

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



**ANNUAL BUDGET SUBMISSION
FY 1979**

EL SALVADOR

**DEPARTMENT
OF
STATE**

JUNE 1977



EL SALVADOR

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SUMMARY NARRATIVE STATEMENT

I. POLITICAL SETTING

In the wake of recent events leading up to and following the February 1977 elections in El Salvador, the political climate has been unsettled. United States' concern over human rights and Congressional hearings on the Salvadoran elections and related developments put some Salvadoran government officials on the defensive. It remains to be seen whether these transient events will significantly affect long-range economic development and the U.S. assistance program.

The period of transition between governments has, as might be expected, generated some uncertainties, but the Mission is maintaining a normal dialogue and is confident, as a result of pre and post electoral pronouncements, that present government priorities, described below, will be supported by the new administration when it assumes office in July.

II. SUMMARY OF SOCIO-ECONOMIC SITUATION AND DEVELOPMENT PROBLEMS

There are two major economic and social problems in El Salvador: (1) imbalance between the growth rate of the workforce and new job creation, and (2) extremely uneven income distribution. The underlying causes continue to be a low economic and high population growth rate, low levels of education, poor health and nutrition, and distortion in the ownership of non-human productive assets.

The annual growth rate of real Gross Domestic Product in El Salvador between 1970 and 1975 has been about 4.8% in real terms with an average annual population growth rate of about 3.3% during the same period. The implied average annual per capita real growth rate of 1.5% is not sufficient to significantly improve standards of living in the near future. Moreover, the income distribution pattern of the past decade has not improved, and the larger part of the gains still go to the higher income earners thus contributing to a widening of income disparities.

Although the annual population growth rate is now estimated to be about 3.0%, because of earlier growth the labor force is projected to grow for the next 10 years at about 3.5% annually. Accordingly the economy has to provide 50,000 to 60,000 new jobs annually to avoid increased unemployment. In 1976, unemployment was estimated at about 18% of the available workforce which is 80% more than reported in 1971. To promote more equitable dis-

tribution of income by providing job opportunities to unskilled workers is the most critical challenge that confronts the Government of El Salvador.

III. SECTORAL OVERVIEWS AND MISSION STRATEGIES

A. Agriculture

In addition to providing a livelihood for 60% of the population, the agricultural sector plays a central role in Salvadoran economic development through exports of traditional crops - coffee, cotton, and sugar - which amounted to about 60% of all exports during the last ten years. It should also be noted that agro-industries account for 67 per cent of all industrial value added and employ 70 per cent of the industrial workforce.

Host Government Objectives and Programs in Agriculture

The objectives of the Government of El Salvador (GOES) for the agriculture sector as cited in the Five-Year Plan for 1978-82 are: (1) to increase income and achieve more equitable income distribution; (2) expand employment; (3) increase both traditional and non-traditional exports; (4) promote import substitution, principally in basic food commodities; (5) promote social mobility; (6) conserve and develop renewable natural resources; and (7) promote balanced development among the various regions of the country.

The GOES has engaged in a number of activities designed to serve these objectives. The Center for Research, Extension, and Education (CENTA) was internally reorganized creating a separate Center for Agricultural Education (CENCAP) which had the effect of giving agricultural education a higher priority and greater budgetary strength. A division of seed technology was also established which led to an increase in production of improved seed for basic grains. In addition, the Ministry of Agriculture (MAG) independently upgraded the salaries for CENTA staff thus sharply reducing the high rate of personnel turnover. The Agricultural Development Bank increased credit for production of basic grains to small and medium farmers, especially members of cooperatives; and the GOES initiated a grain storage program, which included construction of seed processing and small scale irrigation facilities, to encourage and support the basic grain production objective.

In June 1975, the GOES passed a law creating the Salvadoran Institute of Agrarian Transformation (ISTA). Its aim was to

improve the social and economic conditions of the rural poor, primarily by establishing more equitable and secure land tenure rights for lower income farm families. However, private sector opposition forced an amendment which weakened ISTA considerably by eliminating expropriatory powers and restricting its actions to making cash payments on voluntary land sales. The new law permits confiscation of farms only in the event they do not comply with certain "social betterment" and "maximum productivity" standards, thus seriously limiting the effectiveness of public sector agrarian reform.

There are several donors providing assistance in support of GOES agriculture sector objectives. The Inter-American Development Bank (IDB) is financing a research and extension project in basic grains with CENTA and an agricultural credit effort through the Agriculture Development Bank. The British Government is financing marine fisheries development while the Canadian International Development Agency is sponsoring an inland fisheries program.

The current draft of the agriculture sector five-year plan (1978-82) calls for a GOES gross investment in the sector of more than \$240 million. This compares with about \$40 million during the five-year period 1971-75 (the last five years for which data are available). This plan has not yet been approved by the new administration and may be somewhat over-optimistic. However, it indicates that the GOES planners see the agriculture sector as playing an important role in the future economic development of the country.

The Mission's Agriculture Sector Strategy

The target group to which USAID assistance in this sector is addressed consists of about two million people (83 per cent of the rural population) with annual incomes of less than \$225. Sixty-five per cent of the target group are members of extended farm families residing permanently on farms and about one third are landless farm worker families.

The most serious constraints to achievement of income and employment objectives of the target group are: (1) the small land base and low quality of land of the target farmer; (2) the land tenure situation which prevents target group renters from moving into perennial crops; (3) the lack of production inputs including credit at the small farm level due to inadequate delivery systems; (4) the low level of available small farmer technology; and (5) the inefficiency of the marketing system, especially for such high value commodities as coffee, and fresh and processed fruits and vegetables.

In light of the seriousness and future implications of these constraints, and taking into account information provided by the AID financed 1977 Agriculture Sector Assessment, it is the Mission's strategy to support stated GOES objectives. The assessment points out that, at present, a better approach for achieving the objective of increased employment and income for the target group, is to redirect attention away from basic grain production and toward proven alternative commodity mixes which are more land and labor intensive, and which would yield a far greater return to the small farmer.

The Mission will therefore advocate and support changes in land tenure as well as changes in land use patterns emphasizing labor and land intensive crops which maximize small farmer employment and incomes. The Mission will also attempt to increase employment through support of activities which stimulate agro-industrial and rural infrastructure development.

There are a number of alternative program interventions which the Mission can select to implement this strategy. For example, serious consideration might be given to the provision of long term credit for land purchase by small and medium farmers. This would require the development of an effective mechanism or delivery system to assure that credit reaches the target farmer. A pre-condition would be a government policy encouraging the commercial buying and selling of land. At present GOES law requires that all land sales transactions be handled through or approved by ISTA.

A coordinated program to significantly increase the plantings of perennials on small farms is also required to address the problems of target group underemployment, low income and more effective land utilization. This program would include medium and long term credit, improved seeds, planting material and technical assistance where required. A follow-on program would provide marketing assistance for these commodities when production begins. Priority should be given to increasing the planting of rust-tolerant varieties of coffee on small farms in suitable areas.

A high priority should be given to the initiation of a program designed to increase the production and marketing of fresh and processed fruits and vegetables for U.S. markets. Such an effort would require financial and technical assistance in both production and marketing.

The long dry season and the limited land base, coupled

with the rapid growth in population, dictates the need for the increased use of irrigation. Development of an irrigation capability in selected areas would facilitate the move to higher value, more labor intensive crops by small farmers during the dry season when these crops are in high demand in the external market. Irrigation projects should make the maximum use feasible of hand labor.

For the small farmer, poor access not only means higher input and marketing costs but also lower prices. Significant improvement of access roads could be made at minimal cost using low cost pick and shovel labor that is so abundant in the rural areas. AID has financed a number of successful projects of this type in other countries.

Finally, if El Salvador is to maintain the present productivity of the limited land base, immediate steps must be taken to change production patterns on steep lands. A large proportion of the land area is suitable only for forestry, permanent tree crops, or pasture. The high level of forest product imports and the potential for the development of a wood products industry in the labor surplus situation found in El Salvador would appear to make the improvement of the forest resource base an attractive development opportunity for the long term. Such an improvement program could be implemented primarily using hand labor.

The Mission proposes to support several of the interventions mentioned above. In FY 1978 the Mission has proposed the financing of two loan programs, one for small farm credit and another for small farm irrigation. In FY 1979 the Mission is proposing two additional loans, one in agro-industry and the other a multi-faceted small farm production program.

B. Population and Family Planning

Host Government Objectives and Programs in Family Planning

In 1974, the President of El Salvador announced a national population policy which reflected a recognition of the adverse effects of a rapid population growth rate (about 3.0% in 1976) on economic and social development. Policy objectives are stated in terms of family health, welfare, and the right of the individual to information on ways to limit fertility. The GOES goal is to increase the number of active contraceptors from the present 140,000 to 320,000 by 1982. It is projected that by that time, 37 per cent of the 845,000 women in the fertile age group (WIFA) will be protected

by some form of contraception. From these prevalence data, it is calculated that the Crude Birth Rate (CBR) will be reduced from 40 per 1000 to 30 per 1000 between 1976 and 1982.

A broad spectrum of private and governmental entities, supported in part by foreign donors, are involved in an effort to provide family planning services. The Ministry of Health (MOH) and the Institute of Social Security (ISSS), with the help of the Salvadoran Demographic Association (SDA) (a private organization closely coordinated with the public sector), form the backbone of the family planning delivery system. These organizations are further supported by para-medical and non-medical workers drawn from other GOES ministries participating in an integrated population program. About 80% of the population is covered by MOH and the rest is divided between ISSS and SDA. Their programs include: (1) emphasis on sterilization (about 15,000 annually), (2) use of para-medics to reach remote areas, (3) use of malaria workers, agricultural extensionists, military personnel, rural promoters and satisfied users to help distribute family planning information and non-prescription contraceptives, (4) delivery of family planning at factory sites, (5) use of commercial supply channels including machine dispensers at factories, shops, barracks, etc., (6) use of educational T.V., radio and newspapers to provide information, and (7) bi-annual sample surveys of the prevalence of contraceptive use to help gauge effectiveness and program direction.

The total MOH budget for the year beginning July 1975 was \$41.6 million, of which 87% was provided from in-country sources. The budgeting procedure makes it difficult to separate the expenditures for family planning or maternal and child health (MCH) from this figure, but the Mission estimates that approximately 15%, or \$6.2 million, was expended on MCH services.

The Mission's Population Strategy

Recent experience with family planning programs in Costa Rica and Colombia suggests that GOES goals for reduction of the Crude Birth Rate are feasible. However, there are a number of cultural, administrative and logistical constraints, identified during development of the Mission's Population Strategy Paper, which need to be addressed in order to assure achievement of these targets. For example, in order to double the number of active contraceptive users by 1982, assuming current resource allocation patterns and methods of delivering services, the MOH budget would have to double. This, however, is considered highly unlikely by the Mission given the fact that the health-population budget is

already 13% of the national budget. One alternative, of course, would be to reduce the costs of maintaining an active contraceptive by shifting the provision of some health and family planning services over to less expensive personnel thus allowing for more effective utilization of high cost physicians. Physician opposition to this approach, as well as other steps to increase the cost/benefit ratio of MCH services, constitutes a serious obstacle to achieving the desired expansion of family planning services. However, observation tours for physicians and training of administrators can be undertaken to help change attitudes, reduce opposition, and rationalize resource allocations.

With regard to cultural or socio-economic constraints, there exists a sufficient body of knowledge regarding the determinants of fertility to permit rational choices from among program options which reasonably can be expected to have an impact on the problem. For example, the Mission is examining implications of the fact that women who migrate to cities tend to be better educated, have higher incomes, are better nourished, and are more responsive to family planning. Family planning may catch on faster in rural areas if efforts to provide services are complemented by other development efforts to bring the education levels, earning capacities, and health status of rural women closer to parity with their urban counterparts. Achieving high enough prevalence of family planning services in rural areas to reach 37% nationwide will be far easier if the socio-economic status of rural women is improved.

The Mission is also particularly interested in exploring the linkage between child mortality and fertility. With 75% of all children malnourished and in poor health and family planning services still largely unavailable in the rural areas, we are exploring integrated approaches to both improve health and lower fertility. This approach would involve closer coordination of interventions affecting delivery, where appropriate, of an integrated package of health, nutrition, and family planning services.

The Mission proposes continuation of the Family Planning and Population project (149) to assist the GOES to address the remaining constraints to achievement of its fertility control targets. This project will maintain the flow of contraceptives and other essential commodities and will provide training and technical assistance in support of the government's integrated rural outreach program.

Section 117

The Mission's activities already respond in some measures

to the concerns of Section 117 and will do so more in the future through possible modifications of existing projects, particularly in the areas of health and education, and through new activities.

In Health, the Mission is presently completing, in collaboration with the GOES, a Health Sector Assessment (HSA) that explores the relationships between fertility and maternal and child health. While more needs to be done to document this relationship, we believe, on the basis of current information, that reducing infant morbidity and mortality will help not only to improve productivity and learning ability but also will gradually encourage smaller families. Initial HSA findings support more integrated planning and coordination of all activities in those sectors that affect health and fertility. HSA findings also demonstrate the need to expand basic, integrated health, nutrition, and family planning services in rural areas.

In support of the above findings, the Mission will be assisting the MOH in its evolving program to provide expanded services through the training and placement of rural health aides. The Mission will also be assisting the MOH to revise its package of services so as to focus more on prevention and family planning which are perhaps the most effective means of affecting health and fertility.

In Education, the Mission plans to focus on the primary grades partly because we know basic educational needs have still not been met, and partly because there is evidence that in El Salvador education, particularly in the primary years, encourages significantly lower fertility. The Mission is also considering ways of incorporating more information on population and family planning into school curricula through the AID financed educational TV project. In addition, both vocational training for low-income women with appropriate provision of family planning information and services and mass media campaigns are being proposed to encourage family planning.

These integrated activities, in conjunction with longer-range efforts to improve rural income, will, we believe, result in a reduction in family size.

In summary the Mission intends to pursue a two pronged strategy. First, we will continue direct impact programs by assisting the GOES to make contraceptives readily available to the bulk of the Salvadoran people. However, more emphasis will be placed on commercial retail sales of contraceptives and the use

of community based personnel to deliver services. Secondly, the Mission will identify every possible area where family planning information and services can be meaningfully and effectively placed and which emphasize literacy and employment, both of which tend to reduce family size. We plan to incorporate family planning components into on-going and future development activities and to avoid, to the extent possible, counter productive, pro-natalist bias in the design of future projects.

C. Education

Illiteracy remains a serious problem in El Salvador. About forty per cent of the population over ten years old is classified officially as illiterate, with the rate among the rural population reaching 55 per cent.

A large proportion of rural youth are denied the opportunity to study beyond the second or third grade, while a significant number of their counterparts in the urban areas are able to progress through more advanced academic levels.

Primary school drop-out rates are generally high, but when the urban-rural breakdown is made, it reveals a serious situation in rural schools, with drop-out rates before the sixth grade often in excess of 80% of first grade entrants. What appears to be a drop-out phenomenon however, is really a lock-out situation, i.e., students who might have continued their schooling are unable to do so because of a lack of higher grades at this level; recent data show that 70% of rural schools do not offer the full six grades of primary instruction.

Besides the problem of access to continuing education services in the rural area, shortcomings exist with regard to teacher preparation, appropriate curricula, and adequate instructional materials. In addition to the above, a major problem facing the unemployed and underemployed urban and rural poor is the lack of saleable skills for successful participation in the labor market.

Host Government Response

El Salvador's present Education Development Plan (1978-1982) gives a high priority to providing education and training opportunities for poor urban and rural youth and adults. Access to rural schools is to be expanded, rural schools are to be utilized as community learning centers, and non-formal education and training programs are to be strengthened and expanded.

However, Government authorities are faced with the difficult problem of expanding education opportunities and improving the quality and relevance of the system at a time when a high proportion of the Government budget is already being spent on education.

This points to the urgent need for the GOES and the external assistance agencies to develop innovative cost/effective approaches to El Salvador's educational requirements. Besides increased efficiency, access and improved quality within the present formal system, imaginative new programs in non-formal education must be introduced.

The Mission's Education Sector Strategy

The AID financed Education Sector Analysis revealed the nature and magnitude of the bottlenecks in the education system. As already mentioned, 70 per cent of schools in rural areas do not offer all six grades of primary education. This information has caused the Mission to reassess its position regarding school construction, which was that another school building program could not be justified in view of heavy investments in this area in the past. The magnitude of the incomplete school problem, coupled with evidence of a strong correlation between primary education and fertility, led the Mission to conclude that assistance to expand primary schools in rural areas should be a priority. The Mission is therefore proposing an \$11.9 million program in FY 79 to improve and expand rural primary education.

The other focus of the Mission's Education strategy centers on the provision of basic vocational skills training for the urban and rural poor.

The Mission is therefore proposing for FY 1979 a three-year \$3.5 million project in Fundamental Education and Skills Training to assist the Government of El Salvador provide an improved and expanded national system of non-formal, short term, fundamental education and vocational skills training. This system could reach annually at least 15,000 urban and rural poor by 1980. At the present time, the Ministry of Education already has a skills training program, but it reaches only 2,600 annually. Training and services of unskilled and semi-skilled men and women will contribute to the reduction of the critical problem of under-employment and unemployment, and improve the "poor majority's" opportunities to share more fully in the economic, social and political processes of El Salvador.

D. Health and Nutrition

Despite an impressive infrastructure including 14 public hospitals and some 206 local and regional public health facilities, and a relatively large proportion (13%) of the national budget devoted to delivery of health services, only a small portion of the Salvadoran population actually receives adequate health care. As might be expected, delivery of health services is less adequate in rural areas where the highest rates of malnutrition, morbidity and mortality are found. Also, too little attention is given to preventive measures which would reduce the need for many of the curative services now being provided.

A major cause of death and illness attributable to the public health situation is enteritis and other diarrheal diseases which most seriously affect children under age five. This group of debilitating diseases is directly associated with poor sanitation and malnutrition. Respiratory diseases also figure high on the list of major causes of death. Again, malnutrition is generally an underlying cause for deaths of infants and children from these diseases. Mortality data reveals that seven of the ten leading causes of death in El Salvador are preventable by public health measures, notably nutrition and sanitation programs focusing on rural areas where the major problems exist.

Inadequate health sector planning and poor management and administration of the public sector clinic system are major constraints to improved rural delivery of the health services needed. These constraints manifest themselves in inefficient allocation of human and material resources and inadequate logistical support of community based health delivery systems. These problems are the result of insufficient numbers of both management level people trained in public health planning and administration, and paramedical personnel trained in the delivery of information and services in rural areas.

Host Government Response

The Government of El Salvador's recognition of the seriousness of these problems is reflected in the Five-Year Health Plan (1978-82) which makes the improvement of rural health a priority objective. Key program areas include rural outreach through an expansion of the rural health aide program focusing on maternal/child health, family planning, environmental sanitation and health education.

For the purpose of improving and extending services, the GOES has requested the United Nations to cover physician intern training and finance mobile team equipment. There is also a potable water development project in rural areas supported by a \$3.1 million IDB loan plus \$400,000 from UNICEF with \$3.2 million contributed by the GOES. Two new programs have been developed by the MOH which involve the delegation of health services and promotion tasks to lesser trained workers. These programs will utilize existing cadres of volunteer malaria workers and health and family planning promoters. As already mentioned the relationship between family planning and maternal/child health is recognized, and the MOH plays a major role in the integrated delivery of both services.

While nutrition is a severe problem in El Salvador, few actions have been taken to reduce prevalence of protein-caloric malnutrition. However, a nutrition professional from the Nutrition Institute for Central America and Panama (INCAP) has recently begun to work with the MOH to analyze the nutrition situation in El Salvador. A nutrition policy statement is currently being developed by the MOH and the Ministry of Planning.

The Mission Strategy for Health and Nutrition

The Mission's strategy is to focus upon the major constraints to improved rural health delivery outlined above, as identified in the Health Sector Assessment presently being prepared.

Priority attention will be given to the training, placement and support of the Rural Health Aide, who will be the mainstay of the government's rural health penetration program. A two-year grant project is being proposed for FY 78 to assist the MOH in this area. In addition, adequate support of these rural health cadres implies effective planning and administration at all levels of the health delivery system. Therefore, the second element of the Mission's strategy will involve upgrading GOES capabilities in the areas of planning and public health administration.

