PD-ABH-207

ISN 85286

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

EL SALVADOR

PROJECT PAPER

ECONOMIC SUPPORT FUND (ESF)
(PAAD)

AID/LAC/P-836

PROJECT NUMBER: 519-0408
GRANT NUMBER : 519-K-618

CLASSIFICATION: UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)

1. PAAD Number: 519-0408 519-K-618

2. Country: El Salvador

3. Category: Cash Transfer

4. Date:

5. To: A/AA/LAC, William S. Rhodes

6. OYB Change Number: N/A

7. From: LAC/DR, Eric Zallman ERZ

8. OYB Increase: None

To be taken from: Economic Support Fund

9. Approval Requested for Commitment of: $ 55,000,000

10. Appropriation Budget Plan Code: 72-113/41037 LES 393-35519-KG31

11. Type Funding: ☐ Loan ☒ Grant

12. Local Currency Arrangement: ☐ Informal ☒ Formal ☐ None

13. Estimated Delivery Period: FY 93/94

14. Transaction Eligibility Date:

15. Commodities Financed

16. Permitted Source		17. Estimated Source	
U.S. only		U.S.	
Limited F.W.		Industrialized Countries	
Free World		Local	
Cash	$55,000,000	Other	

18. Summary Description

The purpose of this program is to support the economic and democratic reforms being implemented by the GOES. The program will help the country attain a 5 percent growth rate on a sustainable basis, consolidate the historic peace process and promote democratic reforms agreed to in the Peace Accords. The program is conditioned on measures designed to accelerate broad-based economic growth, to strengthen democratic institutions and processes, and to improve public sector accountability.

Program funds will be deposited into a separate, non-commingled ESF account of accounts in the U.S. from which payments for eligible foreign exchange transactions will be made. Eligible transactions include the importation of raw materials, intermediate goods, spare parts, agricultural inputs, and capital goods from the U.S. for the productive private sector, as well as the importation of petroleum, and its derivatives from the U.S.

Upon disbursement of the dollars, an equivalent amount of local currency will be deposited by the GOES in a separate, non-interest bearing account in the Central Bank of El Salvador to be used for mutually agreed upon development purposes consistent with the FAA, specifically sections 103-106. Methods of implementation financing, and audit coverage have been provided in accordance with Payment Verification Policy Implementation Guidance.

19. Clearances	Date
LAC/DR/CEN&CAR:JWall	
LAC/DPP:EZallman	
GC/LAC:RMeighan	RM
LAC/CEN:KEllis	KEllis
ARA/ECP:VMorris	
FA/FM:JDockter	
A/DAA/LAC:NParker	

20. Action

☒ APPROVED ☐ DISAPPROVED

Authorized Signature: William Stacy Rhodes

Date: 9/30/93

Title: Acting Assistant Administrator, LAC

CLASSIFICATION: UNCLASSIFIED

USAID/EL SALVADOR

FY 1993 ESF

ECONOMIC AND DEMOCRATIC REFORM

PROGRAM ASSISTANCE APPROVAL DOCUMENT

June 11, 1993

ORIGIN AID-00

ORIGIN OFFICE AALA-01
INFO BIFA-01 FAPB-02 LADR-03 LACE-01 POSP-01 GC-01 GCLA-01
RDAA-01 AAID-01 FHAA-01 STAG-02 ENGY-02 SEOP-01 GEO-01
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TO AMEMBASSY SAN SALVADOR

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AIDAC
E.O. 12356: N/A
TAGS:
SUBJECT: REVIEW OF EL SALVADOR'S FY1993 ESF CONCEPT PAPER AND PEACE AND NATIONAL RECOVERY PROJECT AMENDMENT

1. A COMBINED DAEC REVIEW OF THE CONCEPT PAPER FOR EL SALVADOR'S FY1993 ESF CASH TRANSFER AND AN AMENDMENT TO THE PEACE AND NATIONAL RECOVERY PROJECT (519-0394) WAS HELD ON MARCH 26, 1993. THE MEETING WAS CHAIRED BY A-AA/LAC AARON WILLIAMS, AND WAS ATTENDED BY USAID/EL SALVADOR MISSION DIRECTOR JOHN SANBRAILO, AS WELL AS OTHER

MISSION AND LAC AND STATE STAFF.

2. ESF CONCEPT PAPER

WHILE NO SPECIFIC ISSUES WERE BROUGHT TO THE DAEC MEETING ON THE CONCEPT PAPER, THE MISSION PRESENTED THE POLICY MATRIX AND POINTED OUT AREAS WHERE CONDITIONALITY IS STILL BEING NEGOTIATED WITH THE GOES. MORE DETAILED CONDITIONALITY ON MUNICIPAL REVENUE REFORM, PUBLIC SECTOR CASH MANAGEMENT, AND LABOR CODE REFORM WILL BE INCLUDED WHEN THE PAAD IS SUBMITTED. LAC WILL FOLLOW UP ON LABOR REFORM ISSUES AND PROVIDE THE MISSION WITH FURTHER GUIDANCE.

3. PEACE AND NATIONAL RECOVERY AMENDMENT

ISSUES DISCUSSED AT THE MEETING INCLUDED: 1) HOW AID SHOULD DEAL WITH ANTICIPATED SHORTFALLS IN FUNDING FOR THE NATIONAL RECONSTRUCTION PROGRAM (NRP), AND 2) HOW THE MISSION SHOULD PROCEED WITH THE PROVISION OF AGRICULTURAL CREDIT.

DISCUSSION FOCUSED ON THE IMPORTANCE OF MAINTAINING SUPPORT FOR EL SALVADOR'S NATIONAL RECONSTRUCTION PROGRAM (NRP), ESPECIALLY BEFORE THE UPCOMING 1994 ELECTIONS. THE BUREAU ADVISED THAT EVERY EFFORT WILL BE MADE TO MAINTAIN FUNDING LEVELS AND ENCOURAGE OTHER DONOR ASSISTANCE FOR THE RECONCILIATION PROCESS IN EL SALVADOR.

THE BUREAU RECOGNIZED THAT THE PROVISION OF AGRICULTURAL

CREDIT IN THE FORMER CONFLICTIVE ZONES IS ONE OF THE MOST DIFFICULT ISSUES FACING THE PEACE PROCESS. THE SENSITIVITIES SURROUNDING THE FMLN'S REQUEST FOR SUBSIDIZED INTEREST RATES WERE DISCUSSED. LAC AGREES THAT MARKET RATES OF INTEREST SHOULD APPLY TO ALL LOANS. SINCE SOME FLEXIBILITY MAY BE REQUIRED AS NEGOTIATIONS PROCEED, IT WAS REQUESTED THAT THE MISSION KEEP THE BUREAU INFORMED AND CONSULT IF A SUBSTANTIAL DEVIATION FROM AGENCY POLICY APPEARS TO BE NECESSARY.

4. IN CONCLUSION, THE DAEC APPROVED THE FY1993 ESF CONCEPT PAPER AND THE DOLS 25 MILLION AMENDMENT TO THE PEACE AND NATIONAL RECOVERY PROJECT (519-0394). THE MISSION IS AUTHORIZED TO BEGIN NEGOTIATIONS WITH THE GOES NECESSARY TO PREPARE THE PAAD. THE BUREAU WILL PROVIDE THE MISSION WITH FURTHER GUIDANCE ON LABOR ISSUES ONCE FORMULATED. LAC/DR WILL FORWARD COPIES OF THE PROJECT AUTHORIZATION AMENDMENT FOR THE PEACE AND NATIONAL RECOVERY PROJECT WHEN SIGNED.
CHRISTOPHER

USAID/EL SALVADOR
FY 1993 ESF ECONOMIC AND DEMOCRATIC REFORM PROGRAM
PAAD

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LIST OF ABBREVIATIONS AND ACRONYMS
(Alphabetical order)

AID	Agency for International Development
ANDA	National Water and Sewerage Association
ANTEL	National Telecommunications Association
CA	Court of Accounts
CABEI	Central American Bank for Economic Integration
CBI	Caribbean Basin Initiative
CEL	Hydroelectric Commission for the Lempa River
COMURES	Organization of Mayors of El Salvador
CONARA	National Committee for Restoration
COPAZ	Commission for Peace
CRB	Central Reserve Bank
EAI	Enterprise for the Americas Initiative
EEC	European Economic Community
ESAF	El Salvador Armed Forces
ESF	Economic Support Fund
EPZ	Export Processing Zone
FIS	Social Investment Fund
FMLN	Farabundo Martí National Liberation Front
FOES	Salvadoran Labor Management Foundation
FOSAFFI	Financial Restructuring and Strengthening Fund
FUSADES	Salvadoran Foundation for Economic and Social Development
GDP	Gross Domestic Product
GOES	Government of El Salvador
GSP	Generalized System of Preferences
HCOLC	Host Country-Owned Local Currency
IBRD	International Bank for Reconstruction and Development (World Bank)
ICA	International Coffee Agreement
ICITAP	International Criminal Investigative Training Assistance Program
IDB	Inter-American Development Bank
IFI	International Financial Institution
ILO	International Labor Organization
IMF	International Monetary Fund
ISDEM	Salvadoran Institute of Municipal Development
ISL	Investment Sector Loan (IDB)
MEA	Municipalities in Action Program
MOE	Ministry of Education
MOF	Ministry of Finance
MOL	Ministry of Labor
MOST	Modernization of Salvadoran Taxes
NAFTA	North American Free Trade Agreement
NCJ	National Council of the Judiciary
NEER	Nominal Effective Exchange Rate
NGO	Non Governmental Organization
NIR	Net International Reserve
NRECA	National Rural Electric Cooperative Association
NRP	National Reconstruction Program
ONUSAL	United Nations Observers and Peacekeeping Mission for El Salvador
PAAD	Program Assistance Approval Document
PNC	National Civilian Police Force
P&NRP	Peace and National Reconstruction Program
REER	Real Effective Exchange Rate
SAL	Structural Adjustment Loan (World Bank)

SETEFE	Technical Secretariat for External Financing
SIU	Special Investigative Unit
UNDP	United Nations Development Program
UNICEF	United Nations Infant and Child Emergency Fund
UNOC	National Union of Workers and Farmers
USAID	U. S. Agency for International Development
USG	United States Government
USDA	U. S. Department of Agriculture
USTR	U.S. Special Trade Representative
VAT	Value-added Tax
WHO	World Health Organization

USAID/EL SALVADOR
FY 1993 ESF ECONOMIC AND DEMOCRATIC REFORM PROGRAM
PROGRAM ASSISTANCE APPROVAL DOCUMENT

I. SUMMARY AND CONCLUSIONS

This document presents the Mission's FY 1993 ESF Program for supporting El Salvador's efforts to implement and deepen its economic and democratic reforms. The ESF Program will support Salvadoran policies and other actions that can help the country attain a GDP growth rate of 5 percent on a sustainable basis, expand employment and social services, consolidate the historic peace process and democratic reforms agreed to in the Peace Accords, and increase United States exports to El Salvador. Continued economic growth and stronger democratic institutions are essential to the peace process and preparations for the all important national elections scheduled for March 1994. The consolidation of the peace process and economic reforms would increase confidence that promotes higher levels of private investment. These strengthen the country's economic growth and prepare the groundwork for an orderly phasedown of Salvadoran dependence on donor assistance.

This Program will be disbursed in two equal tranches tied to GOES compliance with the implementation of economic and democratic reforms shown in the FY 1993 ESF Policy Matrix (attached). The ESF dollars will finance private sector importation of United States raw materials, capital goods, agricultural inputs and petroleum products thereby contributing to U.S. exports and employment. Sale of U.S. dollars to Salvadoran importers generates local currency that assists the GOES and NGOs expand high priority programs especially for supporting the Peace Accords, promoting employment generation and basic social improvements, and financing other important development activities.

In 1992 El Salvador made historic progress implementing the Peace Accords and adopting the democratic reforms embodied in them. The Peace Accords signed on January 16, 1992 brought an end to a long and bloody 12-year civil war and led to major reductions in El Salvador's Armed Forces (ESAF) and demobilization of FMLN guerrillas. On December 15, 1992, the United Nations Secretary General, together with the GOES and FMLN, declared El Salvador's civil war officially ended. By early 1993 the FMLN had completed demobilization of its 8,500 ex-combatants and begun their reintegration into the civilian life of the country. The ESAF has been reduced from over 60,000 to approximately 30,000. An unprecedented purging of the ESAF Officer Corps is being implemented and military reforms have been adopted. A new National Civilian Police Force (PNC) and Police Academy are being established under civilian control. A United Nations negotiated land transfer program is ongoing that gives first priority to FMLN ex-combatants. Other assistance programs are underway including efforts to document and register to vote

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ex-combatants and the civilian population in the formerly conflictive areas of the country.

Major judicial, electoral and human rights reforms have been adopted by the National Assembly. These include, among others, a new Electoral Code, the establishment and election 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 codes are in the final stages of drafting before widespread public debate. The role of the Supreme Electoral Tribunal has been strengthened and the FMLN has been incorporated as a democratic political party. A new Human Rights Ombudsman Office was established and initiated operations in mid-1992. The GOES has agreed to implement the recommendations of the Truth Commission within Salvadoran constitutional limitations and to deepen ongoing judicial reform programs. Civilians have been selected to replace military officers directing the Special Investigative Unit (SIU) and a plan has been developed for the SIU's complete civilianization. Some progress was made in developing a reformed Labor Code and discussing it in the Economic and Social Forum created by the Peace Accords. In late February 1993 a historic Social Pact was signed by labor, private sector and GOES representatives committing the country to develop a new Labor Code by September 1993 as well as undertake other actions to improve labor-management relations. Judged by any standard, the democratic reforms adopted by El Salvador in 1992-93 are clearly of historic dimensions.

With the war over, the GOES also initiated a five-year, $1.4 billion National Reconstruction Program (NRP) to rebuild the country and reintegrate formerly conflictive areas into the growing national economy. At a March 1992 World Bank-led Consultative Group (CG) Meeting the donors pledged $800 million to help El Salvador finance the NRP although final commitment and disbursement of these funds have been slower than expected. Additional funds were pledged at the April 1, 1993 CG meeting. The NRP assists in the transition of ex-combatants to a peacetime economy by providing them with training, scholarships, job placement, credit and technical assistance; transferring land and agricultural credit to ex-combatants and small farmers; reactivating the economy in the formerly conflictive areas through employment generation financed by the Municipalities in Action Program and the Social Investment Fund; reestablishing basic education and health services; repairing and rehabilitating the country's war torn infrastructure and implementing the democratic reforms included in the Peace Accords. Timely and effective implementation of the NRP is essential to the successful consolidation of peace in El Salvador.

Even though fully involved with the historic peace process, national reconstruction and reconciliation, the GOES pressed ahead with its economic reform program in 1992 determined not to let it be undermined during the country's transition from war to peace. 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 the financial system including completing the privatization of five commercial banks, and improving public sector accountability by upgrading financial management and auditing. Significant progress was also made in

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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.

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, contributed to the largest basic grain harvest on record while increasing small farmer incomes and rural employment. 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.

what does this mean | is increase in labor force

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 up to 120,000 during the past three years. The GOES also made operational an impressive social safety network. This includes the Social Investment Fund (FIS), the National Reconstruction Program, the Municipalities in Action Program and other activities that have cushioned the effects the economic adjustment process on the poor.

Notwithstanding such progress, however, serious problems remain. The fiscal situation deteriorated sharply in 1992 primarily reflecting higher than expected expenditures to implement the Peace Accords as well as lower coffee export tax revenues and delayed implementation of key fiscal measures. Due to lackluster export performance, the trade deficit widened considerably in 1992. In real terms, merchandise exports represented only 27 percent of the level of the late 1970s. Moreover, even with three consecutive years of solid economic growth, real per capita GDP is still 21 percent below that of 1978. Urban poverty rates, while lower in 1992, are still high, and the 1992 resurgence of inflation, even if only transitory, may have affected gains made by the poor since 1989.

Are they so dependent on us?

Further clouding the horizon were changes in U.S. policy that 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 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 1612 for further details). A change in USTR/USDA policy (see State 55864) has required the GOES to commit itself to an accelerated phase out of its agricultural price band system with unknown consequences on Salvadoran efforts to improve small farmer incomes and to reintegrate large numbers of ex-combatants receiving land and agricultural credit for basic grain production. El Salvador's potential loss of its GSP privileges (see San Salvador 1758), which would have devastating effects on this country's non-traditional exports and employment, was averted in April 1993 by the signing of the Social Pact although another GSP review of El Salvador may be scheduled for October 1993.

Furthermore, while many 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, land transfers, ex-combatant assistance, implementation of democratic reforms and other high priority Peace Accord and NRP activities. As a result, in 1993-94 the GOES may be forced to increase its own domestic financing for these programs thereby increasing the money supply, raising inflation and possibly reversing the excellent economic performance experienced to date.

The proposed FY 1993 ESF Program will help El Salvador keep its significant economic and democratic reform momentum moving in a positive direction in the important period of consolidating the peace process. The March 1994 national elections will probably be a referendum on the Peace Accords as well as on the economic and democratic reforms implemented in recent years. They will also be the first in which the FMLN participates as a democratic party and, as such, will be a major milestone in the consolidation of Salvadoran democracy and the peace process. The successful completion of these elections will further strengthen the peace process which is one of the most important USG foreign policy objectives in Central America.

This fast-disbursing ESF Program will provide budgetary resources to support implementation of GOES economic and democratic reforms. Together with other donors' policy-based programs, it will consolidate and deepen free market reforms required to improve domestic and foreign balance and produce an annual GDP growth rate of at least 5 percent. The main economic reform areas supported with ESF include: improving GOES fiscal performance by further rationalizing the electric power sector, modernizing tax and customs administration, and reducing the size of the public sector; implementing municipal revenue reforms, continued strengthening of the financial system, further trade liberalization, compliance with other donor policy-based programs and improved environmental policies. Support will also be provided for reforms that improve the efficiency of the education and health sectors and accelerate implementation of the judicial, electoral and labor reforms included in the Peace Accords, and in a recently signed Social Pact. Finally, improvements will be continued in public sector accountability by deepening GOES efforts to upgrade its financial management and auditing. These efforts in public sector accountability directly address the issues of corruption which has recently manifested itself as a destabilizing force to democratization in the region.

Successful implementation of these 1993 measures will greatly enhance El Salvador's prospects for achieving sustained economic growth, consolidating the peace process and democratic reforms, and attracting other donor support. Such growth will also be essential to provide increased private investment and employment opportunities, especially for ex-combatants and others dislocated by the civil war, and to complete the rebuilding of the economy, all of which are necessary to fully consolidate the peace process.

Completing the economic and democratic reforms supported by the FY 1993 ESF Program will be particularly difficult during the politically-charged period leading up to the March 1994 national elections. Strong opposition is already starting to mount and GOES "adjustment fatigue" could lead to some backsliding on important reforms. Also, as a result of the peace process itself, additional interest groups have entered the political arena. While this is unquestionably a positive development overall, it also complicates

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GOES efforts to implement certain measures such as controlling the fiscal deficit and deepening free market reforms. USG and other donor support at this critical juncture will greatly increase the probability of success and help set the stage for the watershed democratic transition in 1994.

Given El Salvador's open foreign trade and exchange regime, and its need for a fast-disbursing flexible form of assistance, the cash transfer mode of non-project assistance is proposed for this ESF Program. This will provide maximum leverage to support major economic and democratic reforms which are expected to result in higher rates of GDP per capita. A sustainable 5 percent GDP growth rate of the Salvadoran economy throughout the 1990s will also generate $11 billion in United States exports thereby supporting more than 200,000 person years of U.S. employment.

The local currency generated by the ESF Program will provide resources to help fill the fiscal gap in 1993-94 and finance activities associated with the Peace Accords, the national elections of 1994 and basic social services such as health and education. It will also provide counterpart support to high priority GOES projects supported by AID. The dollars provided by this ESF grant will finance United States exports for the Salvadoran private sector and will facilitate the achievement of GOES 1993 Economic Program objectives of continued real growth, employment creation and lower inflation. The Mission will continue to follow the separate dollar account procedures developed for its FY 1991 and FY 1992 ESF cash transfer programs.

The specific policy reforms and measures supported by this ESF Program are outlined in the attached matrix.

ISSUES

Some of the key issues impacting on this ESF program are as follows:

Adjustment Fatigue and Donor Coordination

After four years of implementing difficult economic and democratic reforms, President Cristiani and some members of his Cabinet are clearly fatigued by economic adjustment and peace process. In 1992 the complex and endless negotiations among the GOES, FMLN and ONUSAL on implementation details of the Peace Accords and the NRP have slowed down economic reform momentum. A major GOES effort was needed to design the NRP, to organize the Reconstruction Secretariat and its implementing mechanisms, to begin the PNC and a new Police Academy, to make operational a new Land Bank, to begin a program for reintegrating large numbers of ex-combatants into civilian society, and to urge the entire donor community to be more responsive to NRP funding requirements. Unprecedented measures are being taken to purge the ESAF, to adopt military reforms and to implement deep and complex judicial, electoral and labor reforms. After implementing the most significant economic and democratic reform program in Central America -- and bringing peace to El Salvador -- there is growing GOES reluctance to move forward on even more difficult reforms especially with national elections less than one year away.

Nevertheless, President Cristiani and the GOES remain committed to the economic and democratic reforms supported by the international community.

Problems often arise not over the desirability of specific measures but over the timing for their implementation and the need for greater donor sensitivity to local political conditions. This has forced some donors to make compromises in negotiating their policy-based programs that have not always been fully discussed with other donors. While coordination has improved in recent months, especially as a result of the April 1, 1993 Consultative Group Meeting, continued efforts to maintain close donor coordination will be needed throughout implementation of this ESF program.

For example, the IMF will be reviewing compliance with its 1993 stand-by agreement. The World Bank will be finalizing negotiations on its SAL II program and initiating disbursements. The IDB's Investment Sector Loan is currently being implemented. And the United Nations will be monitoring compliance with the Peace Accords, Truth Commission recommendations and Salvadoran preparations for the March 1994 national elections. This ESF program contains conditionality that is closely related to, complementary and supportive of other donors and agencies.

As a result, the Mission has intensified its coordination with other donors. Prior to the April 1, 1993 Consultative Group, a number of informal donor meetings took place in Washington, D.C. among IMF, IBRD, IDB and USAID to deepen donor coordination on policy conditionality. During May 1993 USAID held numerous follow-up meetings with the World Bank SAL II appraisal team to coordinate economic policy and technical assistance. Improved coordination among IDB, IBRD and USAID exists on electricity rate issues and on measures to rationalize the power sector. USAID has worked closely with the GOES and the World Bank on a May 1993 seminar to discuss strategy options for poverty alleviation which will be followed up with joint IBRD/USAID support for activities under the GOES Modernization of the State program. Another informal donors meeting was held in June 1993 in Washington, D.C. to coordinate IDB, IBRD and USAID efforts in the health and education sectors and in municipal development. And there are continuing U.S. Mission discussions with ONUSAL and UNDP on implementation of reforms included in the Peace Accords and Truth Commission and for supporting Salvadoran preparations for the National Elections. Donor coordination efforts will continue to require close monitoring during implementation of this ESF program.

Potential Loss of GSP and Labor Code Reform

The AFL-CIO and others, on behalf of several of El Salvador's major unions, filed a complaint in 1990 with the Generalized System of Preferences (GSP) Subcommittee chaired by the USTR claiming that the GOES had not adequately protected and promoted internationally recognized worker rights. Consequently, EL Salvador was placed on the GSP Subcommittee's watch list of countries under review based on worker rights provisions of the U.S. GSP trade legislation. In March 1993 the Subcommittee reviewed the status of GOES performance on protecting labor rights. Based on a letter by the Social and Economic Forum describing progress made, the Committee delayed for another six months its review of El Salvador's labor rights situation. Continued progress and compliance with actions set out in the Social Pact must be achieved this calendar year. Were El Salvador to lose its trade privileges, exports and employment would suffer. Such a development could not come at a worse time for El Salvador. The country is now trying to consolidate its peace process and needs to integrate tens of thousands of ex-combatants into an expanding national economy. The loss of GSP would seriously threaten chances for a successful consolidation of the peace process and make it extremely difficult to achieve the economic growth and other macroeconomic targets included in the FY 1993 ESF Program.

Encouraged by the USG through FY 1992 ESF conditionality, the GOES has made progress on the development of a new labor code. In late 1992, a draft law reforming the existing code was prepared by the GOES but was not submitted to the Legislative Assembly. The draft code included several improvements over existing legislation, but fell short of adequately addressing important labor issues, some of which led to the original GSP complaint. The draft code was presented to the Economic and Social Forum established in the Peace Accords.

In February 1993, a major breakthrough was achieved in the Forum when its members, including labor leaders, business representatives and GOES officials, signed a Social Pact which contained several agreements on principles and commitments with respect to improving labor conditions, worker rights and labor-management relations in El Salvador. Labor leaders from across the political spectrum have characterized this Pact both publicly and in writing as containing obvious steps to improve internationally recognized labor rights in El Salvador.

The Pact addresses key elements of the GSP complaint including the labor code, enforcement of labor regulations, ratification of ILO Conventions, and the right of association. The Pact set a deadline of April 30 for completion of tripartite review of specific ILO conventions considered high-priority by labor. This deadline was overly ambitious, but as of April 30, agreement had been reached in the Forum on the ratification of 15 of 29 ILO conventions. The remainder continue under review by a special sub-committee of the Forum.

The Pact also set a deadline of September 30 for completion of a new labor code to be reached by consensus among labor, business, and GOES representatives in the Forum. The Pact calls for strict respect for the right of association as provided for in the Salvadoran Constitution. The GOES committed itself to facilitate union registration and review jointly with labor for 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 proposed FY 1993 ESF program includes conditionality requiring the GOES to comply with the measures included in the Social Pact. It also requires the GOES to make a good faith effort to present a revised labor code to the Legislative Assembly. In addition, the GOES will develop and implement a plan to strengthen the Ministry of Labor so as to improve the application and enforcement of internationally recognized worker rights.

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Truth Commission Recommendations and Judicial Reforms.

The U.N. sponsored Truth Commission found the Salvadoran justice system to be highly deficient, made recommendations to address certain problems, and urged faster progress on judicial reforms included in the Peace Accords. Unfortunately, the Truth Commission did not fully analyze the scope and depth of those judicial reforms that El Salvador was already implementing with support from ESF Programs and AID Judicial Reform I and II Projects. Indeed, many of the reforms proposed by the Truth Commission are being supported by the ongoing USG judicial reform program and are included in our ESF conditionality. As described below, the FY 1993 ESF Program, complemented by our Judicial Reform II Project, will continue to assist the GOES accelerate and deepen its justice sector reform program thereby helping it comply with many Truth Commission recommendations.

The judicial reforms recommended by the Truth Commission can be grouped into five areas: legal reforms to the penal and penal procedure codes and habeas corpus; strengthening and focussing of the Human Rights Ombudsman; strengthening of the National Council on the Judiciary; full implementation of the Peace Accord agreements concerning the National Civilian Police; and Constitutional reforms to reduce the span of control of the Supreme Court.

The FY 1993 ESF Program supports deepening of the GOES ongoing justice sector reform program as described in their January 1993 publication on the National Legal Reform Program of the Ministry of Justice. The specific conditionality to be implemented is described in a GOES letter and supports many of the judicial reforms recommended by the Truth Commission. This Program is designed to achieve full implementation of the Peace Accords and 1991 Constitutional reforms, substantively revise Salvadoran penal legislation to increase timeliness and protection of basic human rights and due process, and strengthen the operational independence and effectiveness of the National Council on the Judiciary (NCJ), the independent prosecutor and public defenders office, and the Human Rights Ombudsman. Specifically, the GOES program includes the following:

-- continued progress in the GOES' legal reform program, including presentation to the Assembly of a new penal procedures code, an agrarian code, family code, and sentencing law;

-- the provision of supplemental budget resources in 1993 to the Human Rights Ombudsman to support its three regional offices;

-- efforts to increase the operational independence of the National Council on the Judiciary and ensure adequate financing for the Council and the National Judicial School;

-- integration of the SIU and its trained civilian staff into the National Civilian Police; and

-- salary increases for prosecutors and public defenders to stem the loss of trained personnel.

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Special emphasis in the GOES' program and the AID Judicial Reform II Project is being given to ensuring the effective organization and operation of the National Council on the Judiciary. The NCJ, as one of its mandates, will also conduct research on the justice system and make recommendations for reform. Its representativeness, including members representing law faculties and private lawyers associations, will help ensure that key issues such as trial court delay, the licensing of attorneys, and judicial performance standards are researched, problems isolated, options discussed and a consensus on solutions built. As such, the NCJ will play a pivotal role in ongoing and future Salvadoran justice reform efforts.

In addition, the GOES, acting through the Ministries of Planning and Finance, has agreed to a separate NCJ budget allocation to ensure NCJ independence and financial autonomy within the judicial sector as called for by the Truth Commission. Supplemental budget allocations are being requested for the NCJ and its judicial training school, the Human Rights Ombudsman and for the Public Ministry that includes the independent prosecutors and public defenders offices. Local currency generated through AID programs will be used to help the GOES carry out these measures.

The GOES justice sector reform program presented in its letter of May 31 includes the above actions. It sets specific targets for completion of a major portion of the Truth Commission's recommendations for improving the justice system. These targets and actions have been incorporated into the FY 1993 ESF conditionality.

<u>Voter Registration and Preparations for the 1994 National Elections</u>

The March 1994 national elections are of historic importance for consolidating the Salvadoran peace process and democratic reforms. Substantial international and local attention has been focused on preparations for these elections and on the need to further expand voter registration and participation. As a result, the FY 1993 ESF Program includes conditionality that requires the GOES to make timely budget allocations to the Supreme Electoral Tribunal (TSE) to facilitate voter registration campaigns and the orderly preparations for the national elections. The TSE is an agency independent of the GOES executive branch and it is directed not by the GOES but by representatives of the political parties and a fifth, independent member.

Because of criticism of the electoral registry, especially by the FMLN and some other opposition political parties, the Supreme Electoral Tribunal, ONUSAL and the Salvadoran Census Bureau carried out a special survey to determine the number and geographical location of the population lacking voter ID cards. According to this survey (which has a margin of error of only plus or minus 1.1 percent) approximately 72 percent of eligible voters or 2.3 million Salvadorans already have their voter ID cards. Some 673,000 Salvadorans are not currently registered, with nearly 200,000 of these concentrated in San Salvador (see San Salvador 05265).

In April 1993 briefings by United Nations electoral expert Horacio Boneo, he stated that the TSE's electoral campaign would be a success if it achieved

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an 80 percent registration level (see San Salvador 04185). To meet this goal, the TSE would have to register another 250,000 voters by late November 1993 -- a reasonable target based on the TSE's registration capacity of about 50,000 voters per month.

The TSE is designing a large scale voter registration campaign to be implemented between June and November 20, the closing date for voter registration. Although the program design is not yet finalized, the Tribunal is now obtaining special supplemental funding to initiate actions such as weekend visits of registrars to cantons from the GOES extraordinary budget. The Tribunal has already taken the initiative to instruct its Departmental and Municipal Delegates to accompany UNHCR and ISDEM staff on their documentation campaign visits to municipalities in the former conflictive zones. Additionally, the TSE has sent its representatives to municipalities where the FMLN and other parties are holding their conventions.

All TSE Magistrates agree that extraordinary efforts are needed to achieve the greatest voter registration and participation possible. The Tribunal has sought AID-financed technical assistance through CAPEL to develop its voter registration campaign and to assist with preparations for the national elections. At the Mission's encouragement, the TSE is also consulting with the COPAZ electoral sub-commission to ensure that the views of all political parties are incorporated into these plans. In addition, the Tribunal has received assurances of the Ministries of Planning and Finance that necessary funding will be made available in a timely manner to implement the voter registration plan and preparations for the national elections. FY 1993 ESF conditionality will further support compliance with these assurances.

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June 7, 1993

FY 1993 ESF POLICY MATRIX

GOAL/OBJECTIVE	FIRST DISBURSEMENT JULY	SECOND DISBURSEMENT NOVEMBER
1. <u>Consolidate Sustainable Economic Growth</u>		
a. <u>Improve Fiscal Performance</u>		
(i) Increase the Efficiency of the Electricity Sector	1. Complete the study of the legal, institutional and regulatory framework for the energy sector. Preparation and approval of an action plan to reform the Electricity Sector.*	Preparation of draft laws to establish the National Electricity Council and the regulatory body. Preparation of the project for the General Law for Electricity Services.
	2. Demonstrate satisfactory progress on the installation of electricity meters, particularly for commercial and industrial users.	Continue to demonstrate satisfactory progress on the installation of electricity meters particularly for commercial and industrial users.
(ii) Improve Tax/Customs Administration	3. Progress in the preparation of a customs reform plan within the context of CAUCA II.	Satisfactory progress in implementing customs reform plan.
	4. Satisfactory progress in the modernization of the tax system.	Satisfactory progress in the modernization of the tax system.
	5. Submit to the Legislative Assembly law to make tax offenses criminal acts.	Demonstrate good faith effort to gain Legislative Assembly approval of law to make tax offenses criminal acts.

* The GOES will send a letter.

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GOAL/OBJECTIVE	FIRST DISBURSEMENT JULY	SECOND DISBURSEMENT NOVEMBER
	6. Prepare a decree to eliminate all tariff exemptions for ANDA, ANTEL, and CEPA, except for imports of machinery, equipment and inputs financed by projects with external resources which are under implementation at the time of approval of the decree.	Demonstrate good faith effort to gain Legislative Assembly approval of the decree.
(iii) Reduce Role of the State	7. Continue with the privatization process in at least two entities.	Continue with the privatization process in at least two additional entities.
	8. Maintain a restrictive public employment policy, including freezing 4,000 jobs already existing.	Continue with a restrictive public employment policy.
b. **<u>Decentralization</u>**	9. Support and facilitate the drafting of legislation and other actions by ISDEM and COMURES to strengthen municipal finances.*	Support ISDEM and COMURES legislative initiatives to strengthen municipal finances.
c. <u>Improve Financial Intermediation</u>		
(i) Encourage Competition in Banking System	10. Develop, approve and announce procedures for establishing new banks, both domestic and foreign.	Demonstrate that there are no restrictions to the establishment of new banks.
(ii) Bank Supervision	11. Continue with implementation of plan to strengthen the Superintendency of the Financial System.	Continue with implementation of plan to strengthen the Superintendency of the Financial System.

* The GOES will send a letter.

GOAL/OBJECTIVE	FIRST DISBURSEMENT JULY	SECOND DISBURSEMENT NOVEMBER
	12. Draft modifications to existing legislation to improve bank supervision.	Demonstrate good faith effort to gain legislative approval of modifications to existing legislation.
(iii) Strengthen Financial System	13. Continue with plan for recovery of past-due loans of FOSAFFI (Financial Restructuring and Strengthening Fund).	Continue with plan for recovery of past-due loans of FOSAFFI.*
	14. Initiate the preparation of a plan to reduce Central Bank losses.	Complete the preparation of a plan to reduce Central Bank losses.
d. Promote Exports	15. Complete a strategy to deepen international trade liberalization and prepare a strategy to promote exports.	Satisfactory progress in the implementation of a strategy to promote exports.
e. Maintain Adequate Macroeconomic Framework and Structural/Sector Adjustment Policies	16. Adhere to economic program targets.	Adhere to economic program targets.
f. Rationalize Health and Public Education Spending	17. To improve the quality of health services, initiate a pilot program to increase cost recovery.	Demonstrate satisfactory progress in the implementation of a pilot program to increase cost recovery and develop a strategy to extend the program.
	18. Prepare a plan to improve 1994 budget allocation for education, in order to increase the quality of education, teachers and education materials.	Implementation of the plan and incorporation of this criteria in the preparation of the 1994 budget.

* The GOES will send a letter.

GOAL/OBJECTIVE	FIRST DISBURSEMENT JULY	SECOND DISBURSEMENT NOVEMBER
g. <u>Improve Quality of the Environment</u>	19. Satisfactory progress in the development of a national strategy for the protection of the environment and for the management of national resources.	Demonstrate satisfactory progress in the implementation and financing of the national strategy.
2. **<u>Strengthen Democratic Practices, Processes and Procedures</u>**		
a. Improve the Administration of Justice	20. Satisfactory implementation of the GOES legal reform plan.*	Satisfactory implementation of the GOES legal reform plan.
b. Support Fair and Free Elections	21. Ensure the timely disbursement of funds to the Supreme Electoral Tribunal for preparation for the national elections of 1994, including massive issuance of personal identification documentation.	Submit to the Legislative Assembly the extraordinary budget for the Supreme Electoral Tribunal (SET) to obtain the funds necessary for the 1994 national elections and ensure timely disbursement of the funds.
	22. Satisfactory progress in the reestablishment of civil registry and citizen documentation in ex-conflictive zones to facilitate citizen participation in 1994 elections.	Complete implementation of plan of the Salvadoran Institute for Municipal Development for the reestablishment of civil registry and citizen documentation in ex-conflictive zones to facilitate citizen participation in national elections of 1994.
c. Promote Respect for Worker Rights	23. Meet the targets agreed in the Foro on the "Social Pact" (Acuerdo de Principios y Compromisos).	Good faith effort to: meet the targets established in the Social Pact; and submit to the Legislative Assembly a revised labor code.
	24. Develop a GOES plan to strengthen the Ministry of Labor to implement the Labor Code.	Implement plan.

* The GOES will send a letter.

GOAL/OBJECTIVE	FIRST DISBURSEMENT JULY	SECOND DISBURSEMENT NOVEMBER
3. **Strengthen Integrated Financial Management and Auditing**		
a. Increase Efficiency in the Management of Public Resources	25. Implement the GOES plans to reform the Court of Accounts including measures to eliminate Court of Accounts operations at Customs.*	Satisfactory progress in the implementation of the GOES' plans to reform the Court of Accounts including measures to eliminate Court of Accounts operations at Customs.
	26. Prepare a new action plan to implement the GOES commitment to unify ordinary and extraordinary budgets.	Demonstrate satisfactory progress in the implementation of the GOES commitment to unify ordinary and extraordinary budgets.
	27. Demonstrate satisfactory progress in the implementation of the action plan to improve integrated financial management.	Demonstrate satisfactory progress in the implementation of the action plan to improve integrated financial management.
b. Improve Public Sector Cash Management	28. Prepare a plan to reduce the time required by the Central Government to pay suppliers.	Satisfactory progress in the implementation of the plan.

* The GOES will send a letter.

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II. PROGRAM RATIONALE AND RELATIONSHIP TO MISSION STRATEGY

A. Overall Program Rationale

1. Promote Improved Economic Performance

The proposed FY 1993 ESF program supports the adoption and maintenance of economic policies that promote sustained higher levels of economic growth. In the period 1962-73, real GDP grew by 5.0 percent per annum, but the rate of growth declined to 0.5 percent in 1974-89. Since then, growth has accelerated steadily, reaching 4.6 percent in 1992, the highest rate of the past fourteen years. The rate of growth of 1992 is even more remarkable considering coffee prices have been, in real terms, at their lowest historical levels, and that the prices of other traditional exports are also relatively low. This means that the economy has become more resilient to external shocks, a result of greater diversification of exports and of private capital inflows and remittances. Improved economic performance of the past three years has been the result of the comprehensive and coherent economic reform program which began to be implemented in 1989.

The FY 1993 ESF Program supports the deepening and consolidation of those economic policies. This is expected to reduce government consumption, encourage savings, increase the level and efficiency of private and public investment, deepen financial intermediation, and increase the openness of the economy. In addition, the program supports improvements in the quality of education and health services. Empirical studies of the effects of economic policy on growth (summarized in William Easterly, "How Much Does Policy Affect Growth") lead to the conclusion that the continued implementation of those policies could increase per capita income growth by about 4 percent per annum over the rate of growth that would be attained if the reforms are not implemented. Over a decade, this would result in a real per capita level of income almost 50 percent higher than if the policies are not implemented and maintained.

2. Promote Democracy and Human Rights

The proposed ESF Program gives particular emphasis to the strengthening of democratic institutions and processes. While historic reforms of the justice system have removed many significant structural constraints to the fair and impartial administration of justice, there is a need to complete work on legal reforms pending as well as fully implement the legislation that has been enacted. Many of the actions supported are actions recommended by the Truth Commission, such as legal reforms and strengthening of the National Council on the Judiciary. The justice sector reforms supported by the ESF Program will increase equality, timeliness, respect for human rights and will tend to reduce transaction costs, thus increasing economic efficiency. The provision of adequate financing for the electoral process will help guarantee greater participation and transparency in the crucial national election of March 1994. A free and fair election in 1994 will represent a major step in the consolidation of democracy in El Salvador, and will contribute importantly to the peace process.

In addition, the higher rates of sustained growth discussed above can only be reached if democratic institutions and processes are strengthened, and peace is consolidated. Our estimates indicate that the substantial improvement in the judicial and democracy situation of El Salvador which is under way can raise GDP growth on a sustainable basis by perhaps a full percentage point (see Economic Analysis of El Salvador Judicial Reform II Project).

While the situation has improved recently, labor relations in El Salvador have been strained. A new labor code is being negotiated between the government, labor, and the private sector. The present government proposal contains major improvements over existing legislation. It does not, however, fully address problems that led to the complaint that could result in a loss of access to GSP by El Salvador. Specifically, labor rights of agricultural and public sector employees are not guaranteed fully. In February 1993, a major breakthrough was achieved when GOES, labor and business leaders signed a social pact pledging to reach a consensus on a new labor code by September 30. The ESF Program will support the preparation of an improved labor code and greater application and enforcement of worker rights. All these measures would tend to reduce labor-management confrontations and permit Salvadoran exports continued access to the U.S. market under the Generalized System of Preferences (GSP). Without this access, the export-led growth strategy of the GOES would fail.

