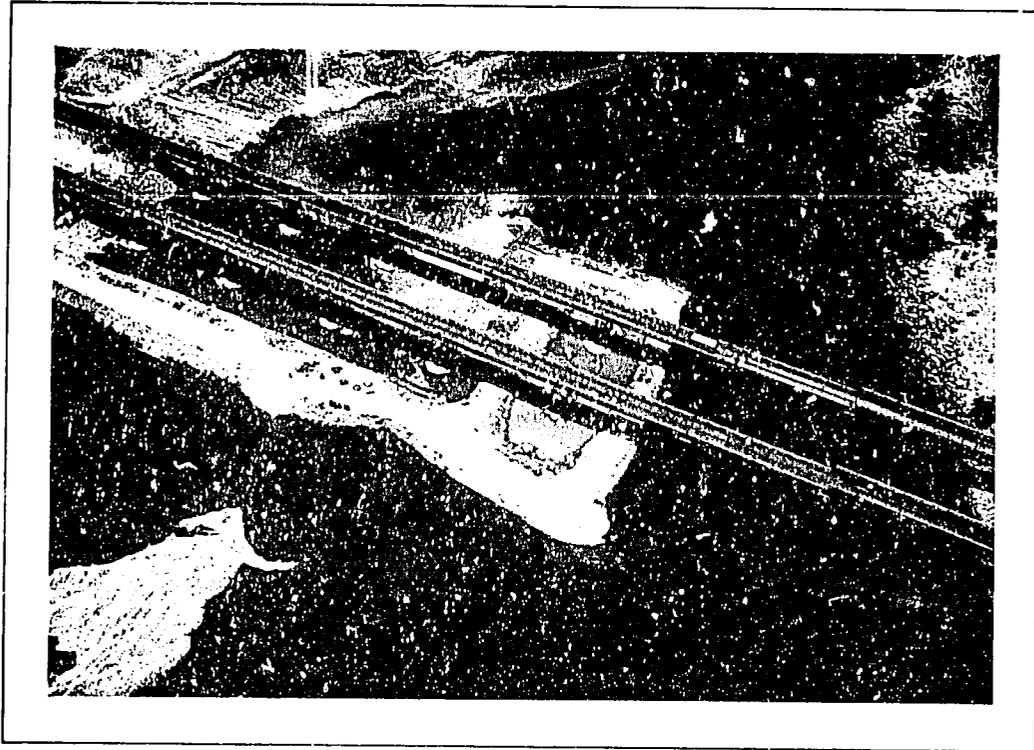


USAID • El Salvador



**Partners in Economic Growth
and Democratic Development**



Partners in Economic Growth and Democratic Development

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*Cover: Bailey Bridge in
San Lorenzo*

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San Miguel Volcano

From the Director's Office

USAID EL SALVADOR is the story of a partnership in economic growth and democratic development between the United States and El Salvador.

The story begins with the early 80s and tells how United States economic assistance, administered through the U.S. Agency for International Development (USAID), is helping El Salvador create the economic, political, and social conditions that will permit the gradual establishment of the democratic process. It describes the country's current development programs as supported by U.S. economic assistance, and then outlines future efforts we will undertake together.

El Salvador needs no introduction. The world knows the costs the country has paid in civil war, economic recession, and, most recently, a massive earthquake. The guerrilla insurgency that began in 1979 forced the Government to divert its resources to defense, undermining economic development, retarding investment, and draining political and human resources. The country was not a case for classical development.

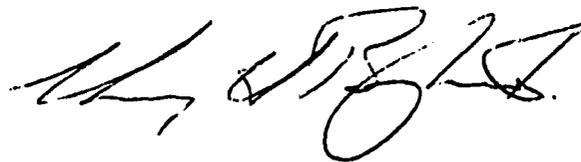
In crisis, El Salvador required immediate and innovative assistance to confront problems-that-must-be-confronted now. Together with the Government of El Salvador, we designed projects directed at stabilizing the economy and meeting unpostponable

needs. At the same time, both Governments were challenged to lay the groundwork for long-term development, and we shaped our programs for the time when we could shift from emergency, stopgap measures to assistance that would promote self-sustaining economic growth.