The Mission is proposing a follow-on \$6 million sector loan for FY 79 to assist the MOH continue its efforts in the expansion of its rural penetration program which will include among other activities a planning and administration component. In FY 1978, the Mission also plans to assist the GOES implement a nutrition program which will reduce prevalence of malnutrition

through activities described in the Nutrition Improvement project presently being developed. The PL 480 Title II program currently providing food supplements to about 115,000 recipients, primarily pre-school children and pregnant and lactating women, will be an integral part of the nutrition effort. Although the impact of this program is not currently being directly measured, proposed activities will generate information in the future which will permit the Mission to better judge the appropriate role of Title II in overall health and nutrition programs. The initial target group for the USAID effort in health will be about 200,000 rural persons who will be provided health, family planning and nutrition services.

E. Selected Development Problems (Section 106)

Section 106 consists of diverse special development activities which do not constitute a sector as such.

This Mission will have several Section 106 activities that require FY 1978 and FY 1979 funding. The strategy of the Mission in this area is to attempt to develop projects that are either supportive of the overall development effort in other sectors or that make a positive development contribution of their own but do not fit into the agriculture, education, or health/population sectors. One such project is the on-going Multi-Purpose Household Sample Survey, which will generate socio-economic data useful to the Mission and the GOES for planning, implementing and evaluating programs in all sectors.

Other Special Development Activities consist of small projects providing direct, high-impact grant assistance to community organizations and cooperatives that do not qualify for or are unable to obtain assistance from other sources. Focussed on the rural and urban poor, these supporting activities are designed to generate income and employment, increase productivity and production, and integrate women into the development process.

Selected Development Problems Technical Support is used also in a number of ways consistent with the spirit of Section 106. For example, a consultant was funded to draft an OPG proposal for reaching thousands of women recipients of PL 480 Title II food with family planning, literacy, health and nutrition information. Other assistance includes a specialist in women's affairs who will work with what is presently a loosely organized federation of women's groups and the GOES to establish a women's affairs office in the Ministry of Planning.

Among the new projects proposed for FY 1979 are the Small Enterprise Export Development project to support the production of

non-traditional, labor intensive goods for export. The goal of this project is to reduce unemployment among rural and urban poor. The Mission is also proposing the development of a project to establish a Center for Computation that would train Salvadorans to process and analyze the considerable amount of socio-economic data currently being produced by a variety of GOES ministries and agencies.

Finally, the Mission is proposing a Municipal Development project to strengthen the capacity of the Ministry of Interior to assist small and medium size municipal governments to improve their administrative capability so that they can address the needs of their constituents in such areas as sanitation, water supply, markets, slaughterhouses, roads, and electricity.

It is clear that while a uniform strategy is inherently inappropriate for Section 106 activities, the above projects complement Mission activities in other sectors and provide a flexible mechanism for responding to humanitarian and developmental needs of the poorest majority.

Country El Salvador

Table I
Long Range Program Plan
(\$ millions)

	<u>1978</u>	<u>1979</u> <u>Request</u>	<u>Planning Period</u>			
			<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Food/Nutrition						
Grants	0.5	0.6	0.2	0.3	0.3	0.2
Loans	8.0	16.1	13.0	10.0	-	15.0
Population						
Grants	0.9	0.9	0.8	0.7	0.7	(<u>1/</u>)
Loans	-	-	-	-	-	-
Health						
Grants	0.7	0.5	0.4	0.6	0.3	(<u>2/</u>)
Loans	-	8.0	-	-	-	-
Education						
Grants	0.3	0.5	0.4	0.5	0.4	0.3
Loans	1.5	11.9	-	8.0	10.0	-
Selected Development Activities						
Grants	0.4	0.9	1.1	1.2	1.0	1.0
Loans	-	-	-	-	10.0	7.0
Total Functional Accounts						
Grants	2.8	3.4	2.9	3.3	2.7	1.6 ^{3/}
Loans	9.5	36.0	13.0	18.0	20.0	22.0
Other Accounts						
Grants	-	-	-	-	-	-
Loans	-	-	-	-	-	-
PL 480 (non-add)						
Title I	-	-	-	-	-	-
Title II	(1.2)	(1.3)	(1.5)	(1.5)	(1.6)	(1.6)
Housing Investment Guaranties (non-add)	-	(10.0)	-	-	-	-

1/ \$20 thousand

2/ \$30 thousand

3/ Rounded, see footnotes 1 & 2

Country El Salvador

Table II

Funding Levels for FY 1977, FY 1978, FY 1979
(in \$000)

	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>
Food/Nutrition			
Grants	1,065	520	575
Loans	-	8,000	16,100
Population/Health			
Grants	919	1,646	1,425
Loans	-	-	8,000
(Population)			
(Grants) ^{1/}	(772)	(917)	(925)
(Loans)	(-)	(-)	(-)
(Health)			
(Grants)	(147)	(729)	(500)
(Loans)	(-)	(-)	(8,000)
Education			
Grants	324	298	450
Loans	3,000	1,500	11,900
Selected Development Activities			
Grants	513	407	913
Loans	-	-	-
Sub-Total			
Grants	2,821	2,871	3,363
Loans	3,000	9,500	36,000
Security Supporting Assistance			
Grants	-	-	-
Loans	-	-	-
Total	5,821	12,371	39,363
PL 480			
Title I	-	-	-
Title II	1,502	1,151	1,300
Housing Investment Guaranties	-	-	10,000

1/ Includes centrally-funded contraceptives.

AGENCY FOR INTERNATIONAL DEVELOPMENT ABS/CP SUMMARY - TABLE III					1. TRANSACTION CODE <input type="checkbox"/> A = ADD <input type="checkbox"/> C = CHANGE <input type="checkbox"/> D = DELETE			2. ABS/CP DOCUMENT CODE 6			
3. COUNTRY/ENTITY EL SALVADOR			4. DOCUMENT REVISION NO. <input type="checkbox"/>		5. OPERATIONAL YEAR FY 78		6. BUREAU/OFFICE A. SYMBOL LA D. CODE 05		7. GEOGRAPHIC CODE 519		
8. TYPE DATA <input type="checkbox"/> 1 = ABS 2 = ABS REVISION <input type="checkbox"/> 3 = CP 4 = CP NOTIFICATION					9. TYPE ASSISTANCE <input type="checkbox"/> 1 = PROJECT <input type="checkbox"/> 2 = PROGRAM						
10. PROJECT SEQ. - UENCE NO.	11. PROJECT TITLE (40 CHARACTERS MAXIMUM)	12. QTR. FOR. OBLIG.	13. EST. FY. AUTH. OBLIG. FINAL	14. APPR. PRIA- TION	15. PRIMARY PURPOSE CODE	16. LOAN GRANT INDI- CATOR	17. BUDGETS (IN \$ 000)				
							AY	OY	BY	LOP	
0174	Intensive Small Farm Management		78	FN	213	GC	862	-	-	1,169	
0167	Technical Support			FN	290	GC	203	220	200		
0182	Nutrition Improvement ^{1/}	2	79	FN	300	GN	-	200	200	400	
0184	Small Farm Irrigation Systems	3	78	FN	201	L	-	2,000	-	2,000	
0185	Small Farmer Credit	4	78	FN	214	L	-	6,000	-	6,000	
0191	Agro-Industrial De- velopment	4	79	FN	163	L	-	-	11,100	11,100	
0192	Small Farmer Develop- ment	3	79	FN	210	L	-	-	5,000	5,000	
0192	(HIG) Small Farmer De- velopment	3				L			10,000	10,000	
0198	UCS Agricultural Credit OPG ^{2/}	1	80	FN	213	GN	-	100	100	250	
0194	Health Resources Center OPG	1	79	FN	320	GN	-	-	75	250	
	FOOD AND NUTRITION SUB- TOTAL					G L	1,065 -	520 8,000	575 26,100	2,069 34,100	
0149	Family Planning and Population ^{3/} Centrally-funded Contraceptives	1	79	PH	341	GC	400 372	500 332	450 332	4,694 1,489	
0178	Health Technical Support			PH	590	GC	90	77	50		
0181	Population Technical Support			PH	490	GC	-	35	43		
							18. DATE DOCUMENT RECEIVED IN AID/W				
							MM	DD	YY		

AGENCY FOR INTERNATIONAL DEVELOPMENT		1. TRANSACTION CODE		2. ABS/CP							
ABS/CP SUMMARY - TABLE III		A = ADD C = CHANGE D = DELETE		DOCUMENT CODE 6							
3. COUNTRY/ENTITY		4. DOCUMENT REVISION NO.	5. OPERATIONAL YEAR FY	6. BUREAU/OFFICE							
EL SALVADOR			7/8	LA [05]							
8. TYPE DATA		9. TYPE ASSISTANCE									
1 = ABS 2 = ABS REVISION 3 = CP 4 = CP NOTIFICATION		1 = PROJECT 2 = PROGRAM									
10. PROJECT SEQ. - UENCE NO.	11. PROJECT TITLE (40 CHARACTERS MAXIMUM)	12. STR. FOR OBLIG.	13. EST. FY	14. APPROPRIATION	15. PRIMARY PURPOSE CODE	16. LOAN/GRANT INDICATOR	17. BUDGETS (IN \$ 000)				
							AY	OY	BY	LOP	
0179	Rural Health Delivery System	1	78	PH	532	GN	-	652	-	652	
0188	Ophthalmic Training Program OPG	3	77	PH	529	GN	57	-	-	57	
0193	Rural Health Improvement	2	81	PH	500	GN	-	-	450	1,000	
0193	Rural Health Improvement	2	79	PH	500	L	-	-	8,000	8,000	
0201	World Education (Family Planning/MCH) OPG ^{4/}	3	78	PE	530	GN	-	50	100	150	
	POPULATION AND HEALTH SUB-TOTAL					G L	919 -	1,646 -	1,425 8,000	8,042 8,000	
0170	Fundamental Education and Skills Training		77	EH	612	GC	239	-	-	399	
0168	Technical Support			EH	690	GC	85	98	50		
0172	Fundamental Education and Skills Training	2	77	EH	613	L	3,000	-	-	3,000	
0172	Fundamental Education and Skills Training ^{5/}	2	79	EH	613	GN	-	200	200	500	
0187	Training for Development	4	78	EH	600	L	-	1,500	-	1,500	
0190	Improvement of Rural Primary Education	3	79	EH	600	L	-	-	11,900	11,900	
0190	Improvement of Rural Primary Education	3	81	EH	600	GN	-	-	200	600	
							18. DATE DOCUMENT RECEIVED IN AID/W				
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AGENCY FOR INTERNATIONAL DEVELOPMENT				1. TRANSACTION CODE			2. ABS/CP				
ABS/CP SUMMARY - TABLE III				A			DOCUMENT CODE 6				
3. COUNTRY/ENTITY				4. DOCUMENT REVISION NO.		5. OPERATIONAL YEAR FY		6. BUREAU/OFFICE		7. GEOGRAPHIC CODE	
EL SALVADOR				□		7 8		A. SYMBOL LA		B. CODE [05]	
8. TYPE DATA						9. TYPE ASSISTANCE					
<input type="checkbox"/> 1 = ABS 2 = ABS REVISION <input type="checkbox"/> 3 = CP 4 = CP NOTIFICATION						<input type="checkbox"/> 1 = PROJECT <input type="checkbox"/> 2 = PROGRAM					
10. PROJECT SEQ. - UENCE NO.	11. PROJECT TITLE (40 CHARACTERS MAXIMUM)	12. QTR. FOR OBLIG.	13. EST. FY AUTH. OBLIG. FINAL	14. APPROPRIATION	15. PRIMARY PURPOSE CODE	16. LOAN/GRANT INDICATOR	17. BUDGETS (IN \$ 000)				
							AY	OY	BY	LOP	
	EDUCATION AND HUMAN RESOURCES DEVELOPMENT SUB-TOTAL					G L	324 3,000	298 1,500	450 11,900	1,499 16,400	
0094	Special Development Activities			ST	200	GC	50	50	50		
0176	Multi-Purpose Household Survey <u>6/</u>	1	79	ST	700	GC	134	167	127	428	
0171	National Cadaster		77	ST	653	GC	141	-	-	266	
0166	Development Planning		77	ST	701	GC	138	-	-	293	
0177	Technical Support			ST	790	GC	50	90	60		
0189	Small Enterprise Export Development	1	81	ST	733	GN	-	-	145	490	
0195	Municipal Development	3	81	ST	701	GN	-	-	200	700	
0197	Small Enterprise (Technoserve) - OPG <u>7/</u>	2	80	ST	270	GN	-	100	100	300	
0200	Information/Data Management Improvement	1	81	ST	701	GN	-	-	231	763	
	SECTION 106 SUB-TOTAL					G L	513 -	407 -	913 -	3,240 -	
							18. DATE DOCUMENT RECEIVED IN AID/W				
							MM	DD	YY		

Country El Salvador

FOOTNOTES FOR TABLE III

- 1/ FY 1978 CP shows \$114,000 in FY 1978, and future year obligations \$136,000. Mission proposing \$200,000 in FY 1978 and \$200,000 future year (FY 1979) obligations.
- 2/ Union Comunal Salvadoreña - USAID has had several discussions with this organization. An AID/W expert in preparation of OPGs will assist the UCS in its presentation. Formal presentation is expected by late summer.
- 3/ Mission proposing one year extension of project. FY 1978 shows project termination in FY 1978. Proposed funding for additional year FY 1979 funds is \$400,000.
- 4/ World Education - Given the reluctance of CRS/Caritas to propose ideas for the integration of family planning education and/or services into the PL 480 Title II program, the USAID, with the cooperation of World Education, is in the process of identifying a Salvadoran agency with whom the PVO could carry out such a program. Finalization of the OPG is expected in FY 1978.
- 5/ PID, PRP and FY 1978 ABS all show \$500,000 grant component in proposed grant/loan package. Mission FY 1978 CP submission included \$500,000 grant component in loan shadow sheet. Published FY 1978 CP does not show \$500,000 grant. Grant still being proposed.
- 6/ FY 1978 CP shows \$119,000 in FY 1978 versus \$167,000 being proposed. FY 1979 level remains same as approved in PP.
- 7/ Technoserve - a draft OPG was presented to the Mission, but AID/W requested, and the USAID carried out, a pre-award audit/evaluation of Technoserve's activities in El Salvador. A final decision whether or not to proceed with this project will be made by mid-summer.

COUNTRY/PROGRAM	PROJECT TITLE		INITIAL OBLIGATION	AS APPROVED	REVISION	DATE PP/REVISION
	FAMILY PLANNING AND POPULATION		FINAL OBLIGATION	FY 1966	FY	Sept. 1975
	PROJECT NUMBER		TOTAL COST	AS APPROVED	REVISION	DATE LAST PAR
ONGOING PROJECT BUDGET DATA - TABLE IV		519-0149	PH	FY 78	FY 79	June 1976
				\$ 4,244	\$ 6,694	July 1977

U. S. DOLLAR COST (\$ 000)

PROJECT INPUTS	ESTIMATED FY 1977			ESTIMATED FY 1978			ESTIMATED FY 1979		
	OBLIGATION	EXPEN-DITURES	PIPE-LINE	OBLIGATION	EXPEN-DITURES	PIPE-LINE	OBLIGATION	EXPEN-DITURES	PIPE-LINE
PROJECT TOTAL	400	442	230	500	561	169	450	472	147
Short term consultants	38	39	6	57	57	0	50	50	0
Technical training	13	14	6	70	70	6	50	53	3
Surgical and clinical equipment	77	86	137	133	154	116	150	158	108
Family planning promotion	272	303	87	240	280	47	200	211	36
AID/W centrally funded contraceptives	(372)	-	-	(332)	-	-	(332)	-	-
PROJECT TOTAL	2,720	2,883	2,883	1,056	1,056	1,056	1,056	1,056	1,056

HOST COUNTRY INPUT	PARTICIPANTS PROGRAMMED		
	FY 1977	FY 1978	FY 1979
PERSONNEL ON BOARD AS OF			
9/30/77	9/30/78	9/30/79	
OH	0	0	0
PASA	0	0	0
CONTRACT	1	1	0

1/ SHOULD BE CONSISTENT WITH LATEST APPROVED OYR LEVEL SHOWN IN TABLE II

2/ EXCLUDES CONSULTANTS PROGRAMMED FOR LESS THAN 90 DAYS

3/ LONG-TERM - INCLUDES 9 MONTHS OR MORE

4/ For funding period, indicate starting and ending date by month and year of obligations for each project element; e.g., 2/78-10/79.

EL SALVADOR

MULTI-PURPOSE HOUSEHOLD SAMPLE SURVEY

(Project 519-0176)

Progress to Date:

A permanent survey staff of 19 professional and technical employees and other temporary personnel have been hired, equipped and provided adequate office space. U. S. advisors and GOES counterparts have written the sampling document which provides the sample design, identifies some 3,000 maps needed to segment the country geographically, and describes the segmenting procedure.

A participant training program, including both short and long term training, has begun. Three short term participants will be observing Bureau of the Census survey operations firsthand, and two additional participants will begin a special 16 month course in survey methodology conducted by the Bureau of the Census and George Washington University.

EL SALVADOR

FAMILY PLANNING AND POPULATION

(Project 519-0149)

Progress to Date:

At the end of 1976, the Government of El Salvador (GOES) had met or surpassed most of its family planning goals for that year. All 10 participating hospitals were performing female sterilizations and eight hospitals were involved in vasectomy programs. Six out of eight Health Centers had conducted over 1200 mini-laparotomies (63% over established goals). The GOES target of 15,000 Voluntary Surgical Contraceptive procedures (VSC) was exceeded. Construction was begun on a sterilization clinic annexed to the Maternity Hospital in San Salvador which will have the capacity to perform 15,000 - 18,000 female sterilizations annually and will also function as a training facility for medical students. A total of 215 Ministry of Health (MOH) facilities had fertility control programs and over 42,000 new acceptors participated in family planning programs for a total of 92,000 active users (25% above the targeted goal)

The Salvadoran Institute of Social Security (ISSS) has family planning programs for urban factory workers and their families in its 34 clinics and hospitals and the Salvadoran Demographic Association provides services in its 4 installations and assists in training doctors in sterilization techniques. All government ministries are either directly or indirectly involved in family planning/population and are coordinated by the Technical Population Committee of the Ministry of Planning.

EL SALVADOR

Attachment to
Summary Table III

FUNDING DEVIATIONS FROM FY 1978 CONGRESSIONAL PRESENTATION

519-0149 : The CP shows that this project is to terminate in FY 1978. Experience in the current year, combined with the results of the recently drafted Population Strategy Paper indicates that an extension of one year in the amount of \$450,000 will be required. The extension will allow project activities to support and coincide with the GOES' Five Year Plan (1978-1982). The Population Strategy Paper, reviewed in El Salvador by LA/DP and PHA/Population in May 1977, states: "one of the key elements in reduction of the crude birth rate ... is the availability of full contraceptive services". In order to achieve the 1982 targets for reduction of the Crude Birth Rate set by the GOES, maintenance of an uninterrupted flow of centrally-funded contraceptives and related activities is essential.

The Mission therefore proposes to continue the activities described in the current PP for an additional year in order to capitalize on program momentum and lay the groundwork for a subsequent new population project in the period 1980 through 1982.

Project funding during FY 1979 will cover an estimated 8 p.m. of technical services in promotional and service delivery activities, 28 p.m. of participant training, in-country training programs through the Demographic Association, medical equipment, a mass media campaign, related promotional materials and approximately \$332,000 of AID/W centrally-funded contraceptives. Although the accompanying table indicates relatively large pipelines, it should be noted that most of the pipelines are the result of inherent delays in commodity procurement and receipt of billings from host country participating organizations.

519-0176 : The CP figure for this project is \$119,000 versus a current estimate of \$167,000. The additional funding is required for several items which, due to inadvertent exclusion or lack of experience prior to the first year of project implementation, were either not included in the original proposal, or, in those cases where included, were not adequately funded. The increased funding being requested will finance primarily additional technical services of a geographer (1 p.m.), a demographer (2 p.m.), special reproduction equipment and reference materials.

