the municipalities, using materials funded by the Public Services Improvement Project.

D. Status of Other Donor Assistance

On March 23, 1992, the World Bank sponsored a Consultative Group meeting for El Salvador in Washington, D.C. The GOES' National Reconstruction Plan, seeking approximately $1.4 billion of donor resources, was well received. A total of $800 million was pledged during the meeting, although final commitments and disbursement of these funds have been slower than expected. Actual donor commitments, including those still under negotiation, total almost $600 million to date.

The U.N. has played a pivotal role in peacekeeping and negotiating the peace and disarmament. As an outgrowth of these responsibilities, it has sought and administered funds to support the FMLN in its concentration zones, the Truth Commission, ex-combatant training, and other services. However, the speed with which the U.N. can respond depends on how quickly it can interest donors in participating and how quickly those donors allocate funds. Unfortunately, the U.N. has been unable to mobilize significant resource levels, and, for several high priority activities, e.g., household furnishings and humanitarian assistance to demobilizing FMLN, the USG has been called upon to provide the supplementary funding required.

The IDB, through already agreed and new projects, will direct approximately $145 million for nationwide primary road reconstruction, the power sector and water and sanitation projects. While the roads project has been modified to permit construction of tertiary roads in NRP areas, it is not expected to initiate activities until early 1995. The power sector project does not include rural power distribution lines which reach to the smaller communities where the majority of the target population is found. Indeed, the IDB has recently advised AID that it cannot finance small-scale rural electrification projects.

The World Bank has not provided El Salvador with any new resources since the signing of the Peace Accords. The GOES is presently negotiating a second Structural Adjustment Loan (SAL) Program with the World Bank which is expected to go to the Board in September 1993. The amount of the loan, which will not be set until the terms of the SAL II are agreed upon, is expected to be $50 million or more, depending on IBRD efforts to attract co-financing for urgently needed high levels of fast disbursing assistance. While these funds are not directly linked to reconstruction efforts, their fast-disbursing nature and the generation of local currency will enable the GOES to target more support for Peace Accords related and NRP activities. In addition, the Bank is also discussing the use of reflows from their earthquake reconstruction project to provide housing credit in the formerly conflictives areas.

Bilaterally, Canada, Denmark, Spain, France, Japan, Switzerland, Sweden and Norway, in addition to the U.S., have signed agreements with the GOES or other institutions (mostly U.N.). Many of the European countries plan on funnelling resources through the EEC. So far, the EEC has pledged $63 million initially and committed the same. Their interest is to a large extent on supporting private voluntary agency activities, for instance, $29 million to Usulutan communities through groups associated with or acceptable to the FMLN. In fact, the EEC project constitutes the only other significant assistance to ex-combatants to date. Similarly, Spain has been the only donor to date to provide funds for the civilianization of the National Police and the National Police Academy ($2 million). The Japanese have formally agreed to co-finance the IDB's power sector and water and sanitation loans for a total of $83 million. In addition, another $13 million ($5 million of which was given immediately after the 1992 CG) will be provided this year. The Germans are putting together a project to provide short and long term training and university scholarships to ex-combatants. They also plan to provide $13.8 million for housing. However, this German assistance may not be ready to disburse until mid-1994.

A series of donors' meetings in early 1993 will provide fora to urge other donors to move forward with their own plans or consider more rapid methods such as co-financing on the SAL II. Particular pressure must be brought to bear on donors who have pledged but have been slow to commit, while providing alternatives to those who have been unable to develop specific plans. These meetings, beginning in February with the San Jose Nine meeting and shortly followed by the Partnership for Democracy and Development (PDD) meeting in Tokyo and the Central American Regional Consultative Group meeting in March, serve as an important lead-in to the April 1, 1993, Consultative Group (CG) meeting for El Salvador to be held in Paris.

The El Salvador CG will be focused on the National Reconstruction Program and the priority funding gaps which plague the peace and reconciliation process. The priority funding gaps to be emphasized at the CG meeting are as follows:

A. <u>Strengthening of Democratic Institutions</u>

The Peace Accords establish the basis and specific timetable (in some cases) for far-reaching democratic and electoral reforms, through the restructuring of some existing institutions and the creation of new institutions. With the exception of USG support, donor funding for these

programs (totalling approximately $3.5 million) has met only a fraction of the needs. The GOES has been able to reallocate its budget to meet some of the additional costs associated with these new and restructured institutions, but latest projections still show a funding gap in this component of over $250 million. Nearly $200 million of this amount is for the creation of the new National Civilian Police, including funds for the construction and equipping of the Police Academy ($67 million) and equipping and deployment of the new police force ($132 million). Other funding requirements include the Human Rights Ombudsman, equipment and other operational support for the Supreme Electoral Tribunal, and support for the GOES' justice system strengthening program.

B. Social Sector and Human Capital Needs

The financing gap for this component amounts to over $200 million, composed primarily of housing needs for ex-combatants and civilians in the formerly conflictive zones (approximately $100 million); basic community infrastructure through programs such as the Social Investment Fund (FIS) and MEA; rehabilitation and strengthening of health and education services; rehabilitation of the physically disabled; vocational training and adult education; documentation services; and support for repatriate and displaced families.

C. Infrastructure

The financing gap for this component also amounts to approximately $200 million. This component includes reconstruction and rehabilitation of major public infrastructure damaged during the conflict. It covers energy, telecommunications, transport (including rural roads and bridges), and water and sanitation projects. There appears to be a major gap in donor funding especially for farm-to-market roads and rural electrification which are of particular interest to the FMLN.

D. Productive Sector

The financing gap for this component amounts to approximately $180 million, comprised primarily of the financing of land transfers ($70 million) and agricultural and small and microenterprise credit ($70 million). Other priority requirements include technical assistance and extension services; rehabilitation and development of small irrigation works, community-based aquaculture, and agroforestry sytems.

E. The Environment

This component requires approximately $15 million for activities to protect and manage natural resources in the NRP areas, including: natural resource management and protection; establishment of community-based nurseries; a pilot reforestation program; soil conservation; flood control; and environmental education and environmental impact analyses.

III. REVISED PROJECT DESCRIPTION

A. Rationale and Strategy

Now that the end of El Salvador's civil war has been officially declared and the demobilization of ex-combatants is nearly complete, international attention may move on to other pressing problems. It would be a mistake for the world to turn its back on this tiny country. Without outside help, rival factions may fail to advance the country's halting progress toward full democracy and needed reform of the social and political structure which helped plunge El Salvador into war in the first place may never materialize. This unfortunate consequence would reverse one of the U.S.' most significant foreign policy achievements in the hemisphere as well as one of the few clear successes of U.N. peacemakers in recent years.

The rationale for USG support to Salvadoran peace and national recovery remains essentially unchanged. It is in the USG's interest to support a national reconstruction plan that will consolidate the peace process, and avoid sowing seeds of future discontent. The economic and democratic gains achieved over the past decade, while impressive, remain fragile. With the formal end of the armed cease-fire, El Salvador now more than ever has to demonstrate that the expectations of democracy are well-founded, and that an elected government, with market-based economic policies, can work in practice for the benefit of all segments of society.

The guiding principles for the USG assistance package, as expressed in the original Project Document, are an immediate response capability, simplicity and flexibility. We wanted to demonstrate support for what is clearly a Salvadoran recovery program by helping to meet immediate needs and funding gaps, especially in the critical start-up phase. We successfully drew upon our comparative advantage - the fact that we already had a program in place and possessed considerable experience with Salvadoran institutions - to flexibly respond to a variety of unforeseen needs. If left unmet, these needs, especially those involving land transfers and ex-combatants, could have seriously jeopardized, even halted, the peace process. The Project will need to retain a good deal of flexibility for the future as well.

The USG assistance package makes every effort to contribute to a genuine reconciliation of the Salvadoran people by maximizing participation and outreach. Participation is being encouraged by broadening access to Project resources for a wide variety of private, community-based as well as government channels. NRP assistance flows to beneficiaries through essentially three windows, under the overall administration of the Secretariat for National Reconstruction (SRN). These three windows are first, a wide range of private non-governmental organizations. Second, the 115 municipalities in the formerly conflictive zones. And third, the ministries and semi-autonomous agencies of the GOES.

NGOs have multiple routes available to them for accessing USAID funds: directly through the SRN, through municipalities, or through umbrella PVO mechanisms. All three channels are functioning. The recent GAO report on NGO participation in national reconstruction corroborated the fact that NGOs were encouraged not only to propose projects for funding but, given their administrative and financial management weaknesses, also were being given

technical assistance to strengthen their institutions. In a further step to encourage NGO participation, the SRN is waiving the normal government requirement that they be legally registered for up to a full year.

Working with the municipalities through the MEA program has been central to the NRP's efforts to reactivate the formerly conflictive zones because of MEA's national coverage, excellent track record, and its grassroots, participatory nature. Indeed, USAID is working with the GOES to encourage any local mechanisms which increase communication by the GOES, mayors and town councils with as broad a range of citizens and groups as possible, while reserving the decision-making powers and related authorities to the popularly elected officials. Differing models, including various advisory committees, are emerging depending on circumstances in individual communities.

The third window for assistance, government entities, is responsible for a wide range of activities, some of which are beyond the scope of NGOs or individual municipalities and others simply because multiple assistance vehicles are necessary to deliver needed services in a timely way.

While these three windows have each worked quickly and effectively during the NRP start-up phase, we have been less successful in encouraging additional, accelerated funding support from other donors. This has not been due to a lack of effort. On the contrary, we used our leadership position to directly encourage other donors and to support GOES efforts to organize and make presentations to two major World Bank-led Consultative Group meetings. We collaborated with U.N. technicians in assisting the GOES to prepare for the second CG. As discussed earlier, USAID has repeatedly supported U.N. and UNDP appeals for support, whether it be for FMLN training and humanitarian support or for the Truth Commission. Clearly more needs to be done, however, and we must again make every effort to encourage other donors to support the NRP, whether through specific projects or, preferably, through fast-disbursing assistance. Co-financing of the IBRD's second Structural Adjustment Loan or the IDB's Investment Sector Loan (ISL) are excellent examples of how other donors could accelerate their assistance. The upcoming CG planned for April 1993 is an extremely important opportunity for the GOES and USG to promote funding for key gaps in the reconstruction program.

B. Revised Project Description

The goal of the project remains to support El Salvador's National Reconstruction Plan in consolidating the peace process, furthering national reconciliation, and sowing the seeds for future growth with equity and a stable democracy. The purpose statement has been revised slightly from the original Project Paper. The purpose is to support implementation of the Salvadoran Peace Accords and the National Reconstruction Program by assisting the reintegration of ex-combatants, the economic and social reactivation of the formerly conflictive zones, and the democratic reintegration of their population.

In view of the revised needs created by the disarmament negotiations, better information, and the low level of support from other donors to date, the Project description has been revised in several ways. A number of adjustments became necessary in order to bridge critical gaps, especially with respect to

reintegrating ex-combatants of both sides into civilian society. Funding for certain activities was not anticipated in the original Project Paper: The Truth Commission, humanitarian support to the FMLN through U.N. auspices, household furnishings, and support for demobilizing the national police. Funding for other activities such as land transfers, agricultural credit scholarships and treatment of the war wounded, was greatly underestimated in the original budget.