That time is now. Conditions have improved significantly to permit a longer-range strategy, a sharper focus of projects and, in some cases, a new direction. USAID EL SALVADOR tells that story too.

Those of us who work in development are proud of what we have achieved through our partnership with El Salvador. We credit the Salvadoran people and their Government with progress on many fronts, made always in a context of great adversity.

Yet much remains to be done, and a development strategy at this time requires a continued boldness and imagination. Moreover, it calls for resolve and determination, qualities the world also knows as El Salvador.



Henry H. Bassford
USAID Mission Director
El Salvador

Olimpica Building: USAID



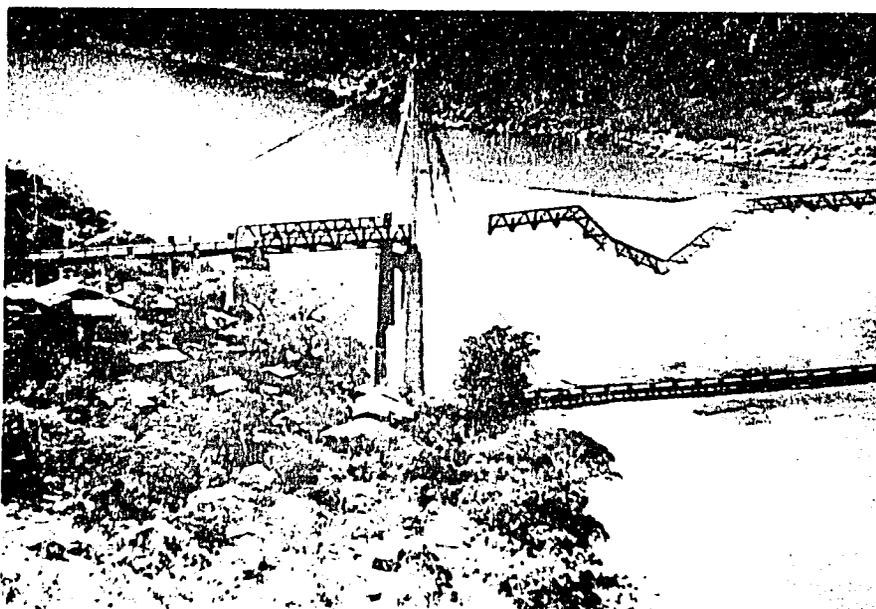
Restoring the Targets of Choice

Minutes before midnight on New Year's Eve, 1983, guerrillas launch a ground and mortar attack on the Cuscatlan Bridge, targeting also a nearby hydroelectric dam and an electrical substation.

Back in San Salvador, both the Salvadoran Government and the U.S. Mission know the country will suffer a serious blow to morale. The Cuscatlan Bridge, located over the Panamerican highway in San Lorenzo 90 kilometers from the capital,

"No power, no water, no transportation," a technician from the Ministry of Public Works observes. "And no surprise," answers another. For Salvadorans accustomed to guerrilla strikes on electric power lines, roads, bridges, railways, water systems, and telecommunications, it is a day in the life of their country.