519-0182 : The amount proposed in the FY 1978 CP for the initial year of this project was \$114,000 versus a current estimate of \$200,000. The Mission is proposing an overall LOP level of \$400,000 versus \$250,000 as originally proposed in the approved PID. Funding will be detailed in the PP to be submitted in late FY 1977. The funding period (FY 78 - FY 79) remains the same. This proposed deviation is a result of recommendations which appear in the recently drafted Nutrition Assessment (Contract N°AID/TA-C1383, Community Systems Foundation) which emphasizes the necessity of postponing

the proposed loan until 1979 and concentrating instead, through a grant funded activity, on the development of a GOES capability in nutrition planning. The proposed project will address the development of such a capability by concentrating activities on technical assistance, training and limited commodity support.

519-0172: The Mission's FY 1978 CP submission proposed total project funding of \$3.5 million; \$500,000 of which was a grant component for 90 p.m. of technical assistance. This grant component also appears in the published FY 1978 ABS and approved PRP. However, the published FY 1978 CP does not include this grant component and therefore reduced the total project funding level to \$3.0 million. Since technical assistance is critical to project success, the Mission is again proposing the inclusion of a \$500,000 grant component. The Mission is aware that upon review of the PRP, the DAEC recommended negotiation with the GOES for total loan financing of the project prior to submission of a PP. Mission will follow DAEC recommendation. If successful, the \$500,000 grant financed component can be dropped;

however, an equivalent increase in loan funds will have to be authorized in order to provide financing for the necessary technical assistance.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A A = ADD
 C C = CHANGE
 D D = DELETE

PID
 2. DOCUMENT CODE
 1

3. COUNTRY/ENTITY
 EL SALVADOR

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)
 519-0193

6. BUREAU/OFFICE
 A. SYMBOL LA B. CODE 05

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 RURAL HEALTH IMPROVEMENT

8. PROPOSED NEXT DOCUMENT
 A. 2 2 = PRP
 3 3 = PP B. DATE 03 78

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 79 b. FINAL FY 81

10. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 = 2.50)

FUNDING SOURCE	6455.85
A. AID APPROPRIATED	9,000
B. OTHER	
1. U.S.	
2. U.S.	
C. HOST COUNTRY	5,100
D. OTHER DONOR(S)	
TOTAL	14,000

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 79		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) PH	500	530	540	450	8,000	1,000	8,000
(2)							
(3)							
(4)							
TOTAL				450	8,000	1,000	8,000

12. SECONDARY TECHNICAL CODES (Maximum six codes of three positions each)

510 560

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

BR TNG ENV

14. SECONDARY PURPOSE CODE
 510

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)

To improve the health status of the Salvadoran population; sub-goal: to improve and broaden health coverage for the rural poor.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)

To provide expanded, community based rural health services with emphasis on preventive and promotive measures.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds) FY 1979 Health Tech. Support Funds: 5 p.m. of contract services in health administration, sanitation, health planning and manpower - estimated cost \$21,000. FY 1978 Health Tech. Support Funds: 5.5 p.m. of contract services in health planning, economics, administration, social anthropology - estimated cost \$33,000.

18. ORIGINATING OFFICE CLEARANCE

Signature: *Edwin Anderson*
 Title: Director of Mission

Date Signed: MM DD YY

19. DATE DOCUMENT RECEIVED BY: AID/W, or for AID/W Documents, DATE OF DISTRIBUTION

MM DD YY

RURAL HEALTH IMPROVEMENT

I. Summary of the Problem and Proposed Response

A. The Problem

The Government of El Salvador has made a serious commitment to improve the health of its citizens, as evidenced by the fact that 11.3% of the national budget is allocated to the Ministry of Health (MOH). Fundamental misallocations of resources and priorities, however, are hindering the effectiveness of the MOH health delivery system, especially in the rural areas. The 1977 Health Sector Assessment (HSA), which should be completed in the near future, concludes the following:

First, the MOH has concentrated its investment in physical rather than human resources. As a result, although enough facilities exist, they are inappropriately and inadequately staffed. In El Salvador, there are 14 hospitals, 8 health centers (mini-hospitals staffed by doctors and nurses capable of giving in-patient care), 86 health units scattered throughout the country (staffed by a minimum of one doctor and nurse providing out-patient care only), and 123 rural health posts with minimal facilities (staffed by one auxiliary nurse and visited by a doctor and nurse weekly). Nevertheless, despite the existence of this extensive health network which makes health services available within 10 kilometers of 80% of the population, average utilization of the facilities in rural areas is estimated at less than 0.2 visits per person per year, which is due to the poor quality of services and social and cultural inhibitions militating against usage of such facilities.

In addition, in rural villages, there is a lack of para-professional help so that the outreach capacity of the health system remains limited. Although a first group of 40 rural health aides (RHAs) has been trained to operate at the community level, dispensing information and providing referral services, evaluation of their efforts indicates that they need broader training, improved supervision and better logistical support. This lack of trained personnel has also resulted in excessive reliance on local pharmacists or physicians, which not only seriously limits the delivery system, but tends to emphasize individual treatment often at the expense of preventive and promotive measures which can affect the health status of both the individual and the community.

Second, the MOH has chosen to emphasize curative rather than preventive services, even though the major health problems of El Salvador's rural

population, (diarrheal, parasitic and respiratory diseases, and malnutrition) could be considerably reduced with appropriate preventive measures. For instance, diarrheal diseases, which constitute the main cause of morbidity and mortality, could be notably reduced with the use of safe water, sanitary facilities, and basic personal hygiene. Yet in 1974, 74% of the rural population was without safe drinking water, and 99.7% had no sewage disposal system. Although the infant mortality rate of the country as a whole is listed at 58.3 per thousand, in some rural areas it is estimated to be as high as 120. Furthermore, a 1973 PAHO study revealed that the mortality rate of children under 5 was 26.8 per 1000 for rural areas, as contrasted with a rate of 8.0 for San Salvador. The leading causes of death for this age group in rural areas were infectious and parasitic diseases followed by certain natal complications and nutritional deficiencies. In the same study, it was found that the number of cases of parasitic infections was twice as great in the rural areas as the urban areas of El Salvador.

Third, at the national level the MOH lacks the administrative capability to develop and implement an efficiently-run, integrated, rural health delivery system. There are no trained mid-level lay hospital administrators, and at present, administrative functions are being performed by the physicians themselves. There is virtually no on-going public health planning since there are only four physicians in the entire MOH trained in public health administration. Furthermore, no responsibility is being delegated to the regional centers, so that activities are highly centralized and often inappropriate.

Fourth, the MOH Escuela de Capacitación in San Salvador lacks the facilities and capability to provide the kind of extensive health training necessary to support a nationwide, comprehensive, rural health system. The budget for the entire operation of the school is only \$200,000 per year. The physical facilities are inadequate - there is a shortage of classrooms, and a lack of audio-visual aides and teaching materials. The school now has only six full-time staff members. Although it contracts part-time trainers, these are people with little experience in education. Moreover, the training being given is not consistent with manpower needs. Two thousand persons were given short-term training in family planning in 1976; however, no sanitation inspectors have been trained in 2 years although numerous vacancies exist throughout the five regions of El Salvador, no mid-level health administration courses are given, and not enough nurses are being trained. Furthermore, virtually no practical experience is now being given to these people.

In order to improve rural health significantly, it is necessary to re-orient the present rural health delivery system to emphasize preventive and promotional activities that will undergird necessary curative programs, to expand the present rural health program at the community level, and to strengthen the planning, management and evaluation aspects of rural health delivery.

B. AID Response

1. Purpose

The goal of the proposed project is to improve the health status of the Salvadoran population while the sub-goal is to improve and broaden health coverage for the rural poor. Within this framework, the purpose of the project is to provide expanded, community based health services, with emphasis on preventive and promotive measures. The project is designed to serve as a catalyst for fundamental health improvement by focusing on the causes of the health problem rather than on its manifestations in mortality and morbidity.

2. Project Description

According to the HSA, any activity undertaken to improve rural community health in El Salvador must be integrated with and supported by concomitant efforts at the regional and national levels if maximum impact is to be achieved. Therefore the proposed project includes components that address the principal problems encountered at all three levels. The four components of the proposed project are the following:

i) The improvement of the management and planning capability of the MOH. This component is designed to strengthen the MOH at both the national and regional levels. It calls for (a) training in health unit and hospital administration; b) training of mid-level MOH personnel in data design, collection and analysis for planning and decision-making; and c) training in management for higher-level MOH personnel.

ii) The upgrading of the existing rural health delivery system. This component is intended to improve health services at the rural level. It will include (a) increasing the number and broadening the training of RHAs and other para-professional personnel in nutrition, health education, family planning, sanitation, maternal/child health care, and basic first aid; (b) training personnel in hospital and health unit equipment maintenance; and (c) developing a communications and logistics system to improve contact between the various elements in the rural health delivery system.

iii) The development of a rural environmental sanitation program. This component is aimed at combating parasitic and enteric diseases among the rural poor target group. It will include (a) improving sewage and waste disposal and water supply in the rural areas with emphasis on small community systems; (b) training MOH engineers and sanitation workers in the delivery of information concerning sanitation; and (c) developing and supporting a nationwide vector control program.

iv) The improvement of the existing MOH Escuela de Capacitación. This component will affect all 3 levels by providing continuous training to health personnel, preparing and disseminating health education information, and undertaking operational research activities. More specifically, this component would include (a) an expansion of existing facilities and an increase in the number of qualified personnel to enable the school to provide health training to various public agencies (e.g. MOH, Salvadoran Social Security Institute and National Administration of Telecommunications); (b) the development of short courses and training programs for health educators, nurses, and other mid-level skilled personnel; (c) the creation of a capacity to disseminate information on health; and (d) the development of an operation/research and evaluation capability so that ongoing health projects can be evaluated.

C. Major Assumptions

The major assumptions pertinent to project success are as follows:

i) That the GOES will recognize the importance of reorienting the health system to the preventive and promotional aspects of health delivery.

ii) That the rural populace will accept the health worker as a valid source of health and family planning services and information and will respond to his/her preventive and promotional efforts as well.

These assumptions will be more closely examined during preparation of the PRP.

D. Host Government and Other Related Activities

The MOH is attacking health and population problems on a broad front, using a variety of devices and experimental projects throughout the country. In the past three years, 54 rural health posts have been established. At the San Lucas Training Center (run by a PVO), 700 rural volunteer leaders are being trained in health promotion. A new program has been developed by the Division of Maternal and Child Health of the MOH involving the delegation of health service and health promotion responsibilities to para-medical workers. "Project Delegation" involved the up-grading of registered nurses to become more responsible for pre-natal care, breast and genital cancer detection, and family planning services. To date 28 nurses have been trained. This project represents an important experiment in redefining the roles of physicians and nurses in El Salvador. The MOH is also pursuing an aggressive program for making contraceptive technology readily available - a program that is also seen as an effective health measure because pregnancy now constitutes a very serious risk to rural women.

The GOES has received a grant from the United Nations of about \$1 million for a project to cover physician interim training, to finance additional medical service hours, and to purchase mobile team equipment to make more health services available, particularly in maternal/child health care and family planning. The GOES is also undertaking a potable water development project in medium-sized rural communities (1,000-4,000 people). This project is supported by a \$3.1 million IDB loan and \$400,000 from UNICEF. The GOES counterpart to the project is \$3.2 million.

E. Alternatives

As a means of affecting health status in the rural populace, substantial loan funds could alternatively be provided to the GOES water and sewage agency for installation of a nationwide safe water supply. Although such widespread provision of safe water could undoubtedly have a major positive effect on health status, such a measure alone without supporting health education, family planning, improved nutrition, and health administration would not bring about the basic changes in rural living patterns that the proposed project is designed to achieve. Thus, the Mission believes that its approach is the appropriate one.

F. Program Beneficiaries and Spread Effects

The direct beneficiaries of this program will be the rural families who make use of or are reached by the strengthened rural health services. Health administrators and RHAs who receive training under the loan activities will also benefit by the acquisition of skills, which will increase their employability, income and career potential. To the degree that reductions in morbidity, mortality and birth rates result from the project, Salvadorans in general will be benefitting by reduced requirements for expenditures for curative care, and by increases in productivity. An estimate of the number of beneficiaries - both direct and indirect - will be ascertained during development of the PRP.

By improving its administrative capacity and by reallocating its resources, the MOH will be able to provide more and better services to the population without increasing its budget. At the rural level, preventive health measures are likely to be replicated once their impact is known and people are educated in practicing sanitation and hygiene.

II. FINANCIAL REQUIREMENTS

The following financial inputs are required in support of the project described above:

Component	A.I.D.		LOAN	GOES	TOTAL
	GRANT	GRANT*			
MOH Mgmt. and Planning Capability	700			700	1,400
Rural Health Delivery		300	2,000	2,300	4,600
Sanitation			4,300	1,900	6,200
Escuela de Capacitación			1,700	200	1,900
Total	700	300	8,000	5,100	14,100

*Centrally funded grant funds.

The AID portion of the total program cost is 64% while the GOES contribution is 36%. The loan disbursement period is estimated at 4-5 years. The AID loan will finance three of the four components. These include: (1) the costs of rural health delivery, including long and short-term training, and vehicles; (2) the construction and improvement of sanitation facilities, vehicles, and training in sanitation education; and (3) the renovation and construction of the Escuela de Capacitación, long and short-term training and seminars, library materials and teaching aides, and operational research implementation.

The AID grants will cover the costs of the remaining component which includes technical assistance to the MOH in administrative improvement and in data systems, and the costs of a communication network (radios for remote clinics and posts) for rural health delivery.

The GOES will provide counterpart and support to technicians (offices, transportation, etc.), as well as financing some training, construction, vehicles and their maintenance and supplies.

III. Development of Project

If the PID is approved, the Mission will submit the PRP in March 1978. Technical support funds will be used to carry out pre-feasibility studies of the MOH planning and administrative capability, sanitation requirements of selected communities, and curriculum needs. The services of the following advisers will be required:

health admin.	2	person	weeks
sanitation engineer	4	"	"
health planner	12	"	"
health manpower specialist	2	"	"
	<u>20</u>	"	"

The approximate total cost is be \$21,000 to be funded from the FY 77 allocation of Technical Support 178.

The PP will be submitted in July 1978. In order to prepare the PP, the services of the following will be necessary:

health planner	8	person	weeks
anthropologist	4	"	"
health economist/budget analyst	4	"	"
health admin.	4	"	"
management/admin. specialist	2	"	"
	<u>22</u>	"	"

The approximate total cost is be \$33,000 to be made available in the FY 78 allocation for Technical Support 178.

IV. Issues of a Policy of Programmatic Nature

Two major issues have been identified: grant-funded vs. loan-funded technical assistance, and provision of assistance for a health data collection and management system.

A. Technical Assistance

Past experience has demonstrated that host countries are reluctant to expend large amounts of loan funds for foreign technical assistance owing mainly to the high cost of these advisors. The Mission, while sympathetic to the theory of host country assumption of these costs, has learned that the advantages of grant-funding these costs outweigh the disadvantages. AID maintains considerable influence over the selection and utilization of highly qualified foreign advisors (especially the employment of U.S. advisors as opposed to the tendency of the host country to select less-qualified and less-costly third country advisors). Therefore, the Mission recommends that necessary technical assistance in this project be grant-funded.

B. Data Collection and Management

The Mission is submitting a separate PID for a project which is designed to strengthen the data collection and processing capabilities of interested Ministries including, inter alia, Education, Agriculture and Health. Thus, that project addresses the common problems faced by GOES public entities in producing and using relevant data to assist in

planning appropriate development activities. If the PID for that project is not approved in AID/W for FY 1979, the proposed project in Rural Health Improvement must be expanded to incorporate a modern data collection and management system for the MOH in view of the constraint being caused by the inadequacy of the MOH data collection, management, and processing system.

AGENCY FOR INTERNATIONAL DEVELOPMENT
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 D D = DELETE

PID
 2. DOCUMENT CODE
 1

3. COUNTRY/ENTITY
 EL SALVADOR

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)
 519-0192

6. BUREAU/OFFICE
 A. SYMBOL LA B. CODE 05

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 SMALL FARMER DEVELOPMENT

8. PROPOSED NEXT DOCUMENT
 A. 2 = PRP B. DATE MM YY 10 77
 3 = PP

10. ESTIMATED COSTS
 \$000 OR EQUIVALENT, \$1 = 2.50)

FUNDING SOURCE		485,000
A. AID APPROPRIATED		5,000
B. OTHER U.S.	1. FIG	10,000
	2.	
C. HOST COUNTRY		9,100
D. OTHER DONOR(S)		
TOTAL		24,100

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 79 b. FINAL FY 79

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 79		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) FN	210		230		5,000		5,000
(2)							
(3)							
(4)							
TOTAL					5,000		5,000

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each.)
 245

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)
 BR BS BL

14. SECONDARY PURPOSE CODE
 220

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)
 To increase production, productivity, and income and employment of the rural poor target group.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)
 To create new and improve existing GOES agricultural delivery systems for providing services to small farmers.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds) FY 1977 FN Tech.Support: 6p.m. of contract services in permanent crops, livestock, extension/home economics, -estimated cost \$35,000. FY 78 FN Tech Support: 8p.m. of those types of services indicated in FY 77 with addition of agricultural economist and rural sociologist- estimated cost \$50,000.

18. ORIGINATING OFFICE CLEARANCE
 Signature: *Eduardo*
 Title: Director of Mission
 Date Signed: MM DD YY

19. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY

SMALL FARMER DEVELOPMENT

I. Summary of the Problem and Proposed Response

A. The Problem

The USAID Mission initiated work on its 1977 Agriculture Sector Assessment (ASA) of El Salvador in late CY 1976. The ASA is presently near completion, lacking only editing and final Mission review. However, at this time, the basic nature and overall characteristics of El Salvador's agriculture sector are clear.

The ongoing ASA points out various problems and/or constraints which are impeding the development of the small farm sub-sector. Included among these are the following:

i) The land tenure pattern is extremely skewed and, on the extremely large portion of small farms, the land is being almost completely utilized. Approximately 71% of all farms (i.e. 191,527 of 270,868) are under 2 hectares (ha.), and an additional 22% are between 2-10 ha. There is very little potential for expanding the area cropped on farms under 1 ha. since less than 3% of the total land in these farms is potentially tillable land not being cropped. For one third of the farms under 3 ha., there is only about a 10% margin for expanding cultivation. Only for about 8% of the farms between 3-10 ha. does the expansion of cultivation hold any potential. Among small farms, a high percentage of land cultivated is rented, averaging 49% for the farms under 2 ha. and 20% for those between 2-10 ha. This reflects the intensive use to which the land is put (i.e., small farmers are unlikely to pay rental on land when their lands are not being fully utilized). Thus, on large numbers of small farms, land utilization tends to be very high which precludes increasing their output by expanding the area cultivated.

ii) Small farms do not utilize multiple cropping as much as as possible. Rather, these farms overwhelmingly dedicate their land to basic grains. Ninety five percent of all small farms under 10 ha. cultivate basic grains, and small farms under 5 ha. produce approximately 64% of the country's grain supply. Thus, multi-cropping is least intensive on very small farms due primarily to the predominance of basic grains. This is the reverse from that which exists in many Latin American countries (e.g., Guatemala, Costa Rica, and Colombia) where small farmers cultivate much more high value and labor intensive crops. The non-intensive nature of the commodity mix on the smallest farms (under 3 ha.) in El Salvador is probably the most important income and employment constraint. Almost half of the value of production on farms under 3 ha. comes from non-intensive annual crops while on 5-10 ha. farms it drops to one third.

iii) Small farmers have not emphasized the planting of permanent and speciality crops or the improvement of their livestock operations. As discussed above, small farms are predominantly planted to basic grains. Thus, the benefits to small farmers of planting permanent

and speciality crops have not been realized. For example, during a recent year, the average small farm net income per cropped hectare for planting basic grains was US \$228 while for planting permanent and speciality crops it was US \$1106 (or nearly 5 times higher on average). Regarding livestock, about 1/3 of the total value of small farm production comes from livestock activities. However, little attention has been directed to improving small farm livestock production - an activity which makes a significant contribution to the employment and the incomes of small farmers.

iv) Availability of production credit for small farm operators is very limited. Small farm operators receive only a small fraction of their current credit needs from institutions and money lenders. Multiple cropping is possible with credit as is continuous cropping if water is available to irrigate the second and third crop. While the usefulness of credit for loosening constraints is obvious, it is not true that all of these factors constrain because of the inadequacy of the credit supply. Small farms have demonstrated an ability to self-finance and to accumulate capital. On balance, however, it appears that credit is in very short supply on small farms, and that most of the new technology and cropping patterns (especially permanent cropping) as well as livestock expansion imply substantial increases in both the institutional, money lender, and farm sources of credit.

v) Well-trained technicians and well-developed training institutions are necessary if small farmers are to be assisted to overcome the above constraints. The trained technicians required to meet the needs of the private and public sector agricultural institutions are not presently available. Only approximately 225 students have graduated from the National University of El Salvador in agriculture since 1949. In addition, only about 900 agrónomos have graduated from the three-year post high school vocational center in agriculture. There exists no school in El Salvador - or Central America for that matter - to train home economics agents, and neither the University nor the vocational school train sector technicians in extension methodology or practice.

vi) Ministry of Agriculture (MAG) data collection is deficient in certain areas as is its data management and analysis capability. The MAG has designed an area sampling frame which was developed to generate reliable estimates of crop production and livestock inventories. It is also adaptable to special purpose data collection efforts such as food consumption surveys, cost of production studies, farm credit studies, and other socio-economic investigations where randomly sampled farm producers or households are the desired observation units. The Ministry has utilized the frame to conduct four surveys to date. It has people who are trained in the use and maintenance of the sampling frame as well as trained farm enumerators. However, the MAG's capability is limited in the areas of management and analysis of the information which is forthcoming from the frame.