Our efforts to bridge critical gaps over the past year necessitated a Project budget reprogramming which resulted in funding shortfalls for other important activities. Funding shortfalls primarily affected rural infrastructure rehabilitation - tertiary roads (farm-to market roads), bridges and electricity. The infrastructure component had to be reduced by over fifty percent (from $56 to $27 million). Because other donor financing for infrastructure will likely be limited to primary and secondary road networks and new electrical transmission systems, the need for rehabilitation of rural roads, bridges and electrical systems will largely go unmet. Because of this, USAID is requesting $10 million in new resources coupled with a restructuring of funding priorities within this component to help meet critical funding requirements.

In addition, pressing requirements have been identified for greater levels of agricultural credit. Agricultural credit support from other donors is unlikely to be provided quickly, especially in terms of meeting the 1993 and 94 crop cycle needs. Accordingly, an additional $15 million is requested herein to provide for ex-combatants, tenedores and other small farmers in the ex-conflictive zones. As experience to date has shown, continued flexibility will be necessary to respond to other priority needs as the peace process unfolds. Examples of such unplanned needs which will possibly merit USG support include demining and civic education. While a UNICEF and ONUSAL led effort has resulted in a mine awareness campaign and minefield marking, the slow international response to demining thus far has led the GOES to request that UNICEF launch a fundraising campaign now for mine removal. A number of NGOs from across the political spectrum are eager to help prepare Salvadorans to participate more fully in democratic processes. Many have requested assistance in designing and carrying out democracy and civic education programs in the formerly conflictive zones.

This section focuses primarily on the revisions to the Ex-Combatant Assistance Component and the rationale for the supplementary budgetary request for rural infrastructure rehabilitation and agricultural credit.

1. Ex-Combatant Assistance

At the time the Project Document was developed and authorized, there were many unknowns related to the demobilization of the FMLN and reductions in the Salvadoran Armed Forces (ESAF). The original Project Document correctly observed that while "the universe of potential ex-combatants is not difficult to define ... it is difficult ... to predict precisely the extent to which either group will want or need assistance and the level of demand for each specific type of assistance." The Project Document called for a good deal of flexibility "so as to best respond to reintegration needs as the demand for each specific option is determined."

The original intent of the Project was to treat ex-combatants as much as possible like the rest of the target population, with the hope of accelerating their reintegration into Salvadoran society. However, as the negotiations evolved, the requirements of the FMLN, and to some extent the ESAF, were articulated and went well beyond assistance originally envisaged. The recent Project reprogramming exercise addresses this reality by expanding this component to include land transfers, agriculture and micro-enterprise credit and technical assistance, and other benefits which will be directed specifically to ex-combatants.

The aim of this component remains that of integrating ex-combatants as smoothly and as quickly as possible into civilian society. In most cases this involves providing them a means of livelihood, through tools, training, credit, and land for those wanting to farm. For some, the reintegration process will be more difficult and access to medical treatment, counseling, or specialized therapy will be necessary. USG support to ex-combatants will total $85 million, a ten-fold increase from the original Project budget. However, ex-combatants are also eligible to receive, as individuals, benefits under other components of the Project, estimated roughly to be $9-10 million.

The increase in ex-combatant assistance includes resources to address the specific demobilization needs of the National Police (PN). El Salvador is facing an escalating crime wave from the mounting desertion rates (recently as high as 300 per month) which are debilitating the PN's capacity to maintain law and order. Desertors are leaving with their rifles, thus further heightening the risk of armed violence in the country. Desertions will continue and possibly increase if no incentives are provided for the approximately 10,500 members of the PN to remain until an orderly demobilization process can be completed. (Of the 10,500 to remain, an estimated 20% will fill the quota to enter the PNC Academy.)

To meet the needs of the demobilizing PN officer corps, university scholarships, and a package of career counseling and outplacement services will be provided. PN enlisted men will be given access to vocational/technical training, reintegration counseling and job placement services similar to what is being provided now to the FMLN and ESAF.

Early GOES planning for reintegration of the ex-combatants of the ESAF and the FMLN did not make a great distinction between the officers and the soldiers. Ex-officers and ex-soldiers of both sides were to have access to similar benefits such as counseling, land, vocational training, and credit. The only original distinction was the additional availability of long-term university scholarships to the officers of both sides who were expected to be more likely to have the necessary educational base for higher level training.

However, in late 1992, both the FMLN and the ESAF identified special needs of the officers for counselling, vocational and business training, and productive credit in addition to university scholarships. After extensive review, President Cristiani made the decision that the GOES would provide a special reintegration program for the officers of the ESAF, using GOES funds. The President also instructed the SRN to develop and fund (with A.I.D. support) a reintegration program for ex-officers of the FMLN in

response to the FMLN's request. The program will include reintegration counselling to be conducted by the UNDP, vocational and business training to be conducted by FEPADE, and business planning and credit programs to be handled by FUSADES.

The principal activities under the revised Ex-Combatant Assistance Component are as follows:

a. Reintegration Counseling: All parties agree that reintegration counseling is needed, however, differences exist over who should provide it. The purpose of ex-combatant reintegration counseling remains the same, namely to provide a basic orientation on coping with a civilian, market-oriented society, and to match up skills and interests with available training, scholarship, technical assistance, credit and land programs. The counseling also provides the opportunity for ex-combatants to share experiences and lessen the emotional trauma of twelve years of war, drawing in part upon the expertise of the U.S. Veterans Administration. CREA (a U.S. firm working as a non-profit organization) has negotiated extensively with the FMLN to develop a counseling program to no avail, although CREA counseling is being successfully implemented with the ESAF. Consideration is now being given to a U.N. proposal to provide counseling to the FMLN. The budget provides $3.5 million to cover this need. This would be offered to 7,500 FMLN, 15,000 ESAF and 10,500 National Police ex-combatants.

b. Scholarships: The Project provides for full scholarships (tuition, book allowance and living allowance) for members of the FMLN, ESAF, and the PN who are academically qualified to take advantage of a university education or post-graduate work. Given the scholastic prerequisites, the vast majority of candidates will be from the officer class. Based on figures developed by the GOES in coordination with the German Government, over 1,000 FMLN commanders will likely apply for the scholarship program, as will nearly 500 ESAF officers. Assuming that the same proportion of officers in the National Police apply for scholarships as will ESAF officers, another 300 National Police could benefit from the program. This results in an estimated maximum scholarship demand of 1,800 people. Assuming a five-year scholastic program, the per-person cost for each scholarship could reach as high as $9,400. The cost of university training is greater than original estimates in the Project Document due to the inclusion of regional training institutions (e.g., El Zamorano and INCAE) in addition to national institutions of higher education. If it is further assumed that all would take advantage of the program, $16.7 million would be needed. However, realistically, the final amount needed will be significantly less, since some will need fewer than five years, some will not stay in the program the full five years, and some will choose not to accept the program. The German Government plans on providing 130 university scholarships, costing roughly $1.5 million. The $9.5 million in USAID resources budgeted for this activity will provide scholarships for a minimum of 1,000 ex-combatant/students.

c. Land Transfer: This activity was fully addressed in Section II.B, Summary of USG Assistance to Date.

d. Training: This activity includes a variety of technical/vocational and small and micro-enterprise management training for ex-combatants of both sides. The total amount allocated for training is $8.9 million.

e. Agricultural Credit: The need for agricultural credit in the formerly conflictive zones is one of the most divisive issues facing the peace process, especially over the next several months as the planting season for the 1993 crop cycle approaches. Now that the U.N.'s Land Transfer Plan is being implemented and agricultural starter packages have been distributed to ex-combatants of both sides, credit remains as the most serious unmet constraint to obtaining gainful employment and, in many cases, providing a subsistence diet and income for thousands of ex-combatants, repatriates and residents of the former conflictive areas who choose to dedicate themselves to farming.

The Government's capacity to meet NRP credit demand during the 1992 crop cycle was disappointing. As discussed previously, several steps have been taken to make the formal credit system through the BFA more responsive to NRP needs. Notwithstanding these improvements, the GOES faces an imposing challenge if it is to comply fully with Peace Accord stipulations regarding the timely and sufficient provision of agricultural credit. BFA and SRN estimates of NRP credit requirements for 1993 alone are $15 million in excess of identified resources (almost exclusively from the GOES or USAID). To meet the credit need, additional resources must be obtained urgently for channelling through informal as well as formal mechanisms. For the remainder of the NRP period, the GOES is developing a comprehensive agricultural credit program which includes a tentative credit financing gap of $180 million. The Government will ask the donor community for priority attention to this need at the upcoming Consultative Group meeting.

El Salvador's financial system is changing rapidly, and the changes will exacerbate El Salvador's problem of formal credit delivery to the agricultural sector over the short term. Banks are being privatized, interest rates are market determined, and directed lines of credit have largely been eliminated.

In 1991, the Central Bank assumed the uncollected debt of the commercial banks in preparation for their privatization; but the Central Bank assumed only the agrarian reform debt of the BFA, leaving it with a portfolio in which approximately half of its loans are non-performing. It is unlikely that privatized commercial banks will risk their newfound solvency on agricultural loans to any but their best customers, leaving the debt-burdened BFA and FEDECCREDITO to service the credit needs of agriculturalists, especially small farmers, agrarian reform beneficiaries, ex-combatants, and residents of the formerly conflictive zones.

It is also unlikely that the privatized banking system of El Salvador will provide significant credit to agriculture (other than coffee) in the short term. This means that the burden for providing formal agricultural credit will fall increasingly on the BFA. A number of constraints reduce the BFA's lending efficiency and its ability to respond to agricultural credit needs:

o The Bank is saddled with a portolio in which many of its assets are considered to be "non-performing" or "uncollectible". This portfolio weakens all bank operations and keeps the Bank from searching for new sources of capital.

o The large numbers of ex-combatants and residents of the NRP areas which the BFA is being asked to serve represent a widely dispersed and often illiterate clientele which in many cases will be applying for credit for the first time.

o The BFA's lending norms require that an individual be current on debt repayment (or accept a rescheduling of existing debt) before extending new credit. A good number of the target clientele have unpaid prior balances and/or are unwilling to accept rescheduling of their debt over a multi-year period.

The BFA is expanding its coverage, especially in the NRP areas where it has branches, by using the local municipal infrastructure to facilitate lending. Under the recent budget reprogramming, USAID has increased its funding of agricultural credit for the 1993 agricultural season to ex-combatants from both sides to $10.6 million, and $10 million in additional resources are being requested under this Project Paper Amendment. Under the Social and Economic Reactivation component described below, a total of $10 million has been budgetted for agricultural credit and training for residents of the formerly conflictive zones. An additional $5 million is being requested for this purpose under the Project Paper Amendment. With this increase of $15 million for agricultural credit under both components, the short-fall for the 1993 crop cycle will be completely met. However, these additional resources must be provided urgently in order to be available for the upcoming planting season (May 1993).