3. Provide Fiscal Support

The proposed ESF cash transfer will provide essential budget support to the GOES during 1993. Notwithstanding noteworthy efforts to improve fiscal performance, budgetary support is still needed to keep the GOES economic and social program on track while also assuring timely implementation of the Peace Accords.

As amply described in other sections of this document, while overall GOES policy reform performance has been excellent, serious fiscal difficulties persist. In 1992, the deficit of the consolidated nonfinancial public sector mushroomed to 5.6 percent of GDP, way above the original program target of 2.3 percent and a sharp deterioration from the 4.4 percent registered in 1991. A large part of this deficit widening was due to factors beyond GOES control, e.g. the drought, plunging coffee prices and major additional unbudgeted expenditures required to implement the historic Peace Accords. Moreover, this deterioration detracted from many notable fiscal achievements in 1992 including the introduction of a value-added tax, improvements in tax and customs administration, a public sector hiring freeze combined with the voluntary separation/early retirement of 15,000 employees, strict current spending controls, a reduction in public energy subsidies, and the sale of major public assets. In fact, had the GOES not implemented these measures, the 1992 fiscal deficit could have been as high as eight percent of GDP.

The GOES has demonstrated its commitment to improve fiscal performance and continues to implement measures designed to accomplish this. Reflecting this, several measures listed below as conditionality for the FY 1993 ESF program are aimed at encouraging such efforts. In addition, the

Mission is funding a $6.5 million Modernization of the Salvadoran Tax System (MOST) Program initiated in late 1991 which provides high caliber, state-of-the-art technical assistance to support GOES efforts to improve tax policies, enhance tax enforcement and administration, and modernize customs operations. Already substantial progress has been noted. As a percent of GDP, noncoffee tax revenue rose from 7.5 percent in 1989 to 8.6 percent in 1992. By 1995, total tax revenues are expected to reach near 12 percent of GDP.

In the meantime, however, a major fiscal gap remains. While modest further gains in tax revenue are expected in 1993, the full impact of GOES tax modernization efforts will not materialize until 1994 and beyond. The same is true regarding El Salvador's so called "peace dividend." The 50 percent cut in military personnel completed in early 1993 will result in major budgetary savings. However, such savings will not be realized fully until 1994 and beyond as substantial severance pay and other benefits have to be made in 1993 to officers and career soldiers discharged in accordance with the Peace Accords. In addition, with the first national elections since the Peace Accords scheduled for March 1994, the GOES will have to finance a number of costly preparatory activities during 1993 and in early 1994.

Therefore, the strain on the GOES budget will be great during 1993. The proposed FY 1993 ESF program, through local currency generated by cash transfer dollars, will provide crucial and timely finance to the ordinary and extraordinary budgets, and will permit the financing of activities necessary for the consolidation of the peace process and for the expansion of social services such as health and education.

B. <u>Need for Program Assistance</u>

1. ESF Leverage Essential to Support Critical Reforms

The Mission relies on two major modes of assistance to achieve its strategic objectives: (1) project funding, and (2) cash transfers. Project funds are used largely to finance technical assistance, commodities, and other inputs to specific development projects. On occasion, project funding is also used to support the Mission's policy dialogue agenda. Conditions precedent to disbursement are contained in several key projects to support GOES compliance with policy reforms and other actions required for successful project implementation and in support of overall Mission strategic objectives. However, the leverage provided by project funding is less significant in supporting GOES implementation of many reforms of critical importance for the achievement of Mission objectives and other measures of particular concern to the USG.

Fast-disbursing cash transfers, on the other hand, provide major leverage for policy reform. They are used to support macroeconomic stabilization and structural/sectoral adjustment policies while also quickly providing additional financial resources to facilitate the achievement of GOES economic program objectives. As such, ESF cash transfers are a valuable complement to project funding. The additional leverage provided by

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quick-disbursing cash transfers has been instrumental in supporting GOES implementation of key economic and democratic reforms over the last several years, and will be especially critical in 1993 to encourage the consolidation and deepening of such reforms before the term of the current GOES administration expires. Such leverage will be particularly needed to maintain policy reform momentum and prevent backsliding during the politically-charged period leading up to the March 1994 national elections.

The leverage provided by the Mission's ESF cash transfer program provides an important reinforcement to that provided by other international donors. As a result of El Salvador's improved economic policies and democratic reforms, the IMF, the World Bank and the IDB have all commenced policy-based program lending activities for El Salvador. Indeed, the initiation of such programs has provided important additional support for Salvadoran reforms while the amount of ESF cash transfers programmed for policy reform has gradually declined from over $200 million in 1987 to the $70 million proposed for 1993.

However, notwithstanding the increasing involvement of other donors, there is still a vital role for the USG. First, the funds of other donors are largely provided on a loan basis, are therefore somewhat less attractive, and thus provide less leverage. Moreover, it is not uncommon for countries with IMF and IBRD programs in process to experience slowdowns and/or backsliding in their policy reform efforts. The added incentive provided by ESF cash transfer grants can be decisive in keeping such reform programs moving forward.

In addition, the extra leverage provided by the proposed program will aim to ensure adequate progress on those specific measures of particular interest and importance to the USG. Some of these measures often are not high on the agendas of the other donors. Moreover, on occasion efforts by other donors to gain specific reforms are abandoned in mid stream such as was the case when the IDB failed to require important electric rate adjustments as conditionality for disbursement of its power sector loan. Regarding the proposed FY 1993 ESF program, many of the individual measures included in the policy reform matrix represent actions not included in other donor programs, e.g., those related to judicial reform, elections, improvements in the labor code, and resolution of an international expropriation case.

2. El Salvador's Need for Fast Disbursing Program Assistance

El Salvador has embarked on an ambitious program to rebuild its war torn country and consolidate peace. A year ago it initiated its $1.4 billion National Reconstruction Program (NRP). While many international institutions and bilateral donors have pledged financial support for the Plan, it has been slow in coming. The GOES and AID has had to make up the difference.

In addition, the GOES has had to finance a wide variety of activities related to the implementation of the January 16, 1992 Chapultepec Peace Accords which, for legal or other reasons, were not eligible for donor funding. These include, inter-alia, the creation of a new civilian police force to replace the former National Police controlled by the military, development and operation of a new Police Academy, accelerated severance pay and other benefits related to the demobilization of one-half of the armed forces, a strengthened Supreme Electoral Tribunal, the creation of the Office of the Human Rights Ombudsman, the activities of the Committee for Peace (COPAZ) and the Economic and Social Forum, the expansion and strengthening of judicial and legislative branch activities, and implementation of other democratic reforms included in the Peace Accords.

As described in the previous section, these additional expenditure requirements hit the GOES at a time when it was already experiencing severe fiscal difficulties. Reflecting this, the April 1, 1993 Consultative Group meeting on El Salvador called for substantial amounts of quick-disbursing funds, not tied to specific projects, to be provided to El Salvador over the near term. This would enable the GOES to finance timely implementation of poverty alleviation and democratic measures agreed to in the Peace Accords while also keeping its economic program on track.

While other donors, including the World Bank, the IDB and others, have pledged fast-disbursing funds, these programs are not sufficient given the magnitude of El Salvador's needs. The limited availability of this type of other donor funding clearly underscores the importance of providing quick-disbursing ESF cash transfers to El Salvador in 1993. Therefore, the proposed $70 million in FY 1993 ESF program will utilize the cash transfer mode to provide crucial budget support for the GOES as it accelerates implementation of the measures required to keep the peace process on track during 1993, a critical year for the consolidation of peace and democracy in El Salvador.

3. Impact on U.S. Economy

The cash transfer dollars provided by the proposed program will increase demand for U.S. exports and thus support additional employment in the U.S. in two ways. First, the $70 million cash transfer will directly finance imports from the United States of raw materials, capital goods, spare parts, intermediate industrial and agricultural inputs and petroleum products. Second, the program will support the acceleration of El Salvador's economic recovery now entering its fourth consecutive year. As a result of this expansion, demand for imports of U.S. products has surged. Over the last four years gross U.S. exports to El Salvador have more than doubled from $421 million in 1988 to about $873 million in 1992. In 1993, U.S. gross exports to El Salvador are expected to reach nearly $1 billion, thus supporting the existence of about 20,000 U.S. jobs. Through the end of the decade, a sustained 5 percent real GDP growth rate in El Salvador will generate $11 billion in U.S. exports which would support more than 200,000 person years of employment in the U.S.

C. Relationship to Mission Strategy

The proposed ESF cash transfer program for FY 1993 will contribute to the achievement of several key USG foreign policy objectives in El Salvador and Central America. These include consolidating the peace process, facilitating national reconstruction and reconciliation, fostering democracy, and improving El Salvador's prospects for achieving sustained economic growth with equity.

The proposed FY 1993 program will achieve this by supporting specific policy reforms designed to further orient El Salvador's economy toward reliance on competitive market forces and the private sector, and to strengthen its democratic practices, processes and procedures. In addition, the proposed FY 1993 program will provide financial support for the implementation of the country's historic Peace Accords while deepening important economic and democratic reforms.

The proposed program is fully consistent with and directly supportive of all five strategic objectives in the Mission's approved Action Plan/Program Objective Document, as follows:

Assist El Salvador to Make the Transition from War to Peace. A growing economy is absolutely necessary for the consolidation of the peace. Additionally, local currency generated under the program will provide financing for high priority Peace Accord and development programs.

Increase Equitable Economic Growth. Support for economic policy reforms will contribute directly to this objective. Certain specific measures will contribute to a more equitable growth, including: tax reform, electricity pricing, and rationalizing public education and health spending.

Promote Enduring Democratic Institutions and Practices. A major section of conditionality in the proposed ESF program calls for deepening and consolidating democratic reforms and improvements in the administration of justice and of the electoral process and labor reforms. Other conditionality requires progress toward improving public sector accountability by upgrading GOES financial management and auditing, and information on the use of public resources is an essential requirement for effective democracy through improved governance.

Support the Development of Healthier and Better Educated Salvadorans. Human resource development and improved quality of life will be supported with ESF-generated host country owned local currency (HCOLC) for education and health-related expenditures in the GOES budget. Conditionality on education is expected to increase its quality, and conditionality on health sector cost recovery will increase the efficiency of resource allocation and make programs more sustainable.

Improve Environment and Natural Resource Management. The proposed program supports policy reforms aimed at achieving more realistic prices for electricity and this will contribute to increased conservation. The ESF program will also support GOES efforts to improve environmental policy.

Thus, the FY 1993 ESF cash transfer program helps accelerate implementation of all five of the Mission's approved strategic objectives for the FY 1992-97 period. It remains a vital instrument for supporting critically important U.S. foreign policy and development objectives in El Salvador.

III. RECENT ECONOMIC AND SOCIAL PERFORMANCE AND OUTLOOK

A. GOES Policy Reform Performance

1. Economic Policy Reform Performance 1989-1991

In mid-1989, after taking office, the Cristiani Administration began to implement an economic stabilization and structural adjustment program designed to correct macroeconomic imbalances and to place greater reliance on market forces. The measures implemented in the period 1989-91 have included, inter-alia: the maintenance of a restrictive monetary policy to reduce inflation; the liberalization of the exchange rate regime; the elimination of quantitative restrictions on foreign trade; far-reaching tax reform to improve the efficiency of the tax system and to reverse the decline in the tax to GDP ratio; the lowering of the maximum tariff rate to 20 percent, with a few exceptions, a reduction in the dispersion of tariff rates, and the elimination of most import duty exemptions, thus reducing effective protection; the elimination of export restrictions and of marketing monopolies for sugar and coffee; a strengthening of the balance sheets of state-owned commercial banks prior to their privatization, the successful privatization of five banks, and the passage of legislation to strengthen the supervision of banks; and elimination of interest rate controls and a wider use of indirect instruments of monetary control.

2. Performance on FY 92 ESF-Supported Measures in the Economic Area

The GOES made notable progress in implementing economic reforms during 1992. While GOES achievements in certain areas were less than expected, these shortcomings were more than offset by advances in other areas, e.g., completion of particularly important and/or difficult measures, and historic breakthroughs in some areas which greatly exceeded the intent of the original measure. Areas of strong performance include the following:

Implementation of the value-added tax (VAT): A 10 percent VAT was put into effect on September 1992, to replace the antiquated five percent turnover tax. While the conditionality required submission to the Legislative Assembly, the new tax was approved in July 1992. This required successful defense by the Administration in the Legislative Assembly. Almost 50,000 businesses have registered to date as VAT contributors, nearly five times the number of firms registered for the turnover (sales) tax. Preliminary information shows significantly higher VAT collections during the first months of implementation than would have been generated under the turnover tax. The rapid and effective implementation of the VAT is largely due to the technical assistance provided under the USAID-funded Modernization of the Salvadoran Tax System MOST Program.

Reduction of public utility subsidies: On September 1 the GOES increased electricity rates by 30 percent. This is a major adjustment towards the goal of bringing electricity tariffs closer to the long-run marginal cost of production and distribution. This rate

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hike generated an additional 60 million colones during the last quarter of 1992. On October 1, water rates were increased by 15 percent. Additionally, a detailed plan to reduce the electric meter deficit was prepared, an agreement not to make transfers to the power company in 1993 was reached, and a commitment to take measures to rationalize the regulatory environment of the electricity sector was made.

Rationalizing Public Sector Operations: Privatization. The GOES reactivated the privatization process by developing a 1992 Privatization Action Plan, completing the privatization of a major hotel (Presidente), and initiating the privatization of the San Bartolo free zone and the sale of assets of the now dissolved grain marketing monopoly (IRA).

Employment Efficiency. Through early retirement and voluntary separation programs about 15,000 public sector employees left public sector employment.

Financial Sector Reform: Remaining controls on interest rates were eliminated, all five state-owned commercial banks were privatized, and the GOES initiated a program to strengthen financial system supervision. Also, the GOES publicly announced that new domestic and foreign private banks would be permitted to open in mid-1993.

Trade Liberalization: In 1992 the GOES eliminated all import and export permit requirements for basic grains and powdered milk except for standard phytosanitary requirements. Import permit requirements for fiber sacks were also eliminated. Reductions of the tariff ceiling on most products to 20 percent was accomplished on schedule. The top rate, on a special schedule for excepted items, primarily textiles, shoes, leather products and certain vehicles was lowered to 30 percent.

Improve Private Investment Climate: In conjunction with its negotiations with the Inter-American Development Bank (IDB) on an Investment Sector Loan (ISL), the GOES has developed a comprehensive plan to improve El Salvador's investment climate. The key elements of the plan include: deepening banking sector reforms, development of a stock market, improved efficiency of the social security system for the private and public sectors, modernization and improved efficiency of the telecommunications sector, enhancing protection of intellectual property rights, an improved commercial code, and further progress in privatization.

In 1992 the GOES prepared a draft of a new **intellectual property rights** law, and it was submitted to the Legislative Assembly in December 1992. The draft incorporates comments received from U.S. Trade Representative's Office, Salvadoran groups, the American Chamber of Commerce, and an IDB consultant. Also, the only outstanding **investment dispute** between the GOES and foreign investors was resolved satisfactorily.

Notwithstanding these achievements, one major area where GOES compliance fell short of FY 1992 ESF program targets was in fiscal performance. While fiscal accounts remained on track over the first six months of the year, serious problems surfaced during the second semester and resulted in a consolidated nonfinancial public sector deficit, before grants, equal to 5.6 percent of GDP, far above the original program target of 2.3 percent of GDP. As detailed in Section II. B.4, several reasons for this slippage were beyond GOES control, including higher electricity generation costs due to the mid-year drought, a precipitous drop in world coffee prices which resulted in a decline of coffee export taxes to zero, and major expenditure increases associated with implementation of the Peace Accords. Also contributing were GOES delays in several fiscal measures programmed for early 1992, such as the postponement of utility rate hikes, slower than expected privatization of nonfinancial sector assets, and the late introduction of the value-added tax. Moreover, the 1992 economic program anticipated a 12 percent VAT rate, but the Legislative Assembly reduced it to 10 percent.

3. Performance on IMF and IBRD Programs

IMF Stand-By Agreement

On May 7, 1993, the IMF Executive Board approved a 10 month follow-on Stand-by Arrangement for El Salvador. Prior to Board approval, the GOES completed implementation of fiscal reform package including passage by the Legislative Assembly of new law making tax evasion of criminal offense punishable by stiff fines and jail sentences. This should greatly enhance GOES efforts to improve tax administration with USAID-funded technical assistance. Other measures in the package included a 20 percent increase in social security contributions, a modest expansion of the value-added tax base, a major increase in vehicle registration fees and elimination of certain tariff exemptions. El Salvador's performance on its 1992 stand-by arrangement fell well short of program targets as seen in Table 1. An IMF mission visited El Salvador in January 1993, and concluded that many of the deviations from the fiscal program were the result of factors beyond the control of the GOES such as increased expenditures to implement the Peace Accords and declining international prices for coffee. A major fiscal package implemented in September (including the introduction of the VAT and utility rate hikes) helped narrow the gap between actual performance and program targets by the fourth quarter. However, the fiscal gap remained troublesome and thus prior to Board approval of the 1993 stand-by the IMF required implementation of the strong fiscal package mentioned earlier.

The stand-by-Arrangement will support the maintenance of an adequate macroeconomic framework in the period preceding the national elections, when there will be pressures to loosen fiscal and monetary policy. A mid-term review of GOES performance under the Stand-by is expected by end-August 1993.

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Table 1. El Salvador: Summary of Developments Under the 1992 Stand-by-Arrangement--Targets and Actuals

	1992			
	Mar.31	Jun 30	Sept.30	Dec.31 1/
	(In millions of colones)			
Total current expenditure of the consolidated Central Government (Cumulative) 2/				
Limits	1,175	2,630	3,920	5,590
Actuals	1,234	2,741	4,077	5,666
Excess or margin (-)	59	111	157	76
Net domestic bank credit to the non-financial public sector (cumulative)				
Limits	-140	-490	-480	40
Actuals	32	-326	768	685
Excess or margin(-)	172	164	1248	645
Net domestic assets of the Central Reserve Bank				
Limits	1,300	1,190	1,415	1,860
Actuals	1,143	861	877	1,435
Excess or margin (-)	-157	-329	-538	-425
	(In millions of U.S. dollars)			
Net international reserves of the Central Reserve Bank				
Floor	460	475	493	514
Actuals	486	487	447	473
Shortfall or margin (-)	-26	-12	46	41
Contracting of external debt 1-12 years				
Limit	160	160	160	160
Actuals	--	20	50	134
Excess or margin (-)	-160	-140	-110	-26
Contracting of external debt 1-5 years				
Limit	100	100	100	100
Actuals	---	20	50	134
Excess or margin (-)	-100	-80	-50	34
Contracting of external debt of less than one year				
Limit	30	30	30	30
Actual	--	18	36	36
Excess or margin (-)	-30	-12	6	6

Note: Negative sign indicates target was met, and positive sign indicates target was not met.
Source: Letter of intent; and Central Reserve Bank of El Salvador.

1/ Preliminary.
2/ Including current expenditures under the National Reconstruction Plan (NRP).

World Bank SAL I and SAL II:

In May 1993 the GOES successfully completed the policy reforms and measures supported by its first IBRD structural adjustment loan (SAL I), and disbursement of the third and final $25 million tranche is expected shortly.

World Bank SAL II pre-appraisal and appraisal missions visited El Salvador in April and May 1993 respectively. The objective of SAL II is to support GOES efforts to consolidate and deepen adjustment measures already implemented since 1989 and to support additional measures in the areas of rationalizing public sector operations, financial sector reform, further trade liberalization, social sector reform and environmental policy. Board submission is expected in September, 1993.

The World Bank helped the GOES organize and conduct a second Consultative Group Meeting on April 1, 1993 in Paris, France, which raised additional funds in donor contributions for the National Reconstruction Program and Peace Accords.

IDB Investment Sector Loan (ISL)

On November 25, 1992, the IDB Executive Board approved a $90 million Investment Sector Loan (ISL) for El Salvador. The program will support GOES measures to privatize and strengthen the financial sector, improve the efficiency of the telecommunications and transport sectors, privatize nonfinancial assets of the public sector, and improve the legal and regulatory framework in areas related to intellectual property rights, administrative procedures for private investment registration, and the commercial code. Satisfactory GOES performance on ISL policy reforms and other measures resulted in disbursement of the $30 million first tranche in April 1993.

To help cushion the effects of its structural adjustment program on the poor, the GOES also fully disbursed in 1992 its $30 million IDB loan to the Social Investment Fund (FIS) that financed over 1,500 small scale employment generation and other community development activities. A second IDB loan to the FIS for $60 million is being negotiated.

4. USG Debt Reduction

On December 15, 1992, the USG and GOES signed an agreement reducing El Salvador's outstanding debt to the USG for AID and P.L. 480 programs by 70 percent and 80 percent, respectively, or by a total of $464 million. This will result in $19 million (or .25 percent of GDP) in fiscal savings for the GOES in 1993. El Salvador qualified for the USG debt reduction program under the Enterprise for the Americas Initiative (EAI) by agreeing to implement an IMF Stand-by Arrangement, a World Bank SAL, and an IDB ISL, while maintaining good standing with international commercial banks. Also, El Salvador met the four political requirements added in October by the U.S. Congress. These limit EAI participation to countries whose governments are democratically elected, are not providing support for acts of international terrorism, are not failing to cooperate on international narcotics control matters, and do not engage in a consistent pattern of gross violations of internationally recognized human rights.

5. Trade and Investment Framework Agreement

On May 13, 1991, the USG and the GOES signed a bilateral Trade and Investment Framework Agreement. This agreement established an El Salvador-United States Council on Trade and Investment to monitor trade and investment relations; identify opportunities for expanding, through liberalization, trade and investment, and to negotiate agreements where appropriate. Consultations on specific trade and investment matters of interest to both sides are being conducted when requested by either party. The Council identifies and works toward the removal of impediments to trade and investment flows, and is pursuing the goal of open markets between both countries. Council meetings have taken place in November 1991, March 1992, and March 1993 The major topics of discussion included the protection of intellectual property rights, the status of the International Coffee Agreement (ICA), the potential impact on El Salvador of the North American Free Trade Agreement (NAFTA), the eventual participation of El Salvador and other Central American nations in NAFTA, cooperation in the Uruguay round of multilateral trade negotiations in the GATT, implementation (EAI) and the status of protecting internationally recognized worker rights in El Salvador. The proposed FY 1993 ESF program supports GOES reforms in most of these areas. El Salvador's willingness to sign the agreement and participate in formal trade and investment discussions is another indication of its strong commitment to major economic policy reforms.

B. Economic Performance

1. Overview

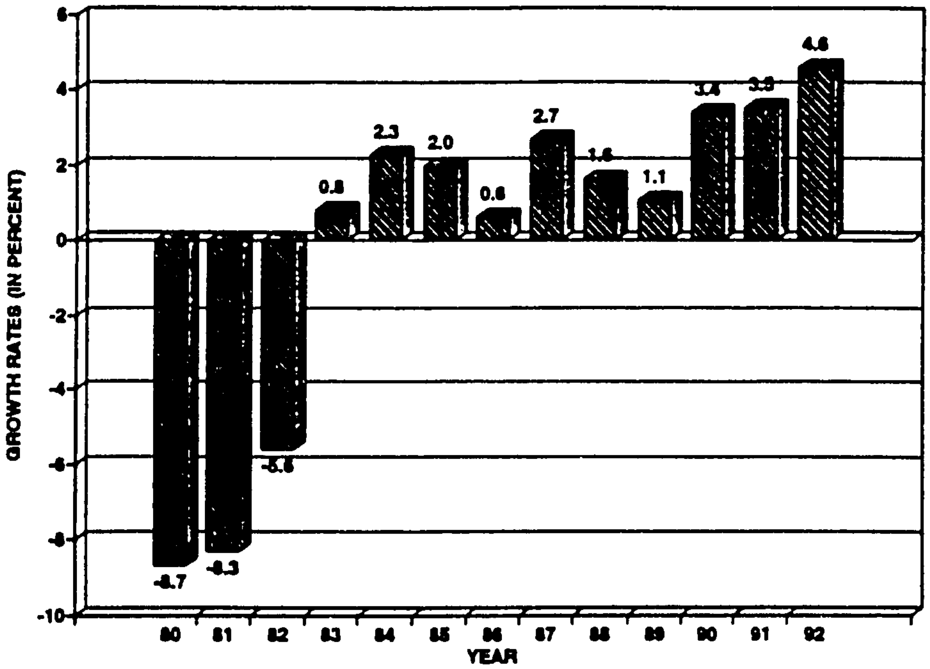
The Salvadoran economy continues to respond well to the improved macroeconomic policies of the Cristiani Government and the greatly improved prospects for a lasting peace. Output, employment and investment are up. Although a transitory inflationary surge occurred with the VAT introduction and temporary monetary accommodation, the underlying base inflation rate remains low.

2. The Domestic Economy

Real GDP grew 4.6 percent in 1992, compared to 3.5 percent in 1991, and 3.4 percent in 1990. This third year of moderately rapid growth --in the face of depressed coffee prices and a weak U.S. export market-- is the result of the maintenance of an adequate economic policy framework, and represents a marked improvement over performance during 1980-89 (Graph 1). Growth in 1992 has been more balanced between economic sectors than in 1991 - agriculture in 1992 grew by 6.7 percent, and industrial output by 6 percent.

REAL GDP GROWTH RATES
1980-1992

Graph 1

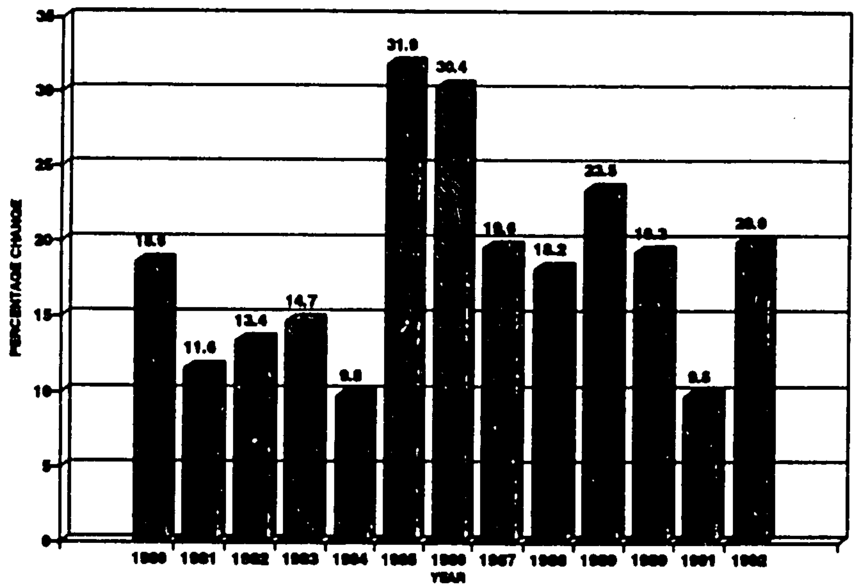


3. Prices

Restrictive monetary and credit policies, combined with a strong supply response to improved economic incentives, brought the inflation rate down from 23.5 percent in 1989 to 19.3 percent in 1990 and to 9.8 percent in 1991. Over the first six months of 1992, the consumer price index (CPI) rose at an 8.7 percent annual rate. Also contributing to lower inflation since 1989 was an extended period of nominal exchange rate stability resulting from major increases in family remittances and short term capital inflows in response to liberalization in 1990 of the foreign exchange market.

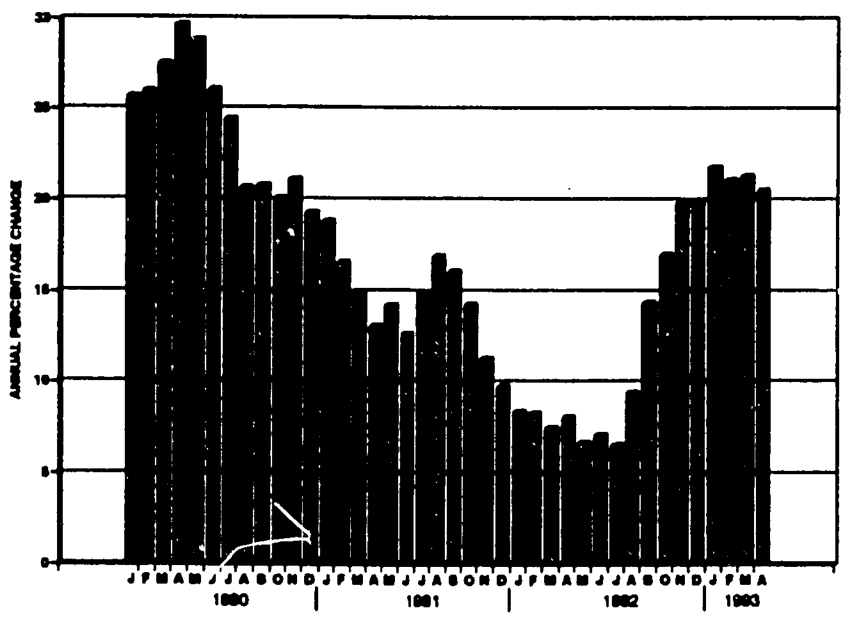
An inflationary surge towards the end of 1992 resulted in a 20 percent jump for the year as a whole, about double that recorded in 1991. This was primarily the result of the introduction of the 10 percent value-added tax, a 30 percent hike in electricity prices, a 15 percent increase in water fees and higher bus fares, all of these measures taking place on September 1. In addition, lax monetary and fiscal discipline during mid-year accentuated the transitory price rise and permitted a 38 percent annual rate of inflation over the July through November period. Since then, monthly price trends have stabilized. Over the first four months of 1993, the consumer price index increased at an annual rate of only 9.5 percent. While certain seasonal factors are also responsible, this drop is largely the result of the resumption of tighter monetary policy in the fourth quarter of 1992. This suggests that the GOES 1993 Economic Program target of 12 percent inflation is within reach.

CONSUMER PRICE INDEX
1980-1992



Graph 2

CONSUMER PRICE INDEX
January 1990-April 1993 1/



Graph 3

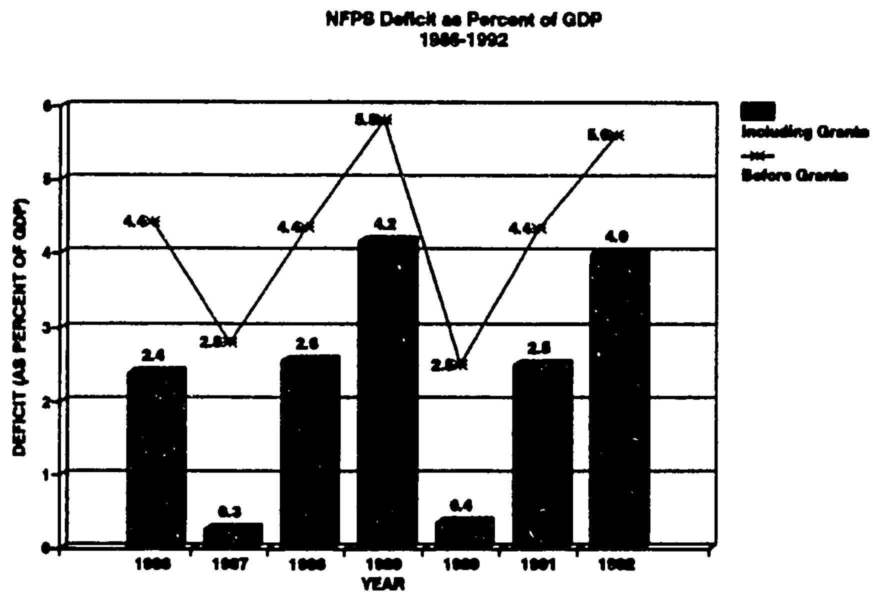
1/. Change in index of indicated month compared to same month of previous year.

4. Public Sector Finances

As shown in Graph 4, there was a serious deterioration of the fiscal situation in 1989 as the deficit of the consolidated nonfinancial public sector, excluding grants, climbed to 5.8 percent. This was due largely to the loose fiscal policy followed by the Duarte Administration and the consequences of the rebel offensive of November 1989. The nonfinancial public sector deficit (excluding grants) declined to only 2.5 percent of the GDP in 1990, but it increased again to 4.4 percent in 1991.

The 1992 fiscal targets established in the IMF Program were formulated excluding peace and national reconstruction plan expenditures (P&NRP), the implicit assumption being that those expenditures would be financed entirely through foreign grants but with some interim financing from the Central Bank. The data for the program and estimated performance in 1992 are summarized in Table 4. The 1992 deficit (excluding grants) is estimated at 5.6 percent of GDP.

Graph 4



Graph 5

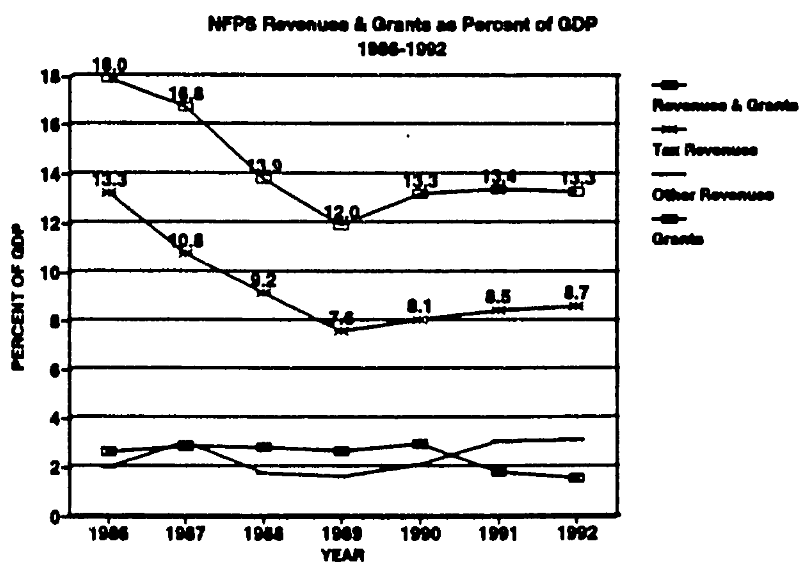


Table 2

Operations of the Consolidated
Nonfinancial Public Sector
(in % of GDP)

	Actuals				
	1986	1987	1988	1989	1990
Total Revenue	18.0	16.8	13.9	12.0	13.3
of which, grants	2.7	2.9	2.9	2.7	3.0
Expenditures	20.4	16.5	16.4	16.1	13.6
Balance					
Including grants	-2.4	-0.3	-2.6	-4.2	-0.4
Excluding grants	-4.4	-2.8	-4.4	-5.8	-2.5

	1991	1992			
		IMF Prog.	Est. a)	NRP &Peace	Total
Total Revenue	13.4	14.0	12.8	0.4	13.2
of which, grants	1.8	1.1	0.9	0.4	1.3
Expenditures	15.9	15.3	16.9	1.0	17.9
Balance					
Including grants	-2.5	-1.2	-3.5	-0.6	-4.1
Excluding grants	-4.4	-2.3	-4.6	-1.0	-5.6

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a) Estimate excluding NRP and Peace Accords

The deviations from the IMF program targets can be explained by factors beyond the control of the GOES as well as by policy slippages. The main factors affecting the deviation have been:

* a reduced level of coffee export taxes, a result of low international coffee prices (the loss estimated at about 260 million colones);

* higher costs of electricity production and lower sales because of rationing, a result of the 1991 and early 1992 drought;

* increases of electricity and water rates were delayed until September and October 1992, respectively;

* the Legislative Assembly delayed enactment of the value-added tax until September, a delay of two months, and the rate was lowered from the proposed 12 percent to 10 percent;

* some government expenditures, notably public sector wages and interest payments, were higher than envisaged in the IMF program;

* expenditures associated with national reconstruction and the peace accord implementation are estimated at almost one percent of the GDP in 1992, and only about half was financed by grants from foreign donors.

The GOES implemented important fiscal adjustment measures, including passage of a value-added tax, an increase in public utility rates, the sale of a major hotel, and reductions in some expenditures. The total of these measures exceeded one percent of GDP. These measures were not sufficient to compensate fully for the negative developments discussed above.

Outlook for 1993. The GOES has defined a fiscal program for 1993 which would be supported by an IMF Stand-by Agreement which was approved by the IMF Board on May 7, 1993. The program is based on the implementation of a number of deficit reduction measures in the Central Government and in the rest of the public sector totalling the equivalent of about 1.6 percent of GDP.

Several measures designed to increase Central Government revenue have been implemented. These include payment of 2 percent of coffee export revenues as estimated income tax payments, the elimination of some import duty exemptions, and an increase in motor vehicle license fees and the sale of new license plates. The revenue increase from these three measures is estimated by the GOES at 153 million colones ($18 million). Privatization is expected to yield an additional 133 million colones ($15 million). Other revenue measures have also been enacted. In particular, the Legislative Assembly recently passed legislation making tax offenses criminal acts with relatively stiff penalties, including incarceration. Expenditure reduction measures, including a restrictive public sector employment policy, are expected to reduce Central Government expenditures by 200 million colones ($22 million). Other measures planned are the strengthening of a unit in the Ministry of Finance which monitors tax compliance by the largest taxpayers, further strengthening of the GOES Internal Revenue Service.

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A number of measures are being considered to improve the finances of the rest of the public sector. Social security contributions have already been raised by 20 percent, and expenditure reduction measures in CEL, the power company have been implemented to ensure that operating revenues cover all operating expenses.

In sum, the GOES plans ₡518 million (about $55 million) in revenue enhancement measures and ₡450 million in expenditure reductions in 1993. If all the planned fiscal measures were fully implemented, the non-financial public sector deficit after grants would be about 3 percent of GDP in 1993 (5.4 percent before grants), of which the equivalent of 2.7 percent of GDP would be financed by foreign loans, and 0.3 percent of GDP by domestic financing. This level of domestic financing is consistent with financial stability.

5. Financial Intermediation

In 1990 and 1991, the Central Bank implemented a restrictive monetary policy which resulted in sharply lower inflation in 1991 and in the first seven months of 1992. Monetary management in 1992 was uneven. During the first quarter, monetary aggregates (M1 and M2) were maintained within the limits established in the monetary program; but beginning in April 1992, their levels began to rise and at the end of the year M2 showed a strong increase due to an increase (expansion) in net domestic assets and an accumulation of net international reserves. In the 12 months ending December 1992, banking system credit to the public and private sectors grew by 14 percent and 34 percent, respectively, while M1 grew by 32 percent and the monetary base by 22 percent. Rapid increases in key monetary aggregates were observed beginning in the second quarter mainly due to substantially higher banking system financing of the fiscal deficit. This resulted in additional upward pressures on the price level during the last half of 1992 and sharply accentuated the VAT induced price level adjustment.

6. Balance of Payments

Notwithstanding a 30 percent surge to $707 million in family remittances, the current account deficit in 1992 before official transfers 5.8 percent of GDP. This result can mainly be attributed to a major widening of the trade deficit, a consequence of low international coffee prices, slower than anticipated nontraditional export growth, and rapid growth of imports (21 percent growth in dollar terms). In 1992, imports from the U.S. surged to near $680 million ($873 including drawback imports) up from $557 million in 1991. The surge in imports can be attributed mainly to the expansion in economic activity fueled in large part by foreign investment, inventory build-up in anticipation of the enactment of the value-added tax, and a lowering of tariffs. Consequently, the trade deficit in 1992 reached about $1.1 billion (17 percent of GDP), the largest trade deficit ever. Regarding exports, coffee revenues fell $68 million, offsetting most of the gains in nontraditional and other exports and resulting in a modest 1.6 percent overall increase in the dollar value of exports in 1992. On the bright side, drawback exports more than doubled (in terms of value added) from $20 million in 1991 to $42 million in 1992.

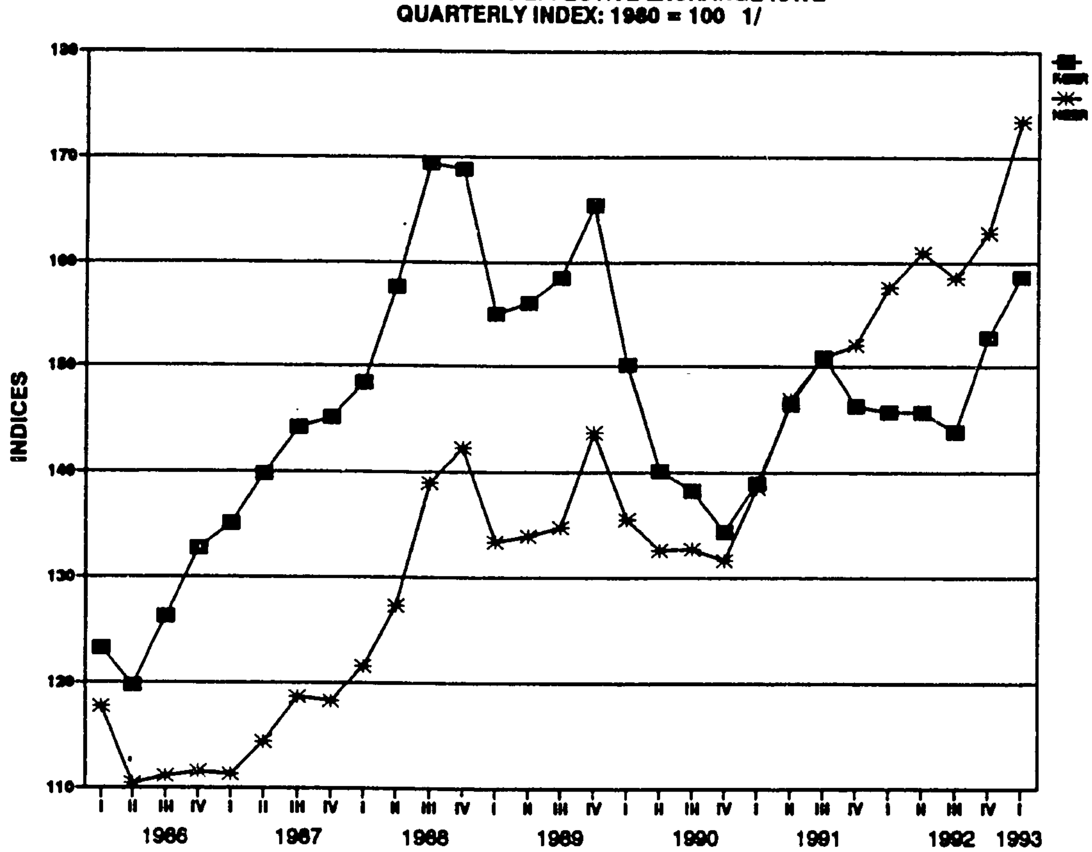
Shortfalls in official loan disbursements with respect to planned levels were more than offset by large private capital inflows. These private capital inflows facilitated an increase in Central Bank net international reserves of $55 million in 1992, following a $42 million increase in 1991. This increase reflects the greater confidence of investors and multilateral financial institutions resulting from improved economic policies and the peace process, and higher official transfers.