The problems outlined above are some of the major factors which contribute to the low standard of living of the rural target group in El Salvador. The focus of the proposed project would be to ameliorate many of these problems.

B. The AID Response

1. Purpose

The USAID Mission's goal in the agriculture sector is to increase production, productivity, and income and employment of the rural poor target group. The proposed project would impact on all of these concerns by addressing many of the constraints or problems outlined above i.e., the need for land re-distribution, multiple cropping, permanent and speciality crop and livestock production, and agricultural training. More specifically the purpose of the project is to create new and improve existing GOES agricultural delivery systems for providing services to small farmers.

2. Project Description

The proposed project is a result of the findings of the 1977 ASA and is an extension and expansion of Mission activities in the Agriculture Sector which are being or have been carried out.

a. Mission Agricultural Activities Related to Project

The Mission has been involved in the areas of improving cropping patterns, outreach programs, and land re-distribution in recent years. Since 1976, the Mission has funded the Intensive Small Farm Management grant project (174). This project is being carried out by the National Center for Agriculture Technology (CENTA) with technical assistance provided by the University of Florida and is directed at the expansion of multi-cropping among small farmers. In addition, through an AID loan (018) made to the MAG, the Mission has financed the construction of CENTA's new research and extension headquarters with the objective of improving CENTA's capability for addressing the needs of the target group. Finally, the Mission has grant funded technical assistance to study, in conjunction with the Ministry of Planning, alternative approaches for addressing the problem of the distribution of land in the rural area. AID loan funds have also been provided to the Financiera de Desarrollo e Inversion (006) which has made funds available to an affiliated private sector rural land re-distribution enterprise (Parcelizaciones Rurales de Desarrollo, S. A.).

The Mission is also preparing two Project Papers (PP) for submission to AID/W in FY 1978 which will address other constraints in the agriculture sector. The Small Farm Irrigation PP will be submitted

to AID/W in November 1977. This project is designed to assist the GOES to construct small scale irrigation systems and improve and/or repair existing small farm irrigation networks thereby (a) insuring small farmers of access to water during dry periods in the rainy season and (b) providing small farmers with water all year around so that continuous cropping can be pursued. The Small Farmer Credit PP would be submitted in March 1978.^{1/} This project is intended to address the problem of inadequate availability of production credit for the small farmer target group.

b. The Proposed Project

This project will be managed by the MAG and will involve various MAG agencies as well as some mixed and private institution participation. The project will consist of the following components:

i) The creation of a credit fund within an existing institution (e.g., the Central Bank or Banco Hipotecario) which will provide resources to various intermediate credit institutions (ICIs). These ICIs would relend to small farmers who desire to purchase and farm agricultural land and, as necessary, to build appropriate housing. The ICIs will be private, mixed, and government institutions and will include, inter alia, Parcelaciones Rurales, the Agracultural Development Bank, and the Federación de Cajas de Crédito. The national level institution will rediscount the paper of these institutions which will mortgage agriculture land for small farmers under terms and conditions to be established during project preparation. If possible, Housing Investment Guarantee (HIG) funds will be used as seed capital, and AID funds will finance technical assistance to the participating ICIs and, if needed, to the national level banking institution.

ii) The continuation of Mission funded multi-cropping activities. As mentioned above, the Intensive Small Farm Management project focuses on the problem of expanding multi-cropping, with special emphasis on small farmers. This project is assisting CENTA to develop cropping systems which are highly labor intensive, emphasize basic food crops, and maximize production and income from small plots. Progress to date indicates that this grant project is accomplishing that objective. As the results of the project become available, one of the principal tasks of CENTA will be to deliver the systems and technology developed to increasing numbers of small farmers. However, the number and capability of CENTA's field extension agents, who will deliver the new technology, must be improved. The proposed loan project intends to address this need as described in item v) of this section.

iii) The expansion of permanent crops production. The CENTA would also play a crucial role in this component of the project. It will promote the planting of permanent crops, assist in locating credit, and provide extension assistance to the target group. These activities will give emphasis to the mountainous northern portion of the country. AID funds will be used to obtain improved plant material for

^{1/} See Alternatives Section for clarification.

planting on target group farms as well as for research and multiplication needs. The most likely crops to be included are, inter alia, masaceous, citrus, cashew, almond, avocados, mango, pineapple, and grapes.

iv) The creation of minor species livestock reproduction centers. These will be developed at the 5 existing regional centers of the MAG's General Directorate of Livestock and will be responsible for producing improved stock for the small farmers in the area surrounding each center. At the same time, each center will provide demonstrations, train personnel, and undertake some adaptive research. The species currently being considered for the program are goats, bees, rabbits, and poultry. Each of the centers will function as the focal point for the livestock extension effort which will be part of the project. AID funds would be used to provide pure or improved breeding stock and equipment for the centers, technical assistance, and training.

v) The establishment of a school for extension training within the National Center for Agricultural Training (CENCAP) which will include a home economics curriculum. Since most of CENTA's extension agents are from low level institutions (e.g., from the secondary agricultural vocational school), the primary function of the extension training school will be to upgrade and expand the capabilities of presently employed extension agents as well as future extension personnel. The school will be operated from existing MAG buildings; however, AID funds will be required for some equipment, training of staff, and contract faculty to assist in developing the curriculum and teaching at the school while Salvadoran technicians are being trained. An integral part of the curriculum will be training in family planning.

C. Major Assumptions

There are three major assumptions pertinent to project success. First, it is assumed that the new government will approve of the approach to the land tenure problem suggested in the PID and, therefore, that (a) the authority of the Salvadoran Agrarian Transformation Institute (ISTA) over land sale transactions will be modified to eliminate its project approval control over all land purchases/sales by the private and public sector, and (b) the GOES will issue a government guarantee of the MIG funds if the use of those funds proves feasible. The second assumption is that plant material suited to El Salvador's conditions will be available. Finally, it is assumed that sufficient demand exists or can be developed among target group farmers for improved breeding stock of the minor species contemplated. The Mission will further investigate and clarify these assumptions during project preparation (see the Project Development section).

D. Host Government Activities

The Government of El Salvador has long recognized the increasing seriousness of the land tenure situation. As a result, the GOES has had

an agrarian reform agency within the Government since 1932. The present organization is called ISTA. Its general objectives are to raise the social and economic level of the small farmer through the provision of land, technical assistance, credit and other benefits as well as to increase agricultural production and productivity in general. By early 1976, ISTA claimed that 8,000 families had been assisted through the redistribution of 55,000 hectares. That same year, ISTA announced plans to purchase a large block of land (estimated at 58,000 hectares) in the Usulután area. Much of the land in the proposed project area is Class III or better, and the area is presently the center of cotton production in the country. The proposed project met with intense resistance from large landowners in the area and had no vocal support from any group. As a result, changes in the agrarian reform law were made which severely limit the authority of ISTA to expropriate land for redistribution to small farmers.

In the other areas of focus of the proposed project, only limited activities have been undertaken by the GOES. In the area of permanent crops, CENTA has been carrying out some research on citrus and some fruits. However, very little has been done in terms of promoting the expansion of such crops. Within CENTA, the livestock directorate has made some attempts to work with minor species in the past. However, efforts have been plagued by lack of personnel and priority. At present, one center is working with poultry, rabbits, and bees. In the area of training extension agents, the GOES has done very little. During the formation of the national vocational agriculture school, a study group financed by AID recommended the inclusion of extension training and home economics as a part of its program. However, to date this recommendation has not been implemented.

E. Alternatives to the Project

An alternative method of financing the proposed project may have to be considered. The present project contemplates the use of HIG resources to finance the rediscounting of land/housing mortgages contracted with small farmers. At present it is not known whether it will be financially feasible to utilize the relatively expensive HIG funds for the purpose outlined above. If the project is approved for further study, a financial analyst must take a very close look at the cost of HIG monies, the cost of administering a land mortgage operation, and the terms and interest rates to be charged to small farmers, etc. With this data, the analyst should be able to assess the financial feasibility of carrying out the proposed project utilizing HIG resources.

Production credit is mentioned above as being one of the constraints to the small farm sub-sector. However, the provision of production credit has not been made a component to this project. The Mission feels that an alternative may be to absorb the Small Farmer Credit Loan Project (for which a FY 1978 PRP has already been approved by the DAEC) into this project in order to insure that those beneficiaries who receive land would also have access to production credit. This alternative will be further explored during project preparation.

F. Beneficiaries.

The benchmark set by AID in its reply to the Congressional Mandate establishes US \$150 per capita in 1969 dollars as a reasonable upper limit for incomes of those defined as among the rural poor target group. A series of other benchmarks were also established, including infant mortality, nutritional intake, etc. The purpose of the following is to outline a reasonable income definition of the rural poor in El Salvador.

Since the most recent small farm income figures available to the Mission are in 1976 Colones, and since the exchange rate has been stable for many years, all that is needed to compare 1969 to 1976 income is to inflate the 1969 figure to 1976 terms. An annual inflation rate of 6% is assumed between 1969 and 1976 giving a 1976 value of US\$225 per capita as the upper limit on target group incomes. Using the available population and income data, the following table was prepared which indicates the number of people in the target group by region:

RURAL POOR TARGET GROUP: EXTENDED FARM FAMILIES
AND LANDLESS RURAL WORKERS

Region	Number of Farms	Farm Family Population	Landless Population
West Region	47,979	275,623	
Central (West)	62,565	356,025	
Central (East)	36,664	213,272	
East Region	77,348	475,079	
All Regions	224,556	1,320,099	720,508

Total Target Group Population (Farm & Landless) = 2,040,607

SOURCE: 1977 Agriculture Sector Assessment

As illustrated above, the rural poor target group includes about 2 million people or 83.5 per cent of the rural population. Sixty five percent of the target group are members of extended farm families residing permanently on farms while the remainder are landless farm worker families. This constitutes the target group toward which this project is directed.

The Mission estimates the number of families and total population which will be affected by this project as follows:

PROJECT BENEFICIARIES
(direct and indirect)

Project Component	Families Benefited	Total Pop. Benefited
Land Credit	5,000	29,000
Multiple Cropping, Permanent Crops, & Livestock Extension	8,500	49,300
Training	17,500	101,500
Production Credit*	300	1,700
	<u>9,000</u>	<u>52,200</u>
Total	40,300	233,700

*See Alternatives Section for clarification.

Obviously some families may benefit from more than one project component so that the total number of project beneficiaries may be somewhat lower than the table indicates.

G. Spread Effects

The proposed project should have significant spread effects. First, reflows from the sub-loans made for small farmer land/housing purchases will be generated. These funds would be re-invested for similar purposes thereby spreading the benefits of this component of the proposed project beyond the initial beneficiaries. If lending to small farmers for the purchase of land/housing can be shown to be feasible at the higher HIG interest rates, then ICIs may decide to provide additional financial resources for this purpose thereby even further expanding the effect of the project. In addition, the training of CENITA extension agents should improve not only their effectiveness but their demand. This should lead not only to increased coverage by existing agents, but the provision of greater numbers of extension agents thereby increasing the numbers of people assisted beyond the immediate project beneficiaries. Since these agents will be trained in population and family planning, their efforts should have a positive impact on population growth.

II. Financial Requirements

The following financial inputs are required in support of the project described above:

	<u>GOES</u>	(millions of SUS)			<u>Total</u>
		<u>Private Sector</u>	<u>A.I.D.</u>		
			<u>HIG</u>	<u>DL</u>	
Investment Capital	4.0	4.0	10.0	--	18.0
Technical Assistance	--	--	--	2.5	2.5
a. to ICIs	--	--	--	(1.1)	(1.1)
b. to MAG	--	--	--	(1.4)	(1.4)
Training	0.1	--	--	0.5	0.6
Equip. and Plant & Animal	--	--	--	2.0	2.0
Materials					
Operations	<u>1.0</u>	--	--	--	<u>1.0</u>
Total	<u>5.1</u>	<u>4.0</u>	<u>10.0</u>	<u>5.0</u>	<u>24.1</u>

These funds should be made available to the GOES at AID's most favorable terms for El Salvador. The MAG will be the loan program coordinator. The executing agencies will be the MAG and a national level banking institution while CENTA, the Directorate of Livestock, CENCAP, and various private ICIs will be participating agencies. It is estimated that about 15 person years of advisory services to the various ICIs and about 20 person years of advisory services to the various participating MAG agencies will be required. The disbursement period of the development loan is estimated at 4-5 years while that of the HIG will be negotiated.

III. Development of the Project

In the development of the PRP, the Mission will attempt to estimate the supply of and demand for agricultural land. The Mission must also undertake a financial analysis to determine the feasibility of using HIG funds for making sub-loans to small farmer for land/housing as well as to study other related issues. The Mission will also seek the assistance of specialists in permanent crops, livestock, extension/home economics, and housing investment guarantees. It is estimated that the PRP can be developed with a total of 6 person months of assistance at a cost of approximately \$35,000. These funds are available under the FY 77 allocation to the Mission's Technical Support Project 167. Assuming that the PID is approved, the Mission will submit the PRP in October, 1977.

If the DAEC approves the PRP, the Mission would submit the PP in the first quarter of FY 79. Additional assistance along the same lines indicated above will be required for development of the PP. Also the assistance of an economist and rural sociologist will be required for development of the PP. It is estimated that the total needs will be 8 person months and will cost approximately \$50,000. These funds will be planned for under the FY 78 allocation to the Technical Support Project 167.

IV. Issues of a Programatic Nature

The Mission is submitting a separate PID for a project which is designed to strengthen the data collection and processing capabilities of various Ministries including, inter alia, Education, Agriculture and Health. Thus, that project addresses the common problems faced by GOES public entities in producing and using relevant data to assist in planning appropriate development activities. If that separate PID is not approved in AID/W for FY 1979, the proposed project in Small Farmer Development must be modified and expanded to incorporate a modern data management and analysis system for the MAG in view of the constraint being caused by the inadequacy of the MAG data processing system.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A A = ADD
 C C = CHANGE
 D D = DELETE

PID
 2. DOCUMENT CODE
 1

3. COUNTRY/ENTITY
 EL SALVADOR

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS) 519-0200

6. BUREAU/OFFICE
 A. SYMBOL LA B. CODE 05

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 INFORMATION/DATA MANAGEMENT IMPROVEMENT

8. PROPOSED NEXT DOCUMENT
 A. 2 = PRP
 3 = PP
 B. DATE 08 7 8

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 7 9 b. FINAL FY 8 1

10. ESTIMATED COSTS
 \$000 OR EQUIVALENT, \$1 = Q2.50)

FUNDING SOURCE		485524
A. AID APPROPRIATED		763
B. OTHER U.S.	1.	
	2.	
C. HOST COUNTRY		1,225
D. OTHER DONOR(S)		
TOTAL		1,988

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 1979		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) ST	701	721		231		763	
(2)							
(3)							
(4)							
TOTAL				231		763	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)
 710

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)
 TNG

14. SECONDARY PURPOSE CODE
 700

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)
 Establishment of a national system which meets the country's needs for statistical data relative to social and economic development.

16. PROJECT PURPOSE (MAXIMUM 400 CHARACTERS)
 To establish an in-country training program for systems analysts and computer programmers.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)
 FY 1978 SDP Tech Support Funds: 6 p.m. of contract services in computer programming and systems analysis - estimated cost \$36,000.

18. ORIGINATING OFFICE CLEARANCE

Signature *Edwin Anderson*
 Title Director of Mission

Date Signed
 MM DD YY
 016 016 717

19. DATE DOCUMENT RECEIVED
 AID/W, or for AID/W DOCUMENTS,
 DATE OF DISTRIBUTION
 MM DD YY

INFORMATION/DATA MANAGEMENT IMPROVEMENT

I. Summary of the Problem and the Proposed Response

A. The Problem

As indicated in the Mission's revised Development Assistance Program (DAP), for those areas of development activity in which the Mission will be concentrating its efforts in support of stated GOES development objectives, viz., education, population, health, nutrition, and small farm production, an adequate and reliable statistical base is presently lacking. The DAP states: "Despite intentions to improve growth rates and income distribution and, in this respect, to increase employment or reduce under or unemployment, the authorities are limited by their inability to carry out the necessary analysis due to insufficient or unreliable data." This inability also makes it more difficult and costly for international donors to support the GOES in its stated development program to promote the economic and social development of marginal people in both the urban and rural areas.

The mandate under which A.I.D. is presently operating requires that its programs address, as directly as possible, the social and economic problems facing the rural and urban poor in the developing world. Section 102 of the Foreign Assistance Act states that "the President shall establish appropriate criteria to assess the commitment and progress of countries in meeting the objectives" of the Act. Implicit in this mandate is the assumption that adequate information exists to allow those responsible for the formulation of policies and programs to develop effective methods for meeting the critical needs of their people in such basic areas as food and nutrition, education and family planning. This assumption is not valid as the situation in El Salvador demonstrates.

In El Salvador, government agencies do not possess adequate information to determine needs, formulate plans, develop programs, and measure the impact of on-going projects as a basis for further action programs. At the same time, the equivalent of hundreds of thousands of dollars have already been spent by these agencies for the field collection of data, only to find that a significant portion of these data cannot be tabulated and published in a usable form because of a lack of trained computer analysts and programmers.

There is, then, a large and growing vacuum in data processing in El Salvador. Many AID-funded projects, aimed at providing data useful for development planning, are seriously affected by the lack of computer programmers with sufficient training and

experience to tabulate the results of a variety of surveys and other data collection programs. The following programs are already being impeded in this way:

- i) The 1976/77 Mano de Obra (Labor force) survey.
- ii) The Family Planning Supplement to 1976/77 Mano de Obra.
- iii) Four Agricultural Production Surveys.
- iv) The Family Budgets Survey, for which field collection of data has been in progress 1 year.
- v) The Cadaster project which has among its objectives the computerization of the real property descriptions.
- vi) The Multi-Purpose Household Sample Survey, the computer programming for this important survey requires about a year to complete and it has not been started.

All these projects, except numbers 1 and 4 which are strictly GOES, were AID funded. In most cases expensive field data collection efforts have been carried out, questionnaires have been completed, examined by manual methods, coded, key punched and are ready for tabulation by computer. These jobs have stopped at this point because insufficient numbers of trained and experienced computer programmers are available to do the necessary work and no continuing training program exists to turn out new programmers.

These are important survey projects which would help AID define and describe the level of life of the urban and rural poor; of women; of the ill, aged, and infirm; of the quality and sufficiency of the housing stocks; as well as the dynamics of population including births, deaths and migration. Other data needs are directly related to the land, its use and productivity in agriculture, means of improving productivity, the cash and subsistence economies of the small farmer. Still others are related to basic public policy issues such as the valuation and assessment of real property for taxation or land reform purposes. Finally, studies of unemployment and income, and the construction of a consumer price index depend directly on the surveys enumerated above.