To place this amount of credit in a timely and efficient manner, USAID resources will be channelled through both formal (BFA and FEDECCREDITO) and informal (Catholic Relief Services and a variety of local NGOs) sources. The Catholic Relief Services umbrella agricultural credit mechanism is proving to be quite effective. CRS and participating local NGOs possess extremely motivated, competent personnel and very lean organizational structures. While it is desireable to maximize use of this lending mechanism, the absorptive capacity of these institutions is a limiting factor.

f. Micro-Enterprise Credit: This activity provides $10.9 million credit to ex-combatants who wish to start small and microenterprises. Included in this amount is a special program of $4 million for senior FMLN officers who will be trained and then receive investment or business start-up credit.

g. Ex-combatant War-Wounded: A preliminary study on ex-combatants incapacitated either emotionally or physically by the conflict estimates that between 3,000-3,500 members of the FMLN will require treatment. The MOH, ONUSAL and FMLN have worked together to develop an effective system for treating this group. They plan on focussing as much of the treatments in one MOH hospital (San Rafael) as is feasible. The program will consist of priority surgical care for fifty determined to need immediate assistance; a pre-diagnosis to determine the different categories of surgical-medical or psychiatric care needed; expert diagnosis by specialists; definitive treatment, principally in one hospital to be equipped for the purpose; and rehabilitation, drawing also upon the services of FUNTER and ISRI, and including follow-up treatment at their homes and settlements.

So far, estimates of the ESAF war-wounded range between 7,000 to 10,000. ESAF war-wounded have been receiving and will continue to receive care from within the ESAF, including surgical treatment and rehabilitation. However, those needing follow-on or complementary treatment or assistance will also receive treatment from civilian facilities. A total of $5.8 million is programmed for this activity. It was expected that DTF resources would be available to meet this requirement. This now appears unlikely and, thus, ex-combatant war-wounded assistance would constitute another urgent need for additional resources since DTF resources originally planned for this activity may be reallocated to the PNC.

2. Social and Economic Reactivation

The purpose of this component remains essentially unchanged, i.e. successful reintegration of the conflictive zones through a comprehensive approach to social and economic reactivation. The main change is an adjustment in the beneficiaries being targeted. Since so much assistance to ex-combatants will now be provided primarily by discrete activities targeted specifically to them, the principal beneficiaries under this component will be residents of the ex-conflictive zones, displaced persons and repatriates. To the extent that ex-combatants, as individuals, apply for assistance provided under this Component, they will also be eligible. The number of municipalities defined as being in the ex-conflictive zones has been adjusted upwards, from 99, at the time the Project Paper was prepared, to 115.

As a result of the recent reprogramming, funding for this component was reduced from $157 million to $110 million. In order to address priority needs under the NRP, an additional $17 million has been identified within USAID's existing portfolio. This amount is comprised of three existing projects (Maternal Health/Child Survival, $5 million; CAPS/CLASP, $5 million; and FINCA village banks, $2 million) and the equivalent of $5 million in host country-owned local currency (HCOLC) to be programmed for the MEA program. In addition, $5 million in new resources are being requested for agricultural credit requirements, as described under Section III.B.1.e. above.

3. Land Transfer Mechanisms

An additional $8 million in host country-owned local currency has been identified and jointly programmed for the financing of land transfers to civilian beneficiaries, bringing the total funding for this component to $24 million. The U.N. Land Transfer Plan includes 25,000 squatters as beneficiaries along with the 22,500 ex-combatants. The FMLN has made a point of insisting that land transfers not be limited to ex-combatants. The $90 million financing gap identified in Section II.C.2 above applies to these civilian beneficiaries.

4. Infrastructure

USAID funding will cover less than ten percent of the total financing needed to restore infrastructure in the formerly conflictive areas. The major portion of infrastructure financing requirements must come from other donors. For the Consultative Group meeting, the GOES will submit revised infrastructure needs totaling over $430 million. To date, the GOES has received approximately $230 million in donor commitments for infrastructure,

leaving a financing gap of $200 million. While the donor commitments received to date are sizeable, they will be slow to commence. The IDB roads and power sector loans, for example, are not expected to begin implementation until early 1995. Donor-funded investments will focus primarily on major infrastructure needs (i.e., primary and secondary road and electrical networks), leaving an important gap for smaller, tertiary and rural category A and B roads, and rural electrification.

The need to link major transportation and power networks is of vital importance to those poor rural communities in the ex-conflictive zones. After 12 years of increasing isolation during the war years, with the limited infrastructure deteriorating either through direct attacks or through lack of maintenance, communities are thoroughly alienated. A key part of reintegrating these communities into the social and economic life of the country is to provide the physical means to rejoin the nation.

Not only are these links in the infrastructure chain necessary for psychological reintegration, but they will also affect the impact of other elements of the National Reconstruction Plan: poor farm-to-market roads increase the cost of delivering services and production inputs, and the cost of marketing production outputs. It also restricts access to services: the radius of clients for health care and schooling shrinks when roads are unusable. Lack of electricity also increases production costs, limits the range of productive activities and delays improvements in the quality of life for these isolated communities. The type of infrastructure to be funded in this Project will also maximize the infrastructure projects of other donors by bringing their benefits all the way to the target communities, not just to the larger towns.

Since local infrastructure will be contracted locally, USAID-funded activities will also complement the MEA program in providing much-needed sources of employment in the zones during the dry season which is also when agricultural demands are minimal.

According to an October 1992, USAID-funded consultant report on NRP requirements for roads, bridges and water supply, a total of 1,600 Kms. of roads are needed during the next four years of the Project. Based on MEA's capacities and capabilities, 1,200 Kms. of these needs can be satisfied by MEA projects, leaving 400 Kms. of small roads needing additional resources. At an average per-kilometer cost of $18,750, the cost for these 400 Kms. of roads will be $7.5 million. In the ex-conflictive zones, the need is also immense for stream crossings and bridges for tertiary and rural roads which are impassable during the rainy season. Surveys indicate that 2,000 lineal meters of bridges and paved fords are needed over the remaining four years of the Project. At a per linear meter cost of $6,000, this would cost another $12 million.

Resources are also needed to support rural electrification by intensifying the building of new distribution lines and "backfilling" of existing lines. As determined in the February 1992 Infrastructure Needs Assessment, an estimated 400 Kms. of new lines need to be built in the last four years of the Project, adding about 20,000 new households, at an estimated cost of $5.0 million.

Using $20 million in funds available under the Public Services Improvement Project (519-0320), repair of physical facilities is being done, primarily on electrical generation and distribution, secondary and tertiary roads, and water and sanitation for communities in the ex-conflictive zones. Due to the budget reprogramming needed to address land transfers, expanded ex-combatant assistance, and other unforeseen needs, however, the budget for this component had to be slashed by over 50 percent, from $56 million to $27 million. Funding for feasibility studies, support to the Directorate General of Reconstruction (DGR), and emergency repairs have all been scaled back drastically (from a total of $27 million in the original Project Paper to a new total of $7 million) as a result of this budget cut.

Despite these reductions, a funding shortfall exists for $25 million in priority rural infrastructure rehabilitation. These priority rural roads, bridges and electric distribution systems have been identified by the target municipalities in open town meetings. The FMLN leadership has also targetted rural roads and rural electrification as pressing needs and has specifically asked the GOES to increase its funding request for these items at the upcoming Consultative Group Meeting. The Project Paper Amendment proposes that $10 million in additional resources be provided to help address rural infrastructure rehabilitation requirements. Where it is possible, the municipalities will be responsible for these smaller sub-projects, but with the DGR's technical assistance to develop plans and contract for construction, supervision and quality control services. In other instances, several mayors will work together with the DGR to build or reconstruct a road which has been identified as a high priority to more than one municipality. NRECA will also assist in providing eight communities in the ex-conflictive zones with 92 Kms. of electricity distribution lines. Certain projects might be initiated by central GOES authorities, and implemented by the DGR.

C. Revised Budget Summary and Mortgage Analysis

The following tables contain financial information which detail the recent Project reprogramming, additional resource requirements which are being requested, expenditures to date, status of obligations and detailed costs by Project Component and activity. Table I represents the summary budget by component and compares the original budget to the current "reprogrammed" budget. It also reflects the additional requirement, composed of both an increased contribution from USAID's existing project portfolio and new resources which are additional to USAID's current program levels. This additional requirement increases the total USG assistance package from $250 million to $300 million.

Table II reflects the summary budget broken down by funding source; i.e., ESF, DTF, existing and planned projects, and host country-owned local currency (HCOLC). Table III reflects the current status of obligations by funding source. As of the end of FY 1992, $128 million or 51 percent of the $250 million assistance package had been obligated. By the end of FY 1993, the unobligated balance will be $46 million. A more detailed mortgage analysis is provided below.

In order to detail progress to date in financial terms, Table IV demonstrates the status of expenditures as of December 31, 1992 by component and funding source. Finally, Table V provides a detailed budget by component

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and activity, including a break-out by funding source, for both the current assistance package and the revised budget being requested. Table VI details the contributions to national reconstruction by existing projects within the Mission's portfolio.

Mortgage Analysis

During FY92, the Mission reoriented the funding sources for much of its portfolio in order to relieve pressure placed on our ESF-projectized resources by the Peace and National Recovery Project. Nearly all USAID-supported projects, except for this Project and Democratic Initiatives activities, are now funded through the Development Assistance (DA) accounts.

This Amendment and the reallocation of other project mortgages to DA will necessitate sustaining significant ESF and DA levels through FY94 and beginning to decline in FY95, as incorporated in our FY94 ABS. The levels are: FY94 $120 million ESF and $55 million DA, and FY95 $85 million ESF and $50 million DA. Of the ESF funds, upwards of 30-40 percent will be projectized to cover NRP and other portfolio requirements each year.

1. Projectized ESF

Entering FY93, the Mission had eight ongoing ESF-funded projects with mortgages amounting to approximately $120 million, of which $91 million was attributed to the pre-amendment Project. No major new starts are contemplated for FY93 and FY94, although some smaller activities may emerge to assist the post-Peace Accord reconciliation proecess. One new project may commence in FY95.

Two events served to reduce the short-term pressure on the ESF-projectized account. First, Section 599 of the FY93 FAA reduced or may eliminate the need to obligate funds to cover the remaining mortgages relating to our Free Zone and Investment Promotion activities ($5 million in FY93). Second, the provision of Demobilization and Transition Funds, while restricted largely to ex-combatant and police assistance, will help meet the greater than expected requirements for ex-combatants over the near term.

2. Development Assistance (DA)

The DA mortgage remained at approximately $85 million entering FY93. The Mission plans three major new starts and two or three amendments this fiscal year. After the FY93 obligations, the DA mortgage will reach between $70-75 million. Several DA-funded projects are directly contributing to the attainment of NRP objectives, and have significant mortgages. A large portion of the portfolio mortgage relates to projects scheduled for termination in FY94 and FY95. Also, the Mission has two major sectoral programs planned for initiation in FY94. However, given the importance of the NRP in the Mission's strategic objectives for FY 1992-97, if necessary we will cut back or stretch out new starts in order to make room for the additional NRP funding proposed in this Amendment.