Sabotage of El Salvador's economic infrastructure is a guerrilla strategy to destabilize the economy and paralyze the Govern-



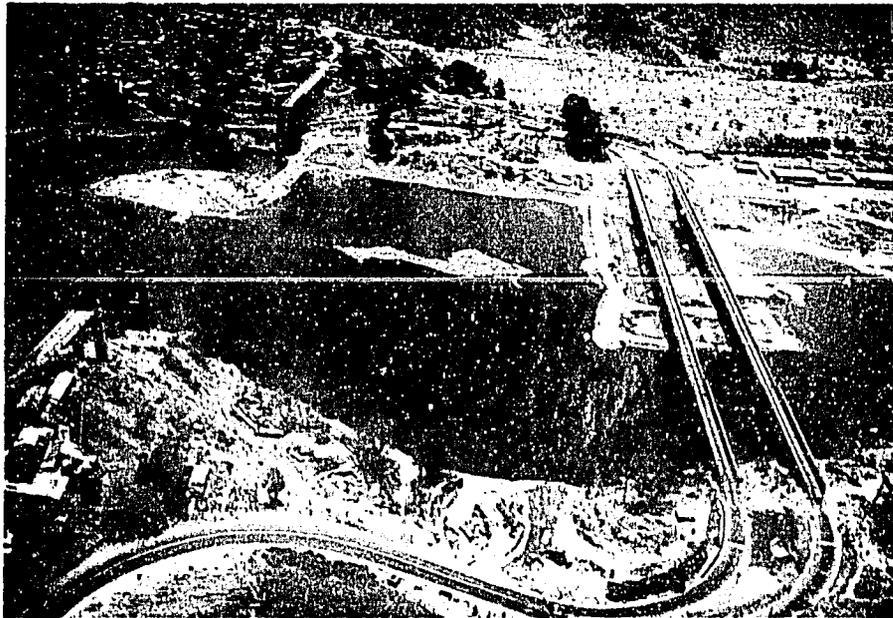
New Year's Day, 1984: guerrillas destroy the Cuscatlan Bridge

connects the most important east-west route in the country. The bridge is vital to national and international commerce and to the nation's security.

The next morning USAID and Salvadoran officials fly to the site where inspection confirms an emergency of enormous proportion: the 900 foot suspension bridge is cut in two, one half swaying in the wind, the other dropping into the Lempa River below. The substation is rendered useless, and the major transmission lines carrying electricity to the eastern third of the country lie dead on the ground.

ment. Since 1979, guerrillas have blown up almost every major bridge in El Salvador and made some 2,000 attacks on the nation's power grid. According to a USAID engineer, all four hydroelectric power production centers have been attacked and virtually every electrical substation has been hit not once, but several times. "Bridges, roads, transmission lines," he says, "these are the targets of choice."

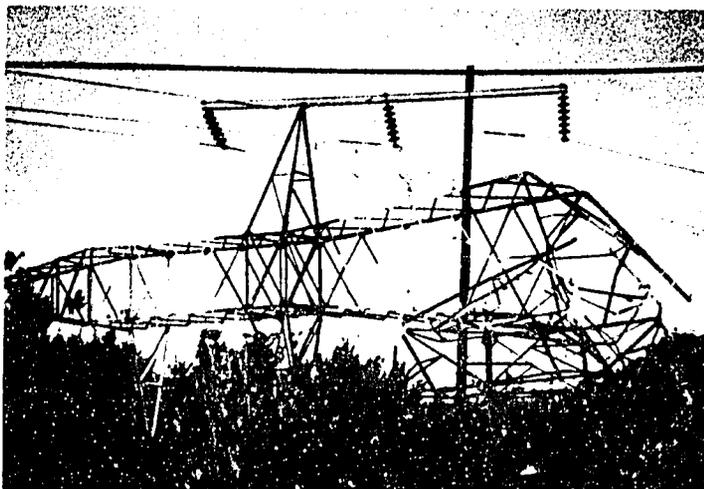
The Public Services Restoration Project, funded with U.S. economic assistance, counters the effects of such sabotage and restores vital public services to El Salvador.