All the above are stopped at the computer for lack of trained programmers and the situation will worsen to crisis proportions in the continuing absence of these technicians.

There is another problem area which bears on the processability of the above jobs: they may not have been well planned in the first place. That is to say, proper systems analysis and design studies have not been carried out prior to attempts to process and tabulate the data on the computer. Systems analysis and design studies must precede any computerization effort. These studies, typically, deal with (1) defining end products; (2) streamlining the paperwork, information content, manual methods and procedures for creating, capturing and handling data; (3) devising the most efficient man-machine system to do the job, and (4) preparing detailed specifications for use by computer programmers to follow in writing instructions to the computer.

B. Proposed Response

1. Goal and Purpose

The Mission's overall goal in this area is the establishment of a national system which meets the country's needs for statistical data relative to social and economic development. The purpose of this project is to establish an in-country training program for systems analysts and computer programmers.

It is proposed that AID bring one systems analyst and two long term computer programmers to El Salvador to teach courses in ADP systems analysis and design and computer programming.

The systems analysis courses would include the definition of end products needed by policy makers for decision making; techniques (flow charting, grid charting, etc.) for analyzing previously unmechanized processes; streamlining the processes of data creation, capture, flow to the computer, and conversion into end-products; reduction in numbers of paper forms; elimination of duplication of information content; and preparation of detailed specifications for use by computer programmers in writing and coding instructions for the computer. The course would also include familiarization with "canned" software packages and their use and application in local projects.

The programming courses, which would be taught to 40 beginning and advanced students per year, would cover all the major programming languages: FORTRAN, COBOL, CENTS, COCENTS, RPG, etc. Ten Ministries have already participated in occasional ad-hoc training of this type over the past 3-4 years under the Education Sector Analysis Project. Each time these ad hoc courses were offered they were oversubscribed. The various GOES ministries have repeatedly requested that this type of training be established on a continuing basis.

2. Project Description

The project purpose will be achieved, with AID assistance, through the provision of expert technical assistance and teaching materials (manuals for COBOL, FORTRAN, etc.). Specifically the program would finance 36 person months of Spanish-speaking US technical assistance (teachers) per year for 3 years, the necessary manuals and teaching materials, and the purchase of canned software packages. GOES would provide classroom space, 50 students per year, computer time and support services (such as key punching, tapes, etc.).

As a result of the above inputs the following program outputs would be developed:

- i) 120 computer programmers trained in 3 years.
- ii) 30 systems analysts trained in 3 years.
- iii) A continuing Spanish language training program that could be extended to all Ministries of GOES and possibly to other Latin American government, especially in Central America where this problem has already reached large proportions.

3. Major Assumptions

- i) Spanish-speaking U.S. technicians will be available.
- ii) Computer training materials in Spanish exist.
- iii) Ministry personnel will be made available to attend training courses.
- iv) Sufficient computer time will be made available to trainees during the project.

4. Host Government and Other Donor Activities

There is no host country or other donor activity in the area of computer sciences.

5. Beneficiaries

The proposed project would immediately benefit Ministries with which AID is presently working, namely Health, Education, Agriculture, Planning, and Treasury. The project will assist these

ministries to complete tabulation of data which already have been collected at great cost in the field. These tabulations should assist materially in formulation of economic and social development plans and in the evaluation of the impact of on-going programs such as family planning.

6. Spread Effect

Judging from past expressions of interest in GOES in this subject, there is every likelihood that 10 computer-using Ministries will want to avail themselves of these types of training. It is also possible that other agencies of GOES would take advantage of its availability.

II. Financial Requirements and Plans: 3 years

The following financial inputs are required in support of the program:

	<u>GOES</u>	<u>AID</u> (thousands)	<u>TOTAL</u>
Teaching Assistance			
a) 1 Systems Analyst/Teacher	-	216	
b) 2 Computer Prog/Teacher	-	432	648
Commodities - canned software and teaching materials	150	115	265
Classroom space	25	-	25
Salaries 150 trainees	900	-	900
Computer Support	<u>150</u>	<u>-</u>	<u>150</u>
TOTAL	1,225	763	1,988

The AID portion of the total program cost is 38% while the GOES contribution is 62%. The proposed disbursement period is 3 years.

III. Alternative Approaches

One alternative is to attempt a completely centralized computing center, along the lines recommended by Krall Management in August 1975. Such an approach would involve multi-million dollar outlays and would push the state of the art beyond GOES present capacities.

A second alternative would be to mount training of this type separately in interested GOES Ministries. This has obvious disadvantages of higher cost and continued fractionalization of training.

A third alternative, also undesirable on grounds of cost and language barriers, would be to send local personnel to the USA for this training.

IV. Development of the Project

Previous and on-going experience with data gathering and processing activities does not provide sufficient experience for the planning of this innovative approach. One computer programmer and one systems analyst will be brought to El Salvador in February 1978 for approximately 1.5 person months each for preparation of the PRP. Estimated cost will be \$18,000, and the estimated schedule for submission of the PRP is April 1978.

Assuming the PRP is approved, submission of the PP will take place in August 1978. It is estimated that the services of these same two persons will again be required for 1.5 person months, cost estimated at \$18,000.

V. Issues of Policy or Programmatic Nature

Actual on-time use of GOES computer facilities for training and installation of software packages is and will be at a premium. GOES Ministries will have to provide the computer hardware and guaranteed availability should be a condition precedent to execution of the project agreement.

Collection of data and its analysis is a complicated process at best. The GOES has invested considerable time and expense into AID-supported projects such as the Multi-Purpose Household Sample Survey. Inability to process or use that data is an issue that threatens the success of this and other projects.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A A = ADD
 C C = CHANGE
 D D = DELETE

PID
 2. DOCUMENT CODE
 1

3. COUNTRY/ENTITY
 EL SALVADOR

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)

6. BUREAU/OFFICE
 A. SYMBOL LA B. CODE 05

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)

8. PROPOSED NEXT DOCUMENT
 A. 2 = PRP
 3 = PP B. DATE

10. ESTIMATED COSTS
 (\$000 OR EQUIVALENT, \$1 = Q2.50)

FUNDING SOURCE		VALUE (\$K)
A. AID APPROPRIATED		490
B. OTHER		
1. U.S.		
2.		
C. HOST COUNTRY		340
D. OTHER DONOR(S)		
TOTAL		830

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY b. FINAL FY

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 1979		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) ST	733	840		145		490	
(2)							
(3)							
(4)							
TOTAL				145		490	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

14. SECONDARY PURPOSE CODE

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)

16. PROJECT PURPOSE (MAXIMUM 400 CHARACTERS)

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)
 FY 1977 SDP Tech. Support Funds: 1.5 p.m. export devl policy adv - estim.cost \$8,300
 FY 1978 SDP Tech. Support Funds: 3 p.m. export and small enterprise development adv. estimated cost \$18,000

18. ORIGINATING OFFICE CLEARANCE
 Signature: *[Signature]*
 Title: Director of Mission
 Date Signed:

19. DATE DOCUMENT RECEIVED BY AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

SMALL ENTERPRISE EXPORT DEVELOPMENT

I. Summary of the Problem and Proposed Response

A. The Problem

A recent ILO study^{1/} estimates that 47% of the available agricultural labor in El Salvador is not utilized - the highest rate of labor under-utilization in Latin America. This finding is corroborated by a Ministry of Agriculture study which indicates a 46% unemployment rate within agriculture labor. Further, the Mission's 1977 Agriculture Sector Assessment, currently near completion, observes that one of the main problems faced by the rural target group is limited employment opportunities. Lack of work impacts hardest, then, on those who need work most, i.e., the poor, illiterate, and undernourished of El Salvador's rapidly growing population. In addition, according to a recent World Bank study^{2/}, there is a very badly skewed distribution of income as reflected by the fact that the top fifth of the income earning population in San Salvador earned 67% of the income of the country in 1974, while the bottom fifth earned 2%. This study also states that the "inequitable income distribution is closely associated with the country's extensive unemployment problem which is particularly acute in rural areas."

At the root of the unemployment problem lies the rapid population growth (3.3% annually between 1970 and 1975), the seasonal nature of labor demand in agriculture, and the capital-intensive production processes used by industry. Indeed, the economy must provide 50,000 to 60,000 new jobs annually just to keep pace with population growth. Also, although fixed investment in manufacturing in the 1960's averaged about four times that of agriculture, according to the 1961-1971 Census of El Salvador, employment in manufacturing rose only 17,600 compared to 137,800 in agriculture. Moreover, unemployment runs 60-70% in rural areas in the eight or nine months when coffee, cotton, or sugar cane are not being harvested.

The World Bank study estimates that the prevailing high rate of effective unemployment could be reduced about 7 percentage points by the early 1990's provided the following conditions are met:

- i) The gross domestic product (GDP) growth rate of 5-6% per year can be sustained;
- ii) Crops for which labor requirements are less seasonal than traditional export crops are emphasized; and
- iii) Export industries become more labor intensive.

It is this latter approach that interests the Mission in this project, for it is generally accepted that with El Salvador's limited space and dense population, increased processing of domestically produced non-traditional goods offers the best promise for absorbing idle labor.

^{1/} International Labor Office; The Employment Problem in Latin America: Facts, Outlooks and Policies; Santiago 1976.

^{2/} Economic Memorandum on El Salvador, January 24, 1977.

The World Bank study also states that, until recently, little was done by the GOES to solve the unemployment problem and reduce income inequalities. A low level of government revenues in the past has meant minimal social investment and a limited supply of social services. Furthermore, the arrangements under the Central American Common Market (CACM) and national legislation for the promotion of industrial production and exports have tended to support development of relatively more capital intensive industries.

The problem outlined above, then, is that unemployment is widespread and growing, and little is being done to develop labor intensive enterprises in El Salvador. The proposed project is designed to address this problem by assisting the GOES to expand the country's labor intensive, export oriented small enterprises.

B. A.I.D. Response

1. The Executing Organization

In 1974, the GOES established the Salvadorean Foreign Trade Institute (ISCE), as an autonomous agency, to "improve the economic and social conditions of the people by creating new, better, and increased employment opportunities". It was also founded to improve the balance of trade, raise per capita income, diversify and elevate industry, promote investments in export oriented industries, and maximize value-added in El Salvador. ISCE promotes Salvadoran products in foreign markets, and in this capacity it maintains an office in the World Trade Center in New York and is considering the establishment of one in Frankfurt, Germany.

In carrying out its role of promoting Salvadoran products abroad, ISCE is specifically concerned with:

i) Transmitting to manufacturers and exporters inquiries received from abroad regarding Salvadorean products.

ii) Keeping the Salvadoran exporter informed of economic and commercial developments.

iii) Creating the mechanisms for the marketing of non-traditional Salvadorean products, and planning and promoting participation in trade fairs, expositions, and organizing trade missions.

iv) Developing pilot projects aimed at stimulating the manufacture of such products as may be in demand on the international market through the organization of production cooperatives and export associations.

v) Administering a guarantee fund to provide collateral for pre-export and export financing.

vi) Planning and administering Free Zones and promoting on a national and international scale the establishment of new industries in these zones.

These activities bear on economic growth and offer the possibility of reducing unemployment amongst the poor. This seems particularly true with regard to the marketing of non-traditional products since production of traditional goods (coffee, cotton, and sugar cane) are labor intensive for the 3-4 month harvest period while production of non-traditional products (handicrafts, clothing, shoes etc.) are labor intensive year round. The Export Development Law of July 1976 stresses that "...the export of industrial, handicraft, and agricultural products of a non-traditional nature is an effective method for better utilization of... productive capacity and creation of new sources of work which shall allow a major utilization of labor..." ISCE, then, is a mechanism for stimulating production by finding markets for non-traditional goods, the production of which provides work for unemployed or under-employed Salvadorans.

2. Project Purpose

The Mission Development Assistance Program (DAP) of June 1976 states that the objectives of the US assistance program in El Salvador are to (1) provide for a more rapid growth of gross national product and (2) raise real incomes for the lower income earners. The goal of the proposed project is to increase the employment opportunities (and thus incomes) of the rural and urban poor of El Salvador. Within this overall framework, the purpose of the project is to develop ISCE's capacity to stimulate the production of small, labor-intensive enterprises and assist those businesses to produce and market non-traditional goods for export.

3. Project Description

Given the GOES initiatives in the area of reducing unemployment, the Mission proposes a three year grant project of about \$490,000 to provide technical assistance and training to the Salvadoran Foreign Trade Institute (ISCE). These funds would be used to develop ISCE's capacity to promote exports and assist small, labor-intensive, export oriented enterprises expand production. Enterprises, either small businesses or cooperatives, could be selected from among those currently receiving assistance or those newly identified by the GOES Finance and Guarantee Fund for Small Business (FIGAPE), Technoserve (a U.S. Private Voluntary Agency developing small enterprises), or the Mission's Special Development Activities Project.

If the proposed project proves successful and the demand for credit expands as anticipated, the possibility of a follow-on AID loan exists. However, at this time, it is not clear to what extent local credit will be available to meet the credit demand of the type envisioned in the project.

It is expected that the following outputs will be realized by the project:

i) A capacity will be developed within ISCE to identify specific export markets for non-traditional goods and actual markets will be identified.

ii) An export policy for non-traditional goods will be developed by ISCE or the appropriate GOES agency.

iii) ISCE officials will be trained in export market identification.

iv) A capacity will be developed within ISCE (in conjunction with the private banking system) to assist small to medium labor intensive enterprises to improve production of non-traditional goods.

v) Several enterprises will be selected for assistance, the needs of these enterprises will be identified, and technical assistance will be provided as necessary.

vi) ISCE officials will be trained in getting assistance to small enterprises that want to increase production or productivity.

C. Assumptions

The major assumption upon which the success of the proposed project rests is that the GOES will accept an export policy that promotes the production and export of non-traditional, labor-intensive goods. The feasibility and likelihood of the GOES adopting such a policy will be carefully examined during the development of the PP.

D. Host Country and Other Donor Activities

The Inter-American Development Bank (IDB) has been working with FIGAPE for some time. It has contracted Arthur D. Little, Inc. to do a management analysis of FIGAPE to determine ways to improve its ability to assist small businesses whose output is aimed primarily for the domestic market. It appears to be the intension of the IDB to provide loan assistance to FIGAPE if such assistance is justified.

The Salvadoran Institute for Industrial Promotion (INSAFI) is an intermediate credit institution which was established by the GOES to foster industrial development. It focusses primarily on middle and large enterprises, though it does have a few small projects. INSAFI has itself taken over a few of its failing enterprises and is attempting to find export markets for that production (handicraft items, for example).

E. Alternative Approaches

An alternative project design considered by the Mission was to work through FIGAPE to assist small enterprise development. However, upon examination it was found that (a) the IDB is working with that institution, as described above, and (b) FIGAPE does not have either the legal mandate or the capacity to identify export markets.

In view of the above, a second alternative is also being considered. This alternative involves the development of an "umbrella" organization which would be in charge and coordinate the activities of both FIGAPE and ISCE. In this set-up, FIGAPE would focus its attention on strengthening the productive capability of both domestic and export oriented small enterprises while ISCE would identify foreign markets for small enterprise production. This alternative will be further explored although it is currently believed that working with ISCE alone is a more realistic approach in the short run since the IDB is presently working with FIGAPE.

F. Beneficiaries

While it is impossible to estimate the number of people to be benefited by the proposed project at this stage of project development, the direct beneficiaries will be the owners of small business and their employees as well as members of cooperatives who will receive employment and increased income. For example, four shoemakers in San Salvador, who employ between 10-60 people, could benefit from assistance from ISCE in identifying foreign markets for their handmade shoes and in technical assistance on how to make a better shoe. In Nahuizalco and Sonsonate, rural towns outside of San Salvador, producers of wicker furniture need help in identifying foreign markets, in accounting and bookkeeping, and in quality control. In Uluazapa and San Vicente, two women's cooperatives that are planning to manufacture men's and women's clothing could benefit from the identification of export markets and technical assistance to improve quality and quantity of production. In Ilobasco, small hand-carved and hand-painted figurines cannot be produced fast enough to meet the foreign demand. From La Palma, finely painted handicrafts are now reaching foreign markets, but considerable potential for further expansion of production and sales exists.

The proposed project is intended to increase production and exports, especially non-traditional goods. This should increase demand for certain Salvadoran and CACM raw materials. Thus, backward linkages will

be strengthened to the suppliers of those materials thereby increasing their employment opportunities and income as well.

No precise figures are currently available, but it is estimated that 50-75 percent of the labor force that produces handicrafts, clothing and a few other labor-intensive items is composed of women. Women more than men will probably be the beneficiaries of this project. Employment of women will also lead to a reduction in fertility as well.

G. Spread Effects

If as expected the proposed project is successful in strengthening the capacity of ISCE in the areas of promotion, assisting small enterprises to increase production, and marketing non-traditional exports, then the project could have significant spread effects. More specifically, ISCE would be able to provide continuing assistance to additional small enterprises thereby increasing employment opportunities and incomes of added numbers of workers. In addition, a proven track record in promotion and the provision of technical assistance to small enterprises could lead to the provision of additional financial resources thereby further expanding ISCE's spread effect described above.

II. Financial Requirements and Plans

The estimated financial requirements necessary to carry out the project described above are as follow:

	(\$000)		
	<u>AID</u>	<u>GOES</u>	<u>TOTAL</u>
Advisory Assistance Export Promotion (LT)	215	--	215
Advisory Assistance Production (ST)	110	--	110
Export Promotion, Marketing & Training	65	30	95
Training and Reference Materials	30	50	80
Promotion Costs	70	110	180
Operations	<u>--</u>	<u>150</u>	<u>150</u>
TOTAL	<u>490</u>	<u>340</u>	<u>830</u>

The Mission will provide funds for contracting technical assistance. ISCE requires a long term advisor (three years) to assist it in export promotion and to coordinate and direct project activities. In addition, a short term advisor, probably an economist, will assist the GOES in the first year of the project in the modification of the current export development policy focussing on the stimulation of the production and export of non-traditional goods. Finally, specialized short term advisors will be contracted to assist small enterprises in production, packaging, and marketing. These advisors would be experts in the production and/or marketing of items that are selected and would work directly with the business or cooperatives selected.

The project will also include both in-country and participant training of ISCE staff. This training would include methods and practices involved in the identification of domestic products which are potentially marketable internationally. It could also include training of Salvadoran Embassy commercial attaches. The long-term advisor would assist in on-the-job training of appropriate ISCE staff in the general management of a national export promotion office. Other training would include visits abroad to observe functioning trade promotion operation such as the Korea Trade Association. Other training for the ISCE staff will include on-the-job training in the identification and contracting of technical assistance necessary to increase the production of the selected products.

Modest commodity assistance will be provided for in-country workshops/seminars and in support of other in-country training. Funds will be set aside for shipment of sample items to potential buyers or trade fairs and for setting up displays in trade fairs.

ISCE will provide a counterpart to the long term advisor, secretarial support, international travel costs of participants, office space, supplies and furniture, in-country seminar costs, research, publications, and in-country travel.

III. Project Development

ISCE has stated to Mission representatives that this is a proposal of high priority and that it is approved in principle by the Ministry of Planning. The proposal has been discussed in-depth with ISCE's general manager on several occasions, and is being developed under thoroughly collaborative conditions. The Mission, with FY 1977 selected Development Problems Technical Support Funds, is contracting for an expert in export development policy to assist in the development of this project. The Mission economist has prepared a background analysis in export development policy in anticipation of the expert's arrival. Finally, the Mission has also conducted an overview case study of the wicker furniture industry and will incorporate its findings into further development of the project.

The Mission will go directly to the PP upon approval of the PID. The GOES is ready to develop this project immediately. The amount of \$18,000 has been set aside in the FY 1978 Selected Development Problems Technical Support Project for 3 person months of services in the areas of small enterprise and export development. These technicians will assist in the preparation of the PP which is scheduled for submission during the second quarter of FY 1978.

IV. Issues of a Policy Nature

The major issue which has surfaced during the development of the proposed project is that concerning El Salvador's currency. The country's currency is presently overvalued due to the high import tariff structure designed to encourage import substitution amongst CACM countries. This action has tended to discourage salvadoran exports from going outside the CACM. Since the country's overvalued currency is part of an overall CACM policy, El Salvador cannot unilaterally take action to devalue. Therefore, the proposed project is designed to provide an alternative way to overcome discentives and encourage exports.