7. Exchange Rate Developments

The liberalization of the exchange rate and trade regime, which began July 1989, resulted in a significant increase in export competitiveness. From the fourth quarter of 1989 to the fourth quarter of 1990, the real effective exchange rate (REER) depreciated by almost 19 percent. From late 1990 through the third quarter of 1991, the REER experienced a 12 percent appreciation, due in part to rising remittances from Salvadorans living abroad. Beginning with the fourth quarter of 1991 through the second quarter of 1992 the REER again depreciated by about 5 percent. This reflected a modest nominal depreciation of the colon/dollar exchange rate, lower domestic inflation, and a weakening of the dollar in international currency markets. However, and inflationary upsurge after August contributed to a strong REER appreciation during the second half of 1992 more than offsetting the first half depreciation and resulting on and overall REER appreciation of 7.2 percent. Movements of the exchange rate are shown in Graph 6.

NOMINAL & REAL EFFECTIVE EXCHANGE RATE
QUARTERLY INDEX: 1980 = 100 1/

Graph 6



1/. A decline in index indicates a depreciation.

8. External Debt

Total public sector medium- and long-term external debt (including Central Reserve Bank debt) was 36 percent of GDP in 1992, a manageable level. The Central Reserve Bank (BCR) did not draw resources from the IMF stand-by arrangement, and it was able to prepay expensive external debt in order to reduce the debt service burden. Overall, the BCR's outstanding external debt registered a small increase, from $313 million in 1991 to $321 million in 1992. Total outstanding public sector debt, however, increased by $260 million (13 percent) during 1992, to a total of $2,337 million. This rise can be mainly explained by an increase in multilateral lending related to: (a) purchase of capital goods for CEL (generators and other equipment for energy production); (b) a $45 million CABEI loan to provide assistance to coffee growers adversely affected by low international coffee prices; (c) an estimated $45 million in disbursements from the IDB and (d) a $29 million PL-480 loan to purchase U.S. agricultural commodities. On December 15, 1992, the USG and GOES signed a debt reduction agreement which, when finalized, will cut El Salvador's outstanding debt to the USG by $464 million -- $196 million AID debt and $268 million PL-480 debt. On a cash flow basis this provides $19 million (about 0.25 percent of GDP) in budgetary relief to the GOES in 1993.

C. Social Development

1. Economic Adjustment and the Poor

The economic adjustment process underway in El Salvador is creating a macroeconomic environment with better incentives and support for lower-income groups to become more productive, and therefore increase their incomes. Liberalization of the foreign trade and exchange regime has eliminated many of the economic rents that accrued to urban elites at the expense of the exporting agricultural sector. Trade reforms have also shifted the internal terms of trade from inefficient industrial activities to the agricultural and exporting sectors. Improvements in interest rate policies and other financial sector reforms have encouraged increases in foreign and domestic investment.

There is no doubt that the GOES economic policies have had a major favorable impact on the level of overall economic activity. Real output has grown at an average annual rate near four percent over the last three years. Moreover, real per capita GDP has increased 5.1 percent since 1989, the best three year-performance since the late 1970s. Price inflation, which usually hurts low income people the worst, was reduced from the high level of the 1985-89 period. A temporary resurgence of inflation occurred in mid-1992, primarily due to the transitory impact of the implementation of the 10 percent value-added tax which pushed the consumer price index up 20 percent for the year. It is expected that inflation rates will again drop for 1993 and beyond.

Most of the available evidence suggests that, unlike the case in some other countries undergoing economic stabilization and structural adjustment programs, the poor in El Salvador have not suffered excessive adverse effects. This can be explained by a number of factors. First, El Salvador has received major transfers, primarily from AID, over the adjustment period. This has enabled the economy to operate at a much higher level of overall output and employment than would have been the case without such transfers. Not all countries undergoing stabilization and structural adjustment programs have had access to such large assistance inflows.

Second, the GOES has made the alleviation of poverty a major objective of its economic and social program. Sizeable portions of the donor support have been channeled directly into programs to assist the poor and, in particular, to mitigate the adverse impact of structural adjustment on those groups which are particularly vulnerable. These programs are discussed in more detail below.

Third, due to El Salvador's particular situation of experiencing substantial emigration during its twelve year civil war, large numbers of Salvadorans are now earning income abroad and remitting a portion of that income to family members living in El Salvador. These remittances are estimated to have reached $707 million in 1992, about 11 percent of GDP. Moreover, remittances are sent directly to family members, most of whom are poor. In fact, recent surveys indicate that remittances increase the incomes of poor urban and rural families by a third.

Finally, many of the specific economic policy reforms implemented by the current GOES over the last three years, while contributing to stronger overall economic performance, have also helped the poor directly. For example, the implementation of the basic grains price band mechanism in 1990, combined with the abolition of the government's basic grains marketing monopoly, the elimination of price controls on agricultural products and the replacement of an overvalued exchange rate regime with one determined by free market forces, has provided greatly improved incentives for basic grains production. In response, the area planted for basic grains expanded considerably in 1990, 1991 and 1992, and record harvests were recorded in 1990 and 1992 -- output in 1991 was hurt by drought. Value added originating in basic grains production increased in real terms over the last three years at an average annual rate of 5.2 percent. These sharp increases have improved the incomes of small farmers who produce most of El Salvador's basic grains.

2. Employment Trends

Preliminary survey results from the Ministry of Planning's multipurpose household survey (MPHHS) show that urban employment increased by up to 120,000 over the last three years. This lowered the open unemployment rate to 7.5 percent by early 1991, about one percentage point lower than in early 1989. In early 1992 the unemployment rate rose to 7.9 percent, reflecting primarily a huge influx of new workers into the urban labor market in response to greater employment opportunities. In addition, over the last three years as many as 100,000 part-time workers were able to convert to full-time employment. This lowered the visible underemployment rate from 12.8 percent in 1989 to 7.5 percent by 1991 and 3.5 percent in early 1992.

Regarding the rural sector, similar survey data covering recent trends are not yet available as the MPHHS did not include rural areas until 1992. Nonetheless, a Mission-funded study on the impact of structural adjustment on agriculture showed an increase in agricultural employment between 1989 and 1991 equivalent to about 32,000 full time jobs. In addition, there have been numerous reports since 1990 (including in early 1993) that agricultural workers have been paid wages considerably above the legal minimum wage as farmers had trouble finding available labor. This reflects the strong recovery in the agricultural sector over the last three years where real output surged 7.4 percent in 1990, maintained flat growth in the drought dampened 1991, and then jumped another 6.7 percent in 1992.

3. Urban Poverty Rates

The MPHHS shows a drop in the percent of urban households living in poverty over the last three years. In 1989, 55.5 percent of urban households reported incomes below that required to purchase a basic basket of goods and services and therefore were considered to be living in relative poverty. That percent rose slightly to 56.1 percent in 1991 but then dropped to 53.8 percent. Regarding those living in absolute poverty, i.e., those households where the combined income of all members failed to reach the level required to purchase a basic food basket, the survey indicated little change over the last three years with such households representing about 23.3 percent of all urban households. It should be mentioned that the MPHHS fails to capture a substantial portion of the average households income. Thus, the percent of urban households actually living in poverty should be considered to be substantially less than the above figures. The reason that improvement in this indicator has not mirrored that achieved in employment over the last three years can be explained, in part, by substantial urban migration over the last few years. The number of urban household have increased 12.9 percent from early 1989 to early 1992, growing almost twice as fast as El Salvador's overall population which increased by an estimated 6.3 percent over the same period.

4. Selected Social Indicators

Several social indicators show some improvement in the condition of the poor during the adjustment period. For instance, urban homes with piped water rose from 58 percent in early 1989 to 65 percent in early 1992. For the urban poor, in particular, the percentage of homes with piped water jumped from 43 percent in 1989 to 51 percent in early 1992. Similarly, urban homes with indoor toilets rose from 48 percent in 1989 to 53 percent in 1992; for the urban poor the increase was from 30 percent to 36 percent. Poor urban households with electricity increased to 89 percent in 1992 from 84 percent in 1989. Regarding home ownership, in 1992 the percent of poor families who owned their place of residence increased to 59.1 percent compared to 52.6 percent in 1989.

5. Social and Employment Generation Programs

Notwithstanding this progress, many Salvadorans have yet to fully participate in the country's accelerating economic expansion. In addition, there are significant categories of vulnerable groups which require special attention to prevent undue hardship as the adjustment process continues. These people generally include those currently living in urban shantytowns, the unemployed and underemployed, and those working in low-wage jobs. They also include single mothers, especially those with small children. Many of these people are unable to purchase a nutritionally adequate food basket.

The GOES is implementing a three-pronged program to address the country's social needs and reduce poverty. First, as described above, its overall economic adjustment program is designed to create higher-paying opportunities for the poor through economic growth which stimulates an efficient use of labor. Second, it is implementing specific activities designed to improve the educational status and health conditions of the poor and hence their capacity to respond to the increased opportunities for productive employment. Third, complementing the above, is the implementation of social safety net programs for those poor groups which do not benefit immediately from the new opportunities resulting from the economic adjustment program.

In concert with bilateral and multilateral donors, the implementation of a number of existing donor-funded projects was accelerated since 1989, bolstered with new funds and expanded geographically to create as many new, albeit temporary, jobs as possible during the adjustment period. These activities include the San Salvador earthquake reconstruction activities to rebuild and rehabilitate schools, hospitals, health care centers, roads and bridges; expansion of urban water and sanitation facilities; installation of rural water systems; and the construction of small scale infrastructure in rural municipalities. These jobs are providing badly needed additional sources of income for poor families. Also, the communities at large will benefit from the economic and social infrastructure that is being constructed as indicated further below.

The main components of the GOES social safety net program include the following:

Municipalities in Action Program (MEA): The largest of these safety net activities has been implemented by the AID-funded MEA. Through this program, members of poor communities gather in open town meetings to establish local investment priorities from which specific projects are chosen to be carried out. In 1991, MEA implemented approximately 480 education, health, potable water projects and other employment generation activities. In 1992, over 900 new projects were added (outside the National Reconstruction Program). Overall, MEA activities (outside the formerly conflictive areas) have benefitted about 300,000 low income individuals during the adjustment period.

Social Investment Fund (FIS): In 1990, the GOES created the FIS to finance small-scale, labor intensive projects to be implemented mostly by NGOs and local community development groups. The projects are targeted to the poorest areas of the country and are designed to promote domestic production, including local investments in infrastructure and occupational training, as well as helping low income groups meet their basic education, health and nutritional needs. FIS projects implemented in 1991 and 1992 totaled $20 million and included vocational training for 3,200 individuals, reforestation of 300 hectares, 19 nutritional projects benefitting 6,000 children, construction of 26,000 latrines, providing 14,000 fuel-efficient Lorena stoves, and the building and equipping 1,500 classrooms and 15 health centers. In 1993 the GOES expects to increase FIS's original funding level of $30 million provided by the IDB to $120 million. The additional funds are expected from the IDB, EEC and several bilateral donors through cofinancing arrangements of a second IDB/FIS loan.

National Reconstruction Program: With the advent of peace, the GOES has initiated implementation of its $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, the large majority of which are poor, to a peacetime economy by providing training, employment opportunities and other benefits. The NRP is also 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. To date USG assistance represents nearly 80 percent of total donor contributions to the NRP.

During the NRP's first year of operation the following has been accomplished:

- Nearly 1,200 small-scale social and economic infrastructure projects have been initiated in 115 small towns and rural communities in the formerly conflictive zones under the AID-funded Municipalities in Action (MEA) program. These include schools, health posts, market places, day care centers, electrification, and roads.

- A program has been initiated to provide land to 22,500 ex-combatants and 25,000 poor squatters. To date, 31,500 acres of government-owned land has been provided to 4,360 beneficiaries, roughly half to ex-combatants and half to squatters. In addition, the Land Bank has financed the sale of 11,200 acres of privately held land throughout El Salvador to 2,300 other beneficiaries.

- Agricultural starter packages have been provided for 7,500 FMLN ex-combatants who have chosen agriculture for their livelihood, household furnishings have been provided for 10,100 FMLN ex-combatants; and, credit has been provided to 12 FMLN support groups.

- Nearly 9,000 ex-combatants have received vocational training from NGOs and AID/UNDP-sponsored activities.

- The Ministry of Education (MOE), with AID funding, has extended educational services to 60 public schools in the ex-conflictive areas by providing school materials, furniture and teachers. In addition, school materials have been provided to the 81 "Peoples Schools" operating in the ex-conflictive areas. The MOE also certified approximately 2,900 primary level and 1,400 secondary level students, permitting them to enter official classes at the beginning of the 1993 school year.

- The Ministry of Health is reactivating 22 health centers and increasing services provided by another nearly 100 centers in the formerly conflictive areas. NRP-funded NGOs have opened 16 health care centers in the ex-combat areas.

Other Employment Generation Programs: As part of its policy to develop El Salvador as a country of property owners ("Un País de Propietarios" "A Country of Property Owners"), the GOES and donors have greatly increased funding to develop small and microenterprises to further generate additional jobs in low income marginal communities. These are channeled through NGOs like FUSADES' Small and Microenterprise Development Program (PROPEMI), COMCORDE, Catholic Relief Services, the banking system and government agencies like the Secretary for Family Development. Through PROPEMI, for instance, over 3,000 small loans have been made thereby generating up to 12,000 new jobs. Also, 811 Village Banks have been created throughout the country providing productive loans starting at $50 per person benefitting nearly 25,000 individuals, 90 percent of whom are self-employed women. Additional loans to nearly 400 solidarity groups have been made in amounts ranging from $250-$3,000 and benefitting almost 2,000 more individuals. Furthermore, with the advent of peace, the GOES, FUSADES and other Salvadoran agencies have greatly intensified their efforts to promote non-traditional exports and greater foreign investment as one of the most effective means of generating large numbers of new productive jobs especially for ex-combatants and others dislocated by the civil war.

Export Processing Zones ("Free Zones"): The GOES also plans to dramatically increase new job opportunities for low income Salvadorans, ex-combatants and others dislocated by the civil war by developing privately-owned Export Processing Zones (EPZ). Seventeen Zones are in development that could generate over 100,000 new jobs in the 1990s. As part of special incentives included in CBI legislation, this type of Free Zone (or "Maquiladora Park") has been successfully used in the Dominican Republic, Jamaica, Costa Rica and Honduras to increase employment and training opportunities for low income families. Similar Zones have also been successful in Mexico to cushion the impact of that country's structural adjustment and liberalization measures.

There has already been some small expansion in El Salvador's Export Processing Zones although it is still well behind other CBI countries because of the civil war. El Salvador's largest EPZ (San Bartolo) was established back in 1975 as a state-owned operation and suffered a sharp decline in activity during the 12 year civil war. In recent years, this Zone has recovered lost business and now is fully occupied with 12 factories in operation. Taking advantage of the Zone's improved economic prospects the GOES has initiated its privatization.

Three new privately-financed EPZs have been constructed (El Progreso, San Marcos, El Pedregal) and fourteen others are in the pre-construction development phase. Funding for these Zones has been provided by AID through the GOES, FUSADES, the banking system and the private sector. Their favorable impact on employment and incomes in El Salvador was cut short when the U.S. Congress added Section 599 to the FY 1993 Foreign Assistance Appropriation Act which prohibits U.S. assistance for Free Zones (see San Salvador 1612 for further details). While El Salvador plans to continue with EPZs, their rapid development will clearly be slowed down without AID funding. Thus, one of the best means for cushioning the effects of structural adjustment on some of the poorest Salvadorans has been made difficult as a result of U.S. legislation.

6. GOES Social Spending

In the 1980s there were drastic real declines in GOES ordinary budget spending on health and education. Such drops appear to have had more of an adverse affect on education than on the health status of Salvadorans. Assistance provided by international donors, mostly from AID, have helped to cover this shortfall and have contributed to gains in the health status of Salvadorans while preventing a sharper deterioration in educational services. In recent years, the GOES has increased real spending levels for both education and health programs. Further spending increases and more efficient allocation of available resources are needed. At the May 1991 Consultative Group Meeting in Paris the GOES committed to doubling over 5 years its allocations for education and health services.

a. Health

Over the past decade El Salvador has experienced a major improvement in most general health indicators. Infant mortality dropped from 75/1000 in 1980 to 48/1000 in 1991. Child mortality declined from 70/1000 in the mid 1980s to 23/1000 in 1991. Life expectancy at birth increased from 57 years in 1980 to 64 years in 1990. In addition, contraceptive prevalence has increased and crude birth rates have declined.

These improvements were achieved due to a refocussing of public health policy toward preventive rather than curative care and with a greater emphasis on rural based health services. In addition, considerable effort by donors, such as AID, UNICEF and WHO, has been instrumental in supporting GOES efforts to expand child immunization and other child survival interventions. These improvements occurred despite a 50 percent drop in real health spending per capita by government from 1980 to 1989. (The assistance provided by AID and other donors, no doubt, helped offset this real decline.) Real spending per capita by the GOES has risen in recent years but in 1993 will still only achieve about 63 percent of the 1980 level.

The proposed FY 1993 ESF program requires that in order to improve the quality of health services the GOES implement a pilot health sector cost recovery program raising user fees. The cost recovery program will also help to better allocate public health resources between those who want specific services and are willing and able to pay while ensuring that the most basic services remain available to those in need but unable to pay. In this manner public resources will be more directly channelled to high priority preventive health services. This pilot cost recovery activity will set the basis for even more significant health sector measures that will be examined as part of an upcoming USAID-financed Health Sector Assessment.

b. Education

El Salvador is suffering a severe education deficit compared to the rest of Latin America and the Caribbean, and the deficit widened considerably during the 1980s. For instance, primary school enrollment in El Salvador was almost 80 percent of age group in 1979 but had dropped to only 72 percent by 1983. By 1988 the enrollment ratio had risen again to 80 percent, but remained well below the average for LAC. Secondary school enrollment has ranged from 22 to 27 percent of age group in El Salvador during the 1980s, while the rate has ranged from 43 to 50 percent for LAC. In 1979 LAC's overall average secondary school enrollment ratio was only 20 percentage points above El Salvador's; by 1989 the gap had risen to 25 points. The rate of progression through school in El Salvador is considerably below the average for LAC and the difference has grown in recent years. In 1979 about 58 percent of children entering first grade in El Salvador could have expected to make it through the fourth grade while the average value for LAC was about 75 percent, a difference of 17 percentage points. By 1990 the rate of progression in El Salvador had dropped to about 50 percent and for LAC the average had risen to almost 85 percent. Clearly, after a decade of war, El Salvador's education system lagged well behind the rest of the region, and that lag was growing.

This poor performance is, in part, due to the country's prolonged civil war and also reflects the impact of the 1986 earthquake which damaged or destroyed a large number of schools. Another major factor contributing to this decline in educational performance was a drop nearly in half during the 1980s of real per student government spending on education.

Since 1990, however, real government spending per primary school student has started to increase. Also, recent urban surveys indicate that the average number of school years completed per person over 10 years of age increased from 5.6 in 1989 to 6.1 in 1992. Nonetheless, serious problems remain. Teachers salaries are low, administrative costs are high and too little is spent on supplies. Repetition rates are high, especially in the early school years. Management of the school system could be improved. Multiple administrations for schools is common, as a single school may have as many as four different principals. Also, there is a continuing imbalance between GOES spending per university student and primary school student. GOES spending per university student is about five times primary school student spending despite the much higher social returns to primary school spending.

In order to encourage further real GOES spending increases, the proposed FY 1993 ESF program includes measures requiring the GOES prepare a plan to increase the 1994 budget allocation for education, in order to improve the quality of education, teachers and educational materials. These changes in spending coupled with other efforts to improve teaching and school infrastructure can be expected to lead to not only greater quantity of education, in terms of enrollment, but also improvements in quality. An upcoming USAID-financed Education Sector Assessment will identify other reforms that will be included in future ESF reform programs.

IV - RECENT INITIATIVES TO STRENGTHEN DEMOCRACY

A. Background

President Cristiani's announcement in 1990 of his administration's commitment to a negotiated settlement to the civil conflict and initiation of the peace dialogue with the FMLN opened a new chapter in Salvadoran democracy. Debate on social and economic injustices of the past was opened, and groups previously with little access to decision makers found that new channels for their participation were opened.

Discussions between the GOES and FMLN continued throughout 1991, culminating with the signing of the Chapultepec Peace Accords on January 16, 1992. Agreements reached through this process are leading to far reaching changes in key democratic institutions, including the following:

- Justice sector reform, including legal reforms to improve criminal investigation and judicial procedures, organizational reforms to improve the effectiveness of the independent Attorney General's office and the Office of Public Defense, and structural and legal reforms to the judiciary to improve its independence, and that of the individual judges, from the executive branch and political or other influences; and

- Electoral code reform, including changes in the electoral oversight body as well as procedural rules governing elections;

- Individual rights, including the establishment of an independent Ombudsman for Human Rights and Labor Code reforms providing greater protection of internationally accepted workers rights; and

- Creation of a new National Civilian Police (PNC) and Police Academy under civilian control and implementation of far reaching reforms in the Salvadoran Armed Forces.

Recognizing that citizen confidence in democratic processes and institutions is key to a sustainable peace, the GOES presented a Democratic Strengthening Plan, part of its national reconstruction program and Peace Accords, to the Consultative Group meeting in April 1992. This plan describes policy and programmatic objectives with respect to the creation of a national civilian police, reforms of the electoral and justice systems, and establishment of the human rights ombudsman. Civic organizations are accorded an important role in broadening participation of conflictive-zone residents in democratic processes and local governance issues.

These significant reforms together with other factors -- such as the investigation and prosecution of military and economic elites for criminal acts, the GOES' timely, complete and transparent investigation of alleged human rights violations, and greater tolerance for open debate and opposition groups -- bode well for a sustainable peace and enduring democracy in El Salvador. The process of reconciliation is not, however, an easy one, particularly when individuals find themselves face to face with ex-combatants who are responsible for the loss of family or personal property. Individuals on both sides of the conflict need to have their confidence restored in the democratic process and in peaceful means of conflict resolution.

B. Progress to Date

Recent progress on democratic reforms is promising. In the area of justice sector reform, two civilians have been trained by ICITAP to replace the remaining military officer leading the Special Investigative Unit (SIU); a plan was also developed for the complete civilianization of this highly competent investigative agency and discussions with the FMLN and political parties initiated on the permanent location of the Unit (i.e., within the Civilian Police or Attorney General's Office). The SIU will be transferred into the new National Civilian Police (PNC) in late 1993, where it will become the PNC Criminal Investigative Division. A new law was enacted in mid-1992 guaranteeing individuals the right to public defense. The GOES continues to disseminate information and hold technical discussions on the series of legal reforms included in its national legal reform program, and, drafts of new penal and penal procedural codes have been completed and an extensive consultative process with the legal community and key political factions will be launched in June. A working group composed of lawyers from NGOs, the courts, and major political parties prepared a draft law reforming the composition and functions of the National Council of the Judiciary, the body which screens and nominates candidates for judicial appointment. This draft law was discussed and revised by COPAZ, and enacted into law by the Legislative Assembly on December 11, 1992. Revisions to the judicial career law to further strengthen judicial independence were also enacted on December 11, 1992, following review and discussion by COPAZ. The Human Rights Ombudsman was named in May 1992 and formally began operations in July. Over $1 million in GOES resources were allocated for the Ombudsman's operations in CY 1992.

In the area of electoral reform, the Constitutional reforms of 1991 strengthen the role of the Supreme Electoral Tribunal, the elections oversight body, and increase its independence through the addition of two independent magistrates. In a transitional arrangement agreed to by the GOES, the Tribunal appointed in mid-1992 includes a representative from the leftist Democratic Convergence party, as well as representatives from the three parties winning the largest share of the vote in the 1991 elections and the independent magistrate. A revised electoral code was prepared and approved by the Legislative Assembly in mid-December 1992, and the FMLN was incorporated as a political party. Recommendations of a UNDP technical mission were used in the drafting of the new electoral code. Recognizing that extraordinary measures are needed to register new voters, the Tribunal requested CAPEL assistance to design a voter registration campaign. Meetings have also been held with all political parties and the electoral sub-commission of COPAZ has been reconvened to provide suggestions to the Tribunal on its voter registration efforts.

Representatives from labor, government and the private sector appointed to the Social and Economic Forum created pursuant to the Peace Accords have also

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begun the lengthy task of reviewing and preparing revisions to the labor code. Although labor and government representatives were named to the Social and Economic Forum in early 1992, the business sector representatives only began to participate in September. Following early meetings of the Forum in which operational procedures were agreed upon, and the presentation of the GOES' version of the labor code, the Forum began the process of analyzing changes to the labor code recommended by labor and government. The government's proposal contains major improvements over present legislation; however, it fails to address several key issues of labor which led to the pending complaint against El Salvador in the GSP process. Labor, private sector and GOES leaders have agreed to complete review and revision of the code by September 30, 1993. Members of the Foro have also agreed on a series of governing principles and other actions to be taken in 1993 to improve worker rights. This "social pact" signed in February 1993, marks a major breakthrough and has been heralded as containing obvious steps to improving worker rights in El Salvador. As of April 30, the Foro had agreed to recommend ratification of 15 ILO conventions on worker rights. Fourteen other conventions are being extensively debated, prior to initiating work on the new labor code. While differences are great, all parties have remained at the table, demonstrating their commitment to the process set in motion.

C. Main Constraints

1. Justice Sector Reform

The justice sector reform process has entered a critical phase. Considerable momentum has been achieved in recent years through Constitutional reforms enacted in late 1991, the investigation and prosecution of military officers and economic elites for some criminal acts, and legal reform efforts and educational programs implemented in 1992. Many structural constraints to the fair and impartial administration of justice have been addressed through Constitutional reforms and the passage of reforms to the law creating the National Council on the Judiciary -- the body responsible for screening and nomination of candidates for judicial appointment. Legal reforms enacted still need to be implemented, additional legal reforms under discussion need to be enacted, and tangible signs of improvement made visible. The Truth Commission commends the legal reform efforts of the Ministry of Justice, and recommends that these efforts be deepened and accelerated. The report also recommends actions in four other areas: strengthening and focussing of the Human Rights Ombudsman, constitutional reforms to reduce the span of control of the Supreme Court, strengthening of the National Council on the Judiciary, and full implementation of the Peace Accords agreements concerning the National Civilian Police. The latter will require completing the civilianization of the SIU and its incorporation into the National Civilian Police. (A summary of the major recommendations of the Truth Commission is included as Annex 1.)

Institutional weaknesses in the public defenders' and prosecutors' offices must also be remedied, to ensure that the interests of both individuals and the state are adequately protected. In May 1993, the GOES presented a five part plan to accelerate and deepen the reform process.

Actions include development of a comprehensive five-year justice sector reform plan, completion of the penal reforms, budgetary increases for the Attorney General's Office, public defenders office and Human Rights Ombudsman, strengthening of the NCJ and integration of the SIU into the National Civilian Police. The ESF program conditionality is based on satisfactory progress in implementing the GOES program.

2. Electoral Code Reform and Democratic Participation

Despite over a decade of civil conflict, the last decade has brought about positive changes towards building a stable democracy. Since 1983, five elections have been held, with each judged fair and free by international observers and an increasing number of Salvadorans participating. In 1989, the country saw its first peaceful transition in power, when the Christian Democrats yielded the Presidency to the National Republic Alliance (ARENA). The most recent elections, March 1991, saw an increase of 15 percent in voter registration and a leftist coalition of political parties, the Democratic Convergence, fielded candidates and won a number of seats in the Legislative Assembly.

Delays in the issuance of voting cards and omissions and/or errors in the voter registry have, however, resulted in some complaints, and the Supreme Electoral Tribunal is now engaged in an effort to update the electoral registry. Repatriated Salvadorans, as well as others who have for a variety of reasons not chosen to register, must also be registered. A recent study conducted in conjunction with the National Census indicates that although 72% of adult Salvadorans have their voter ID cards, approximately 675,000 Salvadorans do not have their voter ID's and must be registered before November 20 to be eligible to vote. Approximately 50% of these, or 360,000, do not have copies of their birth certificate, and will therefore have to first obtain this document in order to prove citizenship. Over 100 municipalities are being provided operational support to facilitate the reconstruction of municipal records and issuance of birth certificates and citizen ID cards, many of which were destroyed during the civil war. Although the Electoral Tribunal has received extraordinary budget support to purchase additional computer and other equipment to support this large registration effort, additional budget support will be needed to support an aggressive voter registration process. The timely disbursement of approximately $5 million elections budget is also critical to ensure logistical and other electoral preparations are completed in a timely manner.

3. Respect for Internationally Recognized Worker Rights

Encouraged by the USG through FY 1992 ESF conditionality, the GOES has made some progress in the development of a new labor code. In 1992, the GOES prepared and presented a draft of a new labor code to the Economic and Social Forum. The Forum's review of the labor code will be initiated as soon as analysis of the ILO conventions is completed. While the GOES proposal offers improvements in certain areas (e.g., the power to dissolve unions is to be moved from administrative to judicial authority), shortcomings remain in at least three areas important to labor: the right of association (especially for agricultural workers), the regulation of strikes and collective bargaining.

In view of the need to fully discuss and negotiate changes to the labor code through the Forum, the GOES, private sector and labor leaders agreed in February 1993 to a set of principles and agreements regarding labor rights. This "Social Pact" was signed in February 1993 and sets a date of September 30 for a consensus to be reached by all parties on a new labor code. The Pact also sets forth a number of actions to facilitate registration of unions and the investigation of complaints during the interim until a new code is enacted. A letter sent to the U.S. Embassy with the Social Pact asks that the substantial progress in improving worker rights be called to the attention of the GSP Subcommittee. In a complementary initiative in preparation for a new labor code, the Ministry of Labor (MOL) has also requested AID assistance to carry out an institutional assessment. This assessment will identify weaknesses in the GOES capacity to enforce basic worker rights and propose actions to strengthen the MOL. ESF conditionality will support satisfactory progress in implementing the Social Pact and presentation of a new labor code to the Assembly.

V - PUBLIC SECTOR ACCOUNTABILITY

A. Introduction

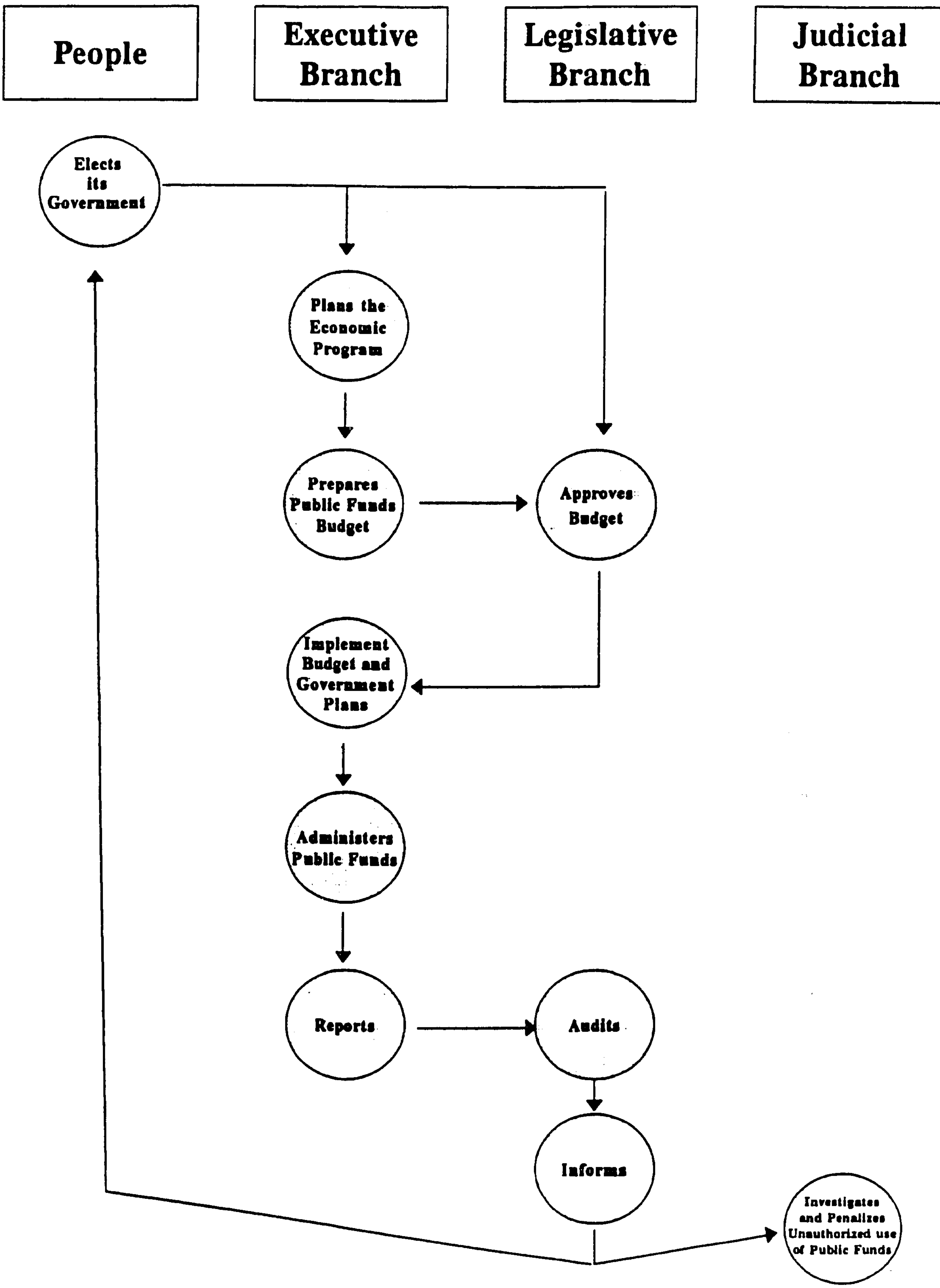
Based on the premise that ultimately the inability of government officials to respond publicly on how they have administered public resources will lead to distrust or disillusionment with a specific government and perhaps the democratic process in general, the GOES and USAID/El Salvador have jointly embarked upon an aggressive strategy to strengthen public accountability. This is a key element in the Mission's overall strategy to shore up the peace and promote an enduring democracy in El Salvador.

The relationship between accountability and democracy is illustrated graphically on the next page. As shown in the graph, accountability is an integral part of the entire democratic process. Based on information generated by a functioning democratic process a nation's citizens elect members of the executive and legislative branches of government. Accountability helps to maintain a proper balance between these elements. The Executive branch administers and executes the programs of government. The Legislative branch represents the general populace by approving the Executive's budget request and by conducting independent audits. Information generated by independent audits enables both the Legislative and Executive branches to make adjustments necessary to assure that government resources are being used efficiently or results when necessary in referrals to the Judicial branch. The Judicial branch enforces accountability by carrying out civil and criminal prosecutions against elected or appointed officials who fail to respect the public trust.

The vehicle to promote public accountability is the implementation of a modernized Integrated Financial Management system with an independent legislative auditor to provide for an independent review and public report on the effectiveness of government operations. One by-product of the increase in public accountability will be increased economic growth as the government improves its ability to allocate limited resources to the different sectors of society. A second by-product of improvements in public accountability generated by implementation of a modernized Integrated Financial Management system will be a minimized opportunity for corruption.

Since assuming power in June 1989, the current GOES has demonstrated a solid commitment to public accountability through the modernization and improvement of its public finances. In his inaugural address President Cristiani stated that one of his principal objectives would be to eliminate the scourge of corruption and administer with absolute propriety public funds and property. A series of administrative weaknesses in public sector accountability which would impact upon the GOES' ability to effectively deliver public services was identified. Accordingly, early in the administration the GOES requested external assistance from the International Monetary Fund, the Inter-American Development Bank and A.I.D. to implement a new governmental accounting system and modernize their tax practices. In May 1990, President Cristiani, specifically stated that it was necessary ... "to initiate efforts to try to give the Court of Accounts of the Republic (the

Financial Responsibilities in a Democracy



GOES supreme audit agency) the legal, institutional and material instruments that modern systems of government control require." In 1991 a high level GOES committee developed a comprehensive strategy to improve integrated public sector accountability and auditing. The proposed FY 1993 ESF program provides continued support for GOES efforts in this area.

B. Background

While other countries in Latin America, most notably, Chile, Bolivia, Ecuador and Panama have made significant improvements in their public sector accountability practices, the country's 12-year civil war has impeded such progress in El Salvador. Consequently, the public sector accountability system in El Salvador is still quite antiquated. For example, El Salvador is one of the few Latin American countries that still cling to the practice of disbursement pre-approval by an external agency (the Court of Accounts) instead of relying on decentralized internal control systems and an effective independent ex-post audit process. The Court of Accounts is required by constitutional order to oversee and validate all transactions of the Central Government. This pre-validation process by a centralized entity rather than by the implementing agencies results in delays in the implementation process, dissipates responsibility, compromises the independence of the Court of Accounts and does not provide adequate control of the use of funds, thus permitting graft and corruption. These and other public sector financial management deficiencies have had a negative impact on the GOES' ability to foster economic development.

Modernization of the GOES public sector accountability system to help the GOES make better use of its own and external resources is an area of mutual concern between the GOES, A.I.D., the IMF, the IDB and the World Bank. Several Mission-funded studies have pointed out the need for changes in the GOES' financial management structure system and recommended assistance in developing an integrated financial management system for the GOES. In January 1992 at an informal donors conference sponsored by the World Bank, donor representatives emphasized the importance of improved public finances in El Salvador and coordinated their activities to support the GOES in its public sector accountability modernization program. The program proposed in this concept paper will help support these efforts.

C. Progress to Date

Since 1991, supported by the ESF conditionality and A.I.D.-funded technical assistance, the GOES has made notable progress toward improving its public sector accountability and auditing systems. In 1991, the GOES established a committee consisting of the Minister of Finance, the Minister of Planning and the President of the Court of Accounts, supported by a technical group, to assess the status of GOES public sector accountability. In 1992 the committee developed a strategic plan of action for the implementation of an integrated financial management and auditing system in the public sector. The strategy consisted of two parts: one, contracting of a USAID-funded international consultant to assist the Court of Accounts in developing post-audit capability; and, two, procuring of the services of an institutional contractor to provide technical assistance to the Ministry of Finance in the areas of budgeting, treasury, public debt, accounting and management information systems. In October of 1992 the Mission contracted an auditing consultant for the Court of Accounts. The Mission awarded a contract in February 1993 for a technical assistance package to support GOES efforts to implement part two within the Ministry of Finance.

In 1992 the GOES presented an interim organic law for the Court of Accounts to the Legislative Assembly. The law represents a major interim step toward converting the Court of Accounts from an exclusively expenditure pre-control agency to an ex-post audit agency. While the proposed law substantially strengthens the post-audit function, due to existing Constitutional requirements, it also continues to maintain some pre-control on revenue and spending. Full elimination of the pre-control function will ultimately require a constitutional amendment which must be approved by two consecutive Legislative Assemblies. Thus, even with approval of the current Assembly, a constitutional amendment could not go into effect until after the next Legislative Assembly is seated in May 1994.

The above underscores the importance of another major interim step toward eventual full elimination of the pre-control function. On July 30, 1992, the Legislative Assembly approved Legislative Decree 302, "Documentation for Advance of Funds", which does away with external pre-control on an individual transaction basis and allows the Ministry of Finance to set up decentralized paying offices to improve payment processing time. The GOES also developed an action plan for auditing GOES financial statements, generated a series of new internal regulations to speed up payment processing, and negotiated new contracts with banks to reduce the time banks may retain government receipts before forwarding them to the Treasury. In 1992 the GOES conducted a review of existing laws on budgeting and treasury operations and developed an action plan to modernize such laws.

The most significant achievement in public sector accountability in the last two years has been the design of a new governmental accounting system. With technical assistance provided by the IMF, a new accounting law for the Central Government, decentralized agencies and municipalities was approved by the Legislative Assembly in December 1991. This new law replaces a previous law dating from the early 1950s, establishes a new chart of accounts, prescribes minimum qualifications for government financial officials, and provides for periodic training courses to maintain qualifications. It also establishes sanctions for failing to perform duties responsibly. The new accounting system is now being implemented on a trial basis in five GOES agencies. Full implementation is expected to begin in January 1994.