Arfudson

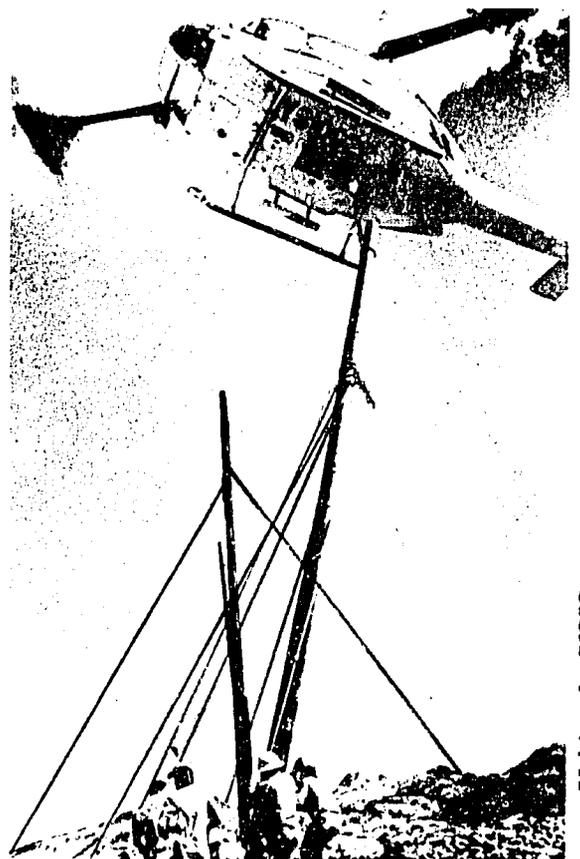
El Salvador builds back: the Bailey Bridge at San Lorenzo

From 1981 through 1988, the project has provided \$89 million for tools, replacement equipment, commodities, and training. It helped the country acquire emergency generators that provide standby power to telecommunication facilities, hospitals, and water pumping stations. It leases a helicopter for the National Electric Company which transports repair crews and replacement equipment to and from remote areas,



Guerrillas topple electric transmission tower

Min of Culture and Communications



Repair crews respond with temporary solution

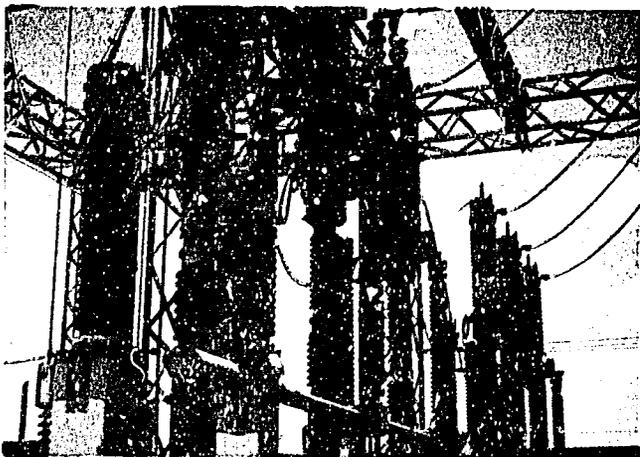
Urbina for USIS

cuts reaction time, and reduces the cost required to operate emergency generators.

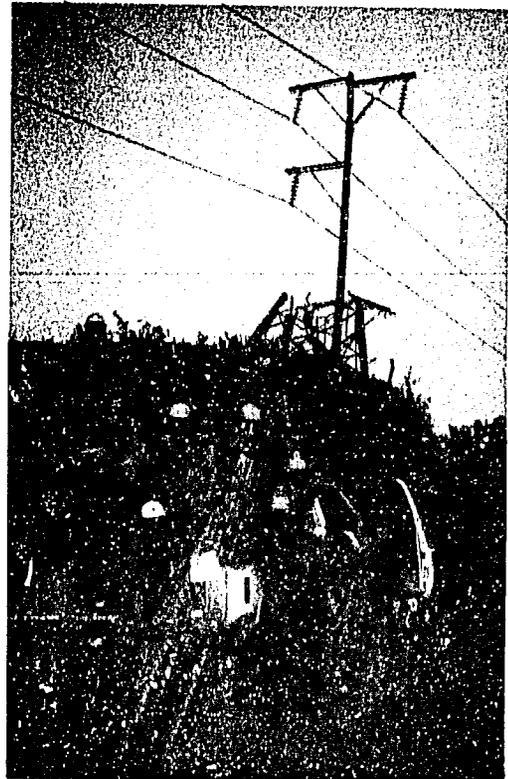
Without U.S. economic assistance, sabotage to El Salvador's infrastructure would prove devastating. Hundreds of Salvadoran communities would be deprived of basic services, and thousands of Salvadorans would be unable to earn a living. But the project, through its rapid response capability, minimizes those effects and helps keep the country operating. The Cuscatlan Bridge, for example.