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT IDENTIFICATION DOCUMENT FACESHEET TO BE COMPLETED BY ORIGINATING OFFICE	1. TRANSACTION CODE <div style="border: 1px solid black; padding: 2px; display: inline-block;">A</div> A = ADD C = CHANGE D = DELETE	PID 2. DOCUMENT CODE 1
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3. COUNTRY/ENTITY EL SALVADOR	4. DOCUMENT REVISION NUMBER <div style="border: 1px solid black; width: 40px; height: 20px; margin-left: auto;"></div>
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5. PROJECT NUMBER (7 DIGITS) <div style="border: 1px solid black; padding: 2px; display: inline-block;">519-0190</div>	6. BUREAU/OFFICE A. SYMBOL LA	B. CODE <div style="border: 1px solid black; padding: 2px; display: inline-block;">05</div>	7. PROJECT TITLE (MAXIMUM 40 CHARACTERS) <div style="border: 1px solid black; padding: 2px; display: inline-block;">IMPROVEMENT OF RURAL PRIMARY EDUCATION</div>
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8. PROPOSED NEXT DOCUMENT A. <div style="border: 1px solid black; padding: 2px; display: inline-block;">2</div> 2 = PRP 3 = PP	B. DATE <div style="border: 1px solid black; padding: 2px; display: inline-block;">05 7 8</div>	10. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 = \$2.50)
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9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION a. INITIAL FY <div style="border: 1px solid black; padding: 2px; display: inline-block;">79</div> b. FINAL FY <div style="border: 1px solid black; padding: 2px; display: inline-block;">81</div>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td colspan="2">A. AID APPROPRIATED</td> <td style="text-align: right;">12,500</td> </tr> <tr> <td>B. OTHER U.S.</td> <td>1.</td> <td></td> </tr> <tr> <td></td> <td>2.</td> <td></td> </tr> <tr> <td>C. MOST COUNTRY</td> <td></td> <td style="text-align: right;">13,600</td> </tr> <tr> <td>D. OTHER DONOR(S)</td> <td></td> <td></td> </tr> <tr> <td colspan="2" style="text-align: right;">TOTAL</td> <td style="text-align: right;">26,100</td> </tr> </table>	A. AID APPROPRIATED		12,500	B. OTHER U.S.	1.			2.		C. MOST COUNTRY		13,600	D. OTHER DONOR(S)			TOTAL		26,100
A. AID APPROPRIATED		12,500																	
B. OTHER U.S.	1.																		
	2.																		
C. MOST COUNTRY		13,600																	
D. OTHER DONOR(S)																			
TOTAL		26,100																	

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)							
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 1979		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) EH	600	630	680	200	11,900	600	11,900
(2)							
(3)							
(4)							
TOTAL				200	11,900	600	11,900

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

636	634	670			
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13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)	14. SECONDARY PURPOSE CODE
BR R/ED TNG	624

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)

Improve the educational level of the people of El Salvador, especially the rural and urban poor, to enable them to participate more fully in the social, economic and political life of the nation.

16. PROJECT PURPOSE (MAXIMUM 400 CHARACTERS)

Improve and expand primary rural education (grades one through six) being offered to El Salvador's poor majority.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)

FY 78 EHRD Tech Support funds: 11.5 p.m. of contract services in education econ., primary school administration, data management, instructional materials, and rural sociology - estimated cost \$72,000.

18. ORIGINATING OFFICE CLEARANCE Signature:	19. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION <div style="border: 1px solid black; padding: 2px; display: inline-block;"> MM DD YY 06 06 77 </div>
Title: Director of Mission	Date Signed: <div style="border: 1px solid black; padding: 2px; display: inline-block;">06 06 77</div>

IMPROVEMENT OF RURAL PRIMARY EDUCATION

I. Summary of the Problem and the Proposed Response

A. The Problem

The Government of El Salvador is committed to providing universal, free, compulsory education to all children from grades one through nine. Despite considerable efforts under the last five year Education Plan (1972-1977) to increase school construction and related services, with special emphasis upon rural facilities, serious problems remain with respect to ensuring adequate coverage of the formal school system. The newly elected national government, which assumes office July 1, 1977, has indicated that improvement of rural education will be one of its highest priorities.

A comprehensive Education Sector Analysis, conducted over the last three years with the assistance of A.I.D. and the U.S. Bureau of the Census, analyzed education in El Salvador from the perspectives of access to services, internal efficiency of the system, and relevance and quality of programs at all levels. The following discussion relates to some of the major problems encountered in each of these areas:

i) Access to Schools

The lack of adequate school facilities and services in primary education (grades 1 through 6) in the rural areas is a serious obstacle to increasing the level and quality of education for the rural poor. For example, a considerable number of schools continue to be incomplete in the rural area. In 1973 only 32% of rural schools offered all six years of primary education or more while the figures for the nation as a whole and for the urban area were 52% and 93%, respectively. Although more recent data do not provide a break down by urban and rural areas, the situation reflected in the figures for 1973 at the national level remained virtually unchanged in 1975, indicating a continuing deficit in the rural area. Also, third cycle schools (grades 7 through 9) in the rural area account for less than 5% of all the country's schools of this type.

Moreover, despite the Ministry of Education's (MOE) school construction programs, enrollment figures appear to indicate that school facilities are not keeping pace with the growing population. For example:

(a) In 1971, 58.6% of the rural residents 10 to 14 years of age were enrolled in school compared with 57.6% in 1975. (The urban area also showed a decrease in coverage from 87.4% in 1971 to 83.8% in 1975.)

(b) Approximately 20% of the urban enrollments are made up of rural pupils who are obliged to commute daily to classes.

(c) A disproportionate percentage of rural students are enrolled in the first two grades in relation to the total rural enrollment at the primary level, indicating a problem of access to continuing educational services in the rural area at the higher grades.

In addition, crowding (as measured by square meters of space per student) is more prevalent in the rural area and higher annual dropout rates there are associated, by and large, with the incomplete schools. Population and matriculation data also show that rural students enter school later (at 8.5 years of age as compared with 7.9 for urban students) and permanently abandon school earlier than their urban counterparts (13.2 years of age versus 15.2).

Finally, the problem of "dropouts" in the rural schools of El Salvador is serious. Because of the alarmingly large numbers of these persons, it has been assumed that numerous factors contribute to this phenomenon. Although thorough research has not been conducted with respect to all of these factors in El Salvador, sufficient data from the Sector Analysis exist which tend to minimize the importance of these factors as compared to the variable of inadequate access to educational services in the rural areas.^{1/} It should be noted that many "dropouts" in rural El Salvador are actually "lock-outs" (students denied access to succeeding years of schooling).

The above data strongly suggest that the key problem to be addressed is the provision of "complete" primary schools, i.e., schools that provide all six grades in one location.

ii) Quality of Education

The inadequacy of rural primary education is another major problem uncovered by the Education Sector Analysis. Teachers in rural areas tend to have less formal education and training than their urban counterparts and thus are likely to be less effective in the classroom. Moreover, since many are not residents of the rural communities they serve, they lose valuable school time commuting daily or weekly from urban to rural areas. An additional consequence is that they become less involved in the rural ambience and do not foster cordial and constructive relationships with pupils, parents and other rural residents.

The insufficient quantity of instructional materials in all grades of primary education also contributes to the problem of quality in education. Basic materials have been developed over the years by the MOE, but production and distribution of these materials have lagged far behind actual needs. Little significant activity has taken place to develop appropriate additional materials, especially those which would be relevant to rural living. The spreading Instructional

^{1/} Analytical Working Document #2, Office of Planning, MOE, March 1977 discusses in detail all of these factors.

Television System, which now covers grades 7-9 fully and partially covers grades 4-6, helps to alleviate this problem somewhat, but it cannot be considered an adequate substitute for sufficient quantities of printed classroom materials and other audio-visual equipment.

Also, insufficient efforts are being devoted to rural curricula development. Little attention has been directed towards inclusion of information and activities that are "rural-centered" (e.g., simple agricultural/vocational/ health concepts and practices). Thus, the development of a more relevant curriculum, which is geared to the unique needs of rural pupils, is necessary.

Finally, an additional problem which would be mitigated by the proposed project is the high population growth rate in El Salvador. Convincing data now exist to support the contention that increased levels of schooling positively correlate with lower fertility rates. A recent study^{2/} shows that the fertility rate for women with schooling between 1-3 years was 225 births per thousand women, between 4-5 years was 182, and for 6 years (i.e., primary school completed) was down to 172. Thus, these data imply that the more years of schooling completed, the lower the fertility of women.

iii) Adequacy of MOE Data System

Another major outcome of the Education Sector Analysis is the recognition that serious problems exist regarding the availability and accuracy of data being produced by the various departments of the MOE. The reports presently being generated by the MOE indicate that many important educational phenomena are not being quantified accurately, (e.g. in the area of repetition), that conflicting and overlapping figures are being produced, and that other important data are being overlooked. Some reports never arrive in the MOE centralized planning office and others arrive too late to be useful.

The Office of Planning and Organization (ODEPOR) is ostensibly the sole unit responsible for the collection and dissemination of all data required for all the Ministry's departments. ODEPOR's primary function is to analyze national education activities, and to plan, organize and coordinate the implementation of policies to correct program deficiencies. To this end it collects and aggregates data on all aspects of MOE activities and produces an annual report for the Congress. This report should be a summarization of records maintained by the MOE throughout the school year, but it actually is the result of a special data collection and hand-tabulation effort conducted independently by ODEPOR.

ODEPOR relies on school directors throughout the country for a great deal of its data. Thus, many different forms are sent to school directors at various times during the school year. These officials must take time away from their daily administrative duties to collect,

^{2/} W. P. McGreevey, Population Impact Analysis: El Salvador, March 1977, page 24.

record, and forward data to the MOE. ODEPOR thus receives forms that are often late, inaccurate, and/or incomplete. These problems could be resolved through the design of a standardized and centralized collection system, using a few revised forms that are clearer, more uniform in content and layout, and designed for computer processing.

The essential problem, therefore, is the lack of a modern system of educational data collection, reporting, processing, and management. The problem results from inefficient data collection forms and procedures, inadequately trained personnel, and inadequate equipment to tabulate, analyze, and process data.

B. Proposed Response

1. Purpose

The Mission's overall goal in the education sector is to improve the educational level of the people of El Salvador, especially the rural and urban poor, to enable them to participate more fully in the social, economic, and political life of the nation. Within this framework, the purpose of the proposed project is to improve and expand primary education (grades one through six) being offered to El Salvador's poor majority.

2. Project Description

To achieve the stated purpose, the following program outputs would be developed:

- i) Approximately 1400 new classrooms added to existing structures;
- ii) Approximately 400 existing classrooms replaced and 1100 renovated;
- iii) Approximately 420 classrooms for 140 new 3-3-6 schools constructed; ^{3/}
- iv) New MOE classrooms and schools equipped and furnished;
- v) Administrators, supervisors, specialists, and teachers trained;
- vi) Appropriate instructional materials prepared and produced; and
- vii) MOE data management system revised.

^{3/} The 3-3-6 schools provide six continuous grades of primary education in three classrooms by using double shifts.

To develop the outputs described above this project would finance the following inputs:

i) Construction: Approximately 1820 new classrooms and the replacement and renovation of approximately 1500 existing classrooms.

ii) School Equipment and Furnishings: Teacher and student desks, and basic instructional equipment (e.g., mimeo machine, overhead projector, science kits, farm implements).

iii) Teacher Training: Training of 1820 primary teachers to supply the 820 new classrooms.

iv) Instructional Materials: Production and distribution of primary school textbooks and supplementary materials (e.g., atlases, maps) for pupils and reference and related materials for pre-service and in-service teacher training.

v) Technical Assistance: Approximately 8 person years of advisory services in educational planning, administration, teacher training, curriculum, research, guidance, instructional materials, and data management.

vi) Participant Training: Approximately 12 person years of academic training in the areas of educational planning, administration, curriculum, teacher training, research, guidance, instructional materials, and data management.

3. Major Assumption

The major assumption pertinent to project success is the availability of sufficient numbers of qualified MOE personnel to serve as full-time counterparts to Mission and U.S. technical advisors. If this PID is approved for further investigation, the Mission would consider the utility of requiring as a condition precedent to disbursement the formation of a MOE Project Implementation Team satisfactory to A.I.D.

4. Host Government and Other Donor Activities

This project is related to a previous A.I.D. activity (loan 014) which contained similar project components; however, that project and other activities have not resolved the problem of sufficient educational facilities and services to poor rural and urban children. A noteworthy difference between this and the previous project is that more emphasis would be placed on revising the curricula and practices of rural primary education to provide a more relevant education based upon the needs of the rural poor. For example, increased attention would be devoted to agricultural practices, health, nutrition, and population-related activities as appropriate for the age groups covered in the proposed program. More

attention would also be devoted to curricula dealing with the changing role of women in modernizing societies. Finally, specific attention would be directed toward the design and construction of appropriate schools in order to effect economies and to serve as better learning environments.

During the last five years the MOE, with assistance from AID and the World Bank, has undertaken school construction for basic education. The total number of classrooms built under these activities was approximately 2500. Of this total AID loan financing covered 1,192 primary and 609 junior high classrooms. It is estimated that coverage in the rural area for the six grades of primary has been increased to approximately 70% of the rural school-age population of 7 to 12.5 years of age. The program will raise this figure to 82% by 1982, with facilities for an additional 110,000 new students yearly.

5. Beneficiaries

The direct beneficiaries of this program will be the estimated 110,000 additional rural pupils annually who will receive a higher quality primary education, and the educational administrators, supervisors, specialists, and classroom teachers who will receive training and supporting educational materials.

Some studies have been undertaken which provide information about the educational attainment of the rural target group. According to a 1975 national household survey ^{4/} conducted by the Ministry of Planning, the educational attainment of rural residents in El Salvador lags far behind that of their urban counterparts as shown by the following data:

i) Of the total population of 10 years of age and over, 38% were reported as illiterate. The corresponding percentages for illiteracy in the urban and rural zones are 18% and 53% respectively.

ii) In every age group, the rural dwellers are significantly less literate than their urban counterparts as shown in the table below.

ILLITERACY BY AGE GROUPS

	Years of Age 10-19	Years of Age 20-29	Years of Age 30-39	Years of Age 40-49	50 and over
TOTAL	27%	31%	41%	52%	58%
URBAN	9%	12%	19%	28%	37%
RURAL	39%	48%	58%	68%	76%

SOURCE: Algunas Características Educativas de la Población Salvadoreña.

4/ Algunas Características Educativas de la Población Salvadoreña, Consejo Nacional de Planificación y Coordinación Económica, January 1976.

iii) Less than 12% of the rural residents had successfully completed 4 to 6 grades of primary education as compared with 44% for the urban residents. The figures for seven grades or more of education are even more revealing, i.e., 2% versus 20% respectively.

6. Spread Effect

If successful, the program is expected to be replicated by the MOE as it continues to provide primary education on an expanded and improved basis. This program, therefore, is expected to provide the "model" for future rural primary education in El Salvador. Many of the program activities and benefits (e.g., teacher training, curricula, evaluation, and materials development and utilization) will also be relevant for urban primary schools and for rural and urban junior high schools.

In addition, the data management component of the proposed program would meet the critical need for such a system in the MOE and would also provide a basis for replication by other Central American Ministries of Education.

II. Financial Requirements and Plans

The following financial inputs are required in support of the program described above:

(millions of US\$)

Component	GOES	A.I.D.		Total
	Contrib.	Grant	Loan	
1. Construction & Renovation	10.0	--	9.8	19.8
2. Equipment & Furnishings	1.0	--	1.0	2.0
3. Pre. & In Service Teacher Training	2.0	--	--	2.0
4. Student Instrl. Materials	.5	--	.5	1.0
5. Technical Assistance	--	.6	--	.6
6. Teacher Training Materials	--	--	.4	.4
7. Participant Training	.1	--	.2	.3
Total	13.6	.6	11.9	26.1

The A.I.D. portion of the total program cost is 48% while the GOES contribution is 52%. The construction component is equivalent to 76% of the program costs while the other components account for 24%. The disbursement period of the AID loan is estimated at 4 years.

III. Development of the Project

As previously indicated, a number of studies and analysis have been done (i.e., the Education Sector Analysis and various MOE studies) to help determine the design and feasibility of the proposed project. Likewise, previous experience with the terminated education loans provides a sufficient basis for the planning and implementation of the program.

For preparation of the PRP, the Mission estimates that either AID/W staff or PSC consultants will be required as follows:

Educational Economist	4 weeks
Primary School Administrator	4 weeks
Data Management Specialist	3 weeks
Instructional Materials Specialist	3 weeks

The estimated schedule for submitting the PRP is May, 1978.

Assuming an approval of the PRP, the Mission estimates that the PP would be submitted during the first quarter of FY 1979. Assistance along the same lines as described above will be required to complete the PP. In addition, the assistance of a sociologist may be necessary. It is estimated that these services will be required for approximately 8 person months.

IV. Issues of a Policy or Programmatic Nature

Two major issues have been identified: grant funded vs. loan-funded technical assistance, and provision of assistance for an educational data collection and management system.

A. Technical Assistance

Past experience has demonstrated that host countries are reluctant to expend large amounts of loan funds for foreign technical assistance owing mainly to the high cost of these advisors. The Mission, while sympathetic to the theory of host country assumption of these costs, has learned that the advantages of grant-funding these costs outweigh the disadvantages. AID maintains considerably more influence over the selection and utilization of highly qualified foreign advisors (especially the employment of U.S. advisors as opposed to the tendency of the host country to select less-qualified and less-costly third country advisors). Therefore, the Mission recommends that necessary technical assistance in this project be grant funded.

B. Educational Data Collection and Management

The Mission is submitting a separate PID for a project which is designed to strengthen the data collection and processing capabilities of interested Ministries including, inter alia, Education, Agriculture and Health. Thus, that project addresses the common problems faced by GOES public entities in producing and using relevant data to assist in planning appropriate development activities. If the PID for that project is not approved in AID/W for FY 1979, the proposed project in Rural Primary Education Improvement must be modified and expanded to incorporate a modern data collection and management system for the MOE in view of the constraint being caused by the inadequacy of the MOE data collection, management, and processing system.

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT IDENTIFICATION DOCUMENT FACESHEET TO BE COMPLETED BY ORIGINATING OFFICE	1. TRANSACTION CODE <input checked="" type="checkbox"/> A A = ADD C = CHANGE D = DELETE	PID 2. DOCUMENT CODE 1
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3. COUNTRY/ENTITY EL SALVADOR	4. DOCUMENT REVISION NUMBER <input type="checkbox"/>
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5. PROJECT NUMBER (7 DIGITS) <input type="checkbox"/> 519-0195 <input type="checkbox"/>	6. BUREAU/OFFICE A. SYMBOL LA B. CODE <input type="checkbox"/> 05 <input type="checkbox"/>	7. PROJECT TITLE (MAXIMUM 40 CHARACTERS) <input type="checkbox"/> MUNICIPAL DEVELOPMENT <input type="checkbox"/>
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8. PROPOSED NEXT DOCUMENT A. <input type="checkbox"/> 2 = PRP 3 = PP B. DATE <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 7 <input type="checkbox"/> 7	10. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 = 2.50) FUNDING SOURCE A. AID APPROPRIATED 700 B. OTHER U.S. 1. 2. C. HOST COUNTRY 1,400 D. OTHER DONOR(S) TOTAL 2,100
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9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION a. INITIAL FY <input type="checkbox"/> 7 <input type="checkbox"/> 9 b. FINAL FY <input type="checkbox"/> 8 <input type="checkbox"/> 1

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)							
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) ST	701	721		200		700	
(2)							
(3)							
(4)							
TOTAL				200		700	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each.) 710

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH) BR BU BL	14. SECONDARY PURPOSE CODE 260
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15. PROJECT GOAL (MAXIMUM 240 CHARACTERS) To improve the quality of life of the poor urban and rural dwellers who reside in or around the market towns in El Salvador.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS) To strengthen the institutional capacity of the Ministry of Interior to assist municipalities in improving their administrative and financial capabilities.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds) FY 1978 SDP Tech. Support Funds: 3 p.m. of contract services in municipal development, rural sociology, and finance—estimated cost \$18,000.
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18. ORIGINATING OFFICE CLEARANCE Signature: <i>Edwin Andrus</i> Title: Director of Mission Date Signed: MM DD YY	19. DATE DOCUMENT RECEIVED IN AID/W. OR FOR AID/W DOCUMENTS. DATE OF DISTRIBUTION MM DD YY
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MUNICIPAL DEVELOPMENT

I. Summary of the Problem and Proposed Response

A. The Problem

El Salvador is divided into 14 departments, each headed by a GOES appointed governor. Each department is divided into municipalities whose budgets must be approved by the governor within whose jurisdiction the municipality falls. At present there are 261 municipalities in the country. Each municipality consists of one or more urban centers which are surrounded by dependent rural areas. This relationship gives the basis in El Salvador for the term "rural municipalities."