05-Mar-93

TABLE I
PEACE AND NATIONAL RECOVERY
SUMMARY BUDGET
($ MILLIONS)

COMPONENT	ORIGINAL BUDGET	CURRENT BUDGET	ADDITIONAL REQUIREMENT		TOTAL AMENDED PROJECT BUDGET
			EXISTING PROJECTS	NEW RESOURCES	
A. IMMEDIATE ASSISTANCE	4	4	0	0	4
B. EX-COMBATANT ASSISTANCE	8	80	0	10	90
C. SOCIAL AND ECONOMIC REACTIVATION	157	110	17	5	132
D. LAND TRANSFER MECHANISMS	15	16	8	0	24
E. INFRASTRUCTURE	56	27	0	10	37
F. PROGRAM AUDIT AND MANAGEMENT	10	13	0	0	13
TOTAL	250	250	25	25	300

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TABLE II
PEACE AND NATIONAL RECOVERY
SUMMARY BUDGET BY FUNDING SOURCE
($000)

COMPONENT	ORIGINAL BUDGET	CURRENT BUDGET	ADDITIONAL REQUIREMENTS: EXISTING PROJECTS	ADDITIONAL REQUIREMENTS: NEW RESOURCES	TOTAL PROJECT BUDGET
[illegible]					
ESF	0	1,500		0	1,500
DTF	0	0		0	0
EXISTING PROJECTS	2,000	700	0		700
HCOLC	2,000	1,800		0	1,800
TOTAL A	4,000	4,000	0	0	4,000
[illegible]					
ESF	0	0		10,000	10,000
DTF	7,500	70,000		0	70,000
EXISTING PROJECTS	400	1,000	0		1,000
HCOLC	100	9,000		0	9,000
TOTAL B	8,000	80,000	0	10,000	90,000
[illegible]					
ESF	100,200	65,750		5,000	70,750
DTF	14,500	10,750		0	10,750
EXISTING PROJECTS	12,600	13,300	12,000		25,300
HCOLC	29,700	20,200	5,000		25,200
TOTAL C	157,000	110,000	17,000	5,000	132,000
[illegible]					
ESF	15,000	15,000		0	15,000
DTF	0	0		0	0
EXISTING PROJECTS	0	0	0		0
HCOLC	0	1,000	8,000		9,000
TOTAL D	15,000	16,000	8,000	0	24,000
[illegible]					
ESF	9,800	7,000		10,000	17,000
DTF	23,000	0	0	0	0
EXISTING PROJECTS	20,000	20,000	0		20,000
HCOLC	3,200	0		0	0
TOTAL E	56,000	27,000	0	10,000	37,000
[illegible]					
ESF	5,000	6,000		0	6,000
DTF	5,000	4,000		0	4,000
EXISTING PROJECTS	0	0	0		0
HCOLC	0	3,000		0	3,000
TOTAL F	10,000	13,000	0	0	13,000
TOTALS					
ESF TOTAL	130,000	95,250	0	25,000	120,250
DTF TOTAL	50,000	84,750	0	0	84,750
EXISTING PROJECTS TOTAL	35,000	35,000	12,000	0	47,000
HCOLC TOTAL	35,000	35,000	13,000	0	48,000
GRAND TOTALS	250,000	250,000	25,000	25,000	300,000

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TABLE III

STATUS OF OBLIGATIONS

($000)

FUNDING SOURCE	PROPOSED L O P	OBLIGATION TO DATE	TOTAL UNOBLIGATED	PLANNED OBLIGATIONS			
				1993	1994	1995	1996
1. ESF	120,250 [1]	31,352	88,898	30,000	25,000	25,000	8,898
2. DTF	84,750	50,000	34,750	34,750			
a. 91 Appropiation	(5,750)		(5,750)	(5,750)			
b. 92 Appropiation	(50,000)	(50,000)	0				
c. 93 Appropiation	(29,000)		(29,000)	(29,000)			
3. EXISTING PROJECTS	47,000	22,080	24,920	14,000	10,920		
4. HCOLC	48,000	42,000 [2]	6,000	6,000			
TOTAL	300,000	145,432	154,568	84,750	35,920	25,000	8,898

1) Approximately $11 million of this total will be funded from the Development Assistance Account

2) Represents joint GOES-USAID programming levels.

TABLE IV
CUMULATIVE EXPENDITURES AND COMMITMENTS AS OF 3/31/93
($000)

08-Mar-93

COMPONENT/FUNDING SOURCE	LOP	OBLIGATED TO DATE	CUMULATIVE EXPENDITURES AND COMMITMENTS
A IMMEDIATE ASSISTANCE			
E S F	1,500	1,500	1500 *
D T F	0	0	0
EXISTING PROJECTS	700	700	375
HCOLC	1,800	1,315	1,255
TOTAL A	4,000	3,515	3,130
[illegible]			
E S F	0	0	0
D T F	70,000	35,250	26,931
EXISTING PROJECTS	1,000	1,300	707
HCOLC	9,000	5,615	8,121
TOTAL B	80,000	42,165	35,759
[illegible]			
E S F	65,750	18,852	4,553
D T F	10,750	10,750	0
EXISTING PROJECTS	13,300	8,000	3,293
HCOLC	20,200	14,740	12,150
TOTAL C	110,000	52,342	19,996
[illegible]			
E S F	15,000	7,000	0
D T F	0		0
EXISTING PROJECTS	0		0
HCOLC	1,000		27
TOTAL D	16,000	7,000	27
[illegible]			
E S F	7,000	2,500	0
D T F	0	0	0
EXISTING PROJECTS	20,000	8,080	1,940
HCOLC	0	0	187
TOTAL E	27,000	10,580	2,127
[illegible]			
E S F	6,000	1,500	10
D T F	4,000	4,000	5
EXISTING PROJECTS	0	0	0
HCOLC	3,000	0	0
TOTAL F	13,000	5,500	15
TOTALS			
E S F	95,250	31,352	6,063
D T F	84,750	50,000	26,936
EXISTING PROJECTS	35,000	18,080	6,315
HCOLC	35,000	29,000	21,740
GRAND TOTALS	250,000	128,432	61,054

* UN - managed activities, therefore not reflected on MACS reports

TABLE V
PEACE AND NATIONAL RECOVERY
DETAILED BUDGET
($000)

COMPONENT	CURRENT BUDGET					PROPOSED BUDGET				
	ESF	DTF	EXISTING PROJECTS	HCOLC	TOTAL	ESF	DTF	EXISTING PROJECTS	HCOLC	TOTAL
A. [illegible]										
1 - Mine Awareness					0					0
2 - Food Distribution			150		150			150		150
3 - Health Services Delivery			400		400			400		400
4 - PVO Support					0					0
5 - Socio-Demographic Studies				100	100				100	100
6 - Documentation/Certification				200	200				200	200
7 - SRN Admin. Costs			150	1,500	1,650			150	1,500	1,650
8 - UN Humanitarian Asistance (to FMLN)	500				500	500				500
9 - UN Truth Commission	1,000				1,000	1,000				1,000
TOTAL A	1,500	0	700	1,800	4,000	1,500	0	700	1,800	4,000
B. EX-COMBATANTS ASSISTANCE										
1 - Counselling and Trauma Assistance		2,500	1,000		3,500		2,500	1,000		3,500
2 - Scholarships		9,500			9,500		9,500			9,500
3 - Land Transfer		20,000			20,000		20,000			20,000
4 - Demobilization Starter Packages		2,900		5,600	8,500		2,900		5,600	8,500
5 - Vocational/Tech. Training (Agr.Indust.)		7,600		1,300	8,900		7,600		1,300	8,900
6 - Agricultural Credit		10,000		635	10,635	10,000	10,000		635	20,635
7 - Micro Enterprise Credit		10,900		0	10,900		10,900		0	10,900
8 - War Wounded Assistance		5,750		50	5,800		5,750		50	5,800
9 - Contingencies		850		1,415	2,265		850		1,415	2,265
TOTAL B	0	70,000	1,000	9,000	80,000	10,000	70,000	1,000	9,000	90,000

TABLE V (CONTINUED)
PEACE AND NATIONAL RECOVERY
DETAILED BUDGET
($000)

COMPONENT	CURRENT BUDGET					PROPOSED BUDGET				
	ESF	DTF	EXISTING PROJECTS	HCOLC	TOTAL	ESF	DTF	EXISTING PROJECTS	HCOLC	TOTAL
C. SOCIAL AND ECONOMIC REACTIVATION										
1 - MEA	38,360	10,750	500	15,040	64,650	38,360	10,750	500	20,040	69,650
2 - Equip./supp. Health Posts	8,000				8,000	8,000				8,000
3 - Vaccinations (MOH)			200		200			200		200
4 - Civilian War Wounded	1,284		400	1,466	3,150	1,284		400	1,466	3,150
5 - School Supplies, Equip, Furniture	6,000		1,000	375	7,375	6,000		1,000	375	7,375
6 - Hiring Additional Teachers				200	200				200	200
7 - PVO Support	2,700		700	875	4,275	2,700		5,700	875	9,275
8 - Microenterprise Credit and TA	2,500		2,500	705	5,705	2,500		4,500	705	7,705
9 - Agricultural Credit and TA	3,433		5,000	1,500	9,933	8,433		5,000	1,500	14,933
10 - Support for Investment Promotion			500		500			500		500
11 - Ag/Shelter Starter Packages					0					0
12 - Vocational Technical Training	3,473		2,500	39	6,012	3,473		7,500	39	11,012
TOTAL C	65,750	10,750	13,300	20,200	110,000	70,750	10,750	25,300	25,200	132,000
D. LAND TRANSFER ADMIN & REDIST										
1 - Land transfer	15,000			1,000	16,000	15,000			9,000	24,000
TOTAL D	15,000	0	0	1,000	16,000	15,000	0	0	9,000	24,000
E. INFRASTRUCTURE										
1 - Feasibility Studies	4,000		1,000		5,000	4,000		1,000		5,000
2 - TA for DGR	2,000				2,000	2,000				2,000
3 - Emergency Repairs					0					0
4 - Infrastructure Reconstruction and Rest.	1,000		19,000		20,000	11,000		19,000		30,000
TOTAL E	7,000	0	20,000	0	27,000	17,000	0	20,000	0	37,000
F. PROGRAM AUDIT AND MANAGEMENT										
1 - Audit	2,000				2,000	2,000				2,000
2 - Management	4,000	4,000			8,000	4,000	4,000			8,000
3 - SRN ADMIN COSTS				3,000	3,000				3,000	3,000
TOTAL F	6,000	4,000	0	3,000	13,000	6,000	4,000	0	3,000	13,000
GRAND TOTAL	95,250	84,750	35,000	35,000	250,000	120,250	84,750	47,000	48,000	300,000

Table VI

Contribution of Existing Projects to Peace and National Recovery

	Component/Project	Original	Added Resources	Revised Total
A.	**Immediate Assistance**			
	Health & Jobs for Displaced	700		700
B.	**Ex-Combatant Assistance**			
	Health & Jobs for Displaced	1,300		1,300
C.	**Socio-Economic Reactivation**			
	Health Systems Support	600		600
	Education Quality Enhancement	1,000		1,000
	Strengthening Rehab. Services	400		400
	Training for Prodc. Competitiveness	3,000		3,000
	Industrial Stabilization Recovery	500		500
	CA Rural Electrification Support	500		500
	Small Enterprise Support II	2,000		2,000
	Ongoing Credit Lines	5,000		5,000
	Maternal Health/Child Survival		5,000	5,000
	CAPS/CLASP		5,000	5,000
	FINCA/CAM		2,000	2,000
D.	**Land Transfer**			
E.	**Major Infrastructure**			
	Public Services Improvement	20,000		20,000
F.	**Program Management**			
	TOTALS	35,000	12,000	47,000

With the addition of this Amendment and the obligation of available FY93 resources ($30 million), the Mission will have a mortgage of around $71 million, of which $64 million is attributed to the NRP entering FY94.

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3. ESF Local Currency Generations

ESF local currency played a critical role in facilitating the attainment of the original NRP timetable and objectives. The 114 million Colon ($14 million) funding level that the Mission and the GOES were able to make available for the ex-conflictive zones on the first day of the cease-fire, February 1, 1992, showed the goodwill and good faith effort necessary to start the process on the right path. Due to the heavier than expected early demands on local currency, the Mission raised its original CY92 programming from $14.5 million equivalent to over $29 million equivalent of the $35 million planned LOP. In addition, local currency counterpart to the Land Bank, Public Services Improvement, Health Systems and Strengthening Achievement in Basic Education projects, some of which was not originally contemplated for ex-conflictive zone support, was redirected to address several significant, and potentially destabilizing, problems in the early stages of Peace Accord implementation.