Back in San Lorenzo, USAID and Salvadoran officials survey the damage, dispatch work crews, and begin site selection for the construction of a temporary bridge. Later that afternoon, the USAID Director is apprised of the decision to erect two single-lane Bailey bridges, the quickly assembled steel panels that have proved to be transportation lifesavers to El Salvador. Then, for the next 21 days, the Ministry of Public Works, USAID, and local security forces work side by side until the bridges are complete. Traffic is then routed across the newly constructed spans, and buses, trucks, cars, and people move about again.

The U.S. economic assistance program in El Salvador is one of the largest, most diver-



*24.8 megawatts of standby power
in San Miguel*



USAID

*The National Electric Company
turns on the lights*

sified, and challenging programs in the world. In addition to support for projects that build bridges, it assists programs in agrarian reform, family planning, school construction, democratic initiatives, earthquake reconstruction, and the promotion of private enterprise. Wherever one turns in El Salvador, one sees U.S. economic aid at work.

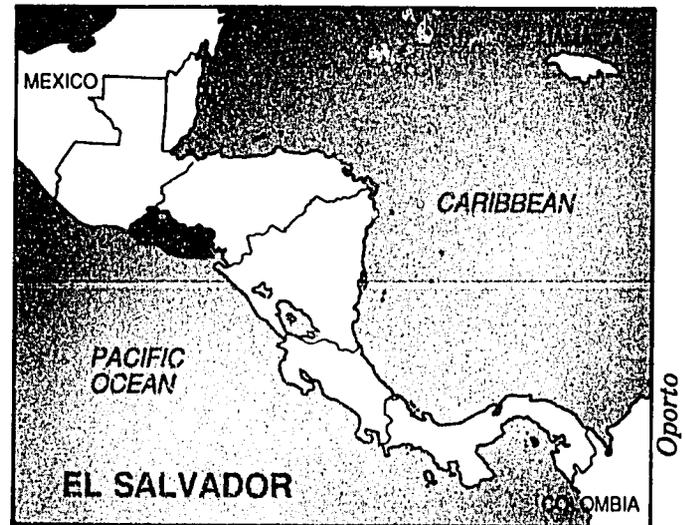
"The thrust of our effort here," USAID Director Henry Bassford says, "is to help El Salvador create stability, growth, and equity. These, we believe, are the conditions that foster the democratic process. Of course it won't happen tomorrow," he adds. "Democracy is a long-term process. But when you consider how far El Salvador has come in the last eight years, there are reasons for optimism."

Looking Back - Assistance in the Midst of Crisis

For more than 50 years, a skewed social and economic structure that favored an elite minority dominated El Salvador. Land and the lack of land lay at the base of the disparity. Undemocratic political institutions confirmed inequities denying the majority of Salvadorans the chance to participate fully in their country's political and economic life.

By the late 70s, the political system had deteriorated into a cycle of violence by left- and right-wing terrorists and sparked the rise of a guerrilla insurgency. The resulting turmoil weakened trade, discouraged foreign investment, and dried up commercial credit.