The municipality in El Salvador has deep historical roots and traditionally has been responsible for providing basic local public services. Wide dispersion of the rural population (60% of the total) on the one hand, and the centralization of economic and political power in the central government on the other, has had a negative effect on the traditional activities and the image of the municipality as an institution. Over time, municipalities in El Salvador have deteriorated to a state which is characterized by their limited ability to improve the quality of life of the poor.

In virtually all Salvadoran municipalities, there are unfilled needs in terms of public services as well as deficiencies in those services that are available. These services include markets, slaughterhouses, feeder roads, potable water, refuse disposal, etc. The result, as pointed out in the 1977 Agricultural Sector Assessment, is that the deficient rural infrastructure seriously impedes the development of a small farm agriculture base.

For the most part, Salvadoran municipalities have traditionally encountered extreme difficulties in their efforts to provide even a minimum of required public services. According to a recent diagnostic study^{1/} undertaken by the Ministry of Interior (MinIn), the reasons for these difficulties are varied and they include the following:

i) Inadequate Technical and Administrative Capabilities

A significant proportion of the staffs and technical personnel of the municipalities have inadequate administrative

^{1/} The Ministry of Interior, Documento Diagnóstico Sub-Sector Desarrollo Municipal..., June 1976, pp. 89.

and technical competency. This is one of the primary causes for the low level of services that the municipalities provide. Most mayors are not trained administrators and their staffs do not possess the necessary skills to be effective. Moreover, municipalities lack the financial resources to employ sufficient numbers of personnel. Over 50% of the municipalities (134) generate revenues of \$400 or less a year and thus are limited to 2 or 3 staff including the mayor. The lack of financial resources also affect the caliber and quality of personnel. With municipalities paying the average of only \$54.00 a month to their employees, they cannot attract and keep well qualified technical personnel. As a result, deficiencies are prevalent in tax collection, planning and project preparation, and implementing, accounting, and providing adequate services.

ii) Limited Tax Base

Approximately 80% of the property tax (which is the primary means of support for local governments in most countries) is included in the net worth tax collected by the central government in El Salvador. This therefore limits the tax base for municipalities primarily to revenues from services such as water, lights, markets, and slaughterhouses, from fees for issuing various licenses, and from the sale of land. As a result, locally generated revenues are extremely low (totaling approximately \$8.5 million in 1976 which represents only about \$2.00 per capita and about 4% of central government revenues). Thus, the revenue base of most municipalities is insufficient given the local needs for infrastructure and public services. This problem is compounded since most municipalities have neither the technical tools nor the trained personnel to administer a modern tax system. As a result, tax rolls are outdated, user charges for services do not have sufficient relationship to the cost of supplying services, and the amount in delinquent taxes is significant (some debts have been on the books for over 30 years). Moreover, any change in the tax rates or the tax structure by the municipality requires the approval of the National Assembly. Poor tax administration and cumbersome bureaucratic procedures have resulted in lower revenues and, therefore, extremely limited resources for social investment by municipalities.

iii) Inadequate Financial Resource Transfers

Although the central government receives the proceeds from the property tax, it does not adequately reimburse municipalities with compensating subsidies. Moreover, these transfers are not based on any national set of criteria relating to need or to

a national development strategy. The result is that municipal revenues are insufficient to support even the minimum requirements for the provision of services and the development of an adequate infrastructure. Besides these inadequate subsidies, the central government transfers to the municipalities 3% of the export tax on coffee (this transfer totalled only \$935,000 in 1976). However, twenty-five of the most productive coffee municipalities received 25% of the total and the other 236 municipalities received the remainder or about \$2,971 each. Because world supply and demand for coffee causes the export tax to fluctuate considerably, municipalities can never depend on this subsidy as a stable source of revenue. Finally, the MinIn gives about \$1.0 million a year to various municipalities for public works projects. However, these grants tend to go to the larger municipalities.

In addition to the reasons given in the MinIn diagnostic study cited above, another factor constraining the municipalities from providing adequate services is population growth. El Salvador's population growth rate is relatively high, averaging about 3.3% annually between 1970 and 1975. On the other hand, revenues have not increased to meet the needs of the increasing population but have remained inadequately low.

These, then, are the principal problems impeding the development of Salvadoran municipalities. The proposed project is designed to address these constraints to municipal development through the various components in the project.

B. GOES Response

The Ministry of Interior has a high degree of responsibility for general supervision of the municipalities and carries out this function through the Directorate of Regional Development (DDR). The reorganization and expansion of DDR in 1974 represented a significant step on the part of the GOES to give technical assistance and training to the heretofore neglected municipalities. This new policy has been further strengthened in the proposed 5-year plan (1978-82) which targets considerably more resources to increase the capability of DDR to service the municipalities. This is encouraging evidence that the GOES intends to strengthen the role of municipalities as instruments of national development.

C. A.I.D. Response

1. Goal and Purpose

The overall goal to which the proposed project is addressed is the improvement of the quality of life of the poor urban and rural dwellers who reside in or around the market towns

in El Salvador. At the sub-goal level, the project is intended to enhance the capabilities of municipalities to assume a larger role in identifying and addressing many of the socio-economic needs of their inhabitants. Within this framework, the purpose of the Municipal Development Project is to strengthen the institutional capacity of the MinIn to assist municipalities in improving their administrative and financial capabilities. Once an effective municipal development agency has been established within the MinIn, an important part of the bureaucratic infrastructure necessary to meaningfully address the problems of the municipal governments would be in place.

2. Project Description

The DDR of the Ministry of Interior has been in existence for several years. It is composed of three principal divisions including the Municipal Technical Assistance, Municipal Relations, and Municipal Treasury Departments. It has a total staff of approximately 62 employees, of which about 28 are professional level personnel. However, the DDR has not been actively involved in municipal development activities primarily due to the GOES' inadequate understanding of the problems of the municipalities, and, as a consequence, the limited budgetary support of DDR which is charged with dealing with those problems. In 1976, a diagnostic study was undertaken by the DDR and, as a result, the GOES has become more aware of the extent of the problems and is becoming increasingly interested in the area of municipal development with special interest on the smaller, rural communities.

As a result of DDR's limited activities and experience in the past, however, the initial step in developing a Municipal Development Program must be the strengthening of the DDR itself. Thus, in order to help achieve the stated purpose, the project's outputs would include:

- i) Baseline data involving municipalities collected which identifies growth centers; economic potential; infrastructure, technical assistance, and training needs;
- ii) Selected MinIn employees trained and equipped with the necessary tools and skills;
- iii) A Municipal Training Institute operational with appropriate training materials and programs developed;
- iv) Municipal operating and training manuals prepared; and

v) Municipal loan program energized within the DDR's Municipal Treasury Department.

At the municipality level, the following results should be forthcoming by the end-of-project:

- i) Various municipal employees trained;
- ii) Municipal administration and revenue improvement plans prepared and implemented;
- iii) Value of existing Municipal Treasury loan portfolio significantly increased; and
- iv) DDR projects analyzed and evaluation feedback provided.

D. Major Assumptions

There are two principal assumptions upon which the success of the proposed project rests. First, it is assumed that the president-elect, upon taking office in July 1977, will continue to support regionalization and decentralization as he did during his election campaign and that he will exercise a political commitment to the revitalization of the municipalities as an effective instrument for meeting the social and economic needs of the poor majority. Second, it is assumed that at least 75% of the trained personnel of the municipalities and the DDR will remain in their position for a minimum of three years after training. During the development of the PRP, an effort will be made to determine whether these are reasonable assumptions or not.

E. Host Country and Other Donor Activities

Only limited activities have been undertaken by the DDR in the area of municipal development. DDR personnel have undertaken specific studies concerned with the problems within various municipalities, including municipal administration and public service projects. In addition, the DDR Municipal Technical Assistance Department was recently created (7/74) and is providing T.A. directly to municipalities to strengthen their administration and operations.

Outside of the MinIn, several other governmental agencies are providing project assistance to municipalities. Fomento y Cooperación Comunal (FOCCO) undertakes all manner of community development projects including the construction of bridges, access roads, potable

water systems, latrines, etc. Administración Nacional de Acueductos y Alcantarillados (ANDA) provides potable water supplies and sewage disposal facilities to municipalities, while the Dirección General de Urbanismo y Arquitectura (DUA) constructs and maintains the streets within the city limits of municipalities. Compañía Hidroeléctrica de Río Lempa (CEL) provides electricity to any group larger than 10 individuals per kilometer of line.

The Ministry of Planning is undertaking a study on urban and regional development with the technical assistance of the UNDP/World Bank through a contractor (PADCO). The study is concerned with municipal structure, finance, and law and is concentrated on San Salvador and the urban metropolitan area.

F. Beneficiaries and Spread Effect

The proposed project is designed to benefit the poor majority - both the people who reside in the market towns of the country and the small farmers for whom these municipalities provide infrastructure which enables them more easily to (a) transport, sell, and process their products and (b) obtain off-farm employment. The proposed project is based on the theory that developing market towns will create income advantages for both poor townspeople and neighboring small farmers. This will also make it more attractive for these people to remain in market towns and surrounding rural areas rather than migrate to the metropolitan area of San Salvador.

Strengthening the MinIn's capacity to provide assistance could eventually have a positive effect on all of El Salvador's 261 municipalities. If this project is successful as expected, the ability to reach all municipalities will only be limited by the resources available in the DDR and its Municipal Treasury.

II. Financial Requirements and Plans

The estimated financial requirements necessary to carry out the project described above are as follows:

	(thousands of US\$)		
	<u>AID</u>	<u>GOES</u>	<u>TOTAL</u>
1. Fund for extending credit to municipalities for infrastructure projects	-	800	800
2. Advisory services for developing Municipal Development Strategy and Program	195	160	355
3. Municipal Administration Advisory Services for DDR	450	-	450
4. Training	50	20	70
5. Municipal Training Institute	5	220	225
6. Operational Support	<u>-</u>	<u>200</u>	<u>200</u>
	700	1,400	2,100

A.I.D.'s share of the total cost is estimated to be 33% while the GOES contribution would be approximately 67%. \$195,000 is set aside for the development of a Municipal Development Strategy. This consists of approximately 33 person months of short and long term technical assistance which will assist the DDR in gathering baseline data for program development and in determining the type, content, and duration of additional technical assistance and training needs of the DDR. The \$450,000 is provided to finance approximately 75 person months of short and long term technical assistance identified as described above. Also funds are provided to send selected DDR personnel to other Latin American countries with municipal development institutes for on-the-job training and short courses. The \$5,000 set aside for the Institute of Municipal Training is for the purchase of training materials and equipment. The disbursement period of the proposed project is 3 years.

III. Project Development

A considerable amount of information has already been developed which should prove useful in developing the proposed project. In 1974, AID/W provided a public administration technician to assess the possibilities for a municipal development project in El Salvador. Considerable data was collected and recommendations were made which provide useful background information. During 1976, the DDR

completed an ambitious and useful diagnosis of the status of municipal development. The DDR also has published other useful studies and reports concerning various aspects of municipal development. Finally, AID/W recently provided another public administration technician to assist the Mission in preparing this PID. A significant amount of information was collected which should prove useful for developing the PRP.

In order to develop the PRP, the Mission would require the services of a Municipal Administration technician from AID/W for approximately 1.0 person month. Assuming that this assistance arrives during the period August-September 1977, the PRP would be submitted to AID/W in December, 1977.

Assuming that the PRP is approved, the Mission would require the following services to assist it to prepare the PP:

Municipal Administration Advisor	1.5	person	month
Rural Sociologist	1.0	"	"
Finance Specialist	<u>0.5</u>	"	"
Total	3.0	"	"

These services would be required during the period May-June 1978, and \$18,000 would be earmarked in the 1978 Selected Development Problem Technical Support project. If the above schedule is adhered to, the PP would be submitted to AID/W during the first quarter of FY 1979.

If the proposed project proves successful (i.e. the institutional capability of the DDR is significantly improved) then a follow-on A.I.D. loan will be considered. This loan would provide resources to DDR and its Municipal Treasury to expand its activities to a larger group of municipalities by financing social service type projects to meet the needs of the urban and rural poor majority.

IV. Issues

None.

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AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A A = ADD
 C C = CHANGE
 D D = DELETE

PID
 2. DOCUMENT CODE
 1

3. COUNTRY/ENTITY
 EL SALVADOR

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)
 519-0191

6. BUREAU/OFFICE
 A. SYMBOL LA B. CODE 05

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 AGRO-INDUSTRIAL DEVELOPMENT

8. PROPOSED NEXT DOCUMENT
 A. 2 = PRP B. DATE 03 78
 3 = PP

10. ESTIMATED COSTS
 \$000 OR EQUIVALENT, \$1 = C2.50)

FUNDING SOURCE		BASE P2
A. AID APPROPRIATED		11,100
B. OTHER		
1.		
U.S.	2.	
C. HOST COUNTRY		5,500
D. OTHER DOWOR(S)		5,500
TOTAL		22,100

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 79 b. FINAL FY 82

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) FN	163		150		11,100		11,100
(2)							
(3)							
(4)							
TOTAL					11,100		11,100

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

246 242

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

BR	BL	LAB	TECH	INTR	EQT	4. SECONDARY PURPOSE CODE
						260

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)
 To increase production, productivity, and income and employment of the target group.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)
 To expand labor-intensive agro-industries by providing additional credit and technical services.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds) FY 1977 FN Tech. Support Funds: 5 p.m. of contract services in agro-industrial economics, financial analysis, and processing - estimated cost \$30,000. FY 1978 FN Tech Support Funds: 10 p.m. of contract services indicated in FY 1977 with the addition of an agric. economist & social scientist-estim. cost \$60,000

18. ORIGINATING OFFICE CLEARANCE

Signature: *Edwin Anderson*
 Title: Director of Mission

Date Signed: MM DD YY
 06 06 78

19. DATE DOCUMENT RECEIVED BY AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY

AGRO-INDUSTRIAL DEVELOPMENT

I. Summary of the Problem and Proposed Response

A. The Problem

Recent studies by the ILO and the Ministry of Agriculture (MAG) have estimated a 46% rate of unemployment in El Salvador - the highest rate of labor under-utilization in Latin America. The 1977 Agricultural Sector Assessment states that one of the main problems faced by the rural target group is the lack of employment opportunities. In 1975, 60% of the population of El Salvador or almost 2.5 million persons lived in rural areas and depended on agriculture for employment, but only about 677 thousand were economically active (either working or seeking work).

There are two major ways through which the employment problem can be attacked. One is through production of more labor-intensive crops, and this is the objective of the Mission's Intensive Small Farm Management project (O174) and the Small Farmer Development PID. Another method - directly linked to the latter since it would provide markets and processing facilities for those crops - is to expand agro-industrial production.

As indicated in the Agricultural Sector Assessment (ASA), there are good reasons for pursuing this latter approach:

i) The position of agro-industry in the marketing chain for small farm products is an important one. One fifth of the value of all small farm production passes to the agro-industrial sector for processing before it can be marketed, and another third passes for partial processing.

ii) Agro-industry in El Salvador is on the average almost twice as labor-intensive as all other industries. As noted below, agro-industries are heavy users of labor:

EMPLOYMENT, VALUE ADDED, AND NUMBER OF PLANTS FOR
MEDIUM AND LARGE SCALE AGRO-INDUSTRIES BY SUBSECTOR

Subsector	No. of Plants	Value Added ¢ 000	% of all Manuf. Value Added	No. of Workers	% to Total Industrial Employment
Fishing	9	6,491	1.77	994	1.81 %
Food Processing	1,337	59,486	16.24	14,423	26.35
Coffee & Misc.	55	9,601	2.62	1,294	2.36
Drinks	27	19,583	5.34	1,516	2.77
Tobacco	109	15,896	4.34	1,339	2.44
Textiles	127	103,364	28.23	10,981	20.06
Clothing Products	127	10,246	2.79	3,218	5.88
Leather (Not Shoes)	24	3,381	0.92	672	1.22
Leather Shoes	94	11,148	3.04	2,002	3.65
Wood Products	54	1,017	0.27	578	1.05
Wood Furniture	60	5,078	1.38	1,509	2.75
Agro-industry Sub- Total	2,023	245,741	67.13	38,810	70.92
All Manufacturing	2,660	366,086	100.00 %	54,725	100.00 %

SOURCE: 1977 Agricultural Sector Assessment

Thus, investment in agro-industry is the most cost-effective alternative from the standpoint of generating employment through industrial investment.

iii) The small-scale industries with the highest returns and greatest potential for expanding profits are the same industries which would generate the most employment for unskilled rural workers. That is to say, the smaller-scale agro-industries could be expanded without compromising profitability. For example in the food industry (on the average four times as profitable as the industrial average), labor-intensive enterprises yield the highest profits while those with low labor intensity are also the least profitable.

iv) The stimulation of agro-industrial output would directly expand the demand for small farm products by strengthening the already existing backward linkages to the target group farmers and to the landless laborers. Food and textile enterprises account for 78% of all raw product demand from the agricultural sector. Small farm production, which now supplies 14% of that demand, could be greatly expanded, as could the production of cotton and sisal which employs many landless laborers.

v) Agro-industry would provide markets which would increase the production of certain labor-intensive crops now plagued by marketing problems. This is particularly true with respect to vegetable production. Vegetables can only be produced in El Salvador during the dry season because of the weather conditions, whereas they can be grown year-round in Guatemala's climate. As a result, instead of purchasing locally grown produce, the major vegetable buyers prefer to import from Guatemala even during the dry season in order to guarantee steady supplies during the rest of the year. However, since the production season in El Salvador coincides with winter in the U.S., labor-intensive vegetable crops could be produced for export with the proper development of packing, shipping and processing agro-industries.

Although agro-industries would offer many benefits, their development has been hindered by two principal constraints. The first of these is the lack of credit availability. Although the small scale agro-industries employ about 44% of all agro-industrial workers, they received only about 27% of the credit supply in 1975. The burden of auto-financing the small firms is great, and informal credit alternatives costly. This credit shortage has tended to restrict the growth of the smaller agro-industrial enterprises.

The second constraint has been the creation of a supply-demand cycle reinforced by government policies giving preference to grain crops so as to minimize the need for imports. Price supports, credit, research and technical assistance are available for basic grains, but no comparable quantitative aid is given for other types of crops. Therefore, farmers grow basic grains. They are further deterred from growing fruits and vegetables by the lack of adequate markets, storage, and processing facilities. These remain inadequate because the primary products required for processing are not forthcoming, since the farmers are not producing them. Here the cycle begins anew.

If sufficient credit and technical assistance were available to small-scale agro-industry, its expansion would be possible and better marketing, storage, and processing facilities would be developed for labor-intensive farm products. These would not only create employment opportunities, but would also give small farmers incentive to switch to labor-intensive crops and enable them to capitalize on their natural comparative advantage, labor abundance.

B. A.I.D. Response

1. Purpose

The Mission's goal in the agriculture sector is to increase production, productivity, income and employment of the target group. The project purpose is to expand labor-intensive agro-industries by providing additional credit and technical services. This will generate

employment, lead to increased small farm production to meet the new demand for raw materials, and increase the income of those being employed in the agro-industrial and small farm sub-sectors.