VI - PROPOSED FY 1993 ESF PROGRAM

A. Program Objectives

Shortly after its inauguration in 1989, the Cristiani Administration began to implement a set of comprehensive and coherent economic policies with the purpose of restoring financial stability and establishing a policy framework that would promote sustainable economic growth. The measures implemented during the past three and a half years are described in Chapter II. At this point, the challenges are to improve the fiscal situation; to avoid economic policy reversals, particularly as national elections near; and to conclude a number of policy reforms initiated during 1992. Maintenance and deepening of economic policies is expected to continue to have a highly positive effect on GDP growth. **Increasing equitable and sustainable economic growth is the first objective of the 1993 ESF Program.**

A lasting peace in El Salvador depends on full and timely implementation of the agreements under the Peace Accords, many of them related to the strengthening of key democratic institutions. These agreements call for, inter-alia, the establishment of a national civilian police, electoral reforms to facilitate citizen participation and build greater credibility in the electoral process, labor-government-private sector collaboration in the development of a new labor code as a basis for guaranteeing basic labor rights embodied in the 1983 Constitution and international agreements, and measures to achieve greater independence of the judiciary from political interests. Consolidation of the peace requires that the population at large, and particularly opposition groups, have meaningful access to the political process and confidence in the justice system as a fair, impartial arbiter when conflicts arise. Great progress has been made to date in implementing the Peace Accords. Notwithstanding these advances, however, the support of the international community, and specifically the United States, for a deepening of the judicial reform process will continue to be critical for maintaining reform momentum during the highly charged period leading up to the March 1994 national elections. **Continued support for strengthening democratic institutions, processes and procedures is the second objective of the 1993 ESF Program.**

The GOES, with Mission support, has embarked on a strategy to improve public sector financial management. Improved financial management and the development of a new sense of public accountability which provides for the full disclosure of how government officials have utilized public funds are essential components of a democracy, and will contribute to the preservation of the peace. Improved financial practices will also help the GOES to better allocate fiscal resources, and therefore permit an increase in the quantity and quality of public services. **Continued support for improved integrated financial management and auditing practices and procedures is the third objective of the FY 1993 Program.**

B. Proposed Conditionality Measures

This section provides the rationale for the policy reforms that will be supported by the proposed FY 1993 ESF Economic and Democratic Support Program. Given the high impact derived from policy changes, the Mission is choosing to attribute various congressionally-mandated earmarks to this program. The level and type of earmark will appear in parenthesis next to the appropriate section. A matrix presenting a tentative listing of specific measures is included in the Summary and Conclusions (Section I), at the beginning of this PAAD.

1. Objective: Consolidate Sustainable Economic Growth

a. Improve Fiscal Performance

The fiscal situation deteriorated markedly after the first half of 1992, marking the most significant deviation from exemplary economic management. Although the tax ratio (taxes as a percent of the GDP) has increased since 1989, this increase has not been sufficient to compensate for rising expenditures, some of them associated with the peace process and the National Reconstruction Program. Measures to improve fiscal performance are necessary to get the economic program back on track.

(i) <u>Increase the Efficiency of the Electricity Sector</u> ($6.5 million for energy/environment earmark)

The electricity company in El Salvador (Comisión Ejecutiva Hidroeléctrica del Río Lempa, CEL) is state-owned, highly inefficient, charges rates which are about 40 percent lower than long-run marginal costs, and has over 220,000 users who are unmetered, i.e. they pay a flat monthly fee for electricity. The World Bank and AID have provided technical assistance to the GOES to restructure the sector to increase its efficiency, and to pave the way for an eventual privatization of at least some of the components of the sector.

A thorough study of the legal, institutional and regulatory framework of the electricity sector was financed by the World Bank and has just been completed. The main recommendations of the study are:

A- A law to regulate the sector should be enacted. This law would codify all aspects of electricity generation, transmission and distribution.

B- The National Energy Council (Consejo Nacional de Energía) should be created. This council, which will be essentially composed of members of the Economic Cabinet, will advise the President of the Republic on sectorial policy, and will take the lead role for restructing the sector.

C- The Regulatory Body (Organismo Regulador, OR) should be created. This body will set electricity rates, will establish quality standards, and will settle conflicts between the different participants in the sector. The board of directors of the OR will have three members named to staggered terms by the President of the Republic with the consent of the Legislative Assembly.

About 220,000 electricity users have no meters and are charged a flat fee based on an estimate of consumption. This discourages energy conservation and may foster corruption. The preparation of a plan to reduce the electric meter deficit was a condition of the second disbursement of 1992 ESF. CEL has ordered 250,000 new meters (with USAID financing) and expects to gradually reduce the meter deficit over the next 20 months and eliminate it by December 1994.

The key measures that address these issues are:

-- Complete the study of the legal, institutional and regulatory framework for the energy sector. Preparation and approval of an action plan to reform the Electricity Sector;

-- Preparation of draft laws to establish the National Electricity Council and the regulatory body. Preparation of the project for the General Law for Electricity Services;

-- Demonstrate satisfactory progress on the installation of electricity meters, particularly for commercial and industrial users.

The GOES has sent a side letter detailing the actions that it plans to take during the next twelve months to rationalize the sector.

(ii). Improve Tax/Customs Administration

A number of improvements in tax administration, enforcement and customs operations could substantially improve revenue collections while ensuring fairer treatment of taxpayers and importers, and improving overall economic efficiency. These include strengthening taxpayer monitoring and audit capabilities, and installing a modern database and information system for income and value-added tax receipts. Regarding customs, improvements are needed in valuation and classification procedures along with tighter controls of imported merchandise and goods transitting the country are needed. These and other measures are being implemented by the Ministry of Finance with technical assistance support through the USAID-funded Modernization of the Salvadoran Tax System (MOST) Program. The FY 1993 ESF program will support the implementation of specific action plans for improving tax administration and customs operations.

The GOES ability to enforce tax laws was greatly improved by the passage into law by the Salvadoran legislature on April of new legislation making tax evasion a criminal offense. The FY 1993 ESF program will encourage the GOES to follow through on this measure by including actions related to the implementation of this legislation in the tax administration action plan.

The key measures to address those issues are:

-- Progress in the preparation of a customs reform plan within the context of CAUCA II and demonstrate progress in implementing it;

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- -- Satisfactory progress in the modernization of the tax system;

- -- Submit/demonstrate good faith effort to gain Legislative Assembly approval of legislation to make tax offenses criminal acts. (This law was passed by the Legislative Assembly on March 31, 1993.)

- -- Prepare a decree to eliminate all tariff exemptions for ANDA, ANTEL, and CEPA, except for imports of machinery, equipment and inputs financed by projects with external resources which are under implementation at the time of approval of the decree; and demonstrate good faith effort to gain Legislative Assembly approval of this decree.

(iii) Reduce Role of the State

Privatization can increase efficiency and can also contribute to a reduction of the 1993 deficit. The most significant revenue measure proposed to close the fiscal gap in 1993 is the sale of government assets valued at ₡130 million ($14 million).

During the 1980s, the share of wages in total central government expenditures increased sharply from 38 percent in 1981 to 55 percent by 1989. Since then, the wage share has declined continuously and is to be only 43 percent in 1993. Contributing to this drop were restraints on salary hikes and a government-wide hiring freeze. In 1992, approximately 15,000 public employees resigned under voluntary separation programs. About two/thirds of the positions vacated under these programs, were not to be refilled. In late 1992, over two thousand of the positions vacated were formally frozen (eliminated). The GOES has indicated its commitment to formally freeze an additional 4,000 during 1993.

The key measures in this area are:

- -- Continue with the privatization process in at least two entities by July and an additional two entities by November;

- -- Maintain a restrictive public sector employment policy, including freezing of 4,000 jobs already existing.

b. Decentralization

The decentralization of authority from the central government to the municipalities is a stated GOES objective. In his September 1992 address to the nation's mayors, President Cristiani clearly stated his support for the efforts of the Organization of Mayors of El Salvador (COMURES) and the Salvadoran Institute of Municipal Development (ISDEM). Subsequently, a high-level and technical committee composed of COMURES, ISDEM, and the

Ministry of Planning was formed for the purpose of developing a strategy for decentralization and municipal development and to elaborate an action plan for its implementation. In addition, the GOES has demonstrated its commitment to decentralization through its support for the strengthening of ISDEM, the revitalization of COMURES, expansion of the Mayors in Action Program (MEA), and the passage of legislation permitting local governments to raise user fees for certain local services. Various actions taken by and on behalf of municipalities include: analysis of problems in municipal budgeting and accounting, training in 32 municipalities in financial management, implementation of user charges, and preparation in several jurisdictions of municipal property rolls. In addition, the Mission is designing a technical assistance and training package (Municipal Development Project) to strengthen the capacity of municipalities to more effectively and efficiently manage the financial, administrative, and technical aspects of municipal development.

An increase in municipal control over local affairs must be accompanied by increased revenues if local governments are to finance the expansion of services and responsibilities. While El Salvador does have a very progressive municipal code in many respects, it does not provide the necessary authority to raise significant revenues at the local level. In many countries throughout the world, the local property tax is the principal source of municipal revenues. A property tax can: 1) produce large revenues; 2) finance the delivery of some services more efficiently than centralized entities, and 3) decrease the need to rely on central government transfers and other donations. A law passed in October 1991 gave the municipalities temporary authority to adjust the fees charged for municipal services. Making this authority permanent would strengthen municipal finance in the future.

Measure to address this issue is:

-- Support and facilitate the drafting of legislation and other actions by ISDEM and COMURES to strengthen municipal finances.

The GOES has sent a letter detailing their plans to strengthen municipal finances.

c. Improve Financial Intermediation

Before the financial sector reforms, the commercial banking system was essentially state-owned and interest rates were regulated. In 1991 to 1993, the financial sector was deregulated significantly, controls on interest rates were eliminated, and all five state-owned banks were privatized. The financial institutions organic law stipulated that new banks could not be established until June 1993. Reducing barriers to entry after that date would tend to increase the efficiency of the banking system, and would make it more difficult for a small number of individuals to control the banking sector. The continued success of financial sector liberalization will depend on the ability of the Superintendency to carry out adequate prudential supervision of the financial system. This will require further improvements in legislation, and an adequate budget for the Superintendency.

Commercial banks, before they were privatized, had a significant proportion of non-performing loans in their portfolio. Before privatizing the banks, the Central Bank cleaned up their portfolio, and essentially assumed the accumulated losses. The non-performing assets are now held by the Financial Restructuring and Strengthening Fund (FOSAFFI), and there is a need to collect on those bad loans, thus strengthening the financial position of the Central Bank. At present, FOSAFFI has no authority to discount debt, and this is a major legal impediment to debt collection. While the Central Bank clearly does not want to send a message to debtors that bad loans will be forgiven, it is unlikely that more than 20 percent of the ₡1.7 billion FOSAFFI bad debt portfolio will be collected. FOSAFFI is currently examining the viability of its operations, but it is clear that it needs legal authority to negotiate bad debt collections using a range of flexible approaches.

A large number of the bad loans were issued by the Banco Agrícola Comercial. In 1991 a series of indictments were issued by El Salvador's Attorney General to some borrowers in an effort to accelerate loan repayments. Section 530(e)(2)(B) of the FY 1993 Foreign Assistance Appropriations bill requires that, ..."of the FY 1993 ESF allocated for El Salvador, $20 million be withheld from expenditure until 15 days after receipt by the Appropriations Committee of a report from the Secretary of State which describes and assesses the efforts being made by the GOES to collect on loans made by the Banco Agrícola Comercial which were the subject of indictments issued during 1991."

The Central Bank, partly as a result of the cleaning up of the portfolio of commercial banks, incurred losses. The IMF estimated that these losses were, on a cash basis, the equivalent of 0.8 percent of GDP. The elimination of these losses will contribute to financial stability, but it will require resource transfers from the central government.

The key measures that address these issues are:

- Develop, approve and announce procedures for establishing new banks, both domestic and foreign; and demonstrate that there are no restrictions to the establishment of new banks;

- Continue with implementation of plan to strengthen the Superintendency of the Financial System;

- Draft modifications to existing legislation/demonstrate good faith effort to gain legislative approval of modifications to existing legislation to improve bank supervision;

- Continue with plan for recovery of past-due loans of FOSAFFI (Financial Restructuring and Strengthening Fund); and

- Initiate and complete the preparation of a plan to reduce Central Bank losses.

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The GOES has sent a letter that states their commitment to recovering past-due loans as specified in the Foreign Assistance Appropriation Bill.

d. Promote Exports

El Salvador initiated a rapid trade liberalization program in 1989, reducing nominal tariffs to a maximum of 20 percent, with a few exceptions for luxury goods and textile products (maximum rate for those products is 30 percent), and establishing a minimum tariff of 5 percent. El Salvador undoubtedly has been the leading country in trade liberalization in Central America. The present challenge is to deepen trade liberalization through additional reductions in effective protection and by the elimination of all remaining barriers to the free movement of goods and services. Given that the most obvious barriers to trade have been eliminated, there is a need to define a strategy to deepen international trade liberalization.

The key measure to address these issues is:

-- Complete a strategy to deepen international trade liberalization and prepare a strategy to promote exports; and satisfactory progress in the implementation of a strategy to promote exports.

e. Maintain Adequate Macroeconomic Framework and Structural/Sector Adjustment Policies

The maintenance of an adequate macroeconomic framework is absolutely necessary to guarantee the success of all the policy measures described above. While the lead institution in the stabilization area is the IMF, and the lead institutions in the structural/sector adjustment areas are the IBRD and the IDB, ESF conditionality can provide decisive additional leverage.

The key measure to address these issues is:

-- Adhere to economic program targets.

f. Rationalize Health and Public Education Spending ($1.8 million for education earmark)

Public health facilities, such as hospitals and clinics, receive the overwhelming share of their financing from central government financing. Indeed, user fees only cover about two percent of the costs of providing services. By raising user fees central government transfers could be more directly targeted to true public health concerns. In addition, raising user fees would better allocate public health resources between those who want specific services and are willing to pay while ensuring that the most basic services remain available to those in need but unable to pay. A pilot plan for increasing cost recovery in the health sector is being developed.

The purpose of the AID supported SABE project is to increase the efficiency and quality of primary education. At present, the project finances inputs essential for quality and efficiency, namely educational material and teacher training. These are current expenditures, and eventually must be financed by GOES budget resources. A plan to replace AID financing by GOES budget resources must be developed.

The key measures to address these issues in 1993 are:

-- To improve the quality of health services, initiate a pilot program to increase cost recovery, and demonstrate satisfactory progress in its implementation.

-- Prepare a plan to improve 1994 budget allocation for education in order to increase the quality of education, teachers and education materials; implement the plan and incorporate this criteria in the preparation of the 1994 budget.

Education and health sector assessments are being conducted this year. Based on recommendations resulting from those assessments, the Mission will formulate more specific conditionality for education and health sector reforms to be supported by the FY 1994 ESF program.

g. Improve Quality of the Environment
($1.7 million for energy/environment earmark)

Without mineral or petroleum resources, El Salvador is totally dependent upon renewable natural resources for income generation in productive sectors including agriculture, forestry and fisheries, and the supply of raw materials to manufacturing and processing industries. The combined impact of population pressures and entrenched poverty is mainly responsible for the over-exploitation of natural resources. Parallel to the above constraints are the more controllable factors of inadequate and unenforced policies and standards for environmental protection. As a consequence, the depletion rates of soil, water, forests, fisheries and other resources exceed their renewal rates. There is a need to develop a plan to improve the quality of the environment. The AID-financed PROMESA project can assist in the formulation of that plan.

Measure supported in this area is:

-- Demonstrate satisfactory progress in the development of a national strategy for the protection of the environment and for the management of natural resources. Demonstrate satisfactory progress in the implementation and financing of the national strategy.

2. Objective: Strengthen Democratic Practices, Processes and Procedures

a. Improve the Administration of Justice

Justice sector reform has entered a critical phase. The momentum achieved in recent years through Constitutional reforms enacted in late 1991, the investigation and prosecution of military officers and the economic elite for criminal acts, and the legal reform efforts and educational programs that have built a modest but growing base of support for further reform, could be easily lost if additional tangible signs of change are not soon evident. Key among these changes are measures designed to depoliticize the judicial appointment process, such as reforms to the National Council on the Judiciary (NCJ) -- the body responsible for screening and nominating candidates for judicial appointment -- and the judicial career law. Both reforms were recently approved and must now be implemented. The GOES must ensure that adequate financial resources are allocated to the NCJ to provide for operational independence and adequate technical capacity to discharge its responsibilities. Legal reforms, focussed on the protection of individual rights, as well as institutional strengthening programs for the prosecutors and public defenders, to ensure that both individual and the state's interests are adequately protected, must also be continued to provide the foundation of a legal system that respects individual rights and affords all citizens access to speedy, impartial justice. Additional financial resources must be allocated to the Attorney General and Public Defenders offices to increase salaries and meet increased demands for services, while the Human Rights Ombudsman needs to open regional offices. The integration of the SIU into the new civilian police must also be complemented to fully implement the Peace Accords.

These actions are all included in the GOES justice sector reform program presented to the USAID in May 1993.

Measures included in the 1993 ESF policy reform program are focussed on maintaining momentum for justice sector reform, and this includes:

-- Satisfactory progress in implementing the GOES justice sector reform program, presented in its letter of May 1993.

b. Support Fair and Free Elections

The Presidency, National Assembly seats, and local government offices will all be contested in the 1994 elections. As the first peacetime election since the 1970s, they will be a critical test of the success of reconciliation efforts and the durability of democracy in El Salvador. Although eight successive elections have been judged fair and free by outside observers, complaints by political parties and citizens over the failure of the Electoral Tribunal to issue voting cards (carnets) in a timely manner have marred an otherwise impressive record, given the constraints of a civil war. A principal constraint in the timely issuance of carnets has been the inability of citizens to prove their citizenship through presentation of the birth certificate provided by the municipality, and the corresponding inability of the Tribunal to verify information provided by individuals through communication with municipalities. Municipal records in over 100 municipalities were destroyed during the twelve-year conflict. A 1993 census indicates that some 360,000 Salvadorans lack their birth certificate. A recently passed law is facilitating the reconstruction of municipal records, and the issuance of birth certificates and citizen personal identification (cédulas). The possession of a birth certificate will enable an individual to obtain his/her voting carnet.

The Tribunal, in consultation with the COPAZ sub-committee on Elections, is finalizing the design of a massive voter registration drive. The most recent census data confirms that over 70% of the adult population is registered. The target of the voter registration program is on registering as many of the remaining 675,000 Salvadorans as possible before the registration process closes in late November. Given citizen apathy as well as weak confidence in the electoral oversight body, all political parties agree that an aggressive voter registration program is needed. CAPEL has been asked to assist in its design, but additional budget resources will be needed to implement the voter registration campaign.

A second concern, which in previous elections delayed election preparations, is an inadequate level and late provision of financial support for the Elections Tribunal.

Measures included in the FY 1993 ESF program are:

-- Ensure the timely disbursement of funds to the Supreme Electoral Tribunal for preparation for the national elections of 1994 and a massive voter registration drive;

-- Submit to the Legislative Assembly the extraordinary budget for the Supreme Electoral Tribunal (SET) to obtain the funds necessary for the 1994 national elections, and ensure the timely disbursement of the funds.

-- Satisfactory progress in the implementation of the plan of the Salvadoran Institute for Municipal Development (ISDEM) for the reestablishment of civil registry and citizen documentation in ex-conflictive zones to facilitate citizen participation in national elections of 1994.

c. Promote Respect for Worker Rights

The existing labor code requires revision to provide adequate legal protection of basic rights afforded workers in the 1983 Constitution of El Salvador and worker rights such as the right to organize, strike and bargain collectively. Moreover, there is a need to improve the Ministry of Labor's procedures with regard to the registration of unions and the Government's ability to apply and enforce labor legislation concerning workers rights.

The Social and Economic Forum, created pursuant to the Peace Accords as a tri-partite forum (labor, government, and business), is to serve as a vehicle for debate and consensus building on a new code. Labor concerns over short-term measures needed to alleviate the adverse impact of the economic adjustment program on the poor prevented priority being accorded to the labor code during 1992. However, in February 1993, the GOES, labor

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leaders, and private sector representatives who are members of the Forum reached agreement on overall principles and concrete actions to improve worker rights in El Salvador. This "Social Pact" provides for the reaching of consensus on a new labor code by September 30, 1993.

Measures proposed for the FY 1993 ESF program are designed to support progress by the GOES in promoting worker rights, and include:

-- Good faith effort to meet the targets agreed in the Foro on the "Social Pact" ("Acuerdo de Principios y Compromisos"); and to submit to the Legislative Assembly a revised labor code.

-- Development and implementation of a GOES plan to strengthen the Ministry of Labor in order to implement the Labor Code. This conditionality is still being discussed with the Ministry of Labor.

3. Objective: Strengthen Integrated Financial Management and Auditing

a. Increase Efficiency in the Management of Public Resources

In 1939, article 195 was incorporated into the Constitution of El Salvador to establish an independent Court of Accounts to review prior to execution every action which would result in the disbursement of public funds. While pre-validation of funding activities is an appropriate internal control mechanism when exercised by an implementing agency, it is an ineffective mechanism when carried out by a centralized agency such as the Court of Accounts. Court of Accounts officials who exercise pre-control are not integrated into the hierarchy of the agency over which they are exercising control and are not accountable for the decisions they make or actions they take. In this way external pre-controls may actually contribute to corruption rather than to its reduction. Legislative Decree 302 approved by the Legislative Assembly on July 30, 1992 and the interim organic law submitted to the Assembly to meet the conditionality requirements for the 1992 ESF program are beginning to reduce the negative effects of pre-control but have not eliminated them. To build additional accountability into the GOES financial management system, the GOES has developed a comprehensive plan which will transfer the pre-control function from the Court of Accounts to the executing agencies and will make modern ex-post audits the new vehicle for governmental oversight of the effective use of government resources. While full completion of this process will be achieved over the medium-term the following ESF-supported measures are scheduled to be completed in 1993.

- Create a new Department of Audit within the Court of Accounts.

- Issue internal control standards which will apply to all public entities.

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- Apply legislative decree 302 throughout the government and transfer from the Court of Accounts to the executing agencies the Court of Accounts staff currently responsible for the pre-control function.

- Budget the necessary financial resources to create internal auditing departments within each executing ministry.

In addition to pre-validation of spending, the Constitution also authorizes the Court of Accounts to ensure accurate revenues collection. The Court of Accounts has chosen to exercise this authority only in the area of import duties. Court of Accounts participation in import classification, valuation and imposition of duties introduces unnecessary bureaucracy, provides greater opportunities for corruption and hampers the GOES' attempts to reform and professionalize the Customs Service.

To remove the conflict of interest that is embodied in the Court of Accounts participation in Customs operations, the GOES has indicated its intent to:

- Publish the necessary instructions to remove the Court of Accounts from the co-administration process within the government's custom collection operations. The Court of Accounts will comply with its constitutional mandate by reviewing Customs collection practices on an ex-post basis.

Cumbersome processes for disbursing public funds significantly delayed the implementation of donor-financed projects. In 1983, the Technical Secretariat for External Financing (SETEFE) was created with AID support to handle donor resources (the "extraordinary budget"). While SETEFE offered an interim solution, it also created other problems, including: the extraordinary budget is not reviewed by the Legislative Assembly, and this is essentially undemocratic; it is impossible to determine the total amount of spending (ordinary plus extraordinary) which go to particular activities; and disbursements from SETEFE often are carried out with minimal coordination with the Central Bank, thus making monetary management very difficult. The World Bank SAL I required that steps be taken to unify the two budgets, and in 1992 the data for both budgets for 1993 were presented in a way in which it is possible to add both budgets in order to get total spending for the year. While this represents some progress, only the ordinary budget was submitted to the Legislative Assembly for approval.

Proposed measures to improve accountability are:

-- Implement the GOES plans to reform the Court of Accounts; satisfactory progress in the implementation of these plans. (The GOES has outlined these plans to USAID/El Salvador in their letter of June 4, 1993.)

-- Prepare a new action plan to implement GOES commitment to unify the ordinary and extraordinary budget and then demonstrate progress in implementing the plan.

-- Demonstrate satisfactory progress in the implementation of the action plan to improve integrated financial management.

b. Improve Public Sector Cash Management

Firms and individuals providing goods and services to public sector institutions must wait for payment up to eight months. This discriminates against those with limited working capital and/or access to credit, and it increases public sector expenditures as vendors charge higher prices to government institutions. In 1992, some progress was made in reducing the time required for processing payments at the Ministry of Finance, but the period of time between deliver· of a good or service and actual payment remains inordinately long.

Proposed measure to resolve this is:

-- Prepare a plan to reduce the time required by the central government to pay suppliers; satisfactory progress in implementing the plan.

The actual success of all measures taken to date to improve public accountability will depend, however, on the final definitive resolution of the Court of Accounts problem by the passage of a new constitutional amendment to redefine the role of the Court of Accounts. This constitutional amendment should eliminate the external pre-control function now exercised by the Court of Accounts, establish an independent auditor general's office and transfer to the judiciary many of the incompatible judaical functions now performed by the Court of Accounts. In an effort to overcome this last major obstacle to public accountability four members of GOES National Assembly traveled to Bolivia in February 1993 to determine how the GOES should proceed. Bolivia was selected as a country worthy of study because it has recently gone through a similar process of eliminating pre-control and establishing an auditor general's office. Both Bolivia and El Salvador have about 6.2 million inhabitants and both have had similar experiences in trying to reestablish democracies in the 1980s. The commission that traveled consisted of the President of the National Assembly, one of the Vice-Presidents of the National Assembly and two other legislators. It is extremely noteworthy that the commission that traveled to Bolivia included members from each of the four major political parties. Upon their return from Bolivia, the GOES legislators held a joint press conference in which they unanimously indicated it was now time to improve public accountability by preparing a constitutional amendment to modify the role and function of the Court of Accounts. A commission to draft the proposed amendment was formed on March 1, 1993. The GOES needs USG support to continue with this reform. If this amendment can be presented to this assembly in 1993 there is a good chance it can become effective in 1994. If the proposed amendment slips beyond the current assembly, according to Salvadoran law it could not possibly be effective before 1997.

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C. Dollar Resources

1. Cash Transfer vs. CIP

The cash transfer has been selected over the commodity import program (CIP) as the most appropriate mode of ESF non-project assistance for El Salvador in 1993. The need for quick-disbursing, flexible assistance, especially given the particular needs of the GOES in funding institutions associated with the peace process, requires the use of the cash transfer mechanism since it generates HCOLC immediately. Furthermore, the existence of El Salvador's fully liberalized, market-determined exchange rate regime makes the CIP option impractical and counter-productive. Importers would find the CIP costlier than importing through normal commercial channels. Thus, in order to move the CIP, a preferential exchange rate would have to be created. This would result in undesirable subsidies to the private sector while also causing the reestablishment of a multiple exchange rate regime. Under its IMF stand-by arrangement, the GOES has pledged not to reintroduce multiple-exchange-rate practices.

The use of the cash transfer mode is critical to the achievement of the proposed program's objectives discussed above. The thrust of the program is to encourage maintenance and adoption of critical economic and democratic reform measures during 1993. This will require effective leverage. In order to maximize the leverage of the ESF available for the program, the cash transfer mode should be used as GOES officials perceive ESF in that form to be of greater value than the same amount of ESF through a CIP. In fact, a CIP has never been used in El Salvador. Thus CIP start-up costs in terms of both Mission management time and policy-dialogue capital would be high and therefore limit the effectiveness of the proposed policy reform support program.

2. Use of Dollars

The Mission proposes two $35 million disbursements linked to satisfactory GOES performance on the policy reform measures discussed above. The first disbursement is programmed for July based on GOES performance on policy reforms and measures scheduled to be completed by June. The second disbursement is programmed for November based on GOES performance on actions to be completed by October. Disbursements made according to this proposed schedule are sufficient to encourage policy reforms while appropriately spreading out the financial impact of the cash transfer.

Separate Dollar Account: The Mission will continue to follow the separate dollar account procedures developed for its FY 1991 and FY 1992 ESF cash transfer programs.

Under the cash transfer mechanism, the dollars made available through the program, plus interest generated by such funds, will be used to liquidate import transactions of the private sector for raw materials, intermediate goods, capital goods, spare parts, agricultural inputs, petroleum and petroleum derivatives from the United States. Imports to be liquidated against the Program will be for the use of the private sector of the

Salvadoran economy in the manufacturing, agricultural, agroindustrial, commercial, construction, transportation, communications, energy and services subsectors.

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

D. Local Currency Resources — Programming Issues

1. Background

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

As noted in previous PAADs, the Mission undertook significant management and quality reforms in the local currency program. While in effect now for two years, the reform program has demonstrated positive results, and the Mission has reported clearer impact data related to our five strategic objectives and greater efficiencies in implementation. In particular, the revised format for the action plan for HCOLC use is more concise and more clearly identifies performance indicators. The number of new action plans has dropped almost 65 percent, and they more definitively target Mission and GOES objectives. Within USAID, the streamlined procedures have reduced the average review and approval period for new action plans from eight weeks to three. The GOES is increasingly taking the decision-making lead on financial reprogrammings and minor activity changes, thereby easing the burden on Mission staff. SETEFE implemented a strong audit and certification program, with well-defined scheduling benchmarks and a penalty system.

2. FY 1992 Program Update

The Mission applied the new local currency guidance (issued July

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1991) to the generations accrued from the FY 92 dollar disbursements and will continue doing so for FY 93. Our current program either matches or surpasses the requirements in the policy guidance.

a. The General Assessment

In 1990, the Mission completed the General Assessment of Accountability and Vulnerability. It reported that the Mission had an overall medium to high level of confidence in the overall budgeting and financial management systems of the GOES and recognized the need for improving the legal and institutional framework to upgrade the financial management and autiding systems. SETEFE, which manages the special account and the extraordinary budget, is generally recognized as a capable organization. The Mission works closely with SETEFE in all aspects of managing the local currency program: jointly programming local currency; approving action plans; tracking action plan goals, purposes and activities; reviewing program and financial reports; and participating in the audit programs. In the past three years, SETEFE has greatly strengthened its audit/accountability institutional focus and capacity. Reforms have taken place in implementing institutions, and are taking hold. This is evidenced by the substantial drop in findings and questioned costs resulting from the audit of the CY 1991 and 1992 programs as compared to earlier years. While SETEFE is not a perfect institution, the Mission has a high level of confidence in its overall capabilities.

To further strengthen overall GOES, and particularly Ministry of Finance and the Court of Accounts, financial management capabilities, the Mission and other donors have begun to implement a series of activities to modernize El Salvador's public finance system. USAID/El Salvador's efforts include provision of technical assistance and training to the Ministry of Finance and the Court of Accounts to improve and modernize the GOES' financial management and control systems. A description of the progress to date is summarized in Section V.C. of this document. A two-year technical assistance team has assisted the GOES in improving its tax system, and such changes as the value-added tax have been implemented.

b. Programming

The FY92 dollar disbursements generated local currency primarily for use in CY93. The Mission and GOES continued to program funds for the ordinary and extraordinary budgets, and OE and program trusts. Within the ordinary budget, the Mission selected the general budget (deficit) option.

The local currency program continued to support direct counterpart for ongoing AID DA projects through the extraordinary budget (extra-budgetary support). Following up on earlier decisions, the Mission generally did not program funds for counterpart to newly-authorized dollar projects or for GOES priority projects. The only exceptions to this policy were programming for the National Reconstruction Project, and for the Municipalities in Action Program, PVOs, and program administration/audit. This process has reduced the number of Mission management units and passed more authority and responsibility to the GOES, through the ordinary budget.

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Mission plans for the trust fund corresponded to the levels approved by AID/W for operating expenses. The Mission also allocated funds through the program trust for the AIFLD-supported Salvadoran Labor Management Foundation (FOES).

c. Summary Table FY92 Program

		($ Millions)
Extraordinary Budget		55.0
AID Counterpart	34.0	
GOES Priority Projects	21.0	
Ordinary Budget		21.6
OE Trust Fund		3.6
Program Trust Fund		1.8
		82.0

3. FY 1993 Program

The local currency program will focus on activities supporting the Mission's five strategic objectives, while continuing to reduce management units.

a. Budget Unification

The GOES has taken steps to enact the unification of the extraordinary and ordinary budgets; however, the process has slowed recently and will likely not take place until CY 1995. The Mission has encouraged the unification at all levels. Also, the World Bank has incorporated conditionality in its first structural adjustment loan (SAL I) to provide incentives for completing the process.

Thus far, a technical committee composed of high-level representatives from the Ministries of Finance and Planning and the Central Bank have met and produced a report proposing three options for unification. One option tends to favor Finance's position, the second favors Planning and the third is a compromise. The report was submitted to the Finance Committee of the Economic Cabinet, which includes the Ministers of Finance and Planning, and the President of the Central Bank. Due to the pressing priorities associated with the Peace Accords and the National Reconstruction Program, slower progress than expected has been made in recent months.

Nonetheless, at the technical level, some positive movement has taken place. The Ministry of Planning, through SETEFE, has adjusted internal procedures and paperwork to align with the ordinary budget, including the implementation of the new accounting system recently approved by the Legislative Assembly. Also, for the first time ever, the Executive Branch submitted both the extraordinary and ordinary budgets in the same package to the Legislature for CY 1993, although the extraordinary budget does not require legislative approval.

b. Programming

The FY93 local currency generations will be programmed to conform to either the old or new budgeting system. The likely scenario is that it will have two components: operations and investment. The Mission and GOES will jointly program funds for counterpart to seven or eight dollar-financed programs and for two priority projects -- NGO support and program administration/audit. The GOES institution in charge will manage these funds through the investment side of the budget.

Given that the Mission's General Assessment of GOES/SETEFE Accountability and Vulnerability remains at a medium to high confidence level, we will continue to program funds for budget deficit reduction. This will be accomplished through the operations side of the budget.

The Mission will set aside funds for its operating expense trust fund in accordance with AID/W guidance. In addition, we will program an additional tranche of funds for the AIFLD-sponsored Salvadoran Labor Management Foundation.

c. Summary Table FY93 Program

		($ Millions)
Investment Component		35.0
AID Counterpart	33.0	
GOES Priority Projects	2.0	
Operations Component		28.0
OE Trust Fund		5.0
Program Trust Fund		2.0
		70.0

ANNEX 1

SUMMARY OF TRUTH COMMISSION RECOMMENDATIONS AND USG JUSTICE SECTOR ASSISTANCE

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April 1993

SUMMARY OF TRUTH COMMISSION RECOMMENDATIONS AND USG JUSTICE SECTOR ASSISTANCE

The Truth Commission found the Salvadoran justice system to be highly deficient, made recommendations to address certain problems, and urged the renewal of the justice system in light of the Peace Accords. Many of the areas cited by the Truth Commission are now being addressed by the U.S.G. assistance program:

Recommendations Deriving from the Results of the Investigations

Findings and Recommendation: The Judicial Branch has never enjoyed true institutional independence from the Legislative and Executive Branches, and alliances formed between political leaders with the military and leaders of the Judicial Branch weakened civilian control over the military, police and security forces. The Commission recommends immediate implementation of constitutional reforms (enacted in 1991) requiring the turnover of the present members of the Supreme Court.

- *Drawing from studies commissioned by USAID in 1989 and 1990, the 1991 ESF program included conditionality requiring the GOES to: (a) carry out a study of the selection process and terms of office of key positions of the Judicial Branch and hold public discussion of the recommendations of the study; and (b) submit legislation to the National Assembly revising the composition of the National Council on the Judiciary to broaden the representation of other interested groups in the selection of trial and appellate court judges. The FY 1992 ESF program built on FY 1991 conditionality and required the GOES to initiate actions to improve the functioning and independence of the National Council on the Judiciary.*

- *Constitutional reforms were enacted in 1991 extending the terms of office of Supreme Court justices from 5 to 9 years, staggering their terms, and requiring a two-thirds majority vote of the Assembly for appointment. As a result, every three years one third of the Supreme Court justices will be appointed, and they must be confirmed by at least two-thirds of the Assembly -- up from a simple majority.*

- *Constitutional reforms enacted in 1991 also strengthened the independence of the National Council on the Judiciary, required that its members be elected by a two-thirds majority of the Assembly (instead of simple nomination by the institutions they represent), and broadened their authority to include screening of candidates for appointment to the Supreme Court and justices of the peace, in addition to trial and appellate court judges. The reforms also strengthened career protections for judges, making justices of the peace part of the judicial career and requiring further modifications in the judicial career law to strengthen the independence and impartiality of judges.*

- *On December 15, 1992, following protracted and extensive discussions involving NGOs, leaders of the various Bar Associations and COPAZ, a new law changing the composition of the National Council on the Judiciary was enacted. Membership is expanded and Supreme Court justices no longer serve as members of the Council. The Assembly appointed new Council members in late April, broadening the representation of the Council and giving it independence from the Supreme Court*

- *Full turnover of the Supreme Court is scheduled under the Constitution, as reformed, to occur in June 1994, after the new more representative National Judiciary Council is in place and has screened candidates.*

Findings and Recommendations: The Law creating the National Council on the Judiciary, approved in December 1992, gives the Supreme Court responsibility for dismissing certain members of the NCJ. The Commission recommends changes to the law to make the National Assembly solely responsible for the dismissal of members to the NCJ, after sufficient legal bases for their dismissal have been established.

- *As noted above, the law creating the NCJ was only recently enacted (in December 1992) and was the result of extensive debate and discussions. It is just now beginning to be implemented. The Judicial Reform II Project will support the implementation of this new law. Prior to receiving support from the Project, the GOES first must demonstrate that the new NCJ has established an impartial procedure for the competitive, merit-based screening of candidates for judicial appointment, and that the NCJ has an independent staff and adequate operational budget.*

- *The Truth Commission's suggested modification should be studied by the new NCJ. As with any law passed in a democratic context, it was the result of extensive debate and compromise and may not, therefore, be considered by some to be "perfect".*

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Findings and Recommendation: The Judicial Career Law, under debate during the preparation of the Truth Commission report, should require NCJ review of the performance records of all judges in the system and only permit those judges demonstrating judicial vocation, efficiency and concern for human rights to remain in the judicial career. The law should also provide for adequate protection of the independence, (precedence of) judicial criteria, honesty, and impartiality of the decisions of individual judges.

- *As noted earlier, AID project assistance and the ESF program supported the strengthening of the Judicial Career Law.*

- *Reforms to the Judicial Career Law were enacted in December 1992. The reformed law requires the NCJ to evaluate the judicial activity of all justices at least once a year, as well as upon request by the Supreme Court. Such performance reviews are to include, inter alia, the observance of stipulated time periods for judicial procedures; the efficiency and celerity . the court vis-a-vis similar courts; judicial decisions which indicate negligence or incompetence; the punctuality of the judges; and the order and discipline maintained in the court. Such evaluations are to be taken into consideration by the Supreme Court in awarding promotions, and taking disciplinary actions.*

- *The Judicial Reform II Project includes conditions to further improve independence, impartiality and efficiency of the justice system. Specifically the Project requires the GOES to establish a career path and provide greater autonomy for prosecutors. The GOES will also increase salaries for prosecutors and public defenders. A USIS IV program, funded through an Inter-Agency Funds Transfer, will focus on professional ethics and peer evaluation panels. The Project also will strengthen the Offices of Professional Responsibility in the court system and in the prosecutors and public defenders offices.*

<u>Recommended Institutional Reforms to Prevent the Repetition of Similar Acts</u>

<u>A. Administration of Justice</u>

Findings and Recommendations: One of the most urgent needs of the Salvadoran democracy to consolidate a true law-abiding society is the transformation of the Salvadoran judicial system. The ongoing judicial reform programs should be deepened and accelerated. The effort of the Ministry of Justice to link judicial reform with the democratization process is very positive and should be brought to fruition.

- *The legal reform efforts of the Ministry of Justice, including its actions to vet and stimulate public debate of proposed reforms, has been supported through both project assistance and the FY 1991 and 1992 ESF programs.*

- *The Judicial Reform II project, as well as future ESF programs, will provide support for deepening the judicial reform process and broadening consensus on needed changes.*

Findings and Recommendations: One of the greatest deficiencies of the Salvadoran judicial system which needs to be overcome is the concentration of functions in the Supreme Court. This concentration of power seriously undermines the independence of lower court judges. Given that the problem originates from the constitution, El Salvador should study the adoption of a Constitutional amendment to relieve the Supreme Court of these administrative functions.

- *The need for administrative reform of the Court system was identified in an AID financed study of the justice system in 1991. A pilot court program was initiated in 1992 to begin to identify practical solutions to the overwhelming court administrative problems. This pilot court program will be expanded to three jurisdictions under the Judicial Reform II project in 1993 and evaluated in early 1994. Recommendations for policy and administrative changes will be identified and must be adopted by the GOES prior to extending additional Project support.*

- *A Constitutional amendment creating a separate administrative office would have to be approved by two consecutive sessions of the Assembly, and thus could not be in place prior to June 1994. The experience of the pilot program should provide the basis for public debate and consensus building on the necessity, merits and scope of reform.*

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Findings and Recommendations: Judges should not be named and dismissed by the Supreme Court, but rather by an independent National Council on the Judiciary (NCJ). Each judge should also be responsible for administration of the resources of the court over which he/she presides, and accountable for the use of such funds to the NCJ.

- The constitutional reforms enacted in 1991 broadening the authority of the NCJ and changing its composition were negotiated by the FMLN and the GOES in Mexico, then approved by two consecutive National Assemblies. A constitutional amendment would be required to shift authority for the appointment and removal of appellate and lower court judges from the Supreme Court to the NCJ. The NCJ law does, however, provide for the NCJ to conduct performance reviews of these judges and refer information suggesting cause for removal to the Supreme Court for appropriate action.

- AID project assistance is supporting a pilot court program to identify policies and other administrative reforms required to improve court efficiency. The area of financial accountability will be included as an [illegible] for evaluation. Shifting accountability from the Supreme Court to the NCJ might require a constitutional amendment.

Findings and Recommendations: The Commission recommends shifting responsibility for the licensing and sanctioning of attorneys from the Supreme Court to a separate professional group.

- U.S. assistance is helping to strengthen the Federation of Bar Associations and enable it to serve as an independent professional "watchdog" of the justice system. One of the functions it could assume over time could be the licensing and sanctioning of attorneys.

- A constitutional amendment would appear to be required to implement this recommendation, requiring two consecutive Assemblies to approve the change. While there is Salvadoran interest in this recommendation, no consensus yet exists.