Guerrilla attacks on economic targets-- coffee plantations, buses, electric towers-- inflicted heartless damage on an already-staggering economy. Large numbers of



1983: the National Bipartisan Commission arrives in El Salvador

businesses, hit by labor unrest and liquidity shortages, pulled out of the country, and growth shifted into reverse, a minus 9.5 percent in 1980.

In the summer of 1983, El Salvador was probably experiencing its most serious crisis. The country's security was threatened by Marxist insurgents, widespread political violence from the extreme right, and significant human rights abuses. The conflict which was to take 60,000 lives by 1987 had already cost El Salvador as much as \$1 billion in economic losses. Caught between the army and the insurgents, an estimated 400,000 Salvadorans fled the conflict and joined the ranks of the migrant and economically displaced. The country was in grave distress.

But El Salvador was not alone. A crisis was developing in Central America. Recognizing this, United States President Ronald Reagan formed the National Bipartisan Commission on Central America in 1983 to determine the best ways to "respond to the challenges of social, economic, and democratic development in the region."

The Commission concluded that the United States has a moral and strategic obligation to support democracy and must make a long-term commitment to assist Central America.

With that mandate, the U.S. Mission, together with the Government of El Salvador, developed a major economic assistance program directed at four goals: 1) achieving economic and social stabilization; 2) promoting economic recovery and growth; 3) broadening the benefits of growth; and 4) strengthening democratic institutions.

Achieving Economic and Social Stabilization

Given the economy's state of deterioration in the early 80s, it was clear to the Salvadoran Government that the country had to stabilize before it could move forward, and we began directing much of our resources toward economic and social stabilization.

Checking the Economic Decline. The principal resource for stabilizing the economy is our balance-of-payments program. Economic Support Funds are provided to the Salvadoran Government and used to purchase essential imports, mainly from the U.S., to close the gap between El Salvador's export and import of goods and services. Under this program, the Salvadoran banking system sells dollars to the private sector which in turn purchases raw materials and intermediate goods that stimulate production and employment. From 1983 through 1988, the United States has provided \$ 992.5 million in balance-of-payments support.

Accompanying the balance-of-payments program is an ongoing policy dialogue between the two Governments geared toward undertaking structural adjustments in the economy that will foster sustained growth and give El Salvador's development efforts the best chance to succeed. Such focused discussions resulted in an economic program for 1987 that helped reduce the rate of inflation by about 20 percent from 1986 levels, a key factor in the 2.3 percent growth rate realized in 1987.