2. Recent A.I.D. Activities Related to Proposed Project

This project is related to other on-going and proposed A.I.D. projects. First it is supported by the Mission's Intensive Small Farm Management Project (0174) which has as its purpose to increase production of labor-intensive crops. Second, it is related to the Small Farm Irrigation Project because fruit and vegetable production requires irrigation since they are grown in the dry season; to the Agricultural Credit Loan since farmers need credit to grow labor-intensive crops; and to the CENTA Loan which established an extension and research capability to address, among others, multi-cropping problems. Finally the project relates to the Mission's proposed Small Farmer Development Loan which will improve small farm agricultural delivery systems, and to the proposed Small Enterprise Export Promotion project, which will minimize marketing constraints through market development.

3. Project Description

The proposed project will provide funds to a national-level banking institution (e.g. the Central Bank, Agriculture Development Bank, or Banco Hipotecario) which will in turn make funds available to participating intermediate credit institutions (ICIs). The ICIs will then make sub-loans to agro-industries for the purpose of expansion or initial creation. Agro-industrial firms that require technical assistance will receive it from project sources set aside for that purpose.

As it is now envisioned, the ICIs will make three specific types of sub-loans:

i) The first type of sub-loan will be for labor-intensive fruit and vegetable production, processing, and marketing, primarily for export. The 1977 Agricultural Sector Assessment shows that fruit and vegetable processing is a low-capital, high-labor requirement industry and it is well known that fruit and vegetable production is both labor and land-intensive. Production of vegetables would be during the dry season under irrigated conditions, and would be aimed at the U.S. fresh produce market in the months of December-February. Surplus production would be canned or frozen for home consumption and export. The processing would be vertically integrated with the production and marketing in order to ensure the agro-industries will receive the supply of products when required. AID funds would be used for financing technical assistance to both the ICIs and the firms engaged in the production, processing and marketing operations.

ii) The second type of sub-loan would be for small-scale agro-industrial enterprises with emphasis on clothing, panels,

food products and leather products. These are highly labor-intensive agro-industries and as such would generate significant employment. AID funds would be used to strengthen the labor-intensive agro-industries through the provision of technical assistance and credit funds.

iii) The third type of sub-loan will be for integrated production and processing of products primarily for local consumption. An example of this would be oil palm, which would substitute for edible oils now being imported to supply 50% of El Salvador's needs. Again AID funds would be used for technical assistance as well as investment capital.

The project outputs will be:

i) The expansion and creation of labor-intensive agro-industrial firms through the provision of credit and technical assistance.

ii) Improved ICI agro-industry lending departments.

iii) Increased agro-industry production/marketing systems management capabilities.

C. Major Assumptions

There appear to be two principal assumptions upon which the success of the project rests. They are that:

i) The GOES will encourage policies designed to expand labor-intensive crop production and agro-industrial development. The proposed five-year development plan (1977-82) to be implemented by the new government states its commitment to expand agro-industries in general, and fruit and vegetable agro-industries specifically.

ii) A sufficient supply of primary products will be available to initiate small-scale agro-industrial development. During preparation of the PRP it will be determined whether this assumption actually presents a serious constraint for the small-scale industries.

D. Host Government and Other Related Activities

The Instituto Salvadoreño de Fomento Industrial (INSAFI) is a GOES ICI (under the Ministry of Economy) which provides credit to industries, promotes industrial development, conducts feasibility studies and provides technical assistance. INSAFI began operations in 1962 and at the end of 1975 had a total investment and loan portfolio of nearly \$50 million. Of this total, approximately 30 per cent was for agro-industrial activity, with less than 2 per cent in food industries and more than 20 per cent in textiles. About fifty per cent of INSAFI resources comes from several lines of credit in the Central Bank, about 25 per cent from

self-generated revenues and the remaining 25 per cent from external sources such as AID and the Central American Bank for Economic Integration.

The Fondo de Financiamiento y Garantía para la Pequeña Empresa, (FIGAPE), began operations in late 1973. FIGAPE is also a government institution and in addition to credit, provides technical assistance to small enterprises. At the end of 1975, FIGAPE had a total investment and loan portfolio of \$20 million. Of this total about 25 per cent was in agro-industrial activity with less than 6 per cent in food industries and more than 18 per cent in textiles. Approximately 10 per cent of FIGAPE's 1975 resources were self-generated and the remaining 90 per cent were provided by the central government.

E. Alternatives to the Project

An alternative approach considered by the Mission was to expand industrial development in general. However, the Mission believes that concentration on agro-industries would be more desirable. Concentrating on agro-industrial development is likely to have a greater impact on achieving the goal of providing more employment and increasing the production, productivity and income of small farmers than is another kind of industrial investment since agro-industries are more labor-intensive and the raw materials they rely upon are produced largely by the target group farmers.

F. Beneficiaries

The rural poor target group includes just over 2 million people, or 83.5% of the rural population, as shown in the table below. Sixty-five percent of the target group are members of extended farm families residing permanently on farms while the remainder are landless farm worker families. This constitutes the target group toward which this project is directed.

RURAL POOR TARGET GROUP: EXTENDED FARM FAMILIES AND LANDLESS RURAL WORKERS

<u>Region</u>	<u>Number of Farms</u>	<u>Farm Family Population</u>	<u>Landless Population</u>
West Region	47,979	275,623	
Central (West)	62,565	356,025	
Central (East)	36,664	213,272	
East Region	77,348	475,079	
All Regions	224,556	1,320,099	720,508
Total Target Group Population (Farms and Landless) = 2,040,607			

SOURCE: 1977 Agriculture Sector Assessment

The direct beneficiaries will be those target group families employed by the expansion of agro-industrial production. Assuming a total increased investment in fixed capital of \$20 million with 40 per cent going into fruit and vegetable processing, 20 per cent in edible oil processing, and 20 per cent each in clothing and shoes, its possible to construct the following table.

Subsector	US\$ of Fixed Capital Required per Additional Worker	Number of New Workers from the Assumed Investment
Fruits & Veg. Processing	319	25,078
Edible Oils	6,777	590
Clothing	630	6,350
Shoes	1,593	<u>2,510</u>
Total		34,528

SOURCE: Mission Estimates

(Not all of the funds to be provided by the project are intended for fixed capital investment. The purpose here is simply to give some order-of-magnitude estimates of project beneficiaries.)

Indirect beneficiaries would be those small farmers engaged in the production of the raw material inputs to fill the expanded demand of agro-industries. No accurate assessment of the number of indirect beneficiaries is now available. However, this will be ascertained during development of the PRP by looking more specifically at the number of agro-industrial sub-loans to be made. This would allow the Mission to calculate the increased demand for labor-intensive agricultural products and thus the indirect employment and income effects.

G. Spread Effect

If this project is successful, it can be expected that the number of agro-industries will continue to expand through sub-loan reflows as well as from additional private capital investments which are likely to occur as a result of the success of project-related agro-industrial investments. The industries will also take advantage of the labor-abundant situation which exists and which is expected to exist in the future. As long as production is cost-efficient (compared to other foreign producers), El Salvador can continue to export and count on an unlimited market because, being a small country, its output is so limited that it will not affect the price structure. Thus El Salvador's exports

will not face much competition. The project may also lead to a greater emphasis on production of labor-intensive crops in El Salvador.

II. FINANCIAL REQUIREMENTS

The estimated financial requirements are as follows:

	(Millions of Dollars)			
	<u>Private Sector</u>	<u>GOES</u>	<u>AID</u>	<u>TOTAL</u>
Agro-Industrial Investment	5.0	5.0	10.0	20.0
Technical Assistance to Agro-industries			.7	.7
Technical Assistance to ICI's			.4	.4
Improvement of ICI's	<u>0.5</u>	<u>0.5</u>	<u>--</u>	<u>1.0</u>
Total	5.5	5.5	11.1	22.1

Funds will be made available on a loan basis at AID's most favorable terms for El Salvador. These terms are considered necessary due to the high risk associated with this type of investment. The disbursement period will be five years. Approximately five person-years of technical assistance in the area of finance will be required for the ICI's (private-public commercial lending institutions) and approximately ten person-years of various types of technical assistance will be required by the agro-industries.

III. DEVELOPMENT OF THE PROJECT

The Mission will submit the PRP in March, 1978. Technical support funds will be used to carry out pre-feasibility studies of the integrated fruit and vegetable production, processing, marketing, and the oil palm components. The Mission will also conduct a preliminary review of the ICI's to determine their capacities for undertaking such a project. A list of other potential agro-industrial activities will be developed. The services of the following advisers will be required: one agro-industrial economist (1 p/m); one financial specialist (2 p/m); and processing specialists (2 p/m). The estimated cost of \$30,000 will be funded from the FY 77 allocation of Technical Support Project 167.

Assuming the PRP is approved, the Mission will proceed to develop the PP for submission in the second quarter of FY 79. PP development will require the same kind of assistance necessary for the PRP. In addition, an economist to prepare the economic feasibility and a social scientist for the social soundness section will be needed. This is estimated to require 10 person-months and cost about \$60,000. The funds will be made available in the FY 78 allocation to Technical Support Project 167.

IV. ISSUES

There are two principal issues of a policy or programmatic nature:

i) Whether or not agro-industries should pay some or all of the technical assistance costs, since these are private institutions which will be benefiting from the technical assistance given. During PRP preparation the Mission will attempt to determine what portion if any of technical assistance should be borne by the agro-industries.

ii) Whether agro-industries warrant development. The ASA indicates a 35% rate of return. An analysis will be made during PRP preparation to determine whether that figure is accurate, and if so why agro-industrial development is lagging. The analysis will also examine the existing constraints that might explain this lack of development (INSAFI only invested 30% of its funds in agro-industries in 1975). It has been suggested for instance that government policies discourage their development in order to concentrate resources on basic grains; or that there is a lack of familiarity with this type of investment.

Project Title: Health Resource Centers - OPG
Sector Appropriation Category: Population Planning and Health
AID Funds: Initial Year - \$ 75,000, FY 1979
Life of Project - \$250,000, three years

Direct International Development, Inc. (DID), a division of Direct Relief Foundation (DRF) is proposing a three-year project the purpose of which is to assist selected campesino groups to carry out independent self-supporting, permanent programs in intensive garden-farming, nutrition, sanitation, income generation, and health services. To achieve this end, DID, with the assistance of volunteers trained by DRF, will establish Health Resource Centers (HRC) in selected communities in El Salvador and train local Salvadorans to operate them.

An HRC is a mechanism for training rural poor campesinos in self-help measures to improve their health, nutrition and income. HRCs will be located near established health facilities and will help to improve community health services emphasizing preventive care through better nutrition, pure water, and sanitation. Periodic curative care will be provided by DRF's medical staff and local associated hospitals. Some medical supplies will be provided. The volunteer staff of the HRC's will also teach poor campesinos how to increase food production through application of intensive garden-farming technology. The production of nutritious foods will be the basis for increased income generation and preventive health care.

It is expected that at the end of the third year three central and nine satellite HRC's will have been established and approximately eighty gardens will be in operation. Thirty agricultural and community health trainers and instructors will also have been trained.

Direct International Development will provide about 40 percent of the total project cost (about \$2000,000) for staff support services in the U.S. and El Salvador, medical support programs, volunteer trainers, and short-term consultants in horticulture and health.

AID is being asked to provide 55 percent of the total project cost (\$248,000). This will be used to fund stipends for agriculture and health trainers, travel expenses, overhead costs, and equipment and supplies necessary to start demonstration garden.

Local communities and organizations will be asked to contribute about 5 percent of the total costs, primarily for housing and food for HRC volunteers.

The Mission and DID will continue to develop the details of this project further, including a more precise financial plan.

I. Country El Salvador

Sponsor's Name CRS/Caritas

A. Maternal and Child Health..... Total Recipients 115,000

(Thousands)

<u>No. of Recipients by Commodity</u>	<u>Name of Commodity</u>	<u>KGS</u>	<u>Dollars</u>
115,000	WSB or CSB	3,136.0	834.9
90,000	Bulgur or R. Oats	627.3	102.3
90,000	Oil	<u>313.6</u>	<u>213.9</u>
Total MCH		<u>4,076.9</u>	<u>1,151.1</u>

B. School Feeding Total Recipients N/A

C. Other Child Feeding Total Recipients N/A

D. Food for Work Total Recipients N/A

E. Other (Specify) Total Recipients N/A

Country El Salvador

PL 480, Title II

In FY 1979, AID will provide food to 115,000 children under six years of age, and pregnant and lactating mothers throughout El Salvador.

There has been some progress in strengthening the nutrition impact and management of the program through improved measurement of weight changes, increased nutrition staff, and better commodity management to reduce losses. The Mission is also attempting to integrate family planning information and services into the Title II food distribution program. No success, however, has been obtained in integrating the program into the draft national nutrition plan. Nor has the Mission been able to encourage CRS/Caritas to think in terms of a phase-out date, given their claims that increasing numbers of malnourished children in El Salvador precludes this. The Mission will, however, continue to emphasize the importance of CRS/Caritas developing a Multi-year Program Plan (MYP), and the Mission is hopeful that the development of a plan can be achieved in conjunction with the presentation of the FY 1979 program plan in late summer.

Country El Salvador

Technical Assistance to Cooperatives
(\$000)

<u>Grants</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>
519-0094 Special Development Activities	50	50	50
519-0202 Technoserve OPG	--	100	100
519-0203 UCS Agricultural Credit OPG	--	100	100
<u>Loans</u>			
None.			
	<hr/>	<hr/>	<hr/>
TOTAL	50	250	250

Table 1

Program Analysis for the Oral and Condom Supplies Needed to Achieve Full Availability

	1976	1977	1978	1979	1980	1981
A. "Full Supply Analysis						
1. Married women of reproductive age - (See Annex A) (thousands)	620	640	661	682	704	726
2. 65% of line A1 (Contracepting women required to achieve replacement fertility)	403	416	430	443	458	472
3. 40% of line A1 (Contracepting women utilizing orals and condoms)	248	256	264	273	282	290
4. Annual stock requirements for "full availability"						
a. Orals 80% of line A3 x 13 monthly cycles	2,579	2,662	2,746	2,839	2,933	3,016
b. Condoms 20% of line A3 x 100 units	4,960	5,120	5,280	5,460	5,640	5,800
B. Annual New Supply From Non-AID Bilateral Sources						
1. Private Commercial Sector						
a. Orals	796	800	900	1,400	1,400	1,400
b. Condoms	720	1,000	2,000	3,000	3,000	3,000
2. Other Donors						
a. Orals	338	367	400	400	400	400
b. Condoms	576	720	720	720	720	720
3. Host Country Government Procurement						
a. Orals	100	250	300	300	300	300
b. Condoms	-	-	-	-	-	-
4. Total In-Country Stock						
a. Orals	1,234	1,417	1,600	2,100	2,100	2,100
b. Condoms	1,296	1,720	2,720	3,720	3,720	3,720
C. Gap to be filled to Achieve "Full Availability"						
1. Orals (line A4a less line B4a)	1,345	1,245	1,146	739	833	916
2. Condoms (line A4b less line B4b)	3,664	3,400	2,560	1,740	1,920	2,080
D. AID Bilateral Supply Objectives						
1. Orals	814	1,014.6	933.3	1,000	1,000	1,000
2. Condoms	540	8,640	5,760	2,000	2,000	2,000
E. Total New Supply						
1. Orals (line B4a plus line D1)	2,048	2,432	2,533	3,100	3,100	3,100
2. Condoms (line B4b plus line D2)	1,836	10,360	8,480	5,720	5,720	5,720
F. Remaining Supply Gap						
1. Orals (line A4a less line E1)	531	230	213	(+261)	(+167)	(+84)
2. Condoms (line A4b less line E2)	3,124	(+5,240)	(+3,200)	(+260)	(+80)	80
G. People Gap						
1. Orals (line F1 divided by 13)	41	18	16	(+20)	(+13)	(+6)
2. Condoms (line F2 divided by 100)	31	(+52)	(+32)	(+3)	(+1)	1
3. Total (line G1 plus line G2)	72	(+34)	(+16)	(+23)	(+14)	(+5)

Table 2
AID Bilateral Logistic and Financial Analysis
of Orals
 (Thousand M/C)

A. AID Inventory Analysis	Calendar Year				
	1977	1978	1979	1980	1981
1. Beginning of year stock	1,044	1,759	2,192	2,492	2,692
2. Add: Scheduled deliveries (See Annex B)	1,015	933	1,000	1,000	1,000
3. Less: Expected Use ^{1/}	300	500	700	800	800
4. End of Year Stock ^{2/}	1,759	2,192	2,492	2,692	2,892

To be completed by AID/Washington

B. Financial Analysis (FY 78)

1. CY 1979 deliveries (Line A 2 above)
 2. Estimated cost per unit in FY of purchase
 3. Estimated total cost for FY 78 (to be determined by AID/W)
- C. Financial Analysis (FY 79)
1. CY 1980 deliveries (Line A 2 above)
 2. Estimated cost per unit in FY of purchase (To be determined by AID/W)
 3. Estimated total cost for FY 1979 (To be determined by AID/W)

^{1/} Only AID bilaterally-provided orals. Excludes equal amount of other brands of orals purchased and distributed by GOPS.

^{2/} Levels do not take into account possible transfers (reductions) to Commercial Retail Sales (CRS) project if needed.

Table 3

AID Bilateral Logistic and Financial Analysis
of Condoms

(thousand pieces)

A. AID Inventory Analysis	Calendar Year				
	1977	1978	1979	1980	1981
1. Beginning of year stock	3,297	9,437	12,197	10,697	9,197
2. Add: Scheduled deliveries (See Annex B)	8,640	5,760	2,000	2,000	2,000
3. less: Expected Use	2,500	3,000	3,500	3,500	3,500
4. End of year stock	9,437	12,197	10,697	9,197	7,697

To be completed by AID/Washington

B. Financial Analysis (FY 78)

1. CY 1978 deliveries (Line A 2 above)
2. Estimated cost per unit in FY of purchase
3. Estimated total cost for FY 78 (to be determined by AID/W)

C. Financial Analysis (FY 79)

1. CY 1979 deliveries (Line A 2 above)
2. Estimated cost per unit in FY of purchase (to be determined by AID/W)
3. Estimated total cost for FY 1979 (to be determined by AID/W)

Country El Salvador

Mission Evaluation Plan for FY 1978 and FY 1979

(1) Project Title Number/Subject	(2) Date of Last Evaluation	(3) Number of Last PAR (if applicable)	(4) Date of Submission FY 1978 and/or FY 1979 Evaluation	(5) Period Covered Next Evaluation	(6) <u>Remarks</u>
GENTA Loan 519-L-018	May 1976	76-3	July 1977	5/76 - 6/77	See San Salvador 1234 and State 094988
Grain Marketing 519-T-019	-	N.A.	July 1977	9/73 - 6/77	
Intensive Small Farm Management 519-0174	-	N.A.	June 1977 May 1978	5/76 - 5/77 6/77 - 4/78	
Fundamental Edu- cation & Skills Training 519-0170	-	N.A.	June 1977		See San Salvador 2069
Family Planning and Population 519-0149	June 1976	76-4	Dec. 1977 Dec. 1978	7/76 - 11/77 12/77 - 11/78	See CPI Network revised 2/77
Development Planning 519-0166	-	N.A.	June 1977 Oct. 1977	10/75 - 3/77 4/77 - 9/77	See San Salvador 2069
National Cadastre 519-0171	-	N.A.	June 1977 Feb. 1978	2/76 - 5/77 6/77 - 2/78	See San Salvador 2069
Multi-Purpose Household Survey 519-0176	-	N.A.	Jan. 1978 Jan. 1979 Nov. 1979	10/76 - 12/77 1/78 - 12/78 1/79 - 11/79	See CPI Network revised 2/77

Country El Salvador

Mission Evaluation Plan for FY 1978 and FY 1979

(1) <u>Project Title Number/Subject</u>	(2) <u>Date of Last Evaluation</u>	(3) <u>Number of Last PAR (if applicable</u>	(4) <u>Date of Submission FY 1978 and/or FY 1979 Evaluation</u>	(5) <u>Period Covered Next Evaluation</u>	(6) <u>Remarks</u>
San Lucas Center OPC 519-0173	-	N.A.	June 1977 June 1978	6/76 - 5/77 6/77 - 5/78	In accordance with AIDTO Circ A-258 4/29/75
PL 480 Title II CRS/Caritas	Jan. 1977	N.A.	July 1977	1/77 - 6/77	Special evaluation.