Findings and Recommendations: The Constitutionally-established fixed allotment of funds to the judicial branch (6%) should be used to create new courts and improve salaries of judges.

- U.S. project assistance and the ESF program have supported increased budget allocations to the justice sector, but particularly to the seriously underfunded Public Ministry, where the independent prosecutor's and public defender's offices are located. As noted earlier, Judicial Reform II specifically includes conditionality related to increased salaries for prosecutors and public defenders.

- Judges salaries were recently increased (by as much as 50%), along with other benefits such as vehicle and gasoline allowances.

Findings and Recommendations: Enact legal reforms to prohibit extra-judicial confessions, strengthen the presumption of innocence, require strict compliance with maximum time limits on police and judicial detention, and strengthen the right of defense.

- Continued progress on implementing the GOES' Legal Reform Agenda, which includes all these reforms, is included in the 1993 ESF program and is an integral part of the Judicial Reform II project.

- U.S. assistance under the Judicial Reform I Project is assisting the GOES to complete a comprehensive analysis of the criminal and criminal procedure codes and prepare reform proposals. These proposals include, inter alia, the elimination of extra-judicial confessions, measures to strengthen presumption of innocence, and improvements in habeas corpus. Efforts to extensively disseminate and discuss proposed reforms are and will continue to be supported through U.S. project assistance.

- Assistance is being provided for the implementation of a new law (May 1992) which requires the provision of public defense from the time of arrest. AID funds have supported public information campaigns on the right of individuals to

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counsel, the development of a case tracking and management system, and equipment for the public defenders program. Demand for public defenders is exceeding supply, and we are supporting the GOES in undertaking an analysis of the financial needs of the public defenders offices.

Findings and Recommendations: ***Priority must be given to the adequate functioning of the Judicial Training School, conceived as a center of education dedicated not only to professional formulation but also as a means for creating solidarity among the judges and a coherent shared vision of the judicial function. This is an area appropriate for international cooperation and we call on the international community, and especially the EEC, to provide such assistance in an accelerated fashion.***

- *Over $3 million dollars in U.S. assistance under the Judicial Reform II Project is planned for the Judicial Training School. This assistance will include technical assistance, the training of trainers, and development of appropriate materials.*

- *U.S. assistance under Judicial Reform I has provided extensive training to public defenders, prosecutors and law professors, helped to develop a new university curriculum, and supported the production of four legal textbooks which are being used to upgrade instruction in the law schools.*

B. Protection of Human Rights

Findings and Recommendation: ***The Commission recommends strengthening the new Human Rights Ombudsman by reaching a consensus on priorities and urgent needs of the Ombudsman, establishing offices in the (14) departments of the country, and using the Ombudsman's authority to visit sites and institutions throughout the country. The Commission further recommends that the Ombudsman maintain and ensure public access to an up-to-date list of all detainees.***

- *The U.S. mission has offered to finance a study of the priorities and organizational needs of the Ombudsman; terms of reference are being developed with the Ombudsman.*

- *Funding was provided last year for urgent equipment procurement needs of the Ombudsman.*

***Findings and Recommendations:* Measures need to be adopted to make appeals of habeas corpus and "amparo" (restraining orders) functional. The Commission recommends: permitting the filing of such appeals before trial court judges, and possibly justices of the peace, reserving appeals to the Supreme Court as the court of last resort; prohibiting the suspension of such appeals, even during a declared emergency state (i.e., where certain rights are temporarily suspended), and placing stricter limits on the detention of suspected offenders. Reforms to the criminal code should give adequate consideration to crimes committed with the support of the State.**

- *U.S. assistance is supporting the technical analyses needed to complete comprehensive revisions to the criminal and criminal procedure code; specific emphasis has been given to habeas corpus and pre-trial detention.*

***Findings and Recommendation:* Legislation needs to be enacted to provide victims of human rights violations with a simple, rapid and easily accessible means of obtaining compensation for material damages. El Salvador should also ratify and implement all major human rights accords not yet approved, and accept the jurisdiction of the Inter-American Court of Human Rights.**

- *AID has supported training for prosecutors and public defenders on the Inter-American Convention on Human Rights and human rights, and public defenders have these treaties in their defense of individuals.*

C. National Civilian Police

***Findings and Recommendations:* The Commisssion emphasizes the importance of the creation of the new National Civilian Police and prevention of human rights violations. They recommend that the GOES implement the mechanism for criminal investigation**

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agreed to in the Peace Accords, which includes the direction of these forces by the Civilian Police and the Attorney General's Office. The Commission notes that this is an area for substantial international technical and financial cooperation. In addition, the Commission recommends the dissolution of the Criminal Investigation Commission (SIU).

- *We have provided $20 million thus far in support of the police and police academy. We have also encouraged other donors to do the same.*

- *Our ESF Program and Judicial Reform Project assistance support the strengthening of the Attorney General's Office to enable prosecutors to play a greater role in criminal investigations. Five million dollars is also programmed under the Judicial Reform Project to provide training and technical assistance to further strengthen criminal investigative capacity.*

- *The GOES has informed us that the Commission on Criminal Investigations will be dissolved by mid-1994 with the trained civilian personnel transferred into the PNC as part of its criminal investigation division.*

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ANNEX 2

ENVIRONMENTAL THRESHOLD DECISION

ANNEX 2

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

ENVIRONMENTAL THRESHOLD DECISION

Project Location	:	El Salvador
Project Title and number	:	Economic and Democratic Reform Program, 519-0408
Funding	:	$70,000,000 (ESF)
Life of Project	:	1 year
IEE Prepared by	:	Gordon A. Straub Environmental Officer USAID/El Salvador
Recommended Threshold Decision	:	Categorical Exclusion
Mission Threshold Decision	:	Concur with Recommendation
Date Prepared	:	May 28, 1993
Comments	:	The Grant Agreement will contain a condition indicating that no pesticides will be procured without first completing an environmental assessment and having it approved by AID/W.

John A. Sanbrailo
Director

6/1/93
Date

M E M O R A N D U M

DATE: May 4, 1993

TO: Peter Gore, Environmental Officer

SUBJECT: Financing of pesticides from ESF Program 1992

FROM: Carlos Mi[illegible] FA/CONT

The purpose of this memo is to inform you that according to the BCR monthly reports, no pesticides have been financed under the ESF Program for FY-92. If the review of the Program finds that any amount was used to finance these type of commodities, the BCR will be required to reimburse the Program's account immediately.

Description:

This program consists of a cash transfer of $70,000.000 to support the Government of El Salvador's (GOES) policies and programs deigned to (i) consolidate sustainable economic growth; (ii) strengthen democratic practices, processes and procedures, and (iii) strengthen integrated financial management and auditing of the public sector. The program will also provide foreign exchange to the Salvadoran private sector for the purchase of raw materials, intermediate and capital goods, spare parts, and other imports as may be agreed to between the GOES and A.I.D. The Salvadoran private sector will use the imports for the manufacturing, agricultural, agroindustrial, commercial, construction, transportation, communications, and energy subsectors of the economy. Availability of funds under this Program is contingent upon GOES progress in meeting economic objectives.

Determination

Pursuant to A.I.D. environmental regulations expressed in 22 CFR, Section 216.2(c)(1) (ii), an IEE is generally not required when "AID does not have knowledge of, or control over, and the objective of AID in furnishing assistance does not require, either prior to approval of financing or prior to implementation of specific activities, knowledge of or control over the details of the specific activities that have an effect on the physical and natural environment for which financing is provided by AID."

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

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

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

5C(2) - ASSISTANCE CHECKLIST

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

Yes. It was included in project 519-0385.

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts** (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

Program will assist GOES to achieve objectives of: improved fiscal performar strengthened public sectc integrated financial management; accelerated financial sector reform; and further gains in the administration of justic

2. **U.S. Private Trade and Investment** (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Cash transfer dollars ar to be used for private sector importation of ra materials, intermediate and capital goods, spare parts, agricultural inpu and other imports from t U.S. essential for the function of the Salvador economy.

3. **Congressional Notification**

a. **General requirement** (FY 1993 Appropriations Act Sec. 522; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

All Congressional Notification procedures will be complied with prior to obligation of funds.

b. **Notice of new account obligation** (FY 1993 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. **Cash transfers and nonproject sector assistance** (FY 1993 Appropriations Act Sec. 571(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

YES

4. **Engineering and Financial Plans** (FAA Sec. 611(a)): Prior to an obligation in excess of $500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

N/A

5. **Legislative Action** (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of $500,000, what is the basis for a reasonable expectation that such action

Cash transfers are conditioned on satisfactory compliance by the host government wit conditionality. This may include legislative action.

will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6. **Water Resources (FAA Sec. 611(b); FY 1993 Appropriations Act Sec. 501):** If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, *et seq.*)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance (FY 1993 Appropriations Act Sec. 571(b)):** Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

YES

8. **Capital Assistance (FAA Sec. 611(e)):** If project is capital assistance (*e.g.*, construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives (FAA Sec. 601(a)):** Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

Main objectives of t program are targeted towards: improving fiscal performance i the public sector, tax system, and elec tricity tariffs; strengthening in- tegrated financial management and audit accelerating financi sector reform; judic reform; and con- solidating sustainat groeth through maint nance of appropriat macroeconomic and structural adjustmei policies.

10. **U.S. Private Trade (FAA Sec. 601(b)):** Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Cash transfer dollars are to be used for private sector importation of raw materials, intermediate and capital goods, spare parts agricultural inputs and other imports from the U.S. essential for the function of the Salvadoran economy.

11. **Local Currencies**

a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

N/A

b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

c. **Separate Account** (FY 1993 Appropriations Act Sec. 571). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

Yes, separate accounts will be established prior to disbursement of funds, and in accordance with A.I.D. regulations.

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

YES

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(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government? YES

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes? YES

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government? YES

12. **Trade Restrictions**

a. **Surplus Commodities** (FY 1993 Appropriations Act Sec. 520(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A

b. **Textiles (Lautenberg Amendment)** (FY 1993 Appropriations Act Sec. 520(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of NO

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textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. **Tropical Forests** (FY 1991 Appropriations Act Sec. 533(c)(3)(as referenced in section 532(d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

NO

14. **PVO Assistance**

a. **Auditing and registration** (FY 1993 Appropriations Act Sec. 536): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

N/A

b. **Funding sources** (FY 1993 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

N/A

15. **Project Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

The Mission will comply with Appendix 6G of Handbook 3.

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage? N/A

17. **Women in Development** (FY 1993 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased? N/A

18. **Regional and Multilateral Assistance** (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs. NO

19. **Abortions** (FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 524):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? NO

b. Will any funds be used to lobby for abortion? NO

20. **Cooperatives** (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? N/A

21. **U.S.-Owned Foreign Currencies**

a. **Use of currencies** (FAA Secs. 612(b), 636(h); FY 1993 Appropriations Act Secs. 507, 509): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. N/A

b. **Release of currencies** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? NO

22. **Procurement**

a. **Small business** (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? N/A

b. **U.S. procurement** (FAA Sec. 604(a) as amended by section 597 of the FY 1993 Appropriations Act): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section? N/A

c. **Marine insurance** (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

N/A

d. **Non-U.S. agricultural procurement** (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

N/A

e. **Construction or engineering services** (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

N/A

f. **Cargo preference shipping** (FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

NO

g. **Technical assistance** (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the

N/A

facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

h. **U.S. air carriers** (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis. will U.S. carriers be used to the extent such service is available? N/A

i. **Termination for convenience of U.S. Government** (FY 1993 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? N/A

j. **Consulting services** (FY 1993 Appropriations Act Sec. 523): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? N/A

k. **Metric conversion** (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest N/A

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documentation cf the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1. **Competitive Selection Procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? N/A

23. **Construction**

a. **Capital project** (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A

b. **Construction contract** (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A

c. **Large projects, Congressional approval** (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress? N/A

24. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

25. **Communist Assistance** (FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? YES

26. **Narcotics**

a. **Cash reimbursements** (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

YES

b. **Assistance to narcotics traffickers** (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?

YES

27. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

N/A

28. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

The FY 1993 appropriation legislation provides a waiver of FAA Section 660 for ESF for El Salvador.

29. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities?

YES

30. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

YES

31. **Military Personnel (FY 1993 Appropriations Act Sec. 503):** Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? YES

32. **Payment of U.N. Assessments** (FY 1993 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? YES

33. **Multilateral Organization Lending** (FY 1993 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? YES

34. **Export of Nuclear Resources** (FY 1993 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? YES

35. **Repression of Population** (FY 1993 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? YES

36. **Publicity or Propaganda** (FY 1993 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? NO

37. **Marine Insurance** (FY 1993 Appropriations Act Sec. 560): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?	N/A
38. **Exchange for Prohibited Act** (FY 1993 Appropriations Act Sec. 565): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?	NO
39. **Commitment of Funds** (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement?	NO
40. **Impact on U.S. Jobs** (FY 1993 Appropriations Act, Sec. 599):	
(a) Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business?	NO
(b) Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.?	NO

(c) Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country? NO

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. **Agricultural Exports (Bumpers Amendment)** (FY 1993 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers? N/A

2. **Tied Aid Credits** (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits? N/A

3. **Appropriate Technology** (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? N/A

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research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

23. **Capital Projects** (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

1. **Economic and Political Stability** (FAA Sec. 531(a)): Will this assistance promote economic and political stability? YES

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To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

2. **Military Purposes** (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes? NO

3. **Commodity Grants/Separate Accounts** (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1993, this provision is superseded by the separate account requirements of FY 1993 Appropriations Act Sec. 571(a), see Sec. 571(a)(5).) N/A

4. **Generation and Use of Local Currencies** (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1993, this provision is superseded by the separate account requirements of FY 1993 Appropriations Act Sec. 571(a), see Sec. 571(a)(5).) YES YES

5. **Cash Transfer Requirements** (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 571(b)). If assistance is in the form of a cash transfer:

a. **Separate account:** Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? YES

b. **Local currencies:** Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and YES

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conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements?

c. **U.S. Government use of local currencies:** Will all such local currencies also be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, or to carry out development assistance (including DFA) or ESF purposes? — N/A

d. **Congressional notice:** Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance? — YES

6. **Capital Projects** (Jobs Through Exports Act of 1992, Sec. 306, FY 1993 Appropriations Act, Sec. 595): If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided. (Please note the definition of "capital project" contained in section 595 of the FY 1993 Appropriations Act.) — N/A

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STATISTICAL APPENDIX

TABLE A.1.a.
EL SALVADOR: GROSS DOMESTIC PRODUCT – BY SECTOR OF ORIGIN, 1982 - 1992.

In Constant 1982 Prices.	Millions of 1982 Colones										
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 1/
GDP at Market Prices	2847.7	2870.4	2936.6	2993.6	3012.5	3093.5	3143.8	3177.0	3285.0	3401.0	3557.0
Primary Production	754.4	730.5	754.7	746.6	723.6	739.1	732.4	736.0	790.0	790.1	843.1
Agriculture and Related Sectors	750.6	726.8	750.9	742.8	719.7	734.7	727.7	731.1	785.5	785.1	837.5
Mining	3.8	3.7	3.8	3.8	3.9	4.4	4.7	4.9	4.5	5.0	5.6
Secondary Production	671.1	687.5	691.4	719.3	737.4	766.2	792.9	811.8	820.9	869.1	925.1
Manufacturing	480.9	490.5	496.9	515.4	528.3	544.1	560.5	574.4	591.6	620.4	657.6
Construction	90.4	92.2	86.9	90.9	93.3	104.0	112.2	116.2	101.3	111.5	120.4
Utilities	99.8	104.8	107.6	113.0	115.8	118.1	120.2	121.2	128.0	137.2	147.1
Services	1422.2	1452.4	1489.5	1527.7	1551.5	1586.2	1618.5	1629.2	1674.1	1741.7	1788.8
Transportion and Communications	161.3	170.9	175.6	178.8	179.7	183.0	186.7	189.0	201.0	215.1	226.7
Commercial Services	468.3	478.1	487.1	489.5	491.0	497.9	500.1	516.9	533.0	555.5	579.0
Financial Services	96.5	96.7	99.7	102.7	104.2	106.7	108.8	98.5	100.5	104.5	110.0
Housing	137.3	140.1	142.3	144.4	144.8	148.5	152.7	156.4	160.3	164.7	170.5
Public Administration	356.3	366.3	384.5	411.6	430.1	447.4	462.6	457.7	464.8	479.2	471.5
Other Services	200.5	198.3	200.3	200.7	201.7	204.7	207.6	210.7	214.5	222.7	231.1

	Annual Growth Rates										
	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90	92/91
GDP at Market Prices	-5.6	0.8	2.3	2.0	0.6	2.7	1.6	1.1	3.4	3.5	4.6
Primary Production	-4.7	-3.2	3.3	-1.1	-3.1	2.1	-0.9	0.5	7.3	0.0	6.7
Agriculture and Related Sectors	-4.7	-3.2	3.3	-1.1	-3.1	2.1	-1.0	0.5	7.4	-0.0	6.7
Mining	0.0	-2.6	2.7	0.0	2.6	12.8	6.8	4.3	-8.2	11.3	11.8
Secondary Production	-7.0	2.4	0.6	4.0	2.5	3.9	3.5	2.4	1.1	5.9	6.4
Manufacturing	-8.4	2.0	1.3	3.7	2.5	3.0	3.0	2.5	3.0	4.9	6.0
Construction	-4.1	2.0	-5.7	4.6	2.6	11.5	7.9	3.6	-12.8	10.1	8.0
Utilities	-2.5	5.0	2.7	5.0	2.5	2.0	1.8	0.8	5.6	7.2	7.2
Services	-5.4	2.1	2.6	2.6	1.6	2.4	1.9	0.7	2.8	4.0	2.7
Transportion and Communications	-6.5	6.0	2.8	1.8	0.5	1.8	2.0	1.2	6.3	7.0	5.4
Commercial Services	-12.0	2.1	1.9	0.5	0.3	1.4	0.4	3.4	3.1	4.2	4.2
Financial Services	5.6	0.2	1.0	3.0	1.5	2.4	2.0	-9.5	2.0	4.0	5.3
Housing	2.6	2.0	1.6	1.5	0.3	2.6	2.8	2.4	2.5	2.8	3.5
Public Administration	3.0	2.8	5.0	7.0	4.5	4.0	3.4	-1.1	1.6	3.1	-1.6
Other Services	-11.5	-1.1	1.0	0.2	0.5	1.5	1.4	1.5	1.8	3.8	3.8

	As Percent of Total GDP										
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 1/
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary Production	26.5	25.4	25.7	24.9	24.0	23.9	23.3	23.2	24.0	23.2	23.7
Agriculture and Related Sectors	26.4	25.3	25.6	24.8	23.9	23.7	23.1	23.0	23.9	23.1	23.5
Mining	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.2
Secondary Production	23.6	24.0	23.6	24.0	24.5	24.8	25.2	25.6	25.0	25.6	26.0
Manufacturing	16.9	17.1	16.9	17.2	17.5	17.6	17.8	18.1	18.0	18.2	18.5
Construction	3.2	3.2	3.0	3.0	3.1	3.4	3.6	3.7	3.1	3.3	3.4
Utilities	3.5	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.9	4.0	4.1
Services	49.9	50.6	50.7	51.0	51.5	51.3	51.5	51.3	51.0	51.2	50.3
Transportion and Communications	5.7	6.0	6.0	6.0	6.0	5.9	5.9	5.9	6.1	6.3	6.4
Commercial Services	16.4	16.7	16.6	16.4	16.3	16.1	15.9	16.3	16.2	16.3	16.3
Financial Services	3.5	3.4	3.4	3.4	3.5	3.4	3.5	3.1	3.1	3.1	3.1
Housing	4.8	4.9	4.8	4.8	4.8	4.8	4.9	4.9	4.9	4.8	4.8
Public Administration	12.5	12.8	13.1	13.7	14.3	14.5	14.7	14.4	14.1	14.1	13.3
Other Services	7.0	6.9	6.8	6.7	6.7	6.6	6.6	6.6	6.5	6.5	6.5

	Contribution to Overall GDP Growth by Sector										
	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90	92/91
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary Production	21.8	-105.3	37.1	-14.0	-121.7	19.1	-13.3	10.8	50.0	0.1	34.0
Agriculture and Related Sectors	21.8	-104.8	37.0	-14.0	-122.2	18.5	-13.9	10.2	50.4	-0.3	33.6
Mining	0.0	-0.4	0.2	0.0	0.5	0.6	0.6	0.6	-0.4	0.4	0.4
Secondary Production	29.9	72.2	6.0	48.1	95.8	35.6	53.1	56.9	8.4	41.6	35.9
Manufacturing	26.1	42.3	9.8	31.9	68.3	19.5	32.6	41.9	15.9	24.8	23.8
Construction	2.3	7.9	-8.1	6.9	12.7	13.2	16.3	12.0	-13.8	8.8	5.7
Utilities	1.5	22.0	4.3	9.3	14.8	2.8	4.2	3.0	6.3	7.9	6.3
Services	48.3	133.0	56.9	65.9	125.9	45.3	60.2	32.2	41.6	58.3	30.2
Transportion and Communications	6.6	42.3	7.2	5.5	4.8	4.1	7.4	6.9	11.1	12.2	7.4
Commercial Services	37.6	43.2	13.8	4.1	7.9	8.5	4.4	50.6	14.9	19.4	15.1
Financial Services	-3.2	0.9	1.5	5.2	7.9	3.1	4.2	-31.0	1.9	3.5	3.5
Housing	-2.1	12.3	3.4	3.6	2.1	4.6	8.3	11.1	3.6	3.6	3.7
Public Administration	-6.1	44.1	27.9	46.7	87.9	21.4	30.2	-14.8	6.8	12.4	-4.9
Other Services	15.4	-9.7	3.1	0.7	5.3	3.7	5.8	9.3	3.5	7.1	5.4

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

TABLE A.1.b.
EL SALVADOR: GROSS DOMESTIC PRODUCT -- BY SECTOR OF ORIGIN, 1982 - 1992.

In Current Prices.

Millions of Colones	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 1/
GDP at Market Prices	**8968**	**10152**	**11657**	**14331**	**19763**	**23141**	**27386**	**32230**	**41057**	**47792**	**54762**
Primary Production	**2089**	**2176**	**2338**	**2631**	**3996**	**3237**	**3848**	**3825**	**4664**	**4963**	**5199**
Agriculture and Related Sectors	2075	2161	2320	2611	3969	3198	3801	3767	4599	4881	5100
Mining	14	15	18	21	27	36	47	58	65	82	99
Secondary Production	**1863**	**2159**	**2474**	**3118**	**4051**	**5252**	**6158**	**7426**	**9512**	**11348**	**13167**
Manufacturing	1362	1572	1837	2346	3086	4045	4809	5836	7647	8957	10348
Construction	301	343	355	437	547	710	815	984	1072	1310	1527
Utilities	200	244	281	335	418	497	535	606	793	1082	1292
Services	**4996**	**5617**	**6846**	**8582**	**11716**	**14652**	**17380**	**20979**	**26881**	**31481**	**36396**
Transportion and Communications	347	412	481	613	816	1061	1206	1416	1897	2274	2660
Commercial Services	2089	2510	2995	3896	5627	7275	8721	10632	14187	16751	19647
Financial Services	331	358	392	442	564	640	779	795	924	1171	1445
Housing	471	536	630	747	939	1182	1520	1893	2386	2721	3077
Public Administration	1050	1177	1366	1603	1977	2207	2385	2714	3232	3578	3660
Other Services	708	823	982	1278	1794	2286	2749	3330	4275	4986	5706

Annual Growth Rates	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90	92/91
GDP at Market Prices	**3.7**	**13.2**	**14.8**	**22.9**	**37.9**	**17.1**	**18.3**	**17.8**	**27.4**	**16.4**	**14.6**
Primary Production	**-1.4**	**4.2**	**7.5**	**12.5**	**51.8**	**-19.0**	**18.9**	**-0.6**	**21.9**	**6.4**	**4.8**
Agriculture and Related Sectors	-1.5	4.1	7.4	12.5	52.0	-19.4	18.8	-0.9	22.1	6.1	4.5
Mining	8.8	11.8	19.7	13.7	29.0	42.7	23.4	23.8	12.4	25.2	20.4
Secondary Production	**2.6**	**14.7**	**14.6**	**26.1**	**29.9**	**29.7**	**17.2**	**20.6**	**28.1**	**19.3**	**16.0**
Manufacturing	1.7	13.8	16.9	27.7	31.5	31.1	18.9	21.4	31.0	17.1	15.5
Construction	5.8	14.2	3.5	23.0	25.2	29.8	14.7	20.8	8.9	22.2	16.6
Utilities	4.2	22.1	15.3	19.2	24.7	18.9	7.7	13.1	30.9	36.5	19.4
Services	**6.4**	**16.5**	**17.7**	**25.4**	**36.5**	**25.1**	**18.5**	**20.8**	**28.1**	**17.1**	**15.6**
Transportion and Communications	5.8	18.7	16.8	27.6	33.0	30.0	13.6	17.4	34.0	19.9	17.0
Commercial Services	3.0	20.1	19.3	30.2	44.4	29.3	19.9	24.2	31.0	18.1	17.3
Financial Services	12.1	8.2	9.6	12.7	27.6	13.5	21.8	2.0	16.2	26.8	23.4
Housing	14.4	14.2	17.0	18.7	25.7	25.8	28.6	24.5	25.0	15.0	13.1
Public Administration	11.3	12.1	16.1	17.3	23.3	11.7	8.1	13.8	19.1	10.7	7.9
Other Services	3.1	16.3	19.4	30.1	40.4	27.4	20.2	21.2	26.4	16.8	14.4

As Percent of Total GDP	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 1/
GDP at Market Prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Primary Production	**23.3**	**21.4**	**20.1**	**18.4**	**20.2**	**14.0**	**14.1**	**11.9**	**11.4**	**10.4**	**9.5**
Agriculture and Related Sectors	23.1	21.3	19.9	18.2	20.1	13.8	13.9	11.7	11.2	10.2	9.3
Mining	0.2	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Secondary Production	**21.0**	**21.3**	**21.2**	**21.8**	**20.5**	**22.7**	**22.5**	**23.0**	**23.2**	**23.7**	**24.0**
Manufacturing	15.4	15.5	15.8	16.4	15.6	17.5	17.6	18.1	18.6	18.7	18.9
Construction	3.4	3.4	3.0	3.0	2.8	3.1	3.0	3.1	2.6	2.7	2.8
Utilities	2.2	2.4	2.4	2.3	2.1	2.1	2.0	1.9	1.9	2.3	2.4
Services	**55.7**	**57.3**	**58.7**	**59.9**	**59.3**	**63.3**	**63.4**	**65.1**	**65.5**	**65.9**	**66.5**
Transportion and Communications	3.9	4.1	4.1	4.3	4.1	4.6	4.4	4.4	4.6	4.8	4.9
Commercial Services	23.3	24.7	25.7	27.2	28.5	31.4	31.9	33.6	34.6	35.1	35.9
Financial Services	3.7	3.5	3.4	3.1	2.9	2.8	2.8	2.5	2.2	2.5	2.6
Housing	5.3	5.3	5.4	5.2	4.8	5.1	5.6	5.9	5.8	5.7	5.6
Public Administration	11.7	11.6	11.7	11.2	10.0	9.5	8.7	8.4	7.9	7.5	7.0
Other Services	7.9	8.1	8.4	8.9	9.1	9.9	10.0	10.3	10.4	10.4	10.4

Contribution to Overall GDP Growth by Sector	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90	92/91
GDP at Market Prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Primary Production	**-9.2**	**7.3**	**10.8**	**11.0**	**25.1**	**-22.5**	**14.5**	**-0.5**	**2.5**	**4.4**	**3.4**
Agriculture and Related Sectors	-9.6	7.2	10.6	10.9	25.0	-22.8	14.3	-0.7	2.4	4.2	3.1
Mining	0.3	0.1	0.2	0.1	0.1	0.3	0.2	0.2	0.1	0.2	0.2
Secondary Production	**14.8**	**23.4**	**20.9**	**24.1**	**17.2**	**35.6**	**21.4**	**26.1**	**23.6**	**27.3**	**26.1**
Manufacturing	7.1	16.0	17.6	19.0	13.6	28.4	18.1	21.1	20.5	19.4	20.0
Construction	5.1	3.6	0.8	3.1	2.0	4.8	2.5	3.5	1.0	3.5	3.1
Utilities	2.5	3.7	2.5	2.0	1.5	2.3	0.9	1.4	2.1	4.3	3.0
Services	**94.4**	**69.3**	**68.3**	**64.9**	**57.7**	**86.9**	**64.1**	**74.4**	**66.9**	**68.3**	**70.5**
Transportion and Communications	5.6	5.5	4.6	5.0	3.7	7.3	3.4	4.3	5.5	5.6	5.5
Commercial Services	19.1	35.5	32.2	33.8	31.6	48.8	34.2	43.4	38.0	38.1	41.5
Financial Services	11.1	2.3	2.3	1.9	2.2	2.3	3.3	0.3	1.5	3.7	3.9
Housing	18.5	5.6	6.1	4.4	3.5	7.2	8.0	7.7	5.4	5.3	5.1
Public Administration	33.2	10.7	12.6	6.6	6.9	6.8	4.2	6.8	5.9	5.1	4.1
Other Services	6.7	9.7	10.6	11.1	9.5	14.6	10.9	12.0	10.7	10.6	10.3

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

1/3

TABLE A.2.a.
EL SALVADOR : GROSS DOMESTIC PRODUCT -- by Sector of Final Demand, 1982 - 1992.

In Constant 1982 Prices.	Millions of 1982 Colones										
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 1/
GDP at Market Prices	2847.7	2870.4	2935.6	2993.6	3012.5	3093.5	3143.8	3177.0	3285.0	3401.0	3557.0
Gross Domestic Expenditure	2875.9	2868.1	2971.6	3059.4	3140.1	3153.5	3259.9	3436.1	3304.0	3462.8	3640.0
Consumption Expenditures	2520.1	2542.5	2636.3	2742.8	2755.5	2785.1	2823.3	2848.7	2914.2	2985.2	3051.7
Private Sector	2084.6	2113.7	2175.3	2250.6	2244.9	2259.2	2284.3	2316.0	2376.6	2424.2	2489.7
Public Sector	435.5	428.8	461.0	492.2	510.6	525.9	539.0	532.7	537.6	561.0	562.0
Gross Domestic Investment	355.8	325.6	335.3	316.6	384.6	368.4	436.6	587.4	389.8	477.6	588.3
Gross Fixed Capital Formation	338.7	313.5	320.8	353.6	380.1	414.7	430.2	469.2	388.0	461.2	571.0
Private Sector	163.7	178.0	199.4	241.9	285.8	306.8	305.1	318.5	293.8	350.9	413.5
Public Sector	175.0	135.5	121.4	111.7	94.3	107.9	125.1	150.7	94.2	110.3	157.5
Changes in Inventories	17.1	12.1	14.5	-37.0	4.5	-46.3	6.4	118.2	1.8	16.4	17.3
Net Exports	-28.2	2.3	-36.0	-65.8	-127.6	-60.0	-116.1	-259.1	-19.0	-61.8	-83.0
Exports of Goods and Nonfactor Services	588.4	698.1	674.4	648.1	566.4	636.6	576.8	476.1	718.9	707.4	786.9
Imports of Goods and Nonfactor Services	616.6	695.8	710.4	713.9	694.0	696.6	692.9	735.2	737.9	769.2	869.9
Net Factor Payments	-72.7	-104.8	-86.3	-73.9	-72.0	-70.1	-58.6	-56.0	-62.0	-58.5	-57.0
Gross National Product at Market Prices	2774.7	2765.6	2849.3	2919.8	2940.7	3023.5	3085.2	3121.0	3223.0	3342.5	3500.0

	Annual Growth Rates										
	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90	92/91
GDP at Market Prices	-5.6	0.8	2.3	2.0	0.6	2.7	1.6	1.1	3.4	3.5	4.6
Gross Domestic Expenditure	-7.6	-0.3	3.6	3.0	2.6	0.4	3.4	5.4	-3.8	4.8	5.1
Consumption Expenditures	-7.2	0.9	3.7	4.0	0.5	1.1	1.4	0.9	2.3	2.4	2.2
Private Sector	-8.5	1.4	2.9	3.5	-0.3	0.6	1.1	1.4	2.6	2.0	2.7
Public Sector	-0.4	-1.5	7.5	6.8	3.7	3.0	2.5	-1.2	0.9	4.4	0.2
Gross Domestic Investment	-10.2	-8.5	3.0	-5.6	21.5	-4.2	18.5	34.5	-33.6	22.5	23.2
Gross Fixed Capital Formation	-10.1	-7.4	2.3	10.2	7.5	9.1	3.7	9.1	-17.3	18.9	23.8
Private Sector	1.5	8.7	12.0	21.3	18.1	7.3	-0.6	4.4	-7.8	19.4	17.8
Public Sector	-18.8	-22.6	-10.4	-8.0	-15.6	14.4	15.9	20.5	-37.5	17.1	42.8
Changes in Inventories											
Net Exports											
Exports of Goods and Nonfactor Services	-14.8	18.6	-3.4	-3.9	-12.6	12.4	-9.4	-17.5	51.0	-1.6	11.2
Imports of Goods and Nonfactor Services	-21.5	12.8	2.1	0.5	-2.8	0.4	-0.5	6.1	0.4	4.2	13.1
Net Factor Payments	40.0	43.9	-17.4	-14.4	-2.6	-2.5	-16.6	-4.3	10.8	-5.7	-2.6
Gross National Product at Market Prices	-6.4	-0.3	3.0	2.5	0.7	2.8	2.0	1.2	3.3	3.7	4.7

	As percent of Total GDP										
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 1/
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Gross Domestic Expenditure	101.0	99.9	101.2	102.2	104.2	101.9	103.7	108.2	100.6	101.8	102.3
Consumption Expenditures	88.5	88.6	89.8	91.6	91.5	90.0	89.8	89.7	88.7	87.8	85.8
Private Sector	73.2	73.6	74.1	75.2	74.5	73.0	72.7	72.9	72.3	71.3	70.0
Public Sector	15.3	14.9	15.7	16.4	16.9	17.0	17.1	16.8	16.4	16.5	15.8
Gross Domestic Investment	12.5	11.3	11.4	10.6	12.8	11.9	13.9	18.5	11.9	14.0	16.5
Gross Fixed Capital Formation	11.9	10.9	10.9	11.8	12.6	13.4	13.7	14.8	11.8	13.6	16.1
Private Sector	5.7	6.2	6.8	8.1	9.5	9.9	9.7	10.0	8.9	10.3	11.6
Public Sector	6.1	4.7	4.1	3.7	3.1	3.5	4.0	4.7	2.9	3.2	4.4
Changes in Inventories	0.6	0.4	0.5	-1.2	0.1	-1.5	0.2	3.7	0.1	0.5	0.5
Net Exports	-1.0	0.1	-1.2	-2.2	-4.2	-1.9	-3.7	-8.2	-0.6	-1.8	-2.3
Exports of Goods and Nonfactor Services	20.7	24.3	23.0	21.6	18.8	20.6	18.3	15.0	21.9	20.8	22.1
Imports of Goods and Nonfactor Services	21.7	24.2	24.2	23.8	23.0	22.5	22.0	23.1	22.5	22.6	24.5
Net Factor Payments	-2.6	-3.6	-2.9	-2.5	-2.4	-2.3	-1.9	-1.8	-1.9	-1.7	-1.6
Gross National Product at Market Prices	97.4	96.4	97.1	97.5	97.6	97.7	98.1	98.2	98.1	98.3	98.4

	Contribution to Overall GDP Growth by Sector										
	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90	92/91
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Gross Domestic Expenditure	138.7	-34.4	158.7	151.4	427.0	16.5	211.5	530.7	-122.3	136.9	113.6
Consumption Expenditures	115.8	98.7	143.9	183.6	67.2	36.5	75.9	78.5	60.6	61.2	42.6
Private Sector	114.8	128.2	94.5	129.8	-30.2	17.7	49.9	95.5	56.1	41.0	42.0
Public Sector	1.1	-29.5	49.4	53.8	97.4	18.9	26.0	-19.0	4.5	20.2	0.6
Gross Domestic Investment	23.9	-133.0	14.9	-32.2	359.8	-20.0	135.6	454.2	-183.0	75.7	71.0
Gross Fixed Capital Formation	22.5	-111.0	11.2	56.6	140.2	42.7	30.8	117.5	-75.2	63.1	70.4
Private Sector	-1.4	63.0	32.8	73.3	232.3	25.9	-3.4	40.4	-22.9	49.2	40.1
Public Sector	23.9	-174.0	-21.6	-16.7	-92.1	16.8	34.2	77.1	-52.3	13.9	30.3
Changes in Inventories	1.4	-22.0	3.7	-88.8	219.6	-62.7	104.8	336.7	-107.8	12.6	0.6
Net Exports	-38.7	134.4	-58.7	-51.4	-327.0	83.5	-111.5	-430.7	222.3	-36.9	-13.6
Exports of Goods and Nonfactor Services	60.3	483.3	-38.3	-45.3	-432.3	86.7	-118.9	-303.3	224.8	-9.9	51.0
Imports of Goods and Nonfactor Services	100.0	348.9	22.4	6.0	-105.3	3.2	-7.4	127.4	2.5	27.0	64.6
Net Factor Payments											
Gross National Product at Market Prices											

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

TABLE A.2.b.
EL SALVADOR: GROSS DOMESTIC PRODUCT -- by Sector of Final Demand, 1982 - 1992.

In Current Prices.	Millions of Colones										
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 1/
GDP at Market Prices	8966	10152	11667	14331	19763	23141	27386	32230	41067	47782	54782
Gross Domestic Expenditure	9477	10702	12448	15415	20628	24786	29138	35606	45641	53700	63371
Consumption Expenditures	8291	9478	11054	13860	18009	21926	25637	30373	40791	47093	54637
Private Sector	6877	7871	9184	11640	15206	18744	22153	26443	36141	41821	48848
Public Sector	1415	1607	1869	2220	2803	3181	3484	3930	4649	5272	5789
Gross Domestic Investment	1186	1224	1394	1554	2619	2861	3501	5232	4851	6606	8734
Gross Fixed Capital Formation	1130	1180	1336	1723	2594	3158	3456	4293	4834	6432	8540
Private Sector	585	716	881	1251	2091	2481	2607	3169	3904	5226	6890
Public Sector	545	464	455	473	502	677	848	1124	930	1209	1650
Changes in Inventories	56	44	59	-169	26	-297	45	938	17	171	193
Net Exports	-510	-550	-791	-1084	-865	-1646	-1772	-3375	-4584	-5908	-8609
Exports of Goods and Nonfactor Services	2042	2486	2536	3199	4875	4395	4327	4261	6528	7055	7459
Imports of Goods and Nonfactor Services	2553	3036	3327	4283	5740	6040	6099	7636	11113	12963	16068
Net Factor Payments	-229	-370	-343	-354	-472	-525	-509	-568	-775	-822	-877
Gross National Product at Market Prices	8737	9782	11314	13977	19291	22616	26857	31662	40282	46970	53885

	Annual Growth Rates										
	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90	92/91
GDP at Market Prices	3.7	13.2	14.8	22.9	37.9	17.1	18.3	17.8	27.4	16.4	14.6
Gross Domestic Expenditure	2.5	12.9	16.3	23.8	33.8	20.2	17.6	22.2	28.2	17.7	18.0
Consumption Expenditures	3.5	14.3	16.6	25.4	29.9	21.7	16.9	18.5	34.3	15.5	16.0
Private Sector	3.5	14.5	16.7	26.7	30.6	23.3	18.2	19.4	36.7	15.7	16.8
Public Sector	3.4	13.6	16.3	18.7	26.2	13.5	9.5	12.8	18.3	13.4	9.8
Gross Domestic Investment	-3.7	3.2	13.9	11.5	68.5	9.2	22.4	49.4	-7.3	36.2	32.2
Gross Fixed Capital Formation	-3.7	4.4	13.2	29.0	50.5	21.6	9.4	24.2	12.6	33.1	32.7
Private Sector	6.5	22.3	23.0	42.0	67.2	18.6	5.1	21.6	23.2	33.9	28.0
Public Sector	-14.1	-14.8	-1.9	3.8	6.3	34.8	25.3	32.5	-17.3	30.0	53.1
Changes in Inventories											
Net Exports											
Exports of Goods and Nonfactor Services	-11.5	21.7	2.0	26.2	52.4	-9.9	-1.5	-1.5	53.2	8.1	5.7
Imports of Goods and Nonfactor Services	-12.1	18.9	9.6	26.8	34.0	5.2	1.0	25.2	45.5	16.6	24.0
Net Factor Payments	53.9	61.6	-7.3	3.2	33.4	11.1	-3.0	11.6	36.5	6.1	6.7
Gross National Product at Market Prices	2.8	12.0	15.7	23.5	38.0	17.2	18.8	17.9	27.2	16.6	14.7

	As percent of Total GDP										
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 1/
GDP at Market Prices	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Gross Domestic Expenditure	105.7	105.4	106.8	107.6	104.4	107.1	106.5	110.5	111.2	112.4	115.7
Consumption Expenditures	92.5	93.4	94.8	96.7	91.1	94.7	93.7	94.2	99.4	98.5	99.8
Private Sector	76.7	77.5	78.8	81.2	76.9	81.0	80.9	82.0	88.0	87.5	89.2
Public Sector	15.8	15.8	16.0	15.5	14.2	13.7	12.7	12.2	11.3	11.0	10.6
Gross Domestic Investment	13.2	12.1	12.0	10.8	13.3	12.4	12.8	16.2	11.8	13.8	15.9
Gross Fixed Capital Formation	12.6	11.6	11.5	12.0	13.1	13.6	12.6	13.3	11.8	13.5	15.6
Private Sector	6.5	7.0	7.6	8.7	10.6	10.7	9.5	9.8	9.5	10.9	12.2
Public Sector	6.1	4.6	3.9	3.3	2.5	2.9	3.1	3.5	2.3	2.5	3.4
Changes in Inventories	0.6	0.4	0.5	-1.2	0.1	-1.3	0.2	2.9	0.0	0.4	0.4
Net Exports	-5.7	-5.4	-6.8	-7.6	-4.4	-7.1	-6.5	-10.5	-11.2	-12.4	-15.7
Exports of Goods and Nonfactor Services	22.8	24.5	21.6	22.3	24.7	19.0	15.8	13.2	15.9	14.8	13.6
Imports of Goods and Nonfactor Services	28.5	29.9	28.5	29.9	29.0	26.1	22.3	23.7	27.1	27.1	29.3
Net Factor Payments	-2.6	-3.6	-2.9	-2.5	-2.4	-2.3	-1.9	-1.8	-1.9	-1.7	-1.6
Gross National Product at Market Prices	97.4	96.4	97.1	97.5	97.6	97.7	98.1	98.2	98.1	98.3	98.4

	Contribution to Overall GDP Growth by Sector										
	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90	92/91
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Gross Domestic Expenditure	72.8	103.4	116.0	111.0	96.0	123.1	103.0	133.0	113.7	119.6	138.8
Consumption Expenditures	87.1	100.1	104.6	105.0	78.4	116.0	87.8	97.4	118.0	93.6	108.2
Private Sector	72.7	83.9	87.2	91.9	65.6	104.7	80.7	88.2	109.9	84.3	100.8
Public Sector	14.4	16.2	17.4	13.1	10.7	11.2	7.2	9.2	8.1	9.3	7.4
Gross Domestic Investment	-14.3	3.2	11.3	6.0	19.6	7.1	15.2	35.6	-4.3	26.1	30.5
Gross Fixed Capital Formation	-13.6	4.2	10.4	14.5	16.0	16.7	7.0	17.2	6.1	23.8	30.2
Private Sector	14.3	11.0	11.0	13.8	15.5	11.5	3.0	11.6	8.3	19.6	21.0
Public Sector	-27.9	-6.8	-0.6	0.6	0.5	5.2	4.1	5.7	-2.2	4.1	9.2
Changes in Inventories	-0.8	-1.0	1.0	-8.5	3.6	-9.6	6.1	18.4	-10.4	2.3	0.3
Net Exports	27.2	-3.4	-16.0	-11.0	4.0	-23.1	-3.0	-33.0	-13.7	-19.6	-38.8
Exports of Goods and Nonfactor Services	-82.7	37.4	3.3	24.6	30.9	-14.2	-1.6	-1.4	25.7	7.6	5.8
Imports of Goods and Nonfactor Services	-109.9	40.6	19.3	35.6	26.6	8.9	1.4	31.6	39.4	27.5	44.6
Net Factor Payments											
Gross National Product at Market Prices											

Source: Central Reserve Bank of El Salvador.