Within the context of ABS levels, the ESF policy reform cash transfer program will generate the local currency equivalent of $210 million over the FY93-FY95 period. Approximately $95 million, including $13 million for National Reconstruction, will provide counterpart to AID dollar-funded projects. Around $15 million will support Mission OE and program trust fund activities. The remaining $100 million will support the GOES ordinary budget through fiscal deficit reduction. This will serve to ameliorate some pressures placed on the budget resulting from requirements for other donor counterpart for NRP activities, Peace Accord programs and increases in social sector spending. This latter support is particularly important in helping maintain GOES compliance with its macroeconomic stabilization program and IMF standbys as further outlined in the FY 1993 Concept Paper.

D. Implementation and Financing Methods

As originally envisioned in the Project Paper developed a year ago, the SRN was to be responsible for planning, approval and evaluation of project and program activities. Finance and administration were to be in the hands of the Technical Secretariat for External Financing (SETEFE), the organization within the Ministry of Planning responsible for programming and monitoring the Extraordinary Budget (i.e., local currencies generated from ESF cash transfer and pre-1991 PL 480 Title I programs). As more detailed development of the mechanisms took place, that delineation has been adjusted.

a. Implementation and Financing Methods. USAID will advance funds to SETEFE to meet immediate cash needs. Advances will be based on approved action plans. Once the advance has been approved by USAID, a check will be issued to SETEFE. Upon receipt of the check by SETEFE, it will provide funds to the SRN. The SRN, in turn, will disburse according to action plans to each implementing entity to cover their immediate cash requirements. In some cases, i.e. GOES ministries and autonomous institutions, SETEFE may disburse directly to these entities.

On a monthly basis all implementing entitites will submit documentation for liquidations, consisting of actual expenditures, approval of which is contingent upon review of SETEFE, SRN and the Court of Accounts. Once USAID has received the consolidated approved liquidation from SETEFE for

review, it will provide subsequent advances depending on outstanding balances and projections for future cash needs.

b. Vulnerability. The NRP is highly visible, politically sensitive and will be coordinated and implemented by a number of organizations whose capabilities have not been fully tested (other than SETEFE), and who are not totally known to USAID (particularly new local NGOs). In these circumstances and in order to ensure accountability, USAID/El Salvador and the GOES have introduced several checks and balances as follows:

(1) All activities under the NRP will be carried out through an action plan process. Implementing entities will prepare action plans to be reviewed and approved by the SRN and SETEFE, if the amount is under or equal to 2 million colones ($250,000), and by the SRN, SETEFE and USAID if this amount is exceeded. The action plan mechanism is familiar to the GOES entities and SETEFE has developed adequate capability to oversee its preparation, implementation, monitoring and audit. USAID will disburse funds for project purposes once there is an approved action plan.

(2) Prior to authorization of funds for project purposes, SETEFE is required to certify the financial management capabilities of sub-grantees. For this purpose, SETEFE will use a standard scope of work provided by USAID and a list of audit firms prequalified by our Regional Inspector General.

(3) The Court of Accounts, El Salvador's supreme audit agency, will continue to examine project expenditures prior to authorizing subsequent disbursements until May 1993. At that time, the Court of Accounts will include the Project in its new post-audit system which will be phased in. To develop post-audit capability, USAID is currently providing an international consultant in government audits and internal controls to the Court of Accounts.

(4) The SRN is receiving USAID-contracted technical assistance from Price Waterhouse to strengthen its organizational capabilities and management controls.

(5) SETEFE has CPA firms under contract to concurrently monitor Project implementation.

(6) USAID has also awarded several contracts to CPA firms to concurrently monitor project financial activities and is planning on awarding a global contract for financial monitoring of the entire program.

(7) Periodic post audit will be conducted of the program to evaluate the effectiveness of internal controls. The first audit will be under the supervision of the Regional Inspector General and will cover the period through December 31, 1992. The project budget includes $2 million for audit and other financial management services.

(8) A team of three financial analysts from the USAID Controller's Office will coordinate and oversee financial management aspects of the program.

Table VII contains the updated Payment Verification Matrix.

TABLE VII

PAYMENT VERIFICATION MATRIX
($000)

ACTIVITIES/COMPONENTS	METHOD OF IMPLEMENTATION	METHOD OF FINANCING	TOTAL AMOUNT PROPOSED BUDGET
CREDIT COMPONENTS (B,C)	ICI	PERIODIC ADVANCE	41,833
TRAINING/SCHOLARSHIPS COMPONENTS (B,C)	HC PROCUREMENT	PERIODIC ADVANCE	20,573
INFRASTRUCTURE COMPONENT (E)	HC PROCUREMENT	PERIODIC ADVANCE	17,000
UNITED NATIONS COMPONENT (B)	DIRECT AID/W GRANT	DIRECT PAYMENT	1,500
MEA COMPONENT (C)	HC PROCUREMENT	PERIODIC ADVANCE	49,110
LAND TRANSFER COMPONENT (D)	HC PROCUREMENT	PERIODIC ADVANCE	35,000
MANAGEMENT (A.I.D) COMPONENT (F)	USAID PROCUREMENT	DIRECT PAYMENT	8,000
AUDIT COMPONENT (F)	USAID PROCUREMENT	DIRECT PAYMENT	2,000
WAR WOUNDED ASSISTANCE COMPONENT (B,C)	HC PROCUREMENT	PERIODIC ADVANCE	7,034
OTHER COMPONENTS (A,B,C)	HC PROCUREMENT	PERIODIC ADVANCE	8,950
TOTAL 519-0394			191,000
TOTAL HCOLC	HC PROCUREMENT	HC DISBURSEMENT	48,000
TOTAL EXISTING PROJECTS	AID DIRECT/HC PROC	DIRECT AID/PER ADV	47,000
EXISTING PROJECTS (ADD FUNDS)	AID PROCUREMENT	DIRECT PAYMENT	14,000
GRAND TOTAL			300,000

DEPARTMENT OF STATE
ARA/NEA REARCS

PAGE 01 152121Z 015288 S017689 152121Z 015288 S017689
INFO: LARA(01) DCEN(03) REC(02) ES(01) SPA(01) RSG(01)
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UNCLAS GF

SERIAL: PA1512121092

COUNTRY: EL SALVADOR
SUBJ: TABE 1 OF 6 -- SHAFIK HANDAL SPEAKS ON RECONCILIATION DAY

REF: PA1512164392 FYI -- 'NATIONAL RECONCILIATION DAY' CEREMONY (2)

SOURCE: SAN SALVADOR RADIO AND TELEVISION NETWORKS IN SPANISH 1758 GMT 15 DEC 92
TEXT:

//(SPEECH BY JORGE SHAFIK HANDAL, REPRESENTATIVE OF THE FARABUNDO MARTI NATIONAL LIBERATION FRONT, ON THE OCCASION OF NATIONAL RECONCILIATION DAY AT THE INTERNATIONAL FAIRGROUNDS IN SAN SALVADOR -- LIVE)//

(TEXT)) MR. SECRETARY GENERAL OF THE UNITED NATIONS BUTRUS BUTRUS-GHALI; MR. VICE PRESIDENT OF THE GOVERNMENT OF SPAIN AND OTHER REPRESENTATIVES OF THE GOVERNMENTS OF THE FRIENDLY COUNTRIES ASSISTING THE UN SECRETARY GENERAL; MESSRS. PRESIDENTS AND VICE PRESIDENTS OF THE SISTER CENTRAL AMERICAN NATIONS; MR. VICE PRESIDENT OF THE UNITED STATES OF AMERICA; MESSRS. FOREIGN MINISTERS; MR. APOSTOLIC NUNCIO AND OTHER CHURCH AUTHORITIES; MESSRS. AMBASSADORS AND OTHER ENVOYS WHO DISTINGUISH US WITH THEIR PRESENCE AT THIS SOLEMN CEREMONY; MESSRS. MEMBERS OF THE DIPLOMATIC CORPS ACCREDITED IN OUR COUNTRY; DISTINGUISHED GUESTS; FRIENDS AND COMRADES; SALVADORANS:

TODAY WE MARK THE END OF THE ARMED CONFLICT. WE HAVE FULFILLED AN IMPECCABLE AND EXEMPLARY CEASE-FIRE, UNPARALLELED IN TODAY'S WORLD. THUS THE FARABUNDO MARTI NATIONAL LIBERATION FRONT (FMLN)) HAS DEMONSTRATED THAT IT MADE A SERIOUS AND FIRM BID IN FAVOR OF PEACE AND WAS NOT PLAYING A GAME OF MAKE-BELIEVE.

THE ACCOMPLISHMENTS MADE UP UNTIL TODAY ARE SUBSTANTIAL. WE HAVE BASED OUR DECISION TO TERMINATE THE EXISTENCE OF OUR ARMY AND ATTEND THIS CEREMONY ON THOSE ACCOMPLISHMENTS. A BASIC REFORM OF THE CONSTITUTION WAS UNDERTAKEN, CLEARLY PLACING MILITARY POWER UNDER THE DEMOCRATICALLY ELECTED CIVILIAN GOVERNMENT. THE ATTORNEY GENERAL'S OFFICE FOR THE DEFENSE OF HUMAN RIGHTS WAS CREATED. THE RESPONSIBILITY FOR MAINTAINING PUBLIC ORDER WAS SEPARATED FROM THE ARMED FORCES AND THE NATIONAL CIVILIAN POLICE WAS CREATED FOR THAT PURPOSE WITH A NEW DOCTRINE. THE FOUNDATIONS FOR THE REFORM OF THE ADMINISTRATION OF JUSTICE AND A REFORM OF THE ELECTORAL SYSTEM,

MAKING IT A RELIABLE AND TRANSPARENT INSTRUMENT OF DEMOCRACY, WERE SET. LAWS AND DECISIONS THAT GIVE LIFE TO THE CONSTITUTIONAL REFORMS AND OTHER AGREEMENTS WERE ISSUED. WE ARE REFERRING TO THE ELIMINATION OF THE NATIONAL GUARD AND THE TREASURY POLICE (APPLAUSE)), THE ELIMINATION OF FORCEFUL CONSCRIPTION, THE CREATION OF A NEW SYSTEM OF MILITARY SERVICE AND RESERVE, AND THE ELIMINATION OF THE CIVIL DEFENSE AND THE ARMY'S TERRITORIAL SERVICE. THE NATIONAL INTELLIGENCE DIRECTORATE UNDER THE ARMED FORCES WAS INSTITUTIONALLY ELIMINATED, AND THE STATE INTELLIGENCE ORGANIZATION UNDER THE PRESIDENCY OF THE REPUBLIC WAS CREATED. THE ACADEMIC COUNCIL OF THE MILITARY SCHOOL WAS APPOINTED WITH AN EQUAL NUMBER OF MILITARY OFFICERS AND CIVILIANS, INCLUDING A REPRESENTATIVE OF THE FMLN. (APPLAUSE)) CONTRARY TO THE OPINIONS THAT THIS WOULD BE AN IMPOSSIBLE MIXTURE, THE ACADEMIC COUNCIL HAS WORKED HARMONIOUSLY TO REFORM MILITARY EDUCATION IN ACCORDANCE WITH THE NEW DOCTRINE. LAWS ESTABLISHING CONTROLS AGAINST ILLEGAL ENRICHMENT BY SOLDIERS WERE APPROVED IN ADDITION TO LAWS ADAPTING MILITARY JURISDICTION TO THE NEW CONSTITUTIONAL TERMS.