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

	1989			1990			1991			1992		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total 1/	**739856**	**437303**	**302553**	**833245**	**488011**	**345234**	**841574**	**483204**	**358370**	**893171**	**512631**	**380540**
Agriculture	80805	67256	13549	65917	55306	10611	92461	72068	20393	88485	72031	16454
Mining	77	77	0	595	497	98	863	863	0	874	626	248
Industry	164112	92900	71212	197138	110480	86658	202216	109674	92542	220315	118522	101793
Electricity, gas, water	5008	4852	156	5451	5173	276	7094	5846	1248	9324	7727	1597
Construction	43899	43070	829	54369	52594	1775	45080	42614	2466	52798	51142	1656
Commerce	198392	68147	130245	243103	88628	154475	229379	82555	146824	227948	101802	126146
Transport. and Commun.	40877	37921	2956	47250	44138	3112	47733	44542	3191	47921	43765	4156
Financial Establish.	22472	14681	7791	23576	15003	8573	25765	15630	10135	18395	10730	7665
Services	184214	108399	75815	195846	116192	79654	190983	109412	81571	227111	106286	120825
a. Formal Sector	**372949**	**249717**	**123232**	**409747**	**275021**	**134726**	**432578**	**282001**	**150577**	**480529**	**313716**	**166813**
Agriculture	40715	30341	10374	30542	23615	6927	58088	40799	17289	49875	35772	14103
Mining	77	77	0	516	418	98	621	621	0	768	573	195
Industry	86189	56009	30180	96315	64299	32016	101021	64724	36297	117283	76099	41184
Electricity, gas, water	4757	4683	74	5196	4918	278	7094	5846	1248	9253	7727	1526
Construction	22566	21849	717	27255	25696	1559	23852	21653	2199	27912	26641	1271
Commerce	43897	25462	18435	58501	33909	24592	55525	33311	22214	65274	43349	21925
Transport. and Commun.	16837	14494	2343	21933	19136	2797	18754	16514	2240	21957	18857	3100
Financial Establish.	20958	13576	7382	21647	13830	7817	21948	13495	8453	16881	9597	7284
Services	136953	83226	53727	147842	89200	58642	145675	85038	60637	171326	95101	76225
b. Informal Sector 2/	**366907**	**187586**	**179321**	**[illegible]3498**	**212990**	**210508**	**408996**	**201203**	**207793**	**412642**	**198915**	**213727**
Agriculture	40090	36915	3175	35375	31691	3684	34373	31269	3104	38610	36259	2351
Mining	0	0	0	79	79	0	242	242	0	106	53	53
Industry	77923	36891	41032	100823	46181	54642	101195	44950	56245	103032	42423	60609
Electricity, gas, water	251	169	82	255	255	0	0	0	0	71	0	71
Construction	21333	21221	112	27114	26898	216	21228	20961	267	24886	24501	385
Commerce	154495	42685	111810	184602	54719	129883	173854	49244	124610	162674	58453	104221
Transport. and Commun.	24040	23427	613	25317	25002	315	28979	28028	951	25964	24908	1056
Financial Establish.	1514	1105	409	1929	1173	756	3817	2135	1682	1514	1133	381
Services	47261	25173	22088	48004	26992	21012	45308	24374	20934	55785	11185	44600

Source: Household Survey, Ministry of Planning.
1/. Surveys conducted during the October 1988-February 1989 for 1989, January-June for 1990, October 1990-February 1991 for 1991, and October 1991-March 1992 for 1992.
2/. Domestic Service is not included.

Table A.4.
El Salvador
Urban Labor Market Analysis
1989-1992 1/
(Numbers of Persons and Percentages)

	1989	1990	1991	1992	Annual Percent Change 91/89 2/	92/91
Working Age Population (WAP) 3/	1,672,500	1,787,896	1,831,763	1,896,454	4.7	3.5
Economically Active Population (EAP)	862,120	982,802	962,801	1,028,144	5.7	6.8
Total Employment	790,121	884,921	890,330	947,165	6.2	6.4
Population Fully Employed	756,498	834,213	846,549	911,422	5.8	7.7
Visible Underemployment 4/	33,623	50,708	43,781	35,743	14.1	-18.4
Unemployment	71,999	97,881	72,471	80,979	0.3	11.7
Separated	49,367	72,735	50,136	63,054	0.8	25.8
New Entrants	22,632	25,146	22,335	17,925	-0.7	-19.7
Economically Inactive Population (EIP)	810,380	805,094	868,962	868,310	3.6	-0.1
Students	419,540	409,769	433,494	435,130	1.6	0.4
Homemakers	287,986	275,467	298,802	286,840	1.9	-4.0
Retirees	16,971	17,823	19,918	22,385	8.3	12.4
Disabled	74,287	86,994	78,129	92,713	2.6	18.7
Others	11,596	15,041	38,619	31,242	82.5	-19.1
			(percentage)			
Employment Rate	91.6	90.0	92.5	92.1		
Visible Underemployment Rate 4/	3.9	5.2	4.5	3.5		
Men	3.8	5.1	4.3	3.6		
Women	1.8	2.3	2.2	1.5		
Full employment Rate	87.7	84.9	87.9	88.6		
Open Unemployment Rate	8.4	10.0	7.5	7.9		
Men	9.5	10.1	8.3	8.4		
Women	6.8	9.8	6.6	7.2		
Participation Rate (EAP/WAP)	51.5	55.0	52.6	54.2		
Men	65.8	68.0	64.1	66.2		
Women	40.4	44.4	43.1	44.5		

Source: Ministry of Planning, Household Surveys.

1/. Surveys conducted during the October 1988-February 1989 for 1989, January-June for 1990, October 1990-February 1991 for 1991, and October 1991-March 1992 for 1992.

2/. This represents the average annual rate from the 1989 results to those for 1991. This comparison was made bacause the survey periods for the 1989 and 1991 results were roughly the same time of year. The 1990 survey was conducted in a different season. Moreover, due to irregularities in the coding, 1990 labor market survey results are not very dependable.

3/. Population aged 10 and above.

4/. Those working less than 35 hours per week and seeking full time employment.

Table A.5
El Salvador : Savings and Investment, 1988-1992
(millions of colones)

	1988	1989	1990	1991	Prel. 1992
(Current Prices)					
Gross Domestic Investment	3500.8	5231.6	4850.7	6606.1	8733.5
Gross Fixed Capital Formation	3455.7	4293.4	4833.5	6434.7	8540.2
Private Sector	2607.3	3169.2	3903.5	5226.1	6690.2
Public Sector	848.4	1124.2	930.0	1208.6	1850.0
Changes in Inventories	45.1	938.2	17.2	171.4	193.3
Gross National Savings	2254.2	2201.3	2098.7	4235.7	5530.1
Private Sector	2170.0	2703.7	2228.9	4567.7	5416.1
Public Sector	84.2	-502.4	-130.2	-332.0	114.0
Foreign Savings 1/	1246.6	3030.3	2752.0	2370.4	3203.4
(As percent of GDP at current prices)					
Gross Domestic Investment	12.8	16.2	11.8	13.9	15.9
Gross Fixed Capital Formation	12.6	13.3	11.8	13.4	15.6
Private Sector	9.5	9.8	9.5	10.9	12.2
Public Sector	3.1	3.5	2.3	2.5	3.4
Changes in Inventories	0.2	2.9	0.0	0.4	0.4
Gross National Savings	8.2	6.8	5.1	8.9	10.1
Private Sector	7.9	8.4	5.4	9.6	9.9
Public Sector	0.3	-1.6	-0.3	-0.7	0.2
Foreign Savings 1/	4.6	9.4	6.7	5.0	5.8
(Constant 1962 Prices)					
Gross Domestic Investment	436.6	587.4	389.8	477.6	588.3
Gross Fixed Capital Formation	430.2	469.2	388.0	461.2	571.0
Private Sector	305.1	318.5	293.8	350.9	413.5
Public Sector	125.1	150.7	94.2	110.3	157.5
Changes in Inventories	6.4	118.2	1.8	16.4	17.3
Gross National Savings	281.1	247.1	168.7	306.2	372.5
Private Sector	270.6	303.6	179.1	330.2	364.8
Public Sector	10.5	-56.4	-10.5	-24.0	7.7
Foreign Savings 1/ 2/	155.5	340.3	221.1	171.4	215.8
(As percent of GDP in constant 1962 prices)					
Gross Domestic Investment	13.9	18.5	11.9	14.0	16.6
Gross Fixed Capital Formation	13.7	14.8	11.8	13.6	16.0
Private Sector	9.7	10.0	8.9	10.3	11.6
Public Sector	4.0	4.8	2.9	3.3	4.4
Changes in Inventories	0.2	3.7	0.1	0.5	0.5
Gross National Savings	8.9	7.8	5.1	9.0	10.5
Private Sector	8.6	9.6	5.5	9.7	10.3
Public Sector	0.3	-1.8	-0.3	-0.7	0.2
Foreign Savings 1/ 2/	5.0	10.7	6.7	5.0	8.1

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

Table B.1
El Salvador:
Consumer Price Index
By Major Category
1985-1992

	Weights	1985	1986	1987	1988	1989	1990	1991	1992
				(December 1992=100)					
				I. Period Averages					
General	**100.0**	**24.7**	**32.5**	**40.6**	**48.6**	**57.2**	**70.9**	**81.2**	**90.3**
Foodstuffs	41.6	19.5	25.7	32.3	41.8	53.0	66.7	78.6	88.7
Clothing	7.1	38.6	52.1	61.2	65.6	70.1	79.0	85.0	93.3
Housing	23.0	37.2	48.6	60.6	65.1	66.6	84.5	91.7	96.5
Miscellaneous	28.3	29.0	38.4	49.0	55.7	61.3	72.2	79.4	89.5
				II. End of Period					
General		**27.9**	**36.4**	**43.6**	**51.5**	**63.6**	**75.9**	**83.4**	**100.0**
Foodstuffs		22.0	28.7	35.1	45.9	60.8	72.2	81.1	100.0
Clothing		43.3	58.8	63.7	67.4	74.0	81.7	85.9	100.0
Housing		42.5	53.6	64.4	64.6	68.9	88.3	93.5	100.0
Miscellaneous		33.2	43.6	51.7	56.9	66.7	76.7	81.4	100.0
				(Annual percentage changes)					
				I. Period Averages					
General		**22.3**	**31.9**	**24.9**	**19.8**	**17.6**	**24.0**	**14.4**	**11.2**
Foodstuffs		18.8	31.9	25.4	29.4	27.0	25.8	17.9	12.8
Clothing		24.4	35.0	17.3	7.3	6.8	12.6	7.6	9.8
Housing		32.6	30.6	24.7	7.4	2.3	26.9	8.5	5.2
Miscellaneous		18.4	32.7	27.6	13.6	10.2	17.7	10.1	12.7
				II. End of Period					
General		**31.9**	**30.3**	**19.6**	**18.2**	**23.5**	**19.3**	**9.8**	**20.0**
Foodstuffs		27.2	30.3	22.5	30.6	32.6	18.7	12.2	23.4
Clothing		33.0	35.6	8.4	5.8	9.9	10.4	5.1	16.5
Housing		46.2	26.1	20.0	0.4	6.6	28.2	5.8	7.0
Miscellaneous		26.8	31.3	18.6	10.0	17.1	15.1	6.0	22.9

Source: General Directorate of Statistics and Census.

Table B.2
El Salvador:
Consumer Price Index
Annual, Quarterly, and Monthly Indices
1980-1993
(December 1992 = 100)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Annual	12.43	14.28	15.95	18.04	20.15	24.65	32.53	40.61	48.64	57.22	70.95	81.16	90.27	
Quarter I	11.49	13.64	15.14	17.06	19.55	22.13	29.29	37.73	45.11	52.78	66.71	77.89	84.19	102.21
Quarter II	12.30	14.16	15.78	17.51	20.01	23.76	31.51	40.30	48.41	55.24	70.81	80.25	86.12	
Quarter III	12.82	14.54	16.20	18.51	20.25	25.41	33.63	41.37	50.02	58.86	71.78	83.25	91.74	
Quarter IV	13.13	14.76	16.68	19.09	20.80	27.31	35.67	43.03	51.01	61.99	74.48	83.25	90.02	
January	11.24	13.47	14.97	16.93	19.43	21.60	28.44	37.20	44.30	51.84	65.14	77.35	83.65	102.16
February	11.41	13.68	15.06	17.00	19.47	22.09	29.41	37.45	44.90	52.84	66.57	77.61	84.08	101.83
March	11.82	13.78	15.38	17.24	19.76	22.70	30.02	38.56	46.13	53.66	68.43	78.71	84.64	102.63
April	12.06	14.01	15.58	17.24	19.96	23.20	30.79	39.84	47.42	53.92	69.94	79.12	85.53	103.08
May	12.33	14.13	15.77	17.47	20.02	23.64	31.46	40.26	48.37	54.74	70.50	80.49	85.91	
June	12.48	14.34	16.00	17.81	20.06	24.43	32.27	40.80	49.43	57.06	71.98	81.15	86.92	
July	12.77	14.46	16.05	18.10	20.15	24.96	32.69	41.12	51.06	58.08	72.32	83.10	88.61	
August	12.79	14.54	16.08	18.56	20.25	25.32	33.76	41.26	49.34	59.00	71.19	83.24	91.18	
September	12.91	14.62	16.46	18.68	20.36	25.95	34.43	41.73	49.64	59.49	71.84	83.42	95.44	
October	13.02	14.71	16.55	16.93	20.39	26.60	35.03	42.44	50.67	60.81	73.01	83.45	97.61	
November	13.09	14.76	16.67	19.04	20.82	27.38	35.55	43.08	50.85	61.55	74.51	82.96	99.46	
December	13.27	14.82	16.81	19.29	21.18	27.95	36.43	43.57	51.52	63.62	75.92	83.35	100.00	

Source: General Directorate of Statistics and Census.
1/. Annual and quarterly figures are period averages.

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Table B.3
El Salvador:
Consumer Price Index
Annual, Quarterly and Monthly Rates of Change
1980-1993

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
a. Annual Percentage Change-- Period Average 1/														
Annual	**17.3**	**14.8**	**11.7**	**13.1**	**11.7**	**22.3**	**31.9**	**24.9**	**19.8**	**17.6**	**24.0**	**14.4**	**11.2**	
Quarter I	14.0	18.7	11.0	12.7	14.6	13.2	32.4	28.8	19.5	17.0	26.4	16.8	8.1	21.4
Quarter II	18.5	15.1	11.5	10.9	14.3	18.7	32.6	27.9	20.1	14.1	28.2	13.3	7.3	
Quarter III	19.1	13.4	11.4	14.3	9.4	25.5	32.3	23.0	20.9	17.7	22.0	16.0	10.2	
Quarter IV	17.6	12.5	13.0	14.5	9.0	31.3	30.6	20.6	18.6	21.5	20.1	11.8	18.9	
b. 12-Month End-of-Period Percentage Change 2/														
January	13.5	19.8	11.2	13.1	14.7	11.2	31.7	30.8	19.1	17.0	25.7	18.8	8.4	21.8
February	13.1	19.9	10.1	12.9	14.5	13.4	33.1	27.4	19.9	17.7	26.0	16.6	8.3	21.1
March	15.4	16.6	11.6	12.1	14.6	14.9	32.2	28.4	19.6	16.3	27.5	15.0	7.5	21.3
April	17.3	15.9	11.3	10.7	15.8	16.2	32.7	29.4	19.0	13.7	29.7	13.1	8.1	20.5
May	18.6	14.6	11.6	10.8	14.6	18.1	33.1	28.0	20.1	13.2	28.8	14.2	6.7	
June	19.6	14.9	11.6	11.4	12.6	21.8	32.1	26.4	21.2	15.4	26.1	12.7	7.1	
July	21.0	13.2	11.0	12.8	11.3	23.8	31.0	25.8	24.2	13.7	24.5	14.9	6.6	
August	19.8	13.7	10.6	15.4	9.1	25.1	33.3	22.2	19.6	19.6	20.7	16.9	9.5	
September	16.5	13.3	12.6	14.7	7.8	27.4	32.7	21.2	19.0	19.8	20.8	16.1	14.4	
October	17.2	12.9	12.5	14.4	7.7	30.5	31.7	21.1	19.4	20.0	20.1	14.3	17.0	
November	17.1	12.8	12.9	14.2	9.3	31.5	29.8	21.2	18.0	21.1	21.1	11.3	19.9	
December	18.6	11.6	13.4	14.7	9.8	31.9	30.4	19.6	18.2	23.5	19.3	9.8	20.0	
c. Moving 12-Month Period Average Percentage Change 3/														
January	15.7	17.9	14.1	11.9	13.3	11.4	24.0	31.9	23.9	19.6	18.4	23.4	13.5	12.3
February	15.2	18.4	13.3	12.1	13.4	11.4	25.7	31.3	23.3	19.4	19.1	22.6	12.8	13.4
March	14.9	18.5	12.9	12.1	13.6	11.4	27.1	31.0	22.6	19.1	20.1	21.5	12.2	14.5
April	14.9	18.3	12.6	12.1	14.0	11.5	28.5	30.7	21.7	18.6	21.4	20.1	11.8	15.6
May	15.1	18.0	12.3	12.0	14.3	11.9	29.7	30.3	21.1	18.0	22.7	18.9	11.1	
June	15.5	17.6	12.0	12.0	14.4	12.7	30.6	29.8	20.8	17.5	23.6	17.8	10.6	
July	16.3	16.9	11.9	12.1	14.3	13.7	31.1	29.3	20.7	16.6	24.5	17.1	10.0	
August	16.8	16.4	11.6	12.5	13.7	15.1	31.8	28.4	20.5	16.7	24.5	16.8	9.4	
September	16.8	16.1	11.6	12.7	13.1	16.7	32.2	27.4	20.3	16.8	24.5	16.4	9.3	
October	16.9	15.7	11.5	12.9	12.5	18.6	32.3	26.5	20.2	16.9	24.4	16.0	9.6	
November	17.0	15.4	11.6	13.0	12.1	20.5	32.1	25.8	19.9	17.2	24.4	15.2	10.4	
December	17.3	14.8	11.7	13.1	11.7	22.3	31.9	24.9	19.8	17.6	24.0	14.4	11.2	
d. Monthly Percentage Change														
January	0.4	1.5	1.0	0.7	0.7	2.0	1.8	2.1	1.7	0.6	2.4	1.9	0.6	2.2
February	1.6	1.6	0.6	0.4	0.2	2.3	3.4	0.7	1.4	1.9	2.2	0.3	0.3	-0.3
March	3.6	0.8	2.1	1.4	1.5	2.8	2.1	2.9	2.7	1.5	2.8	1.4	0.7	0.8
April	2.2	1.6	1.3	0.0	1.0	2.2	2.6	3.3	2.8	0.5	2.2	0.5	1.0	0.4
May	2.1	0.9	1.2	1.3	0.3	1.9	2.2	1.1	2.0	1.5	0.8	1.7	0.4	
June	1.2	1.5	1.5	2.0	0.2	3.3	2.6	1.3	2.2	4.2	2.1	0.8	1.2	
July	2.3	0.8	0.3	1.6	0.5	2.2	1.3	0.8	3.3	1.8	0.5	2.4	1.9	
August	0.2	0.6	0.2	2.5	0.5	1.5	3.3	0.4	-3.4	1.6	-1.6	0.2	2.9	
September	1.0	0.6	2.4	1.7	0.5	2.5	2.0	1.1	0.6	0.8	0.9	0.2	4.7	
October	0.9	0.6	0.5	0.3	0.1	2.5	1.8	1.7	2.1	2.2	1.6	0.0	2.3	
November	0.5	0.3	0.7	0.6	2.1	2.9	1.5	1.5	0.3	1.2	2.0	-0.6	1.9	
December	1.4	0.4	0.9	1.3	1.8	2.1	2.5	1.2	1.3	3.4	1.9	0.5	0.5	

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

TABLE B.4.a.
EL SALVADOR: GROSS DOMESTIC PRODUCT DEFLATORS – By Sector of Origin, 1982 - 1992.

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 1/
a. Deflators 1962 = 100											
GDP at Market Prices	314.9	353.7	397.1	478.7	656.0	748.0	870.5	1014.5	1249.8	1405.2	1539.6
Primary Production	278.9	297.8	309.8	352.4	552.2	437.9	525.4	519.7	590.4	628.1	616.7
Agriculture and Related Sectors	276.5	297.3	308.9	351.5	551.5	435.3	522.3	515.3	585.5	621.7	609.0
Mining	357.9	410.8	478.9	544.7	684.6	865.9	1000.0	1187.8	1453.3	1634.7	1760.7
Secondary Production	280.5	314.1	357.8	433.5	549.3	685.5	776.7	914.8	1158.7	1305.7	1423.3
Manufacturing	287.4	320.5	369.7	455.1	584.1	743.4	857.9	1016.1	1292.6	1443.7	1573.6
Construction	332.5	372.5	408.9	480.7	586.4	683.1	725.9	847.1	1058.0	1174.3	1268.4
Utilities	200.1	232.7	261.3	296.7	301.1	421.0	445.3	499.6	619.3	788.6	878.5
Services	351.2	400.5	459.6	561.7	755.2	922.5	1072.6	1287.7	1606.7	1807.4	2034.6
Transportion and Communications	214.9	240.8	273.7	343.0	454.0	579.7	645.7	749.1	943.9	1057.1	1173.4
Commercial Services	446.0	524.9	614.6	796.3	1145.9	1461.2	1743.9	2095.5	2661.7	3015.5	3393.2
Financial Services	335.8	362.5	393.3	430.4	541.3	599.8	716.2	807.1	919.0	1120.6	1313.7
Housing	343.0	383.9	442.4	517.6	648.7	796.0	995.6	1210.0	1476.2	1651.8	1804.8
Public Administration	294.6	321.3	355.3	389.4	459.5	493.3	515.5	592.9	695.3	746.6	818.7
Other Services	353.1	415.1	490.5	636.9	889.6	1117.0	1324.0	1580.6	1993.1	2238.9	2469.2
b. Annual Growth Rates											
GDP at Market Prices	9.9	12.3	12.3	20.6	37.0	14.0	16.4	16.5	23.2	12.4	9.6
Primary Production	3.4	7.6	4.0	13.8	56.7	-20.7	20.0	-1.1	13.6	6.4	-1.8
Agriculture and Related Sectors	3.4	7.5	3.9	13.8	56.9	-21.1	20.0	-1.4	13.6	6.2	-2.0
Mining	8.8	14.8	16.6	13.7	25.7	26.5	15.5	18.8	22.4	12.5	7.7
Secondary Production	10.3	12.0	13.9	21.2	26.7	24.6	13.3	17.8	26.7	12.7	9.0
Manufacturing	11.0	11.5	15.4	23.1	28.3	27.3	15.4	18.4	27.2	11.7	9.0
Construction	10.3	12.0	9.8	17.6	22.0	16.5	6.3	16.7	24.9	11.0	8.0
Utilities	6.9	16.3	12.3	13.5	21.7	16.6	5.8	12.2	24.0	27.3	11.4
Services	12.5	14.0	14.8	22.2	34.4	22.2	16.3	20.1	24.7	12.6	12.6
Transportion and Communications	13.0	12.0	13.7	25.3	32.4	27.7	11.4	16.0	26.0	12.0	11.0
Commercial Services	17.0	17.7	17.1	29.5	43.9	27.5	19.3	20.2	27.0	13.3	12.5
Financial Services	5.9	7.9	8.5	9.4	25.8	10.8	19.4	12.7	13.9	21.9	17.2
Housing	11.5	11.9	15.2	17.0	25.3	22.7	25.1	21.5	22.0	11.9	9.3
Public Administration	8.0	9.1	10.6	9.6	18.0	7.3	4.5	15.0	17.3	7.4	9.7
Other Services	16.5	17.5	18.2	29.9	39.7	25.6	18.5	19.4	26.1	12.3	10.3

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

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TABLE B.4.b.
EL SALVADOR: GROSS DOMESTIC PRODUCT DEFLATORS -- by Sector of Final Demand, 1982 - 1992.

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 1/
(1) Deflators (1962 = 100)											
GDP at Market Prices	314.9	353.7	397.1	478.7	656.0	748.0	870.5	1014.5	1249.8	1405.2	1539.6
Gross Domestic Expenditure	329.5	373.1	418.9	503.8	656.9	788.0	893.8	1036.2	1381.4	1550.8	1740.9
Consumption Expenditures	329.0	372.8	419.3	505.3	653.6	787.2	908.0	1066.2	1399.7	1577.6	1790.4
Private Sector	329.9	372.4	422.2	517.2	677.4	829.7	969.8	1141.7	1520.7	1725.1	1962.0
Public Sector	324.8	374.8	405.5	451.0	548.9	604.9	646.4	737.8	864.8	939.8	1030.1
Gross Domestic Investment	333.1	375.8	415.9	491.0	681.0	776.5	801.8	890.6	1244.4	1383.2	1484.5
Gross Fixed Capital Formation	333.5	376.3	416.4	487.4	682.3	761.5	803.3	915.0	1245.7	1395.2	1495.7
Private Sector	357.4	402.1	441.6	517.0	731.7	808.6	854.6	995.0	1328.6	1489.3	1617.9
Public Sector	311.2	342.5	375.0	423.1	532.8	627.5	678.2	746.0	987.3	1095.7	1174.6
Changes in Inventories	325.7	362.8	403.4	456.5	571.1	642.3	704.7	793.7	955.6	1045.1	1117.3
Net Exports											
Exports of Goods and Nonfactor Services	347.1	356.1	376.0	493.6	860.7	690.3	750.1	895.0	908.1	997.3	947.9
Imports of Goods and Nonfactor Services	414.0	436.4	468.3	599.9	827.1	867.1	880.1	1038.6	1506.0	1685.2	1847.1
Net Factor Payments	314.9	353.7	397.1	478.7	656.0	748.0	870.5	1014.5	1249.8	1405.2	1539.6
Gross National Product at Market Prices	314.9	353.7	397.1	478.7	656.0	748.0	870.5	1014.5	1249.8	1405.2	1539.6
(2) Annual Growth Rates											
GDP at Market Prices	9.9	12.3	12.3	20.6	37.0	14.0	16.4	16.5	23.2	12.4	9.6
Gross Domestic Expenditure	10.9	13.2	12.3	20.3	30.4	19.6	13.7	15.9	33.3	12.3	12.3
Consumption Expenditures	11.5	13.3	12.5	20.5	29.3	20.5	15.3	17.4	31.3	12.7	13.5
Private Sector	13.1	12.9	13.4	22.5	31.0	22.5	16.9	17.7	33.2	13.4	13.7
Public Sector	3.8	15.4	8.2	11.2	21.7	10.2	6.9	14.1	17.2	8.7	9.6
Gross Domestic Investment	7.2	12.8	10.7	18.1	38.7	14.0	3.3	11.1	39.7	11.2	7.3
Gross Fixed Capital Formation	7.1	12.8	10.7	17.0	40.0	11.6	5.5	13.9	36.1	12.0	7.2
Private Sector	6.9	12.5	9.8	17.1	41.5	10.5	5.7	16.4	33.5	12.1	8.6
Public Sector	5.8	10.1	9.5	12.8	25.9	17.8	8.1	10.0	32.3	11.0	7.2
Changes in Inventories	9.3	11.4	11.2	13.1	25.1	12.5	9.7	12.6	20.4	9.4	6.9
Net Exports											
Exports of Goods and Nonfactor Services	3.9	2.6	5.6	31.3	74.4	-19.8	8.7	19.3	1.5	9.8	-5.0
Imports of Goods and Nonfactor Services	12.0	5.4	7.3	28.1	37.9	4.8	1.5	18.0	45.0	11.9	9.6
Net Factor Payments	9.9	12.3	12.3	20.5	37.0	14.0	16.4	16.5	23.2	12.4	9.6
Gross National Product at Market Prices	9.9	12.3	12.3	20.5	37.0	14.0	16.4	16.5	23.2	12.4	9.6

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

Table B.5.
El Salvador: Exchange Rate Trends
Annual and Monthly Average Rates
(colones per dollar)

	Official Rate		Inter-Bank Rate		Black market/Exchange Houses Rate	
	Buying	Selling	Buying	Selling	Buying	Selling
1985	2.50		4.27	4.30	5.65	5.85
1986	5.00		5.00	5.00	5.65	5.80
1987	5.00		5.00	5.00	5.42	5.50
1988	5.00		5.00	5.00	5.36	5.42
1989	5.00		5.61	5.65	6.12	6.21
1990	7.16	7.19	7.65	7.69	7.95	8.00
1991	8.02	8.07	8.01	8.08	8.03	8.07
1992	8.36	8.44	8.37	8.45	8.38	8.46
1992						
January	8.09	8.16	8.09	8.17	8.09	8.15
February	8.12	8.18	8.13	8.20	8.13	8.19
March	8.15	8.22	8.16	8.23	8.16	8.21
April	8.17	8.23	8.16	8.24	8.16	8.22
May	8.16	8.22	8.16	8.23	8.17	8.23
June	8.18	8.24	8.20	8.28	8.21	8.29
July	8.35	8.42	8.35	8.42	8.37	8.45
August	8.41	8.46	8.42	8.46	8.43	8.49
September	8.51	8.57	8.51	8.56	8.53	8.60
October	8.61	8.67	8.63	8.67	8.64	8.72
November	8.92	9.01	8.96	9.04	8.99	9.12
December	8.67	8.90	8.64	8.87	8.66	8.85
1993						
January	8.70	8.82	8.69	8.83	8.72	8.83
February	8.76	8.85	8.75	8.85	8.76	8.84
March	8.72	8.80	8.71	8.80	8.72	8.79
April	8.71	8.79	8.71	8.79	8.71	8.78

Source: Central Reserve Bank of El Salvador (C.R.B.)

Table B.6
El Salvador: Real Effective Exchange Rate Trends, 1986-1992
(1980 = 100)

	Real Effective Exchange Rate 1/ 2/	Nominal Effective Exchange Rate	Relative Consumer Prices (Local Currencies)	Nominal Exchange Rate 4/	Consumer Price (Seasonally Adjusted)	Consumer Price Index
1986						
I	123.319	117.822	104.786	54.271	236.399	235.552
II	119.855	110.359	108.572	50.000	251.821	253.374
III	126.448	111.086	113.829	50.000	270.062	270.438
IV	132.754	111.533	119.027	50.000	288.180	286.875
1987						
I	135.146	111.295	121.430	50.000	304.513	303.469
II	139.824	114.312	122.318	50.000	321.927	324.165
III	144.253	118.713	121.514	50.000	332.309	332.684
IV	145.139	118.332	122.654	50.000	347.890	346.064
1988						
I	148.351	121.644	121.955	50.000	363.760	362.762
II	157.637	127.426	123.709	50.000	386.682	389.312
III	169.393	139.016	121.851	50.000	401.715	402.221
IV	168.794	142.252	118.658	50.000	412.524	410.244
1989						
I	154.979	133.420	116.159	44.700	425.231	424.425
II	156.169	133.940	116.596	43.525	441.535	444.165
III	158.522	134.778	117.617	41.650	472.886	473.323
IV	165.468	143.707	115.143	41.474	501.305	498.517
1990						
I	150.064	135.638	110.636	35.881	537.016	536.487
II	140.080	132.641	105.608	32.805	536.779	569.387
III	138.315	132.716	104.219	31.958	576.580	577.278
IV	134.452	131.761	102.042	30.922	601.657	598.968
1991						
I	139.026	138.511	100.372	31.082	626.328	626.380
II	146.495	146.902	99.723	31.250	643.593	645.352
III	150.872	150.857	100.010	31.218	668.808	669.498
IV	146.283	151.994	96.243	30.776	672.181	669.576
1992						
I	145.679	157.572	92.452	30.663	676.616	676.997
II	145.722	160.859	90.590	30.489	691.125	692.520
III	143.823	158.477	90.753	29.576	737.127	737.663
IV	152.813	162.827	93.850	28.422	799.159	796.050
Year End Percent Change 3/						
1989	-2.0					
1990	-18.7					
1991	8.8					
1992	4.5					

Source: International Monetary Fund

1/. Increases in the real effective exchange rate denotes local currency appreciation.

2/. Using seasonally adjusted price indices.

3/. Compares quarter of present year to same quarter from previous year.

4/. Based on U.S. Dollar/Colon rate, only.

Table C.1.a. El Salvador: Consolidated Operations of the Nonfinancial Public Sector, 1986-1992.

a. In Millions of Current Colones	1986	1987	1988	1989	1990	1991	(Prel.) 1992
Revenue and grants	**3628.9**	**4021.5**	**4057.2**	**3852.2**	**5440.1**	**6419.0**	**7610.0**
Current revenue	3314.4	3414.1	3514.7	3307.4	4538.9	5538.0	6650.0
Tax revenue	2746.6	2816.9	2839.3	2457.0	3330.1	4061.0	4738.0
Nontax revenue	362.4	325.7	399.0	688.3	916.5	1174.0	1442.0
Operating surplus of public enterprises	205.4	271.5	276.4	162.1	292.3	303.0	470.0
Capital revenue	2.7	19.8	0.5	12.2	16.9	0.0	100.0
Foreign grants	311.8	587.6	542.0	532.6	884.3	881.0	860.0
Expenditure and net lending	**3728.8**	**4089.4**	**4436.9**	**5196.3**	**5586.8**	**7619.0**	**9829.0**
Current expenditure	2795.0	3149.8	3430.5	3809.8	4669.1	5869.0	6535.0
Non-interest current expenditures	2353.7	2745.0	3025.3	3466.6	4170.8	4778.0	5401.0
Consumption	2213.4	2555.5	2781.5	3121.9	3673.2	4202.0	4612.0
Current transfers	140.3	189.5	243.8	344.7	497.6	576.0	789.0
Interest	441.3	404.8	405.2	343.2	498.3	1091.0	1134.0
Capital expenditure	855.1	920.4	946.1	1297.2	971.5	1728.0	2984.0
Fixed capital formation	752.1	849.9	946.1	1254.9	880.8	1618.0	2742.0
Capital transfers	103.0	70.5	0.0	42.3	90.7	110.0	242.0
Net lending	78.7	19.2	60.3	89.3	-53.8	22.0	310.0
Current account deficit (-)	**519.4**	**264.3**	**84.2**	**-502.4**	**-130.2**	**-331.0**	**115.0**
Current account excluding interest payments	**960.7**	**669.1**	**489.4**	**-159.2**	**368.1**	**760.0**	**1249.0**
Overall deficit (-) before grants	**-411.7**	**-655.5**	**-921.7**	**-1876.7**	**-1031.0**	**-2081.0**	**-3079.0**
Overall deficit (-)	**-99.9**	**-67.9**	**-379.7**	**-1344.1**	**-146.7**	**-1200.0**	**-2219.0**
External financing (net)	**260.7**	**206.2**	**318.3**	**509.6**	**541.5**	**869.0**	**1960.0**
Disbursements	526.5	437.9	565.6	715.0	589.8	1223.0	2009.0
Amortization	265.8	231.7	247.3	205.4	452.1	567.0	623.0
Other	0.0	0.0	0.0	0.0	403.8	213.0	574.0
Internal financing (net)	**-160.8**	**-138.3**	**61.4**	**834.5**	**-394.9**	**333.0**	**258.0**
Banking System	-297.7	0.6	-156.7	838.9	19.2	450.0	518.0
Central Reserve Bank	-285.5	138.7	-27.4	913.3	61.0	541.0	765.0
Banks	-12.2	-138.1	-128.7	-74.4	-41.8	-91.0	-247.0
Bonds outside banking system	55.0	16.9	-33.2	-1.8	4.9	37.0	-36.0
Other 1/	81.9	-155.8	250.7	-2.6	-419.0	-154.0	-224.0

Source : Central Reserve Bank.

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

Table C.1.b. El Salvador: Consolidated Operations of the Nonfinancial Public Sector, 1986 - 1992 (Completed)

b. Annual Growth Rates	1986	1987	1988	1989	1990	1991	(Prel.) 1992
Revenue and grants		10.8%	0.9%	-5.1%	41.2%	18.0%	18.6%
Current revenue		3.0%	2.9%	-5.9%	37.2%	22.0%	20.1%
Tax revenue		2.6%	0.8%	-13.5%	35.5%	21.9%	16.7%
Foreign grants		88.5%	-7.8%	-1.7%	66.0%	-0.4%	-2.4%
Expenditure and net lending		9.7%	8.5%	17.1%	7.5%	36.4%	29.0%
Current expenditure		12.7%	8.9%	11.1%	22.6%	25.7%	11.3%
Capital expenditure		7.6%	2.8%	37.1%	-25.1%	77.9%	72.7%
Fixed capital formation		13.0%	11.3%	32.6%	-29.8%	83.7%	69.5%
c. As percent of GDP							
Revenue and grants	18.4%	17.4%	14.8%	12.0%	13.3%	13.4%	13.9%
Current revenue	16.8%	14.8%	12.8%	10.3%	11.1%	11.6%	12.1%
Tax revenue	13.9%	12.2%	10.4%	7.6%	8.1%	8.5%	8.7%
Foreign grants	1.6%	2.5%	2.0%	1.7%	2.2%	1.8%	1.6%
Expenditure and net lending	18.9%	17.7%	16.2%	16.1%	13.6%	15.9%	17.9%
Current expenditure	14.1%	13.6%	12.5%	11.8%	11.4%	12.3%	11.9%
Consumption and interest	13.4%	12.8%	11.6%	10.8%	10.2%	11.1%	10.5%
Non-interest current expenditures	11.9%	11.9%	11.1%	10.8%	10.2%	10.0%	9.9%
Capital expenditure	4.3%	4.0%	3.5%	4.0%	2.4%	3.6%	5.4%
Fixed capital formation	3.8%	3.7%	3.5%	3.9%	2.1%	3.4%	5.0%
Current Account Deficit (-)	2.6%	1.1%	0.3%	-1.6%	-0.3%	-0.7%	0.2%
Current Account Deficit (-) Excluding Interest	4.9%	2.9%	1.8%	-0.5%	0.9%	1.6%	2.2%
Overall deficit (-)							
Including Grants	-0.5%	-0.3%	-1.4%	-4.2%	-0.4%	-2.5%	-4.1%
Excluding Grants	-2.1%	-2.8%	-3.4%	-5.8%	-2.5%	-4.4%	-5.6%
External financing (net)	1.3%	0.9%	1.2%	1.6%	1.3%	1.8%	3.6%
Internal financing (net)	-0.8%	-0.6%	0.2%	2.6%	-1.0%	0.7%	0.5%
Banking System	-1.5%	0.0%	-0.6%	2.6%	0.0%	0.9%	0.9%
Central Reserve Bank.							

Source : Central Reserve Bank.