(MORE) 151758 FC/LYNN/LAR LLSL1512.07E 15/2119Z DEC

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ARA/NEA REARCS

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INFO: LARA (01) DCEN (03) REG (02) ES (01) SPA (01) RSG (01)
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UNCLAS GF

SERIAL: PA1512212492

COUNTRY: EL SALVADOR
SUBJ: TAKE 2 OF 6 -- SHAFIK HANDAL SPEAKS ON RECONCILIATION DAY

REF: PA1512212092 SAN SALVADOR RADIO TELEVISION NETWORKS SPANISH
151750///NEW CONSTITUTIONAL TERMS.

TEXT:

(TEXT) WE CARRIED OUT THE FORMAL DISSOLUTION OF THE BELLOSO,

1521242 015289 S017717
BRACAMONTE, AND ATLACATL RAPID DEPLOYMENT BATTALIONS. THESE WILL BE

FOLLOWED BY THE DISSOLUTION OF THE ATONAL AND ARCE BATTALIONS. ALTHOUGH THESE STEPS IN THE MILITARY REFORM AND MILITARY REDUCTION ARE INSUFFICIENT, HAVE BEEN DISTORTED, AND SOME HAVE BEEN UNDERMINED, THE MILITARY RESTRUCTURING IS UNDER WAY TO FAVOR THE MAJORITY OF SALVADORANS AND ARMY OFFICERS IN THE LONG RUN.

IT IS UNPRECEDENTED THAT AN AD HOC COMMITTEE MADE UP OF SALVADORANS WHO HAD BEEN ELECTED BASED ON A CONSENSUS AMONG THE PARTIES HAS DECIDED TO PURGE THE ARMY CHIEFS AND OFFICERS. (APPLAUSE)) ITS CONCLUSIONS ARE BINDING AND MUST BE CARRIED OUT REGARDLESS. THAT FACT GIVES MILITARY PERSONNEL THE HISTORIC OPPORTUNITY OF GUIDING THE INSTITUTION ON NEW PATHS THAT ARE CONSISTENT WITH DEMOCRACY. ALL PEOPLE WILL APPLAUD THIS ACHIEVEMENT. THE FMLN ASPIRES TO RECONCILE WITH THE RENEWED ARMED FORCES FOR THE SAKE OF STABILITY, PEACE, AND DEMOCRACY. (APPLAUSE))

THE TRUTH COMMITTEE WILL SUBMIT ITS REPORT IN JANUARY. THE LAWS ON THE CIVIL POLICE AND ON THE NATIONAL ACADEMY OF PUBLIC SECURITY HAVE BEEN ISSUED. THE ACADEMY, ALTHOUGH SOMEWHAT DELAYED, IS TRAINING THE FIRST CONTINGENT OF PERSONNEL, WHICH INCLUDES FORMER FMLN COMBATANTS. THE NATIONAL CIVILIAN POLICE, PNC, WILL BE DEPLOYED IN JANUARY 1993 AND WILL BEGIN TO SUBSTITUTE FOR THE CURRENT NATIONAL POLICE IN KEEPING WITH THE AGREEMENTS. THE NATIONAL ADJUDICATURE COUNCIL WAS ESTABLISHED AS ONE OF THE MOST INFLUENTIAL MECHANISMS OF REFORM, PURGING, AND IMPROVEMENT OF THE ADMINISTRATION OF JUSTICE. THE LAW ON THE PROTECTION OF THE WAR DISABLED AND DISPLACED WAS ISSUED, BENEFITING FORMER COMBATANTS OF THE FMLN AS WELL AS OF THE ARMED FORCES AND AFFECTED MEMBERS OF THE CIVILIAN POPULATION. A NEW ELECTORAL CODE WAS APPROVED AND WILL SERVE AS THE BASIS FOR THE 1994 GENERAL ELECTIONS. PERHAPS ALL THESE NEW LAWS WILL HAVE TO BE IMPROVED. THAT WORK WILL UNDOUBTEDLY BE CARRIED OUT BASED ON THE RESULTS OF THE MARCH 1994 ELECTIONS.

(APPLAUSE))

WE HAVE CONCLUDED THE VERIFICATION OF THE LAND INVENTORY PRESENTED BY THE FMLN AND HAVE INCREASED LAND TRANSFERS TO LANDHOLDERS AND FORMER COMBATANTS. THE SOCIOECONOMIC FORUM WAS INSTALLED WITH A FEW MONTHS' DELAY, YET IT HAS NOT YIELDED ANY RESULTS WORTH MENTIONING. THE FORUM EXISTS, HOWEVER, AND WILL CONTINUE TO PROVIDE A MEANS OF REACHING A CONCERTED EFFORT, WHICH IS INDISPENSABLE FOR STABILITY AND PEACE. THE ALTERNATIVE OF CONCERTED EFFORT, ALTHOUGH NOT AMAZING, WOULD BE THE HEIGHTENING OF THE SOCIAL CONFRONTATION. ON 14 DECEMBER THE SUPREME ELECTORAL TRIBUNAL ORDERED THE LEGAL REGISTRATION OF THE FMLN AND GAVE IT POLITICAL PARTY STATUS. (APPLAUSE, CHEERS))

(MORE) 151750 MP/LYNN/LAR LLSL1512.09E 15/2121Z DEC

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DEPARTMENT OF STATE
ARA/NEA REARCS

PAGE 01 152126Z 015290 S017754
INFO: LARA (01) DCEN (03) REG (02) ES (01) SPA (01) RSG (01)
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UNCLAS GF

SERIAL: PA1512212592

COUNTRY: EL SALVADOR
SUBJ: TAKE 3 OF 6 -- SHAFIK HANDAL SPEAKS ON RECONCILIATION DAY

REF: PA1512212092 SAN SALVADOR RADIO AND TELEVISION NETWORKS
SPANISH 151750///STATUS. ((APPLAUSE, CHEERS))

TEXT:

((TEXT)) THIS STEP WAS OBSTRUCTED FOR A LONG TIME BY SOME

152128Z 015290 S017754
POLITICIANS WHO INSISTED ON THE CLEVER IDEA OF SHUTTING OUT THE

PEACEFUL CHANGES, THE PEACEFUL ROADS. THAT ATTITUDE LED TO THE ARMED CONFLICT, BUT NOW THE COUNTRY WANTS PEACE AND DEMOCRACY. ((APPLAUSE))

THAT SITUATION LED US TO THE DECISION TO ESTABLISH THE PERIOD OF ARMED PEACE. GOING FROM THE NEGOTIATION PROCESS TO THE SIGNING OF THE AGREEMENTS AND ON TO THE ARMED PEACE WAS A HUGE PROGRESS THAT PRODUCED A POSITIVE RADICAL CHANGE IN OUR DAILY LIFE. THAT CHANGE INCREASED THE NATIONAL COMMITMENT TO STRENGTHEN PEACE, BOLSTER THE ECONOMY, AND PROGRESS TOWARD DEMOCRACY AND JUSTICE.

EVEN THOUGH WE ARE SUFFERING FROM A WAVE OF COMMON CRIME, THE SITUATION AS A WHOLE RESEMBLES NEITHER WAR NOR THE PEACE CRISIS THAT MANY WERE PREDICTING. THIS HAS BEEN THE RESULT OF A FIRM AND MATURE COMMITMENT ON BOTH SIDES TO MAINTAIN PEACE.

WE HAVE NOW ENDED THE ARMED PEACE AND ARE BEGINNING THE CIVIC, POLITICAL STRUGGLE, WHICH MARKS EVEN MORE SIGNIFICANT PROGRESS. EXCEPT FOR A FEW SMALL MINORITY GROUPS, THE ENTIRE POPULATION -- THE ENTIRE NATION AND ALL OF ITS SECTORS -- WANT TO PRESERVE PEACE AND ALLOW THE OPPORTUNITY TO PROGRESS. THE RECALCITRANT GROUPS REPEATEDLY MADE THREATS SAYING THAT ONCE WE LAID DOWN OUR WEAPONS THEY WOULD DESTROY US, FINISH US OFF IN A DIRTY WAR.

WE WERE UNARMED WHEN WE INITIATED THE ARMED STRUGGLE, BUT WE HAD GREAT CONVICTIONS, COMMITMENTS, AND REVOLUTIONARY QUALITY. THAT IS WHY A LARGE PERCENTAGE OF THE PEOPLE SUPPORTED US AND WHY WE RECEIVED A GREAT DEAL OF WORLD SUPPORT. THAT IS HOW WE OBTAINED WEAPONS, AND THAT IS HOW WE WERE ABLE TO FIGHT AS WE DID. WE ARE NOT ABANDONING OUR CONVICTIONS OR OUR REVOLUTIONARY QUALITY BY LAYING DOWN OUR WEAPONS. WE ALSO HAVE IMMENSE EXPERIENCE. THE ENTIRE POPULATION GAINED A GREAT EXPERIENCE AND THEIR SUPPORT FOR THE FMLN HAS GROWN.

THE INTERNATIONAL COMMUNITY IS ACTIVELY COMMITTED TO OUR PEACE PROCESS. WE ARE COMMITTED TO IT. NO ONE CAN SAY WE ARE DEFENSELESS

OR ALONE. ((APPLAUSE))

PEACE, DEMOCRACY, JUSTICE, AND RECONCILIATION ARE THE PATHS OF PROSPERITY AND THE WAY TO SUFFOCATE THOSE LITTLE RECALCITRANT, NARROW-MINDED GROUPS. ((APPLAUSE)) TO STRENGTHEN THIS OBVIOUS NATIONAL COMMITMENT, THE FMLN DECIDED TO END THE ARMED PEACE PERIOD. THE FMLN KEEPS BETTING ON PEACE. WE REAFFIRM, AS WE DID IN CHAPULTEPEC, THAT WE DO NOT REGRET ANY OF THE STAGES AND METHODS OF STRUGGLE THAT HAVE BROUGHT ABOUT THIS MOMENT FOR EL SALVADOR. WE ARE NOW AND WILL CONTINUE TO BE REVOLUTIONARIES, FAITHFUL TO THE POOR, HARD-WORKING PEOPLE, THE TRUE PROTAGONISTS AND SUPPORTERS OF THIS STRUGGLE. WE ARE PROUD TO BE PARTICIPANTS ALONG WITH THE BIGGEST, MOST DIVERSE MASS OF SOCIAL AND POLITICAL SECTORS IN THIS DEMOCRATIC REVOLUTION, WHICH IS GROWING ALONG SPECIAL PATHS THAT ARE VERY SALVADORAN. ((APPLAUSE))

FELLOW COUNTRYMEN, TWO CENTURIES FROM NOW, EVEN TWO MILLENNIUMS FROM NOW, THIS HOUR OF HISTORY WILL BE SEEN AS CRUCIAL. IT WILL LEAVE A BENEFICIAL FOOTPRINT IN THE FUTURE OF OUR NATION.

(MORE) 151750 GG/LYNN/LAR LLSL1512.08E 15/2123Z DEC

DEPARTMENT OF STATE
ARA/NEA REARCS

PAGE 01 1521312 015291 S017817
INFO: LARA (01) OCEN (03) REG (02) ES (01) SPA (01) RSG (01)
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SERIAL: PA1512213092

COUNTRY: EL SALVADOR
SUBJ: TAKE 4 OF 6 -- SHAFIK HANDAL SPEAKS ON RECONCILIATION DAY

REF: PA1512212092 SAN SALVADOR RADIO AND TELEVISION NETWORKS
SPANISH 151750///OF OUR NATION.

TEXT:

((TEXT)) IT IS A TIME TO LOOK TO THE FUTURE AND PARTICIPATE IN

1521312 015291 S017817
AND CONTRIBUTE TO THE COUNTRY'S DEVELOPMENT. THERE IS ROOM AND A

TASK FOR EVERYONE.

THERE ARE STILL AGREEMENTS THAT HAVE NOT BEEN FULFILLED. THE COMMITMENT TO CONTINUE FULFILLING THE AGREEMENTS UNTIL THE END HAS BEEN CLEARLY ASSUMED.

THE DECISIVE YEAR 1993 IS COMING. A POLITICAL STRUGGLE WILL BE WAGED IN 1993, THE RESULTS OF WHICH WILL BE MEASURED IN THE 1994 ELECTIONS. THE FMLN HOPES THAT A GOVERNMENT OF ALL FORCES COMMITTED TO THE DEMOCRATIC PROGRAM CONTAINED IN THE PEACE ACCORDS WILL EMERGE VICTORIOUS FROM THAT STRUGGLE.

THE WORLD IS FACING AN HOUR OF CHANGES AND GROWING INTERDEPENDENCY. OUR CONTINENT IS ALSO FILLED WITH NEWS. LAST WEEK THE URUGUAYAN PEOPLE REJECTED THE GOVERNMENT'S NEOLIBERAL PROGRAM. ON 3 NOVEMBER THE PEOPLE OF THE UNITED STATES DID SOMETHING SIMILAR IN THE PRESIDENTIAL ELECTIONS. ((APPLAUSE)) NOT LONG AGO THE BRAZILIANS SET A GOOD EXAMPLE BY FIRING THE PRESIDENT OF THEIR COUNTRY, A CHAMPION OF THE NEOLIBERAL MODEL, FOR CORRUPTION. VENEZUELA WAS ONCE AGAIN ROCKED BY EVENTS THAT, IN THE END, WERE THE RESULT OF WIDESPREAD DISSATISFACTION CREATED BY SIMILAR CAUSES.

THE AFOREMENTIONED EVENTS MAKE IT CLEAR THAT DEMOCRACY CANNOT EXIST WHEN POVERTY INCREASES, AND THERE CANNOT BE DEMOCRACY WITHOUT SOCIAL JUSTICE AND SOLUTIONS FOR POVERTY AND DEPRIVATION. ((APPLAUSE))

AFTER THE COLLAPSE OF STATIST SOCIALISM IN EASTERN EUROPE AND THE SOVIET UNION, THERE ARE NO INDICATIONS THAT THE CRISIS HAS HIT BOTTOM IN THAT REGION. THAT IS UNDERSCORED BY THE INCREDIBLE BRUTALITY OF THE WAR IN YUGOSLAVIA AND IN THE SOUTHERN AND ASIAN REPUBLICS OF THE DEFUNCT SOVIET UNION. AT THE SAME TIME, OUTDATED ECONOMIC COMMOTIONS AND POLITICAL PHENOMENA THAT WERE BELIEVED TO BE BURIED IN THE PAST ARE NOW TAKING PLACE IN WESTERN EUROPE.

MEANWHILE, POVERTY, HUNGER, AND BACKWARDNESS AMONG TWO-THIRDS OF HUMANKIND ARE GROWING WITH RESPECT TO THE RICH COUNTRIES OF THE

NORTH AND WEST. WE ARE FACING A PERIOD OF READJUSTMENT AND WORLD CHANGE. OUR PROCESS OF PEACE AND DEMOCRACY PLACES US IN AN ADVANTAGEOUS POSITION. WE HAVE THE POSSIBILITY TO MOVE TOWARD A CONCERTED EFFORT AND AVOID POLARIZATION AND CONFRONTATION. WE HAVE THE OPPORTUNITY TO MOVE TOWARD INTEGRATION AND REGIONAL PEACE AS A SAFER BRIDGE FOR THE STABLE AND ADVANTAGEOUS INCORPORATION OF CENTRAL AMERICA IN TODAY'S FAST-PACED WORLD, THEREBY AVOIDING CORROSIVE ISOLATIONISM. WE HAVE A CHANCE TO MOVE TOWARD THE MODERNIZATION OF THE RECOGNIZED PRODUCTIVE CAPACITY OF OUR PEOPLE, NOT TOWARD THE CONSTANT WORSENING OF UNDERDEVELOPMENT.

ONLY PEACE, LIBERTY, DEMOCRACY, AND SOCIAL JUSTICE CAN MAKE THE MIRACLE OF SUSTAINABLE DEVELOPMENT BEGIN. WE HAVE LAID THE FOUNDATIONS TO ACCOMPLISH THIS. THOSE FOUNDATIONS ARE CAST FROM TENS OF THOUSANDS OF LIVES, MUCH BLOOD, AND THE SUFFERING OF ALL WHO HAVE FALLEN IN THE WAR THAT WE NOW LEAVE BEHIND.

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DEPARTMENT OF STATE
ARA/NEA REARCS

PAGE 01 152135Z 015292 S017832
INFO: LARA (01) DCEM (03) REG (02) ES (01) SPA (01) RSG (01)
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UNCLAS GF

SERIAL: PA1512213192

COUNTRY: EL SALVADOR
SUBJ: TAKE 5 OF 6 -- SHAFIK HANDAL SPEAKS ON RECONCILIATION DAY

REF: PA1512212092 SAN SALVADOR RADIO AND TELEVISION NETWORKS
SPANISH 151750///NOW LEAVE BEHIND.

TEXT:

(TEXT) THEY LEFT US WITH THE HOPE OF SEEKING NEW MODELS THAT

152135Z 015292 S017832
COULD COMBINE ECONOMIC GROWTH AND EFFICIENCY WITH SOCIAL JUSTICE AS

WELL AS SUSTAINED DEVELOPMENT WITH DEMOCRACY. THIS REQUIRES CONCERTED EFFORTS, CREATIVITY, DEEP STRUCTURAL CHANGES, STABILITY, AND THE ABILITY TO GOVERN.

THIS WILL BE THE ESSENTIAL CONTENT OF THE POLITICAL DEBATE IN 1993 AND 1994. I AM REFERRING TO ALL THE FALLEN, TO ALL THOSE WHO HAVE FOUGHT ALONG WITH US AND TO THOSE WHO FOUGHT WITH THE ARMED FORCES. I AM TALKING ABOUT THE WOUNDED ON BOTH SIDES AND THEIR RELATIVES, WHO WERE VERY OFTEN RELATED TO FIGHTERS ON BOTH SIDES. I AM TALKING ABOUT THOSE WHO WERE KILLED WITHOUT BEING ON EITHER SIDE IN THE CONFLICT. WE PAY A TRIBUTE TO ALL OF THEM.

THE FMLN ALSO WANTS TO PAY A TRIBUTE TO ALL THOSE WHO, BEING SONS AND DAUGHTERS OF OTHER PEOPLES OF THE WORLD, CAME HERE TO GIVE THEIR LIFE, BLOOD, OR WORK FOR COMMON IDEALS. (APPLAUSE))

WE WISH TO GIVE SPECIAL RECOGNITION TO THE CONSTANT CONTRIBUTION OF ALL CHURCHES IN THE SEARCH FOR PEACE AND JUSTICE. WE WISH TO PARTICULARLY MENTION THE WORK FOR PEACE AND HUMAN RIGHTS DONE BY THE CATHOLIC ARCHBISHOPRIC OF SAN SALVADOR. (APPLAUSE))

WE WISH TO PAY TRIBUTE TO SO MANY PRIESTS AND PASTORS WHO LOST THEIR LIVES OR WERE PERSECUTED OR EXILED. (APPLAUSE)) THE JESUIT PRIESTS, WHO WERE MURDERED, ARE THE SYMBOL OF THEM ALL. (APPLAUSE))

WE ALSO WANT TO RECOGNIZE THE JOURNALISTS WHO AT THE EXPENSE OF NUMEROUS LIVES OPENED UP ROOM FOR TRUTH AND PEACE. (APPLAUSE))

THE FMLN WISHES TO THANK SECRETARY GENERAL BUTRUS-GHALI AND THE UNITED NATIONS FOR THEIR DEDICATION TO THE CAUSE OF SALVADORAN PEACE. (APPLAUSE)) WE WISH TO THANK THE SECRETARY GENERAL'S PREDECESSOR, JAVIER PEREZ DE CUELLAR, AS WELL AS THE SECRETARY GENERAL'S GROUP OF FRIENDLY COUNTRIES. (APPLAUSE))

WE WISH TO THANK ONCE AGAIN CUBA AND THE SANDINIST NATIONAL LIBERATION FRONT, FSLN, FOR THEIR SOLIDARITY AND SUPPORT AND THEIR COOPERATION IN ATTAINING PEACE. (LONG BOOS, WHISTLES)) I WILL REPEAT IT SO YOU CAN SHOUT AGAIN. WE WISH TO THANK ONCE AGAIN CUBA

AND THE FSLN (LOUDER BOOS, WHISTLES)) FOR THEIR SOLIDARITY AND SUPPORT DURING THE WAR AND THEIR COOPERATION IN ATTAINING PEACE. WE WISH TO REITERATE OUR RECOGNITION OF MEXICO FOR ITS UNLIMITED HOSPITALITY TO THE NEGOTIATION PROCESS AND TO MANY OF US. (APPLAUSE)) WE EXPRESS OUR RECOGNITION OF SPAIN FOR ITS DYNAMIC ROLE IN THE FULFILLMENT OF THE AGREEMENTS AND THE ORGANIZATION OF THE NATIONAL CIVILIAN POLICE.

WE WISH TO ONCE AGAIN RECOGNIZE THE POLITICAL AND ECONOMIC COMMITMENT OF THE UNITED STATES IN THE CAUSE FOR PEACE IN OUR COUNTRY. (APPLAUSE))

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DEPARTMENT OF STATE
ARA/NEA REARCS

PAGE 01 152137Z 015294 S017856

INFO: LAPA(01) DCEN(03) REG(02) ES(01) SPA(01) RSG(01)
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ACTION INP-01

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P 152132Z DEC 92
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JICPAC HONOLULU HI
PANAMA CANAL COMMISSION BALBOA PM
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AFOSI DET 721 HOWARD AFB PM//CC//
ACCT FBPA-EWDK

UNCLAS GF

SERIAL: PA1512213292

COUNTRY: EL SALVADOR
SUBJ: TAKE 6 OF 6 -- SHAVIK HANDAL SPEAKS ON RECONCILIATION DAY

REF: PA1512212092 SAN SALVADOR RADIO AND TELEVISION NETWORKS
SPANISH 151758 //OCP COUNTRY. (APPLAUSE))

TEXT:

(TEXT) WE THANK ALL THE COUNTRIES WHO MAKE DONATIONS AND

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PROVIDE OTHER TYPES OF TECHNICAL AND ECONOMIC COOPERATION TO HELP

OUR COUNTRY IN ITS RECONSTRUCTION. COUNTRIES SUCH AS SPAIN, SWEDEN, NORWAY, DENMARK, CANADA, ITALY, THE EEC, AND OTHERS CONTRIBUTE TO THE LAND TRANSFER PROCESS, THE ESTABLISHMENT OF THE PNC, THE OPERATION OF THE NATIONAL COMMISSION FOR THE CONSOLIDATION OF PEACE, THE AD HOC AND TRUTH COMMISSIONS, AND SEVERAL SOCIAL PROGRAMS.