Table C.2.a. El Salvador: Consolidated Central Government Operations, 1986 - 1992.

a. In Millions of Current Colones	1986	1987	1988	1989	1990	1991	(Prel.) 1992
Revenue and grants	**3159.2**	**3306.2**	**3385.8**	**3182.6**	**4436.7**	**5246.0**	**6305.0**
Current revenue	2711.7	2731.2	2728.9	2617.4	3535.4	4364.0	5250.0
Tax revenue	2537.5	2613.3	2562.5	2457.0	3330.1	4061.0	4738.0
Nontax revenue	174.2	11[illegible].9	166.4	160.4	205.3	303.0	512.0
Current transfers from public enterprises	133.3	29.3	114.9	42.5	30.5	31.0	99.0
Capital revenue	2.4	0.0	0.0	0.1	1.5	0.0	100.0
Foreign grants	311.8	545.7	542.0	522.6	869.3	851.0	856.0
Expenditure and net lending	**3438.2**	**3592.6**	**3690.2**	**4232.6**	**4881.8**	**6602.0**	**7909.0**
Current expenditure	2567.2	2761.8	3042.2	3398.4	4147.5	5159.0	5666.0
Wages and salaries	1456.9	1708.7	1821.0	2059.0	2404.9	2613.0	2794.0
Goods and services	384.8	449.8	511.3	500.3	578.6	630.0	780.0
Interest	260.0	241.2	243.8	287.6	442.7	1091.0	1124.0
Transfers	465.5	362.1	466.1	551.5	721.3	825.0	969.0
Rest of general government	216.2	232.8	238.5	309.8	357.4	407.0	436.0
Public enterprises	176.0	42.4	113.2	50.5	52.3	63.0	23.0
Public financial intermediaries	0.0	0.0	0.0	25.0	0.0	19.0	16.0
Private sector	67.7	78.6	105.0	157.3	300.1	336.0	432.0
Abroad	5.6	8.3	9.4	8.9	11.5	0.0	63.0
Capital expenditure	601.8	703.4	588.0	745.9	752.9	1112.0	2176.0
Fixed capital formation	484.6	532.4	468.2	642.6	409.4	874.0	1375.0
Transfers	117.2	171.0	119.8	103.3	343.5	238.0	801.0
Rest of general government	14.3	56.5	119.8	61.0	114.7	31.0	32.0
Public enterprises	0.0	44.0	0.0	0.0	138.1	97.0	527.0
Public financial intermediaries	101.7	65.1	0.0	9.9	76.6	81.0	205.0
Private sector	1.2	5.4	0.0	32.4	14.1	29.0	37.0
Net lending to	269.2	127.6	60.0	88.3	-18.6	331.0	67.0
Rest of general government	169.0	107.4	0.0	-2.0	1.3	8.0	-21.0
Public enterprises	-2.0	1.3	0.0	1.0	33.9	301.0	161.0
Public financial intermediaries	35.0	0.0	0.0	50.7	-58.7	11.0	-72.0
Other	67.2	18.9	60.0	38.6	2.9	11.0	-1.0
Current account deficit (-)	**277.8**	**-1.3**	**-198.4**	**-738.5**	**-581.6**	**-764.0**	**-317.0**
Overall deficit before grants	**-590.8**	**-832.3**	**-846.4**	**-1572.6**	**-1314.4**	**-2207.0**	**-2460.0**
Overall deficit (-)	**-279.0**	**-286.8**	**-304.4**	**-1050.0**	**-445.1**	**-1356.0**	**-1604.0**
External financing (net)	**664.1**	**553.3**	**629.6**	**508.1**	**1154.9**	**1498.0**	**2158.0**
Disbursements	492.6	416.4	453.8	354.0	415.5	886.0	1165.0
Amortization 1/	171.5	136.9	175.8	154.1	335.6	399.0	419.0
Other	0.0	0.0	0.0	0.0	403.8	213.0	574.0
Internal financing (net)	**-42.0**	**7.1**	**26.4**	**850.1**	**-38.6**	**657.0**	**285.0**
Banking System	-186.9	142.7	-162.4	985.4	222.0	973.0	746.0
Central Reserve Bank	-301.5	84.4	-69.6	888.2	279.9	849.0	821.0
Banks	114.6	58.3	-92.8	97.2	-57.9	124.0	-75.0
Bonds outside banking system	-51.8	4.2	-39.0	1.3	0.0	37.0	-46.0
Other 2/	196.7	-139.8	227.8	-136.6	-260.6	-353.0	-415.0

Source: Central Reserve Bank.

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

2/. Includes payment arrears and other adjustments for cash basis.

Table C.2.b. El Salvador: Consolidated Central Government Operations, 1986 - 1992.
(Completed)

b. Annual Growth Rates	1986	1987	1988	1989	1990	1991	(Prel.) 1992
Revenue and grants	39.0%	4.7%	2.4%	-8.0%	39.4%	18.2%	20.2%
Current revenue	42.7%	0.7%	-0.1%	-4.1%	35.1%	23.4%	20.3%
Tax revenue	41.4%	3.0%	-1.9%	-4.1%	35.5%	21.9%	16.7%
Nontax revenue	64.8%	-32.3%	41.1%	-3.6%	28.0%	47.6%	69.0%
Foreign grants	109.1%	75.0%	-0.7%	-3.6%	66.3%	-2.1%	0.6%
Expenditure and net lending	34.5%	4.5%	2.7%	14.7%	15.3%	35.2%	19.8%
Current expenditure	31.1%	7.6%	10.2%	11.7%	22.0%	24.4%	9.8%
Wages and salaries	16.5%	17.3%	6.6%	13.1%	16.8%	8.7%	6.9%
Goods and services	56.0%	16.9%	13.7%	-2.2%	15.7%	8.9%	23.8%
Interest	47.1%	-7.2%	1.1%	18.0%	53.9%	146.4%	3.0%
Transfers	63.9%	-22.2%	28.7%	18.3%	30.8%	14.4%	17.5%
Capital expenditure	7.7%	16.9%	-16.4%	26.9%	0.9%	47.7%	95.7%
Fixed capital formation	15.9%	9.9%	-12.1%	37.2%	-36.3%	113.5%	57.3%
Transfers	-16.6%	45.9%	-29.9%	-13.8%	232.5%	-30.7%	236.6%

c. As Percent of GDP

	1986	1987	1988	1989	1990	1991	(Prel.) 1992
Revenue and grants	16.0%	14.3%	12.4%	9.9%	10.8%	11.0%	11.5%
Current revenue	13.7%	11.8%	10.0%	8.1%	8.6%	9.1%	9.6%
Tax revenue	12.8%	11.3%	9.4%	7.6%	8.1%	6.5%	8.7%
Foreign grants	1.6%	2.4%	2.0%	1.6%	2.1%	1.8%	1.6%
Expenditure and net lending	17.4%	15.5%	13.5%	13.1%	11.9%	13.8%	14.4%
Current expenditure	13.0%	11.9%	11.1%	10.5%	10.1%	10.8%	10.3%
Wages and salaries	7.4%	7.4%	6.7%	6.4%	5.9%	5.5%	5.1%
Goods and services	1.9%	1.9%	1.9%	1.6%	1.4%	1.3%	1.4%
Interest	1.3%	1.0%	0.9%	0.9%	1.1%	2.3%	2.1%
Transfers	2.4%	1.6%	1.7%	1.7%	1.8%	1.7%	1.8%
Capital expenditure	3.0%	3.0%	2.1%	2.3%	1.8%	2.3%	4.0%
Fixed capital formation	2.5%	2.3%	1.7%	2.0%	1.0%	1.8%	2.5%
Transfers	0.6%	0.7%	0.4%	0.3%	0.8%	0.5%	1.5%
Net lending	1.4%	0.6%	0.2%	0.3%	-0.0%	0.7%	0.1%
Current account deficit (-)	1.4%	-0.0%	-0.7%	-2.3%	-1.4%	-1.6%	-0.6%
Current account deficit (-) Excluding Interest	2.7%	1.0%	0.2%	-1.4%	-0.3%	0.6%	1.4%
Overall deficit (-)							
Excluding Grants	-3.0%	-3.6%	-3.1%	-4.9%	-3.2%	-4.6%	-4.5%
Including Grants	-1.4%	-1.2%	-1.1%	-3.3%	-1.1%	-2.8%	-2.9%
External financing (net)	1.6%	1.2%	1.0%	0.6%	1.2%	1.5%	2.4%
Internal financing (net)	-0.2%	0.0%	0.1%	2.6%	-0.1%	1.4%	0.5%
Banking System	-0.9%	0.6%	-0.8%	3.1%	0.5%	2.0%	1.4%

Source: Central Reserve Bank.

Table C.3. El Salvador: Central Government Revenue and Grants by Category, 1986 - 1992.

In Millions of Current Colones	1986	1987	1988	1989	1990	1991	(Prel.) 1992
Total revenue and grants	**3159.2**	**3306.2**	**3385.8**	**3182.6**	**4436.7**	**5249.0**	**6364.0**
Current revenue	**2711.7**	**2731.2**	**2728.9**	**2617.4**	**3535.4**	**4367.0**	**5309.0**
Tax revenue	**2579.3**	**2588.2**	**2531.9**	**2457.0**	**3330.1**	**4060.0**	**4738.0**
Direct taxes	525.7	711.1	739.0	758.1	922.6	1227.0	1296.0
Income tax	432.8	560.5	560.7	581.4	725.4	961.0	1000.0
Wealth tax	57.1	108.6	119.8	118.9	124.8	169.0	149.0
Property transfer tax	35.8	42.0	58.5	57.8	72.4	97.0	147.0
Taxes on foreign trade	1168.4	701.5	592.2	445.5	720.0	864.0	847.0
Import taxes	204.1	258.6	214.3	312.8	464.8	642.0	819.0
Export taxes	964.3	442.9	377.9	132.7	255.2	222.0	28.0
Of which: on coffee	955.1	431.7	368.3	123.9	253.2	222.0	28.0
Taxes on domestic transactions	885.2	1175.6	1200.7	1253.8	1577.6	1965.0	2583.0
Nontax revenue	**174.2**	**117.9**	**166.4**	**160.4**	**205.3**	**307.0**	**571.0**
Transfers from private sector (fees,fines, etc)	28.4	32.1	66.3	45.4	45.5	65.0	45.0
Income from public service	97.8	38.3	33.1	31.5	38.8	57.0	103.0
Sale of goods and services	29.8	17.3	26.3	28.3	34.5	38.0	28.0
Interest, rent, and dividends	13.7	22.4	23.0	42.5	44.2	74.0	133.0
Other	4.5	7.8	17.7	12.7	42.3	73.0	262.0
Adjustment for tax/interest arrears	**-41.8**	**25.1**	**30.6**	**0.4**	**-109.9**	**-4.0**	**-12.0**
Current transfers from public enterprises (public enterprises profits)	**133.3**	**29.3**	**114.9**	**42.5**	**30.5**	**31.0**	**99.0**
Capital revenue	**2.4**	**0.0**	**0.0**	**0.1**	**1.5**	**0.0**	**100.0**
Foreign grants	**311.8**	**545.7**	**542.0**	**522.6**	**869.3**	**851.0**	**856.0**

Annual Growth Rates

	1986	1987	1988	1989	1990	1991	1992
Revenue and grants	**39.0%**	**4.7%**	**2.4%**	**-6.0%**	**39.4%**	**18.3%**	**21.2%**
Current revenue	42.7%	0.7%	-0.1%	-4.1%	35.1%	23.5%	21.6%
Tax revenue	49.5%	0.3%	-2.2%	-3.0%	35.5%	21.9%	16.7%
Nontax revenue	64.8%	-32.3%	41.1%	-3.6%	28.0%	49.5%	86.0%
Foreign grants	109.1%	75.0%	-0.7%	-3.6%	66.3%	-2.1%	0.6%

c. As Percent of GDP

	1986	1987	1988	1989	1990	1991	1992
Revenue and grants	**16.0%**	**14.3%**	**12.4%**	**9.9%**	**10.8%**	**11.0%**	**11.6%**
Current revenue	13.7%	11.8%	10.0%	8.1%	8.6%	9.1%	9.7%
Tax revenue	13.1%	11.2%	9.3%	7.6%	8.1%	8.5%	8.7%
Nontax revenue	0.9%	0.5%	0.6%	0.5%	0.5%	0.6%	1.0%
Foreign grants	1.6%	2.4%	2.0%	1.6%	2.1%	1.8%	1.6%

Source: Central Reserve Bank.

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Table C.4.a. Central Government Expenditures (Ordinary budget only), 1986 - 1992.

Millions of Current Colones	1986	1987	1988	1989	1990	1991	1992 1/
Total expenditure and net lending	**3133.1**	**3351.9**	**3217.1**	**3395.4**	**4560.7**	**5192.0**	**6572.0**
Total expenditure (functions)	**2872.8**	**3279.5**	**3202.8**	**3339.4**	**4579.3**	**4992.0**	**6311.0**
Defense	709.4	768.4	777.3	925.5	996.0	1019.2	926.2
Public order & safety	na	272.5	284.8	349.2	380.9	427.0	421.5
Education	431.8	489.2	516.0	585.4	701.6	827.9	928.5
preprimary, primary, secondary	374.6	423.0	442.0	500.8	622.6	748.9	849.5
tertiary	51.9	57.7	68.1	78.1	79.0	79.0	79.0
Health	185.6	211.4	216.0	245.5	377.2	396.9	530.0
Others	1119.5	1057.3	898.6	654.9	1422.0	1493.1	2576.4
Current spending (economic type)	**2465.3**	**2535.9**	**2679.5**	**3135.2**	**3580.2**	**4237.0**	**5214.0**
Wages & salaries	1444.5	1665.6	1701.9	2030.0	2307.8	2549.0	2605.0
other goods & services	298.8	288.8	290.4	323.0	388.2	433.0	519.0
interest payments	260.0	241.2	243.9	287.7	326.5	527.0	1123.0
subsidies and other current transfers	462.0	340.3	443.3	494.5	557.7	728.0	967.0
Capital spending	**253.6**	**327.0**	**267.3**	**204.2**	**999.2**	**755.6**	**1255.0**
-acquisition of fixed assets	232.1	196.9	250.6	185.8	163.6	171.1	525.0
-capital transfers	210.5	16.3	15.6	18.4	95.5	301.0	731.0
Net Lending	**260.3**	**72.4**	**14.3**	**56.0**	**-18.6**	**200.0**	**261.0**
In Percent of Total Expenditures and Net Lending							
Total expenditure and net lending	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total expenditure (functions)	**91.7**	**97.8**	**99.6**	**98.4**	**100.4**	**96.1**	**96.0**
Defense	22.6	22.9	24.2	27.3	21.8	19.6	14.1
Public order & safety	na	8.1	8.9	10.3	8.4	8.2	6.4
Education	13.8	14.6	16.0	17.2	15.4	15.9	14.1
preprimary, primary, secondary	12.0	12.6	13.7	14.7	13.7	14.4	12.9
tertiary	1.7	1.7	2.1	2.3	1.7	1.5	1.2
Health	5.9	6.3	6.7	7.2	8.3	7.6	8.1
Other	35.7	31.5	27.9	19.3	31.2	28.8	39.2
Current spending (economic type)	**78.7**	**75.7**	**83.3**	**92.3**	**78.5**	**81.6**	**79.3**
Wages & salaries	46.1	49.7	52.9	59.8	50.6	49.1	39.6
other goods & services	9.5	8.6	9.0	9.5	8.5	8.3	7.9
interest payments	8.3	7.2	7.6	8.5	7.2	10.2	17.1
subsidies and other current transfers	14.7	10.2	13.8	14.6	12.2	14.0	14.7
Capital spending	**8.1**	**9.8**	**8.3**	**6.0**	**21.9**	**14.6**	**19.1**
-acquisition of fixed assets	7.4	5.9	7.8	5.5	3.6	3.3	8.0
-capital transfers	6.7	0.5	0.5	0.5	2.1	5.8	11.1

Source: Central Reserve Bank (C.R.B.)

1/. Preliminary.

Table C.4.b. Central Government Expenditures (Ordinary budget only), 1986 - 1992.

As Percent of GDP **Total Spending Adjusted for Cash Basis**	1986	1987	1988	1989	1990	1991	1992 1/
Total expenditure and net lending	**15.9**	**14.5**	**11.8**	**10.5**	**11.1**	**10.9**	**12.0**
Total expenditure (functions)	**3.6**	**14.2**	**11.7**	**10.4**	**11.2**	**10.4**	**11.5**
Defense	3.6	3.3	2.8	2.9	2.4	2.1	1.7
Public order & safety	n.a.	1.2	1.0	1.1	0.9	0.9	0.8
Education	2.2	2.1	1.9	1.8	1.7	1.7	1.7
preprimary, primary, secondary	1.9	1.8	1.6	1.6	1.5	1.6	1.6
tertiary	0.3	0.2	0.2	0.2	0.2	0.2	0.1
Health	0.9	0.9	0.8	0.8	0.9	0.8	1.0
Other	5.7	4.6	3.3	2.0	3.5	3.1	4.7
Current spending (economic type)	**12.5**	**11.0**	**9.8**	**9.7**	**8.7**	**8.9**	**9.5**
Wages & salaries	7.3	7.2	6.2	6.3	5.6	5.3	4.8
other goods & services	1.5	1.2	1.1	1.0	0.9	0.9	0.9
interest payments	1.3	1.0	0.9	0.9	0.8	1.1	2.1
subsidies and other current transfers	2.3	1.5	1.6	1.5	1.4	1.5	1.8
Capital spending	**1.3**	**1.4**	**1.0**	**0.6**	**2.4**	**1.6**	**2.3**
-acquisition of fixed assets	0.0	0.0	0.9	0.6	0.4	0.4	1.0
-capital transfers	0.0	0.0	0.1	0.1	0.2	0.6	1.3

Source: Central Reserve Bank (C.R.B.)

1/. Preliminary.

Table C.4.c. Central Government Operations (Ordinary budget only), 1986 - 1992.

In Real Terms, 1986 = 100, or first year data	1986	1987	1988	1989	1990	1991	1992 1/
Total expenditure and net lending	100.0	93.9	78.5	77.8	77.5	78.5	91.2
Total expenditure (functions)	100.0	100.2	85.3	76.3	84.9	82.3	95.6
Defense	100.0	95.0	83.8	85.6	74.8	68.0	55.4
Public order & safety	na	100.0	91.1	95.8	95.8	95.8	95.8
Education	100.0	99.4	91.4	89.0	86.5	90.8	91.3
preprimary, primary, secondary	100.0	99.1	90.2	87.7	88.5	94.7	96.3
tertiary	100.0	97.6	100.4	98.7	81.1	72.1	64.6
Health	100.0	99.9	89.0	86.8	108.2	101.3	121.3
Current spending (economic type)	100.0	90.3	83.1	83.4	77.3	81.4	89.8
Wages & salaries	100.0	101.2	90.1	92.2	85.1	83.6	76.6
other goods & services	100.0	84.8	74.3	70.9	69.2	68.6	73.8
interest payments	100.0	81.4	71.8	72.6	66.9	96.0	183.4
subsidies and other current transfers	100.0	64.6	73.4	70.2	64.3	74.6	88.9
Capital spending	100.0	113.1	80.6	52.8	209.8	141.1	210.2
-acquisition of fixed assets	100.0	74.4	82.6	52.5	37.5	34.9	96.1
-capital transfers	100.0	6.8	5.7	5.7	24.2	67.7	147.5
In Real Terms, Percentage Change							
Total expenditure and net lending		-6.1	-16.3	-0.9	-0.4	1.3	16.2
Total expenditure (functions)		0.2	-14.9	-10.6	11.3	-3.0	16.2
Defense		-5.0	-11.8	2.1	-12.6	-9.0	-18.5
Public order & safety			-8.9	5.2	0.0	0.0	0.0
Education		-0.6	-8.1	-2.7	-2.7	4.9	0.6
preprimary, primary, secondary		-0.9	-8.9	-2.8	0.9	7.0	1.7
tertiary		-2.4	2.9	-1.6	-17.9	-11.1	-10.3
Health		-0.1	-10.9	-2.5	24.7	-6.4	19.7
Current spending (economic type)		-9.7	-7.9	0.4	-7.3	5.3	10.3
Wages & salaries		1.2	-10.9	2.3	-7.7	-1.8	-8.4
other goods & services		-15.2	-12.4	-4.6	-2.4	-0.8	7.5
interest payments		-18.6	-11.9	1.2	-7.9	43.6	91.1
subsidies and other current transfers		-35.4	13.5	-4.3	-8.5	16.1	19.1
Capital spending		13.1	-28.7	-34.5	297.2	-32.7	48.9
-acquisition of fixed assets		-25.6	10.9	-36.4	-28.5	-7.0	175.1
-capital transfers		-93.2	-16.6	1.2	321.2	180.4	117.7

Source: Central Reserve Bank (C.R.B.)

1/. Preliminary.

GFS data on El Salvador, Central Budget (GFCE- deflator)

Table D.1
Monetary Data
Quarterly Report
(millions of Colones)

a. Consolidated Banking System

		1990				1991				1992				1993
	1989	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	March
Net International Reserves 1/	2665.9	2183.1	3205.4	3699.6	3975.5	3599.1	3888.2	4214.5	4154.9	4275.8	4626.6	4629.7	4671.3	5246.4
Net Domestic Assets	11823.5	12762.0	12325.8	12263.2	12472.7	12725.5	12463.3	12710.9	13547.3	14120.7	14312.8	14880.7	16994.1	14946.7
Domestic Credit	9010.2	9940.5	9857.1	9763.5	10642.1	10827.3	11148.0	11393.5	12979.5	13152.4	13260.2	14303.8	17087.0	16570.6
Credit to public sector	2082.5	2110.8	2009.0	1941.3	2806.0	2629.1	2832.2	3085.6	3689.2	3723.2	3196.0	3513.2	4206.1	4477.3
Central Government (net)	2564.3	2814.3	2669.5	2686.6	4078.4	4141.0	4200.2	4282.6	5446.0	5451.7	4952.6	5727.1	6191.1	6331.7
Credit 2/	3682.5	3695.6	3939.2	3975.1	5513.1	5795.0	6063.9	6194.9	7272.0	7267.9	7368.2	7649.1	7570.7	7922.5
Deposits	-1118.2	-881.3	-1269.7	-1288.3	-1434.7	-1654.0	-1863.7	-1912.3	-1826.0	-1816.2	-2415.6	-1922.0	-1379.6	-1590.8
Rest of public sector (net)	-481.8	-703.5	-660.5	-745.5	-1272.4	-1311.9	-1368.0	-1197.0	-1756.8	-1728.5	-1756.6	-2213.9	-1985.0	-1854.4
Credit	788.1	775.7	809.4	743.1	231.9	92.0	168.4	85.3	77.9	83.9	95.3	89.3	87.7	99.6
Deposits	1237.3	1446.6	1437.3	1456.0	1471.7	1371.3	1503.8	1249.7	1802.1	1780.7	1820.2	2271.5	2041.0	1922.3
Cedulas	32.6	32.6	32.6	32.6	32.6	32.6	32.6	32.6	32.6	31.7	31.7	31.7	31.7	31.7
Credit to private sector	6927.7	7829.7	7848.1	7822.2	7836.1	7998.2	8315.8	8307.9	9290.3	9429.2	10064.2	10790.6	12880.9	12093.3
INCAFE/INAZUCAR	591.7	681.0	603.9	579.6	51.3	105.6	111.0	81.3	77.9	69.8	64.8	42.8	44.8	44.8
Others official credit instit.	422.2	455.6	445.2	480.8	439.6	450.6	428.8	510.9	560.2	457.6	427.2	461.9	601.8	512.5
Commercial banks	5913.8	6693.1	6799.0	6761.8	7345.2	7442.0	7776.0	7715.7	8652.2	8901.8	9572.2	10285.9	12234.3	11536.0
Other (residual)	2818.3	2821.5	2468.7	2499.7	1830.6	1898.2	1315.3	1317.4	567.8	968.3	1052.6	576.9	-92.9	-1623.9
AID related deposits (BCR)	2088.7	2053.3	1806.2	2067.7	1317.9	1032.1	965.4	1167.5	1045.3	1096.0	754.5	692.3	737.0	863.7
Medium/long-term foreign liab.1/	3286.9	3249.5	3474.5	3462.2	3400.8	3401.4	3195.1	2625.8	2799.9	2662.3	2802.6	2825.8	2543.0	2163.6
Liabil to nonbank financial inst	742.9	852.3	997.3	1030.6	984.4	1070.7	1215.2	1390.2	1451.8	1559.2	1583.0	1657.4	1829.2	1198.0
Liabilities to private sector-M3	8375.9	8790.0	9253.2	9402.3	10745.1	10820.4	10975.8	11741.9	12405.2	13079.0	13799.3	14334.9	16556.2	15967.8
Money (M1)	3153.6	3251.1	3050.0	3035.3	3863.2	3697.6	3413.4	3546.2	4079.6	4009.7	4285.6	4525.0	5368.0	4835.8
Quasi-money	4468.6	4747.8	5100.3	5556.0	5885.7	6201.2	6697.1	7309.2	7612.7	8149.9	8518.6	8791.0	9984.8	10076.8
Others	753.7	791.1	1102.9	811.0	996.2	921.6	865.3	886.5	712.9	919.4	995.1	1018.9	1203.4	1055.2
Memo: (M2)	7622.2	7998.9	8150.3	8591.3	9748.9	9898.8	10110.5	10855.4	11692.3	12159.6	12804.2	13316.0	15352.8	14912.6

Source: Central Reserve Bank.
1/ Exchange rate C8.50 = $1.00

Table D.1
Monetary Data
Quarterly Report
(millions of Colones)

b. Central Reserve Bank

		1990				1991				1992				1993
	1989	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	March
Net International Reserves 1/	3378.8	1793.0	2483.5	3209.7	3378.8	3012.4	3375.7	3817.6	3747.0	4129.6	4227.1	4185.1	4215.5	4765.9
Net Domestic Assets	5336.6	6938.5	6632.0	6702.0	6266.2	6304.8	5697.5	5356.2	5973.5	5632.5	5422.1	5347.2	6529.7	5574.7
Domestic Credit	5141.0	5250.8	5040.3	5185.6	5657.8	5601.6	4231.5	4925.6	5357.5	5062.1	4793.9	5023.7	6284.7	8204.0
Public sector (net)	2035.9	2188.5	2016.2	2102.5	2921.9	2842.8	2060.5	2754.6	3634.5	3745.9	3455.5	3478.9	4400.3	[illegible]
Central Government (net)	2208.1	2452.9	2338.7	2404.9	3780.1	3602.2	2343.4	3674.0	4653.4	4764.2	4359.4	4887.6	5475.3	[illegible]
Credit 2/	3286.8	3286.8	3527.7	3599.7	5124.8	5146.6	3527.7	5453.3	6312.2	6418.0	6528.3	6619.7	6826.7	6875.0
Deposits	-1078.7	-833.9	-1189.0	-1194.8	-1344.7	-1544.4	-1184.3	-1779.3	-1658.8	-1653.8	-2168.9	-1732.1	-1351.4	-1463.2
Rest of public sector (net)	-172.2	-264.4	-322.5	-302.4	-858.2	-759.4	-282.9	-919.4	-1018.9	-1018.3	-903.9	-1408.7	-1075.0	1149.4
Credit	526.8	511.7	509.2	578.8	50.9	49.6	509.2	75.0	56.0	61.1	77.5	75.9	67.1	81.0
Deposits	-699.0	-776.1	-831.7	-881.2	-909.1	-809.0	-792.1	-994.4	-1074.9	-1079.4	-981.4	-1484.6	-1142.1	1068.4
Private sector	3105.1	3062.3	3024.1	3083.1	2735.9	2758.8	2171.0	2171.0	1723.0	1316.2	1338.4	1544.8	1884.4	1642.8
Commercial banks	2093.4	1927.8	1977.5	2025.8	2249.0	2203.0	1631.2	1578.8	1093.9	791.7	851.1	1044.9	1242.8	1090.1
INCAFE/INAZUCAR	591.7	681.0	603.9	579.6	51.3	105.2	111.0	81.3	77.9	69.8	64.8	42.8	44.8	44.8
Others nonbank financial inst.	420.0	453.5	442.7	477.7	435.6	450.6	428.8	510.9	551.2	454.7	422.5	457.1	596.8	507.9
Other (residual)	195.6	1687.7	1591.7	1516.4	608.4	703.2	1466.0	430.6	616.0	570.4	628.2	323.5	245.0	-2629.3
AID related deposits (BCR)	2088.7	2053.3	1806.2	2067.7	1317.9	1032.1	965.4	1167.5	1045.3	1096.0	754.5	692.3	737.0	863.7
Medium/long-term foreign liab.1/	3285.1	3247.3	3473.5	3461.0	3399.5	3399.6	3192.6	2622.9	2793.3	2658.5	2802.6	2825.8	2543.0	2163.6
Liabilities to Financial Instit.	1543.8	1797.8	2139.1	2674.5	2892.8	2822.0	2958.9	3551.6	3643.7	3955.2	4028.1	3937.3	4795.5	4960.5
Commercial Banks	1543.8	1797.8	2139.1	2674.5	2892.8	2822.0	2958.9	3126.8	3186.6	3478.4	3525.8	3412.5	4251.8	4395.3
Bank deposits	1453.3	1414.6	1683.7	1974.3	2245.3	2223.3	2360.6	2121.4	2516.2	2243.7	2566.6	2614.2	3128.8	3262.3
Banks cash in vault	90.5	109.6	93.2	108.2	119.7	125.8	129.4	144.1	175.0	163.5	162.2	177.1	219.5	200.5
Stabilization Bonds	0.0	273.6	362.2	592.0	527.8	472.9	468.9	861.3	495.4	1071.2	797.0	621.2	903.5	932.5
Financieras (S&LA)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	424.8	457.1	476.8	502.3	524.8	543.7	565.2
Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	424.8	457.1	476.8	502.3	524.8	543.7	565.2
Liab to nonbank financial instit	54.6	119.0	160.7	186.6	135.2	250.9	303.4	210.4	189.7	230.8	208.1	222.5	228.0	208.5
Liabilities to private sector	1743.0	1514.1	1536.0	1521.9	1899.6	1812.4	1652.9	1621.4	2043.5	1821.6	1855.9	1854.4	2441.7	2144.3
Currency in Circulation	1727.1	1501.6	1479.0	1461.1	1856.3	1785.8	1630.6	1598.7	2006.1	1778.5	1793.5	1800.3	2416.7	2122.4
Others	15.9	12.5	57.0	60.8	43.3	26.6	22.3	22.7	37.4	43.1	62.4	54.1	25.0	21.9
Monetary Base	3270.9	3025.8	3255.9	3543.6	4221.3	4134.9	4120.6	4289.0	5154.4	4662.5	5024.6	5116.4	6308.7	6150.4

Source: Central Reserve Bank.
1/ Exchange rate C8.50 = $1.00

Table D.2
Monetary Analysis
Quarterly Trends
(Annualized Growth Rates)

a. Consolidated Banking System

	1990				1991				1992				1993
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
Net International Reserves 1/	-55.0	364.8	77.5	33.3	-32.8	36.2	38.0	-5.5	12.2	37.1	0.3	3.6	59.1
Net Domestic Assets	35.5	-13.0	-2.0	7.0	8.4	-8.0	8.2	29.0	18.0	5.6	16.8	70.1	-40.2
Domestic Credit	48.1	-3.3	-3.7	41.2	7.1	12.4	9.1	68.4	5.4	3.3	35.4	103.6	-11.6
Credit to public sector	5.5	-17.9	-12.8	336.5	3.3	0.4	40.9	104.3	3.7	-45.7	46.0	105.5	28.4
Central Government (net)	45.1	-19.0	2.6	430.9	6.3	5.8	8.1	161.5	0.4	-31.9	78.8	36.6	9.4
Credit 2/	1.4	29.1	3.7	270.0	22.1	19.9	8.9	89.9	-0.2	5.6	16.1	-4.0	19.9
Deposits	-61.4	330.8	6.0	53.8	76.6	61.2	10.8	-16.9	-2.1	212.9	-59.9	-73.5	76.8
Rest of public sector (net)	354.6	-22.3	62.3	748.6	13.0	18.2	-41.4	364.0	-6.3	6.7	152.3	-35.4	-23.8
Credit	-6.1	18.5	-29.0	-99.1	-97.5	1022.6	-93.4	-30.4	34.6	66.5	-22.9	-7.0	66.4
Deposits	86.9	-2.5	5.3	4.4	-24.6	44.6	-52.3	332.4	-4.7	9.2	142.5	-34.8	-21.3
Cedulas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-10.6	0.0	0.0	0.0	0.0
Credit to private sector	63.2	0.9	-1.3	0.7	8.5	16.9	-0.4	56.4	6.1	29.8	32.1	103.0	-22.3
INCAFE/INAZUCAR	75.5	-38.2	-15.1	-100.0	1695.5	22.1	-71.2	-15.7	-35.5	-25.7	-81.0	20.0	0.0
Others official credit instit.	35.6	-8.8	36.0	-30.1	10.4	-18.0	101.5	44.6	-55.5	-24.0	36.7	188.1	-47.4
Commercial banks	64.1	6.5	-2.2	39.2	5.4	19.2	-3.1	58.1	12.0	33.7	33.3	100.1	-20.9
Other (residual)	0.5	-41.4	5.1	-71.2	15.6	-76.9	0.6	-63.5	745.8	39.6	-91.0	-99.9	1/
AID related deposits (BCR)	-6.6	-40.1	71.7	-83.5	-62.4	-23.5	113.9	-35.7	20.9	-77.5	-29.1	28.4	88.6
Medium/long-term foreign liab.1/	-4.5	30.7	-1.4	-6.9	0.1	-22.1	-54.4	29.3	-18.3	22.8	3.4	-34.4	-47.6
Liabil to nonbank financial inst	73.2	87.5	14.0	-16.8	40.0	65.9	71.3	18.9	33.0	6.2	20.2	48.4	-81.6
Liabilities to private sector-M3	21.3	22.8	6.6	70.6	2.8	5.9	31.0	24.6	23.6	23.9	16.5	77.9	-13.5
Money (M1)	13.0	-22.5	-1.9	162.4	-16.1	-27.4	16.5	75.2	-6.7	30.5	24.3	98.1	-34.1
Quasi-money	27.4	33.2	40.8	25.9	23.2	36.0	41.9	17.7	31.4	19.4	13.4	66.4	3.7
Others	21.4	277.8	-70.8	127.7	-26.8	-22.3	10.2	-58.2	176.6	37.2	9.9	94.6	-40.9
Memo: (M2)	21.3	7.8	23.5	65.8	6.3	8.8	32.9	34.6	17.0	23.0	17.0	76.7	-11.0

Source: Central Reserve Bank.
1/ Exchange rate C8.50 = $1.00

Table D.2
Monetary Analysis
Quarterly Trends
(Annualized Growth Rates)

b. Central Reserve Bank.

	1990				1991				1992				1993
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
Net International Reserves 1/	-92.1	268.1	179.0	22.8	-36.8	57.7	63.6	-7.2	47.5	9.8	-3.9	2.9	63.4
Net Domestic Assets	185.8	-16.5	4.3	-23.6	2.5	-33.3	-21.9	54.7	-21.0	-14.1	-5.4	122.4	-46.9
Domestic Credit	8.8	-15.1	12.0	41.7	-3.9	-67.4	83.6	40.0	-20.3	-19.6	20.6	144.9	190.4
Public sector (net)	33.5	-28.0	18.3	273.0	-10.4	-72.4	219.4	203.1	12.8	-27.6	2.7	156.0	394.3
Central Government (net)	52.3	-17.4	11.8	510.4	-17.5	-82.1	504.2	157.4	9.9	-29.9	58.0	57.5	-4.6
Credit 2/	0.0	32.7	8.4	310.8	1.7	-77.9	471.0	79.5	6.9	7.1	5.7	13.1	2.9
Deposits	-64.3	313.3	2.0	60.4	74.0	-65.4	409.5	-24.5	-1.2	195.8	-59.3	-62.9	37.4
Rest of public sector (net)	455.8	121.3	-22.7	1/	-38.7	-98.1	1/	50.8	-0.2	-37.9	489.9	-66.1	30.7
Credit	-11.0	-1.9	66.9	-100.0	-9.8	1/	-100.0	-68.9	41.7	158.8	-8.0	-38.9	112.3
Deposits	52.0	31.9	26.0	13.3	-37.3	-8.1	148.4	36.5	1.7	-31.7	423.7	-65.0	-23.4
Private sector	-5.4	-4.9	8.0	-38.0	3.4	-61.7	0.0	-60.3	-65.9	6.9	77.5	121.4	-42.2
Commercial banks	-28.1	10.7	10.1	51.9	-7.9	-69.9	-12.2	-77.0	-72.6	33.6	127.2	100.1	-40.8
INCAFE/INAZUCAR	75.5	-38.2	-15.1	-100.0	1/	23.9	-71.2	-15.7	-35.5	-25.7	-81.0	20.0	0.0
Others nonbank financial inst.	35.9	-9.2	35.6	-30.9	14.5	-18.0	101.5	35.5	-53.7	-25.5	37.0	190.6	-47.5
Other (residual)	554149.9	-20.9	-17.6	-97.4	78.5	1/	-99.3	318.7	-26.5	47.1	-93.0	-67.1	1/
AID related deposits (BCR)	-6.6	-40.1	71.7	-83.5	-62.4	-23.5	113.9	-35.7	20.9	-77.5	-29.1	28.4	88.6
Medium/long-term foreign liab.1/	-4.5	30.9	-1.4	-6.9	0.0	-22.2	-54.4	29.6	-18.5	23.5	3.4	-34.4	-47.6
Liabilities to Financial Instit.	83.9	100.4	144.4	36.9	-9.4	20.9	107.6	10.8	38.8	7.6	-8.7	120.1	14.5
Commercial Banks	83.9	100.4	144.4	36.9	-9.4	20.9	24.7	7.9	42.0	5.6	-12.2	141.0	14.2
Bank deposits	-10.2	100.7	89.1	67.3	-3.9	27.1	-34.8	97.9	-36.8	71.2	7.6	105.2	18.2
Banks cash in vault	115.1	-47.7	81.7	49.8	22.0	11.9	53.8	117.5	-23.8	-3.1	42.1	136.0	-30.4
Stabilization Bonds	...	207.1	613.7	-36.8	-35.6	-3.3	1/	-89.1	1/	-69.4	-63.1	347.5	13.5
Financieras (S&LA)	...	...	...	...	...	...	...	34.1	18.4	23.2	19.2	15.2	16.8
Deposits	...	...	...	...	...	...	...	34.1	18.4	23.2	19.2	15.2	16.8
Liab to nonbank financial instit	2123.6	232.6	81.8	-72.4	1/	113.8	-76.9	-33.9	119.1	-33.9	30.7	10.3	-30.1
Liabilities to private sector	-43.1	5.9	-3.6	142.7	-17.1	-30.8	-7.4	152.3	-36.9	7.7	-0.3	200.6	-40.5
Currency in Circulation	-42.9	-5.9	-4.8	160.5	-14.3	-30.5	-7.6	147.9	-38.2	3.4	1.5	224.7	-40.5
Others	-61.8	43137.4	29.5	-74.3	-85.8	-50.6	7.4	636.9	76.4	339.4	-43.5	-95.4	-41.1
Monetary Base	-26.8	34.1	40.3	101.4	-7.9	-1.4	17.4	108.6	-33.0	34.9	7.5	131.2	-9.7

Source: Central Reserve Bank.
1/ Exchange rate C8.50 = $1.00

Table D.3
Monetary Analysis
Annual and Semi-annual Trends
(Annualized Growth Rates)

a. Consolidated Banking System

	1990		1991		1992		January-December		
	Jan-Jun	Jul-Dec.	Jan-Jun	Jul-Dec.	Jan-Jun	Jul-Dec.	1990	1991	1992
Net International Reserves 1/	44.6	53.8	-4.3	14.2	24.0	1.9	49.1	4.5	12.4
Net Domestic Assets	8.6	2.4	-0.2	18.2	11.6	41.0	5.4	8.6	25.4
Domestic Credit	19.7	16.6	9.7	35.6	4.4	66.0	18.1	22.0	31.6
Credit to public sector	-6.9	95.1	1.9	69.7	-25.0	73.2	34.7	31.5	14.0
Central Government (net)	8.4	133.4	6.1	68.1	-17.3	56.3	59.0	33.5	13.7
Credit 2/	14.4	95.9	21.0	43.8	2.7	5.6	49.7	31.9	4.1
Deposits	28.9	27.7	68.7	-4.0	75.0	-67.4	28.3	27.3	-24.4
Rest of public sector (net)	87.9	271.1	15.6	64.9	-0.0	27.7	164.1	38.1	13.0
Credit	5.5	-91.8	-47.3	-78.6	49.7	-15.3	-70.6	-66.4	12.6
Deposits	34.9	4.8	4.4	43.6	2.0	25.7	18.9	22.5	13.3
Cedulas	0.0	0.0	0.0	0.0	-5.4	0.0	0.0	0.0	-2.8
Credit to private sector	28.3	-0.3	12.6	24.8	17.4	63.8	13.1	18.6	38.6
INCAFE/INAZUCAR	4.2	-99.3	368.2	-50.7	-30.8	-52.2	-91.3	51.9	-42.5
Others official credit Instit.	11.2	-2.5	-4.9	70.7	-41.8	98.4	4.1	27.4	7.4
Commercial banks	32.2	16.7	12.1	23.8	22.4	63.4	24.2	17.8	41.4
Other (residual)	-23.3	-45.0	-48.4	-81.4	243.7	-99.2	-35.0	-69.0	-116.4
AID related deposits (BCR)	-25.2	-46.8	-48.3	17.2	-47.9	-4.6	-36.9	-20.7	-29.5
Medium/long-term foreign liab.1/	11.7	-4.2	-11.7	-23.2	0.2	-17.7	3.5	-17.7	-9.2
Liabil to nonbank financial inst	80.2	-2.6	52.4	42.7	18.9	33.5	32.5	47.5	26.0
Liabilities to private sector-M3	22.0	34.8	4.3	27.7	23.7	43.9	28.3	15.4	33.5
Money (M1)	-6.5	60.4	-21.9	42.8	10.4	56.9	22.5	5.6	31.6
Quasi-money	30.3	33.2	29.5	29.2	25.2	37.4	31.7	29.3	31.2
Others	114.1	-18.4	-24.6	-32.1	94.8	46.2	32.2	-28.4	68.8
Memo: (M2)	14.3	43.1	7.6	33.7	19.9	43.8	27.9	19.9	31.3

Source: Central Reserve Bank.
1/ Exchange rate C8.50 = $1.00

Table D.3
Monetary Analysis
Annual and Semi-annual Trends
(Annualized Growth Rates)

b. Central Reserve Bank.

	1990		1991		1992		January-December		
	Jan-Jun	Jul-Dec.	Jan-Jun	Jul-Dec.	Jan-Jun	Jul-Dec.	1990	1991	1992
Net International Reserves 1/	-46.0	85.1	-0.2	23.2	27.3	-0.5	0.0	10.9	12.5
Net Domestic Assets	54.4	-10.7	-17.3	9.9	-17.6	45.0	17.4	-4.7	9.3
Domestic Credit	-3.9	26.0	-44.1	60.3	-19.9	71.9	10.1	-5.3	17.3
Public sector (net)	-1.9	110.0	-50.3	211.1	-9.6	62.2	43.5	24.4	21.1
Central Government (net)	12.2	161.3	-61.6	294.3	-12.2	57.7	71.2	23.1	17.7
Credit 2/	15.2	111.0	-52.6	220.2	7.0	9.4	55.9	23.2	8.2
Deposits	21.5	27.9	-22.4	96.2	71.0	-61.2	24.7	23.4	-18.5
Rest of public sector (net)	250.7	608.1	-89.1	1197.2	-21.3	41.4	398.4	18.7	5.5
Credit	-6.6	-99.0	9907.9	-98.8	91.5	-25.0	-90.3	10.0	19.8
Deposits	41.6	19.5	-24.1	84.2	-16.6	35.4	30.1	18.2	6.3
Private sector	-5.1	-18.2	-37.0	-37.0	-39.7	98.2	-11.9	-37.0	9.4
Commercial banks	-10.8	29.3	-47.4	-55.0	-39.5	113.2	7.4	-51.4	13.6
INCAFE/INAZUCAR	4.2	-99.3	368.2	-50.7	-30.8	-52.2	-91.3	51.9	-42.5
Others nonbank financial inst.	11.1	-3.2	-3.1	65.2	-41.2	99.5	3.7	26.5	8.3
Other (residual)	6521.9	-85.4	480.6	-82.3	4.0	-84.8	211.0	1.2	-60.2
AID related deposits (BCR)	-25.2	-46.8	-46.3	17.2	-47.9	-4.6	-36.9	-20.7	-29.5
Medium/long-term foreign liab.1/	11.8	-4.2	-11.8	-23.2	0.3	-17.7	3.5	-17.7	-9.1
Liabilities to Financial Instit.	92.0	82.9	4.6	51.6	22.2	41.7	87.4	26.0	31.6
Commercial Banks	92.0	82.9	4.6	16.0	22.4	45.4	87.4	10.2	33.4
Bank deposits	34.2	77.8	10.5	13.6	4.0	48.6	54.5	12.1	24.3
Banks cash in vault	6.1	65.0	16.9	82.9	-14.1	83.1	32.3	46.2	25.4
Stabilization Bonds	...	112.3	-21.1	11.6	158.8	28.5	—	-6.1	82.4
Financieras (S&LA)	...	...	...	...	20.8	17.2	—	—	18.9
Deposits	...	...	...	...	20.8	17.2	—	—	18.9
Liab to nonbank financial instit	759.9	-29.2	403.6	-60.9	20.3	20.0	146.7	40.3	20.2
Liabilities to private sector	-22.3	52.9	-24.3	52.8	-17.5	73.1	9.0	7.6	19.5
Currency in Circulation	-26.7	57.5	-22.8	51.4	-20.1	81.6	7.5	8.1	20.5
Others	1185.2	-42.3	-73.5	181.3	178.4	-83.9	172.3	-13.6	-33.2
Monetary Base	-0.9	68.1	-4.7	56.5	-5.0	57.6	29.1	22.1	22.4

Source: Central Reserve Bank.
1/ Exchange rate C8.50 = $1.00

Table D.4
MONETARY FLOW ANALYSIS
(Flows in millions of colones)

	1990				1991				1992				1993
a. Consolidated Banking System	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	March
1. Quarterly													
Net International Reserves 1/	-482.8	1022.3	494.2	275.9	-376.4	289.1	326.3	-59.6	120.9	350.8	3.1	41.6	575.1
Net Domestic Assets	933.5	-436.2	-62.6	209.5	252.8	-262.2	247.6	836.4	573.4	192.1	567.9	2113.4	-2047.4
Domestic Credit	930.3	-83.4	-93.6	878.6	185.2	320.7	245.5	1586.0	172.9	107.8	1043.6	2783.2	-516.4
Credit to public sector	28.3	-101.8	-67.7	864.7	23.1	3.1	253.4	603.6	34.0	-527.2	317.2	692.9	271.2
Central Government (net)	250.0	-144.8	17.3	1391.6	62.6	59.2	82.4	1163.4	5.7	-499.1	774.5	464.0	140.6
Credit 2/	13.1	243.6	35.9	1538.0	281.9	268.9	131.0	1077.1	-4.1	100.3	280.9	-78.4	351.8
Deposits	236.9	-388.4	-18.6	-146.4	-219.3	-209.7	-48.6	86.3	9.8	-599.4	493.6	542.4	-211.2
Rest of public sector (net)	-221.7	43.0	-85.0	-526.9	-39.5	-56.1	171.0	-559.8	28.3	-28.1	-457.3	228.9	130.6
Credit	-12.4	33.7	-66.3	-511.2	-139.9	76.4	-83.1	-7.4	6.0	11.4	-6.0	-1.6	11.9
Deposits	209.3	-9.3	18.7	15.7	-100.4	132.5	-254.1	552.4	-21.4	39.5	451.3	-230.5	-118.7
Cedulas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.9	0.0	0.0	0.0	0.0
Credit to private sector	902.0	18.4	-25.9	13.9	162.1	317.6	-7.9	982.4	138.9	635.0	726.4	2090.3	-787.6
INCAFE/INAZUCAR	89.3	-77.1	-24.3	-528.3	54.3	5.4	-29.7	-3.4	-8.1	-5.0	-22.0	2.0	0.0
Others official credit instit.	33.4	-10.4	35.6	-41.2	11.0	-21.8	82.1	49.3	-102.6	-30.4	34.7	139.9	-89.3
Commercial banks	779.3	105.9	-37.2	583.4	96.8	334.0	-60.3	936.5	249.6	670.4	713.7	1948.4	-698.3
Other (residual)	3.2	-352.8	31.0	-669.1	67.6	-582.9	2.1	-749.6	400.5	84.3	-475.7	-669.8	-1531.0
AID related deposits (BCR)	-35.4	-247.1	261.5	-749.8	-285.8	-66.7	202.1	-122.2	50.7	-341.5	-62.2	44.7	126.7
Medium/long-term foreign liab.1/	-37.4	225.0	-12.3	-61.4	0.6	-206.3	-569.3	174.1	-137.6	140.3	23.2	-282.8	-379.4
Liabil to nonbank financial inst	109.4	145.0	33.3	-46.2	86.3	144.5	175.0	61.6	107.4	23.8	74.4	171.8	-631.2
Liabilities to private sector-M3	414.1	463.2	149.1	1342.8	75.3	155.4	766.1	663.3	673.8	720.3	535.6	2221.3	-588.4
Money (M1)	97.5	-201.1	-14.7	827.9	-165.6	-284.2	132.8	533.4	-69.9	275.9	239.4	843.0	-532.2
Quasi-money	279.2	352.5	455.7	329.7	315.5	495.9	612.1	303.5	537.2	368.7	272.4	1193.8	92.0
Others	37.4	311.8	-291.9	185.2	-74.6	-56.3	21.2	-173.6	206.5	75.7	23.8	184.5	-148.2
Memo: (M2)	376.7	151.4	441.0	1157.6	149.9	211.7	744.9	836.9	467.3	644.6	511.8	2036.8	-440.2

Source: Central Reserve Bank.
1/ Exchange rate C8.00 = $1.00

Table D.4 (cont.)
MONETARY FLOW ANALYSIS
(Flows in millions of colones)

a. Consolidated Banking System	1990		1991		1992		January-December		
	Jan-Jun	Jul-Dec.	Jan-Jun	Jul-Dec.	Jan-Jun	Jul-Dec.	1990	1991	1992
2. Semi-annual									
Net International Reserves 1/	539.5	770.1	-87.3	266.7	471.7	44.7	1309.6	179.4	516.4
Net Domestic Assets	497.3	146.9	-9.4	1084.0	765.5	2681.3	644.2	1074.6	3446.8
Domestic Credit	846.9	785.0	505.9	1831.5	280.7	3826.8	1631.9	2337.4	4107.5
Credit to public sector	-73.5	797.0	26.2	857.0	-493.2	1010.1	723.5	883.2	516.9
Central Government (net)	105.2	1408.9	121.8	1245.8	-493.4	1238.5	1514.1	1367.6	745.1
Credit 2/	256.7	1573.9	550.8	1208.1	96.2	202.5	1830.6	1758.9	298.7
Deposits	-151.5	-165.0	-429.0	37.7	-589.6	1036.0	-316.5	-391.3	446.4
Rest of public sector (net)	-178.7	-611.9	-95.6	-388.8	0.2	-228.4	-790.6	-484.4	-228.2
Credit	21.3	-577.5	-63.5	-90.5	17.4	-7.6	-556.2	-154.0	9.8
Deposits	200.0	34.4	32.1	298.3	18.1	220.6	234.4	330.4	238.9
Cedulas	0.0	0.0	0.0	0.0	-0.9	0.0	0.0	0.0	-0.9
Credit to private sector	920.4	-12.0	479.7	974.5	773.9	2816.7	908.4	1454.2	3590.6
INCAFE/INAZUCAR	12.2	-552.6	59.7	-33.1	-13.1	-20.0	-540.4	26.6	-33.1
Others official credit Instit.	23.0	-5.6	-10.8	131.4	-133.0	174.6	17.4	120.6	41.6
Commercial banks	885.2	546.2	430.8	876.2	920.0	2662.1	1431.4	1307.0	3582.1
Other (residual)	-349.6	-638.1	-515.3	-747.5	484.8	-1145.5	-987.7	-1262.8	-660.7
AID related deposits (BCR)	-282.5	-488.3	-352.5	79.9	-290.8	-17.5	-770.8	-272.6	-308.3
Medium/long-term foreign liab.1/	187.6	-73.7	-205.7	-395.2	2.7	-259.6	113.9	-600.9	-256.9
Liabil to nonbank financial inst	254.4	-12.9	230.8	236.6	131.2	246.2	241.5	467.4	377.4
Liabilities to private sector-M3	877.3	1491.9	230.7	1429.4	1394.1	2756.9	2369.2	1660.1	4151.0
Money (M1)	-103.6	813.2	-449.8	666.2	206.0	1082.4	709.6	216.4	1288.4
Quasi-money	631.7	785.4	811.4	915.6	905.9	1466.2	1417.1	1727.0	2372.1
Others	349.2	-106.7	-130.9	-152.4	282.2	208.3	242.5	-283.3	490.5
Memo: (M2)	528.1	1598.6	361.6	1581.8	1111.9	2548.6	2126.7	1943.4	3660.5

Source: Central Reserve Bank.
1/ Exchange rate C8.00 = $1.00

Table D.4
MONETARY FLOW ANALYSIS
(Flows in millions of colones)

b. Central Reserve Bank.	1990 Mar.	1990 Jun.	1990 Sep.	1990 Dec.	1991 Mar.	1991 Jun.	1991 Sep.	1991 Dec.	1992 Mar.	1992 Jun.	1992 Sep.	1992 Dec.	1993 March
1. Quarterly													
Net International Reserves 1/	-1585.8	690.5	726.2	169.1	-366.4	363.3	441.9	-70.6	382.6	97.5	-42.0	30.4	550.4
Net Domestic Assets	1601.9	-306.5	70.0	-435.8	38.6	-607.3	-341.3	617.3	-341.0	-210.4	-74.9	1182.5	-955.0
Domestic Credit	109.8	-210.5	145.3	472.2	-56.2	-1370.1	694.1	431.9	-295.4	-268.2	229.8	1261.0	1919.3
Public sector (net)	152.6	-172.3	86.3	819.4	-79.1	-782.3	694.1	879.9	111.4	-290.4	23.4	921.4	2160.9
Central Government (net)	244.8	-114.2	66.2	1375.2	-177.9	-1258.8	1330.6	979.4	110.8	-404.8	528.2	587.7	-63.5
Credit 2/	0.0	240.9	72.0	1525.1	21.8	-1618.9	1925.6	858.9	105.8	110.3	91.4	207.0	48.3
Deposits	244.8	-355.1	-5.8	-149.9	-199.7	360.1	-595.0	120.5	5.0	-515.1	436.8	380.7	-111.8
Rest of public sector (net)	-92.2	-58.1	20.1	-555.8	98.8	476.5	-636.5	-99.5	0.6	114.4	-504.8	333.7	2224.4
Credit	-15.1	-2.5	39.6	-527.9	-1.3	459.6	-434.2	-19.0	5.1	16.4	-1.6	-8.8	13.9
Deposits	-77.1	-55.6	-49.5	-27.9	100.1	16.9	-202.3	-80.5	-4.5	98.0	-503.2	342.5	2210.5
Private sector	-42.8	-38.2	53.0	-347.2	22.9	-587.8	0.0	-448.0	-406.8	22.2	206.4	339.6	-241.6
Commercial banks	-165.6	49.7	48.3	223.2	-46.0	-571.8	-52.4	-484.9	-302.2	59.4	193.8	197.9	-152.7
INCAFE/INAZUCAR	89.3	-77.1	-24.3	-528.3	53.9	5.8	-29.7	-3.4	-8.1	-5.0	-22.0	2.0	0.0
Others nonbank financial inst.	33.5	-10.8	35.0	-42.1	15.0	-21.8	82.1	40.3	-96.5	-32.2	34.6	139.7	-88.9
Other (residual)	1492.1	-96.0	-75.3	-908.0	94.8	762.8	-1035.4	185.4	-45.6	57.8	-304.7	-78.5	-2874.3
AID related deposits (BCR)	-35.4	-247.1	261.5	-749.8	-285.8	-66.7	202.1	-122.2	50.7	-341.5	-62.2	44.7	126.7
Medium/long-term foreign liab.1/	-37.8	226.2	-12.5	-61.5	0.3	-207.2	-569.7	175.4	-139.8	144.1	23.2	-282.8	-379.4
Liabilities to Financial Instit.	254.0	341.3	535.4	218.3	-70.8	136.9	592.7	92.1	311.5	72.9	-90.8	858.2	165.0
Commercial Banks	254.0	341.3	535.4	218.3	-70.8	136.9	167.9	59.8	291.8	47.4	-113.3	839.3	143.5
Bank deposits	-38.7	269.1	290.6	271.0	-22.0	137.3	-239.2	394.8	-272.5	322.9	47.6	514.6	133.5
Banks cash in vault	19.1	-16.4	15.0	11.5	6.1	3.6	14.7	30.9	-11.5	-1.3	14.9	42.4	-19.0
Stabilization Bonds	273.6	88.6	229.8	-64.2	-54.9	-4.0	392.4	-365.9	575.8	-274.2	-175.8	282.3	29.0
Financieras (S&LA)	0.0	0.0	0.0	0.0	0.0	0.0	424.8	32.3	19.7	25.5	22.5	18.9	21.5
Deposits	0.0	0.0	0.0	0.0	0.0	0.0	424.8	32.3	19.7	25.5	22.5	18.9	21.5
Liab to nonbank financial instit	64.2	41.7	25.9	-51.4	115.7	52.5	-93.0	-20.7	41.1	-22.7	14.4	5.5	-19.5
Liabilities to private sector	-228.9	21.9	-14.1	377.7	-87.2	-159.5	-31.5	422.1	-221.9	34.3	-1.5	587.3	-297.4
Currency in Circulation	-225.5	-22.6	-17.9	395.2	-70.5	-155.2	-31.9	407.4	-227.6	15.0	6.8	616.4	-294.3
Others	-3.4	44.5	3.8	-17.5	-16.7	-4.3	0.4	14.7	5.7	19.3	-8.3	-29.1	-3.1
Monetary Base	-245.1	230.1	287.7	677.7	-86.4	-14.3	168.4	865.4	-491.9	362.1	91.8	1192.3	-158.3

Source: Central Reserve Bank.
1/ Exchange rate C8.00 = $1.00

Table D.4 (cont.)
MONETARY FLOW ANALYSIS
(Flows in millions of colones)

b. Central Reserve Bank.	1990 Jan-Jun	1990 Jul-Dec.	1991 Jan-Jun	1991 Jul-Dec.	1992 Jan-Jun	1992 Jul-Dec.	January-December 1990	January-December 1991	January-December 1992
2. Semi-annual									
Net International Reserves 1/	-895.3	895.3	-3.1	371.3	480.1	-11.6	0.0	368.2	468.5
Net Domestic Assets	1295.4	-365.8	-568.7	276.0	-551.4	1107.6	929.6	-292.7	556.2
Domestic Credit	-100.7	617.5	-1426.3	1126.0	-563.6	1490.8	516.8	-300.3	927.2
Public sector (net)	-19.7	905.7	-861.4	1574.0	-179.0	944.8	886.0	712.6	765.8
Central Government (net)	130.6	1441.4	-1436.7	2310.0	-294.0	1115.9	1572.0	873.3	821.9
Credit 2/	240.9	1597.1	-1597.1	2784.5	216.1	298.4	1838.0	1187.4	514.5
Deposits	-110.3	-155.7	160.4	-474.5	-510.1	817.5	-266.0	-314.1	307.4
Rest of public sector (net)	-150.3	-535.7	575.3	-736.0	115.0	-171.1	-686.0	-160.7	-56.1
Credit	-17.6	-458.3	458.3	-453.2	21.5	-10.4	-475.9	5.1	11.1
Deposits	-132.7	-77.4	117.0	-282.8	93.5	-160.7	-210.1	-165.8	-67.2
Private sector	-81.0	-268.2	-564.9	-448.0	-384.6	546.0	-369.2	-1012.9	161.4
Commercial banks	-115.9	271.5	-617.8	-537.3	-242.8	391.7	155.6	-1155.1	148.9
INCAFE/INAZUCAR	12.2	-552.6	59.7	-33.1	-13.1	-20.0	-540.4	26.6	-33.1
Others nonbank financial inst.	22.7	-7.1	-6.8	122.4	-128.7	174.3	15.6	115.6	45.6
Other (residual)	1396.1	-983.3	857.6	-850.0	12.2	-383.2	412.8	7.6	-371.0
AID related deposits (BCR)	-282.5	-488.3	-352.5	79.9	-290.8	-17.5	-770.8	-272.6	-308.3
Medium/long-term foreign liab.1/	188.4	-74.0	-206.9	-394.3	4.3	-259.6	114.4	-601.2	-255.3
Liabilities to Financial Instit.	595.3	753.7	66.1	684.8	384.4	767.4	1349.0	750.9	1151.8
Commercial Banks	595.3	753.7	66.1	227.7	339.2	726.0	1349.0	293.8	1065.2
Bank deposits	230.4	561.6	115.3	155.6	50.4	562.2	792.0	270.9	612.6
Banks cash in vault	2.7	26.5	9.7	45.6	-12.8	57.3	29.2	55.3	44.5
Stabilization Bonds	362.2	165.6	-58.9	26.5	301.6	106.5	527.8	-32.4	408.1
Financieras (S&LA)	0.0	0.0	0.0	457.1	45.2	41.4	0.0	457.1	86.6
Deposits	0.0	0.0	0.0	457.1	45.2	41.4	0.0	457.1	86.6
Liab to nonbank financial instit	105.9	-25.5	168.2	-113.7	18.4	19.9	131.8	75.2	32.8
Liabilities to private sector	-207.0	363.6	-246.7	390.6	-187.6	585.8	156.6	143.9	398.2
Currency in Circulation	-248.1	377.3	-225.7	375.5	-212.6	623.2	129.2	149.8	410.6
Others	41.1	-13.7	-21.0	15.1	25.0	-37.4	27.4	-5.9	-12.4
Monetary Base	-15.0	965.4	-100.7	1033.8	-129.8	1284.1	950.4	933.1	1154.3

Source: Central Reserve Bank.
1/ Exchange rate C8.00 = $1.00

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Table E.1
El Salvador: Balance of Payments, 1989-1992
(Millions of U.S. Dollars)

	1989			1990			1991			1992 Prel.		
	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance
Current Account 1/			-466.2			-358.6			-296.3			-378.0
Goods and Services	803.0	1506.0	-703.0	904.7	1608.7	-704.0	929.9	1769.0	-839.1	966.1	2052.0	-1085.9
Merchandise trade, 2/	497.5	1161.3	-663.8	581.5	1262.5	-681.0	588.0	1406.0	-818.0	597.5	1698.5	-1101.0
Services	224.5	258.3	-33.8	323.2	346.2	-23.0	341.9	363	-21.1	368.6	353.5	15.1
Transportation	68.9	45.6	23.3	71.0	48.0	23.0	74.0	54.0	20.0	79.4	59.0	20.4
Travel	62.4	60.0	2.4	68.5	54.8	13.7	71.0	57.0	14.0	73.4	58.0	15.4
Factor income	17.5	138.8	-121.3	18.6	142.7	-124.1	22.0	149.0	-127.0	24.7	128.5	-103.8
Direct investment	-.-	40.0	-40.0	18.6	29.4	-10.8	22.0	36.1	-14.1	24.7	29.7	-5.0
Interest	17.5	98.8	-81.3	0.0	113.3	-113.3	0.0	112.9	-112.9	0.0	98.9	-98.9
Government transactions	75.7	13.9	61.8	76.1	14.1	62.0	76.1	15.0	61.1	78.6	16.0	62.6
Other services	81.0	86.4	-5.4	89.0	86.6	2.4	98.8	88.0	10.8	112.5	92.0	20.5
Of Which Drawback:	71.9	56.9	15.0	83.0	65.0	18.0	131.6	111.2	20.4	210.5	168.4	42.1
Private Transfers	237.4	0.6	236.8	346.0	0.6	345.4	543.5	0.7	542.8	708.6	0.7	707.9
Oficial Transfers	284.2	1.8	282.4	225.0	1.8	223.2	180.3	1.6	178.5	228.3	1.6	226.5
Capital Accounts	301.4	162.4	150.9	399.3	134.3	226.8	354.9	288.9	66.0	357.5	259.5	98.0
Private Capital	0.0	66.4	-66.4	264.6	0.0	264.6	121.6	0.0	121.6	9.8	0.0	9.8
Direct investment	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Medium and long-term loans	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Short-term loans (including net	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
errors and omissions)	0.0	66.4	-66.4	264.6	0.0	264.6	121.6	0.0	121.6	9.8	0.0	9.8
Nonfinancial Public Sector	186.2	36.0	150.2	71.2	70.1	1.1	149.1	119.8	29.3	206.5	116.6	89.9
Central Government 3/	110.1	26.2	83.9	47.8	43.2	4.6	149.1	119.8	29.3	87.1	36.6	50.5
Rest of general government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	62.9	29.6	33.3
Public enterprises	76.1	9.8	66.3	23.4	26.9	-3.5	0.0	0.0	0.0	58.5	52.4	6.1
Financial Public Sector	115.2	60.0	67.1	63.5	84.2	-38.9	84.2	169.1	-84.9	139.2	140.9	-1.7
Central Reserve Bank 4/	115.2	60.0	55.2	63.5	64.2	-0.7	84.2	169.1	-84.9	139.2	140.9	-1.7
Deposit and mortgage banks	-.-	-.-	11.9	-.-	-.-	-38.2	-.-	-.-		-.-	-.-	
Long term (net)	-.-	-.-	0.0	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Short term (net)	-.-	-.-	0.0	-.-	-.-	-.-	-.-	-.-	-.	-.-	-.-	-.-
Other public financial				-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Intermediaries	-.-	-.-	-.-									
Overall Balance (Deficit -)			-32.9			91.4			-51.8			-53.5
Change in arrears (-decrease)	69.5	0.0	69.5	46.4	104.5	-58.1			-8.4			39.1
Rescheduling of medium-term												
liabilities			0.0			83.8			102.2			69.4
Change in net official reserves			-36.6			-117.1			-42.0			-55.0
of the Central Reserve Bank (increase -)												
Memoranda:												
Net Services			-39.2			-23.0			-21.1			15.1
Goods and Nonfactor Services	785.5	1367.2	-581.7	886.1	1466.0	-579.9	907.9	1620.0	-712.1	941.4	1923.5	-982.1

SOURCE: Central Bank of El Salvador and IMF.
1/. Excludes official transfers.
2/. Exports, f.o.b. and imports, c.i.f.
3/. Excludes government dollar bonds issued to refinance arrears but includes repayments of government dollar bonds.
4/. Excludes medium-term liabilities converted from short-term.

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Table E.2
El Salvador:
Merchandise Exports (F.O.B.)
By Principal Groups
1985 - 1992

	1985	1986	1987	1988	1989	1990	1991	Prel. 1992
	(Value in millions of U.S. dollars; volume in thousands of quintals; unit price in U.S. dollars per quintal)							
Total exports, (F.O.B.)	695.1	755.0	590.9	608.8	497.5	581.5	588.0	597.5
Traditional exports	525.7	593.6	386.4	393.5	252.8	296.2	272.1	217.2
Coffee								
value	463.7	546.8	351.5	358.0	228.6	260.2	219.5	151.2
volume	3456.0	2937.0	3383.0	2729.0	2058.7	3231.8	2771.0	2720.8
unit value	134.0	186.0	103.7	131.0	111.0	80.5	79.2	60.0
Cotton								
value	29.0	4.5	2.3	0.3	0.7	1.3	0.7	1.5
volume	514.0	131.8	58.0	8.0	14.7	21.0	8.3	19.0
unit value	56.0	34.2	40.0	39.0	47.6	61.9	84.3	80.0
Sugar								
value	23.2	25.3	12.1	19.2	13.5	20.3	32.0	44.7
volume	2422.0	2144.3	821.4	1702.0	622.2	973.4	1745.0	3566.0
unit value	10.0	11.8	14.7	11.0	21.7	20.9	18.3	12.5
Shrimp								
value	9.8	17.0	20.5	16.0	10.0	14.4	19.9	19.8
volume	2565.0	4364.0	3576.0	3712.0	2162.0	3067.0	3175.0	3215.0
unit value 1/	4.0	4.0	6.0	6.0	4.6	4.7	6.3	6.2
Nontraditional exports	169.4	161.3	204.5	215.3	244.7	285.3	315.9	380.3
CACM	95.7	91.0	119.6	139.8	160.6	175.0	193.7	257.3
to other markets	73.7	70.3	84.9	75.5	84.1	110.3	122.2	123.0
Memorandum:								
Non-Coffee Exports	231.4	208.2	239.4	250.6	268.9	321.3	368.5	446.3
	(Annual percentage change)							
Total exports	-4.3	8.6	-21.7	3.0	-18.3	16.9	1.1	1.6
Traditional exports	5.3	12.9	-34.9	1.8	-35.8	17.2	-8.1	-20.2
Nontraditional exports	-25.3	-4.8	26.8	5.3	13.7	16.6	10.7	20.4
CACM	-39.1	-4.9	31.4	16.9	14.9	9.0	10.7	32.8
To other markets	5.9	-4.6	20.8	-11.1	11.4	31.2	10.8	0.7
Memorandum:								
Non-Coffee Exports	-17.9	-10.0	15.0	4.8	7.2	19.5	14.7	21.1
	(In percent of total value)							
Total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Traditional exports	75.6	78.6	65.4	64.6	50.8	50.9	46.3	36.4
Nontraditional exports	24.4	21.4	34.6	35.4	49.2	49.1	53.7	63.6
CACM	13.8	12.1	20.2	23.0	32.3	30.1	32.9	43.1
To other markets	10.6	9.3	14.4	12.4	16.9	19.0	20.8	20.6
Memorandum:								
Non-Coffee Exports	33.3	27.6	40.5	41.2	54.1	55.3	62.7	74.7

Source: Central Reserve Bank of El Salvador.
1/. In U.S. dollars per kilogram.

Table E.3
El Salvador:
Merchandise Imports (C.I.F.)
By Principal Groups
1985 - 1992

	1985	1986	1987	1988	1989	1990	1991	Prel. 1992
				In millions of U.S. dollars				
Total Imports (C.I.F.)	961.3	934.9	994.1	1006.7	1161.3	1262.5	1406.0	1698.5
Consumer Goods	258.8	207.0	240.5	258.2	294.6	398.8	372.7	489.1
Nondurables	210.9	181.8	208.4	224.9	258.0	361.3	322.0	417.8
Durables	47.9	25.2	32.1	33.3	36.6	37.5	50.7	71.3
Raw Materials	544.8	453.4	501.3	496.2	577.2	629.2	710.0	778.4
Agriculture	75.5	41.2	39.1	35.9	52.2	58.0	67.7	70.8
Of which: Fertilizers	39.5	24.7	27.3	23.5	32.5	29.8	30.2	30.2
Industry	417.5	363.2	394.3	390.5	414.4	486.4	547.4	606.4
Of which: Petroleum imports	133.2	82.0	104.3	81.0	87.0	121.8	126.8	128.2
Construction Materials	46.2	44.0	60.5	63.3	98.9	78.3	85.9	90.6
Other	5.6	5.0	7.4	6.5	11.7	6.5	9.0	10.6
Capital Goods	157.7	224.5	252.3	252.3	279.7	234.5	323.3	431.0
Agriculture	13.5	10.3	13.2	8.0	9.2	8.9	11.1	11.8
Industry	43.3	58.7	72.4	79.1	77.4	71.1	89.2	121.4
Transport	67.9	123.6	123.9	121.8	141.5	102.6	148.9	205.5
Construction	6.2	6.4	10.6	11.2	17.0	8.3	11.5	15.4
Other	26.8	25.5	32.2	32.2	34.6	43.6	62.6	76.9
Not Elsewhere Classified 1/	-.-	50.0	-.-	-.-	9.8	-.-	-.-	-.-
				(Annual percentage change)				
Total Imports (C.I.F.)		-2.7	6.3	1.3	15.4	8.7	11.4	20.8
Consumer Goods		-20.0	16.2	7.4	14.1	35.4	-6.5	31.2
Nondurables		-13.6	14.6	7.9	14.7	40.0	-10.9	29.8
Durables		-47.4	27.4	3.7	9.9	2.5	35.2	40.6
Raw Materials		-16.8	10.6	-1.0	16.3	9.0	12.8	9.6
Agriculture		-45.4	-5.1	-8.2	45.4	11.1	16.7	4.6
Of which: Fertilizers		-37.5	10.5	-13.9	38.3	-8.3	1.3	0.0
Industry		-13.0	8.6	-1.0	6.1	17.4	12.5	10.8
Of which: Petroleum imports		-38.4	27.2	-22.3	7.4	40.0	4.1	1.1
Construction Materials		-4.8	37.5	4.6	56.2	-20.8	9.7	5.5
Other		-10.7	48.0	-12.2	80.0	-44.4	38.5	17.8
Capital Goods		42.4	12.4	-0.0	10.9	-16.2	37.9	33.3
Agriculture		-23.7	28.2	-39.4	15.0	-3.3	24.7	6.3
Industry		35.6	23.3	9.3	-2.1	-8.1	25.5	36.1
Transport		82.0	0.2	-1.7	16.2	-27.5	45.1	38.0
Construction		3.2	65.6	5.7	51.6	-51.2	38.6	33.9
Other		-4.9	26.3	0.0	7.5	26.0	43.6	22.8

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

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

Table E.4
El Salvador
Balance of Payments, 1989-1993
With Projections Through 1996
(Millions of Dollars)

	1989	1990	1991	Prel. 1992	Prog. 1993	Projections 1994	1995	1996
Current Account 1/	-466.2	-358.6	-296.3	-378.0	-417.8	-386.0	-387.0	-365.0
Trade balance	-663.8	-681.0	-818.0	-1101.0	-1180.0	-1200.0	-1247.0	-1291.0
Exports, f.o.b.	497.5	581.5	588.0	597.5	695.0	812.0	920.0	1031.0
Coffee	228.6	260.2	219.5	151.2	199.8	238.0	282.0	308.0
Other traditional	24.2	36.0	52.6	66.0	71.7	79.0	74.0	80.0
Nontraditional	244.7	285.3	315.9	380.3	423.5	496.0	564.0	643.0
CACM	160.6	173.0	193.6	257.3	285.0	----	----	----
Rest of the world	84.1	112.3	122.3	123.0	138.5	----	----	----
Imports, c.i.f.	1161.3	1262.5	1406.0	1698.5	1875.0	2012.0	2167.0	2322.0
Net factor payments	-121.3	-124.1	-127.0	-103.8	-116.8	-123.0	-138.0	-144.0
Of which: interest	-78.2	-113.3	-112.9	-96.9	-110.1	-126.0	-151.0	-165.0
Other services (net)	82.1	101.1	105.9	118.9	132.8	143.0	158.0	177.0
Private transfers 2/	236.8	345.4	542.6	707.9	746.2	794.0	840.0	893.0
Official transfers	282.4	223.2	178.5	226.5	321.4	248.0	233.0	193.0
Of which ESF:	157.0	98.0	45.0	86.0	121.0			
Capital Account	150.9	226.8	66.0	96.0	156.3	201.0	215.0	206.0
Nonfinancial public sector	150.2	1.1	29.3	89.9	217.9	200.0	177.0	209.0
Disbursements	186.2	71.2	149.1	208.5	315.0	304.0	284.0	309.0
Amortization	36.0	70.1	119.8	118.6	97.1	104.0	107.0	100.0
Financial Sector	67.1	37.5	-84.9	-1.7	-45.7	-32.0	1.0	-39.0
Disbursements	127.1	101.7	84.2	139.2	8.0	34.0	14.0	14.0
Amortization	60.0	64.2	169.1	140.9	53.7	66.0	13.0	53.0
Private capital and net errors and omissions	-66.4	188.2	121.6	9.8	-15.9	33.0	37.0	36.0
Overall balance	-32.9	91.4	-51.8	-53.5	59.9	63.0	61.0	34.0
Net change in arrears (decrease -)	69.5	-58.1	-8.4	39.1	-39.1	----	----	----
Rescheduling	0.0	83.8	102.2	69.4	18.9	----	----	----
Capital gain buyback	----	----	----	----	10.3	----	----	----
Change in net official reserves (increase -)	-36.6	-117.1	-42.0	-55.0	-50.0	-63.0	-61.0	-34.0
Memorandum Items								
Gross Official Reserves ($)	393.1	541.4	471.9	573.0	635.7	635.7	635.7	635.7
In Months of Imports	4.1	5.1	4.0	4.0	4.1	3.8	3.5	3.3
GDP (millions US $)	4958.5	5332.1	5974.0	6480.7	7322.9	7791.0	8431.0	9138.0
Real GDP Growth Target Rate	1.1	3.4	3.5	4.6	5.0	5.0	5.0	5.0
Debt Service	174.2	247.8	372.4	249.7	260.9	296.0	271.0	318.0
(As percent of GDP)								
Trade balance	-13.4	-12.8	-13.7	-17.0	-16.1	-15.4	-14.8	-14.1
Current account balance	-9.4	-6.7	-5.0	-5.8	-5.7	-5.0	-4.6	-4.0
Official transfers	5.7	4.2	3.0	3.5	4.4	3.2	2.8	2.1
Capital account balance	3.0	4.3	1.1	1.5	2.1	2.6	2.6	2.3
Overall balance	-0.7	1.7	-0.9	-0.8	0.8	0.8	0.7	0.4
(As percent of exports of goods and services)								
Total debt service	21.7	27.4	40.0	25.8	23.9	24.1	19.5	20.3
Of which: interest	9.7	12.5	12.1	10.2	10.1	10.2	10.9	10.5

SOURCE: Central Reserve Bank (CRB).

1/. It does not include official transfers.

2/. Increase in remmittances since 1992 is due to an increment in inflows and improvement in CRB's data collection.

Table E.5
El Salvador:
ESF Cash Transfers Relative to Macro Variables
1980 - 1993
(By calendar year)

Year	Amount (Millions of dollars)	ESF Cash Transfers As Percent of : GDP	Exports	Imports	BOP Current account deficit	Central government fiscal deficit
1980	20	1.1	1.9	2.1	65.6 1/	14.6
1981	0	----	----	----	----	----
1982	100	5.6	14.3	11.7	83.5	65.5
1983	120	5.9	15.8	13.4	372.7	67.1
1984	135	5.8	18.6	13.8	202.7	98.7
1985	160	5.6	23.0	16.6	433.6	149.4
1986	130	3.3	17.2	13.9	93.5 1/	110.0
1987	204	4.4	34.5	20.5	85.5	122.6
1988	155	3.0	25.5	15.4	65.9	97.1
1989	157	3.2	31.6	13.5	33.7	64.9
1990	98	1.8	16.9	7.8	27.3	57.4
1991	45	0.8	7.7	3.2	15.2	16.3
1992	86	1.3	14.4	5.1	22.7	29.5
1993	121	1.7	17.4	6.5	29.0	35.9

Source: USAID
1/. Surplus.

Table E.6
El Salvador:
Outstanding External Public Debt by Lender, 1989-1992 1/
(Millions of U.S. dollars)

	1989	1990	1991	1992
Total	**1918.9**	**2117.3**	**2073.5**	**2337.8**
Multilateral	**812.8**	**877.1**	**910.9**	**1046.2**
CABEI	112.6	140.4	110.1	170.3
IDB	573.0	592.1	575.5	639.8
IBRD	123.1	121.4	173.0	179.8
IMF	4.1	0.1	0.0	0.0
FIDA	0.0	6.6	3.4	3.1
OPEC	0.0	1.0	0.9	0.8
CAMSF	0.0	15.5	25.0	30.0
OTHERS	0.0	0.0	23.0	22.4
Bilateral	**919.1**	**1097.8**	**1049.0**	**1069.3**
USG	**688.2**	**763.2**	**810.7**	**796.2**
AID	284.6	258.9	273.8	279.3
CCC-PL480	291.3	364.0	379.3	432.4
EXIMBANK	4.7	17.5	3.9	3.0
CCC-Program	36.4	45.4	54.9	35.0
FMF	71.2	77.4	98.8	46.5
Venezuela	**77.0**	**55.9**	**60.4**	**54.0**
Mexico	**45.7**	**72.4**	**10.2**	**7.9**
Other	**108.2**	**206.3**	**167.7**	**211.2**
Private Banks and others	**187.0**	**142.4**	**113.6**	**222.3**
Annual Growth Rates				
Multilateral	2.8	7.9	3.9	14.9
Bilateral	6.2	19.4	-4.4	1.9
USG	4.0	10.9	6.2	-1.8
Percent of Total	**100.0**	**100.0**	**100.0**	**100.0**
Multilateral	42.4	41.4	43.9	44.8
Bilateral	47.9	51.8	50.6	45.7
USG	35.9	36.0	39.1	34.1
Private Banks and others	9.7	6.7	5.5	9.5
Memorandum:				
Total Debt as Percent of GDP	38.7	39.7	34.7	36.1

Source: Central Reserve Bank.
1/. Includes BCR and Public Sector medium and long term debt.

Table F.1
El Salvador:
Selected Economic, Social, and
Demographic Indicators
1988 - 1992

	1988	1989	1990	1991	1992
Population (in millions) 1/	5.0	5.1	5.1	5.3	5.4
Population Growth Rate	1.8	1.9	2.0	2.1	2.2
GDP Real Growth Rate (percent)	1.6	1.1	3.4	3.5	4.6
Real Per Capita Growth Rate (percent)	-0.2	-0.8	2.0	0.8	2.3
GDP per capita ($)	1038	978	1037	1132	1201
Prices					
Consumer Price Index					
End of Period (percent)	18.2	23.5	19.3	9.8	20.0
Period Average (percent)	19.8	17.6	24.0	14.4	11.2
GDP deflator, 1962=100 (percent)	16.4	16.5	23.2	12.4	9.0
Real Effective Exchange Rate, 1980=100 2/	16.3	-2.0	-18.7	8.8	4.5
Real Wages (percent) 3/	0.2	-15.0	-5.9	-2.2	3.3
Labor Market (urban)					
Employment (000s)	716	790	885	890	947
Unemployment Rate	9.4	8.4	10.0	7.5	7.9
Underemployment Rate (visible)	11.8	12.8	18.2	7.5	3.5
Percent of Urban Population					
Total Poverty	61.0	55.5	60.2	56.1	53.7
In Relative Poverty	31.7	31.9	32.1	32.9	30.5
In Absolute Poverty	29.3	23.6	28.1	23.2	23.3
Exports Growth Rate	2.9	-18.3	16.9	1.1	1.6
Excluding Coffee	4.4	7.1	19.5	14.7	21.1
Nontraditional Exports	5.3	13.7	16.6	10.7	20.4
CACM	16.9	14.9	9.0	10.7	32.8
Outside CACM	-11.1	11.4	31.2	10.8	0.7
As Percentage of GDP					
BOP Current Account Deficit (Excluding Official Transfers)	4.6	9.4	6.7	5.0	5.8
Public Sector Fiscal Deficit (Excluding Grants)	3.4	5.8	2.5	4.4	5.6

1/. Based on 1972 census. Preliminary information from 1992 census shows population of 5.047925 million.
2/. Increases denotes local currency appreciation.
3/. Nominal minimun wages deflated by the consumer price index.