THE SALVADORAN PEACE AND DEMOCRACY PROCESS IS UNDOUBTEDLY AN EXPERIMENT THAT IS WELL WORTH SUPPORTING BECAUSE IT ENCOURAGES NEW AND CREATIVE SOLUTIONS. IT IS A CONTRIBUTION TO LIFE, NOT TO DESTRUCTION AND DEATH. IT IS A CONTRIBUTION THAT DIGNIFIES AND STANDS OUT.

WE ARE IMMENSELY GRATEFUL FOR THE AMPLE INTERNATIONAL SOLIDARITY WITH OUR STRUGGLE, AND WE THANK ALL PEOPLE WHO HAVE ENCOURAGED US IN THE PAST AND WHO ARE ENCOURAGING US NOW TO CONTINUE OUR STRUGGLE. (APPLAUSE))

MOVED BY GREAT EMOTION AND ADMIRATION, WE SEND OUR WARMEST GREETINGS TO OUR COMRADES WHO AS OF YESTERDAY WERE COMBATANTS AND LEADERS OF OUR INVINCIBLE GUERRILLA ARMY. (APPLAUSE AND SHOUTS))

COMRADES, NEW REVOLUTIONARY TA*%S -- NOW PEACEFUL ONES -- AWAIT YOU. WE DO NOT DOUBT YOU WILL SOON LEARN TO CARRY THEM OUT AND THAT YOU WILL DO SO EFFICIENTLY.

VIVA PEACE! VIVA DEMOCRACY! VIVA EL SALVADOR! (APPLAUSE))

KENDALL 151758 DV/LYNN/LAR LLSL1512.12E 15/2129Z DEC

'Text' of UN Proposal on Land Transfer Issued

PA1610164192 Mexico City NOTIMEX in Spanish 2256 GMT 15 Oct 93

["Text" of UN proposal on land transfer submitted by UN Secretary General Butrus Butrus-Ghali to the Salvadoran Government and the Farabundo Marti National Liberation Front, FMLN, on 14 October]

[Text] New York, 15 Oct (NOTIMEX)

Proposal on Land Transfer

I. Introduction

1. The proposal submitted in this document falls within the framework of the UN verification of compliance of the agreement between the Salvadoran Government and the FMLN [Farabundo Marti National Liberation Front] as of 15 September 1992, in accordance with the timetable that was rescheduled on 19 August 1992.

2. After examining the agricultural situation in El Salvador, the availability of land, the short-term financial resources, the outlook on the future, the economic restrictions of the country, the conditions imposed by the donor countries, and considering the needs of the former fighters of the two sides and the actual landholders in the strife-torn areas, the secretary general presents the following proposal for the implementation of the relevant parts of the agreements.

II. Considerations

A. Potential Beneficiaries

3. Former fighters of the FMLN and the Salvadoran Armed Forces (FAES) over 16 years of age (Day D, 1 February 1992), regardless of their family situation, will be the beneficiaries of land transfers. Landholders in what used to be strife-torn areas defined in the agreements, including the repatriated persons living in those zones, will also be beneficiaries.

4. This totals a maximum of 47,500 persons (approximately distributed as follows: 7,500 former FMLN fighters, including handicapped fighters; 15,000 former FAES fighters; and 25,000 landholders.)

B. Size of the Land Parcels

5. Considering the different variables that determine the viability of a land parcel to maintain a family; namely, type of soil, production potential, type of production, technology, use, market, infrastructure, etc., it was decided to employ the criteria of the Salvadoran Institute of Agrarian Transformation [ISTA], whereby the size of a land parcel varies according to the type of soil as follows:

Type of Soil	
Size I and II	2 maximum (mz)
Size III and IV	3 mz
Size V and VI	5 mz
Size VII and VIII	7 mz

According to this criteria, 2 mz of soil types I and II would be the same as 5 mz of soil types V and VI to a beneficiary.

6. If the land owners are willing to sell, the tenants will remain in the lots they currently occupy, as long as the size of the lot does not exceed the maximum established in the chart and is not smaller than half the size of those measurements. In case of relocation, an equivalent piece of land will be assigned following the same criteria.

C. Forms of Payment and Appropriation

7. The Salvadoran Government will guarantee the conditions that will permit former combatants from both sides and tenants to have access to the aforementioned extensions of land.

8. Based on the average price paid by the Land Bank, the estimated total value of resources will be enough to acquire the established extensions of land. Measurements should be taken to prevent speculative pressures on the market.

9. Regarding the forms of payment for the beneficiaries, the conditions established in terms of the Agrarian Reform (payment in 30 years, 6 percent annual interest rate, and a four-year grace period) are considered acceptable. When rotating funds are established, measures should be taken to ensure benefits are distributed equitably.

10. In principle, the beneficiaries should be allowed to decide on the form of appropriation—individually or collectively—bearing in mind that the selection of the individual or collective form is clearly established for beneficiaries in the Agrarian Reform. In case of land purchased through the Land Bank, the undivided [pro-indiviso] formula will be adapted to the collective interest of the purchasers. Both methods, collective or undivided, will expedite the transfer and appropriation of land. In some cases, however, it will be necessary to comply with the conditions stipulated by the donor countries for the use of funds.

III. Consequences

A. Total Amount of Necessary Land and Current Availability

11. To estimate the needs and consider the distribution of land in El Salvador, 6 mz is calculated to be the average size of the lots to be appropriated. Given the number of potential beneficiaries, between 175,000 to 237,500 mz will be necessary, depending on whether most tenants have lots measuring the minimum or maximum number of manzanas permitted.

12. The amount of land available has been estimated at 85,000 mz. This includes state land already verified (25,000 mz), land measuring more than 245 hectares (13,000 mz), land for sale at the Land Bank in municipalities considered priority in the National Reconstruction Plan (27,000 mz), and land offered for sale at the Land Bank in the rest of the country.

13. The total availability of land will be determined once the Special Agrarian Commission (CEA) of the National Commission for the Consolidation of Peace, Copaz, verifies the land inventory presented by the FMLN.

B. Total Value of Necessary Resources and Current Availability

14. Using the average price of sales made through the Land Bank up to 31 August, equivalent to $600 per manzana, the total value of necessary resources would be 105 to 143 million U.S. dollars. The cash disbursement will be reduced based on the total availability of state land.

15. The value of resources that will be available from now until February 1993 is approximately $46 million, including foreign ($23 million) and internal financing for the estimated value of the state land ($23 million). By February 1993, additional foreign resources equaling $12 million will be available.

16. As the program advances and land is transferred, the secretary general will offer his good offices to support efforts to obtain additional financial resources as a significant contribution to the peace process.

C. Phases for the Transfer of Land

17. The Salvadoran Government will immediately draft a land transfer program based on the timetable contained below.

A. First phase (emergency plan): From October 1992 to January 1993—During the first phase, approximately 15,400 beneficiaries will be compensated. Priority is to be granted to former FMLN fighters who will receive all the land that is still available after the situation of current landholders is legalized.

The allocation of land to former fighters will be done in the following order: 1) 42 state properties that have been verified already (where landholders are already there), 2) Other properties of the state (ISTA and others), and 3) Negotiations on private properties will be conducted simultaneously: those already verified (63 out of 115), those included in the FMLN inventory (with priority given to the list of 537 properties), and those already offered by the Land Bank.

The $46 million available in this phase will make it possible to transfer 77,000 mz at an average price of $600 per manzana. That includes 38,000 mz owned by the state with a estimated value of $23 million and the acquisition of 38,500 mz.

B. Second phase: From February to April 1993—subject to the availability of lands. During this phase, $$12 million will be available to purchase 20,000 mz. There will be 8,000 mz available, but an additional 12,000 mz will be needed. Keeping the same average price, the number of beneficiaries could reach a maximum of 4,000—1,600 could be settled immediately, whereas the remaining 2,400 would have to wait for the additional 12,000 mz to become available. In those lands where the ownership of current landholders is not legalized, the allocation is to be conducted equally between former fighters of the FMLN —if there are any left pending from the first phase—and the FAES. ?

C. The third phase will begin at the completion of the second phase. During these phase, the remaining 28,100 beneficiaries will be given land. Approximately 140,500 mz would have to be acquired, which would need $85 million in additional financing.

The former FAES fighters will obtain lands not remaining in the hands of landholders until all of them are settled. Henceforth, tenants occupying land whose owners do no wish to sell will be relocated.

18. For the purpose of guaranteeing to the landholders the ownership of land until the conclusion of the final legalization process, it is recommended that all the beneficiaries receive temporary allocation figures as provisional title deeds.

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- 59

19. Fulfilling these goals will demand an intense effort and good faith on the part of the government. Strengthening the operational capacity of the Land Bank and ISTA (or, if appropriate, the National Fund to Finance Agricultural Land, Finata) is recommended to encourage a swift transfer of land, chiefly through sales operations. It is assumed the Salvadoran Government will contribute the operational costs. To implement these goals, technical assistance from the World Bank and the Food and Agriculture Organization may be requested.

D. Organizational Structure

20. The extraordinary nature of the land transfer program conceived under the peace agreement and the urgency to implement it make it necessary to establish management (coordination) that will be recognized as executive authority to direct in an orderly fashion the actions of the Agriculture and Livestock Ministry, ISTA, the Land Bank, and Finata on all aspects pertaining to the implementation of the land program.

21. Also, to facilitate the implementation of the program, there must be a supervision and follow-up commission involving the parties (Salvadoran government and FMLN) and Copaz (through the pro-tempore coordinator of CEA). The UN Observers for El Salvador will advise the committee. The committee will consolidate information on tenants and former combatants and ensure compliance with the program. Eventually, it may have an auxiliary organization to support it in the identification of land for purchase and to propose legal and administrative measures, as well as other kinds of measures to facilitate the transfer of land.

22. The actions of this committee are not detrimental to the verification mandate of the CEA and Copaz, but will complement it.

23. The manager-coordinator will immediately initiate the preparation of the "emergency plan" for implementation of the transfer program, having outlined the goals and the timetables. This plan, as well as the overall program, will be presented for the consideration of the above-mentioned supervisory and follow-up committee, aimed at guaranteeing the full cooperation of all the participating parties.

E. Guarantees Following the End of the Armed Conflict

24. Given that the transfer of land process continues after the end of the armed conflict and pending a satisfactory legal solution of the landholders problems in the strife-torn areas, the government will guarantee to the current residents that they will not be evicted until the situation has been resolved. The government will make known this decision—based on the framework of the peace process—to the landowners through a widely disseminated public communique. Should the need arise, the government will issue a decree to guarantee such a decision. By the same token, the FMLN will do everything in its power to prevent any illegal occupation of lands.

25. The former FMLN combatants will receive a certificate of the right to the transfer of land at the time of their incorporation into civilian, institutional, and political life. The former combatants will have access to the supervisory and follow-up committee through their representatives to solve the pending cases for land assignments.

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