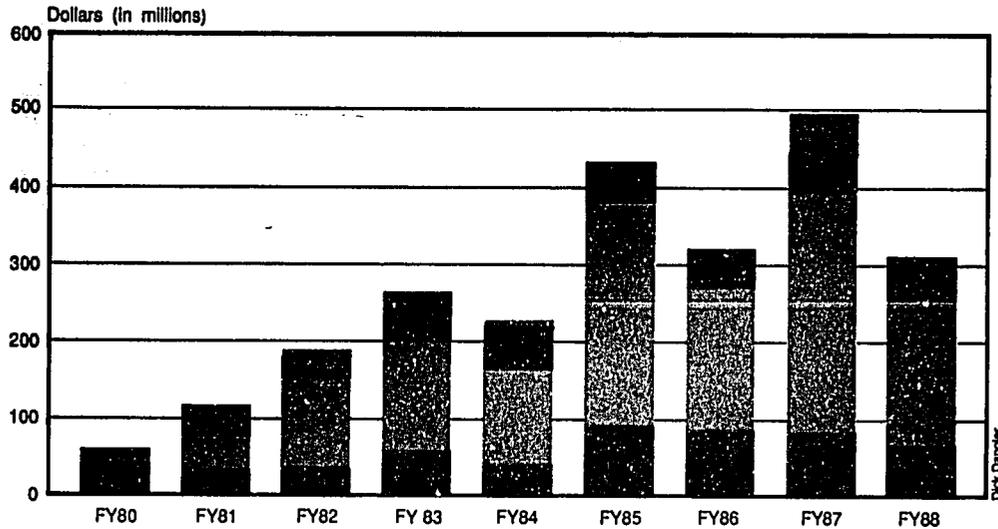


USAID officials meet with President José Napoleón Duarte

Min of Culture and Communications

Although the economy has yet to fully recover from the downturn that began in 1979, balance-of-payments support and policy dialogue since 1983 have not only slowed the rate of decline, but turned it around and begun to lay the foundation for long-term growth. To consolidate gains, we will continue to direct much of our assistance toward economic stabilization and complementary measures taken through policy dialogue until a comprehensive growth program is in place.

U.S. Economic Assistance to El Salvador - FY 1980 - 88



Development Assistance is administered in the form of grants to broaden economic opportunity through programs in such areas as agriculture, private sector development, health, education, and human resources. This represents the basic type of assistance provided by the United States in accordance with the Foreign Assistance Act.

The Economic Support Fund promotes economic and political stability in regions where the United States has determined that such assistance can be useful in helping to secure peace or avert major economic or political crises. These resources meet a variety of needs: balance-of-payments support, earthquake reconstruction, private sector credit, and infrastructure restoration.

P.L. (Public Law) 480, the Food for Peace Program, provides food aid in cooperation with the Department of Agriculture. Title I, a concessional sales program, provides developing countries long-term, low-interest loans to purchase U.S. farm products. In exchange, these countries agree to self-help measures and local currency funding for development activities. Title II, a donation program, provides food aid to the victims of famines, disasters, and emergencies.

Disaster Assistance helped alleviate the effects of the 1986 earthquake. This assistance provided emergency aid such as medical equipment and supplies, rubble removal, temporary housing, schools, buildings, and markets, and the restoration of public services.

Section 416 authorizes the donation of surplus dairy products for humanitarian purposes. El Salvador is eligible to receive Title II commodities to compensate for foreign exchange loss incurred by the reduction in its sugar quota.

Complementing Dollar Disbursements with Local Currencies. Local currencies owned by the Government of El Salvador are an important complement to U.S. Government dollar resources and play a large role in our partnership to achieve sustainable growth for the country. Local currencies finance credit and insurance programs for the private sector and for priority government programs.

Generated by the sale of Public Law 480 food commodities and from the sale of goods imported from the Economic Support Funds, local currencies fill the existing gap in food availability while simultaneously covering a large portion of El Salvador's investment budget. Programmed jointly by the Mission and the Government, these *colones* help achieve the entire range of shared development objectives: to increase agricultural production, promote exports, develop the private sector, improve health and education, and strengthen the democratic process.

Helping Displaced Persons. Since hostilities began in 1979, the war has displaced up to 400,000 people. Today, 1988, an estimated 230,000 people remain displaced. The Emergency Assistance Program furnishes food and temporary employment to the displaced meeting their basic health and shelter needs. In 1987, medical personnel made 400,000 visits bringing health care to displaced people. Begun in 1982 with \$12.5 million, the program was expanded over time to \$72.5 million.

Another project, Health and Jobs for Displaced Families, along with PL 480 food assistance, finances about 14,000 temporary jobs per month and dispenses daily food rations to approximately 200,000 people.



Brady

U.S. assistance furnishes food, health care, and temporary employment to displaced people



Arvidson

USAID Administrator Alan Woods speaks with displaced persons at a settlement in Santa Tecla

Today, thousands of displaced families are voluntarily returning to their home communities or permanently settling elsewhere. The U.S. Mission and the Government of El Salvador are supporting reintegration activities with starter packages of seed and agricultural supplies, home repair assistance, vocational training, and help in obtaining land parcels.

Beyond this, U.S.-financed works projects and temporary employment opportunities reinforce the returnee movement. Once reintegrated, the formerly displaced will become part of the beneficiary group assisted through the country's long-term reconstruction and growth activities.



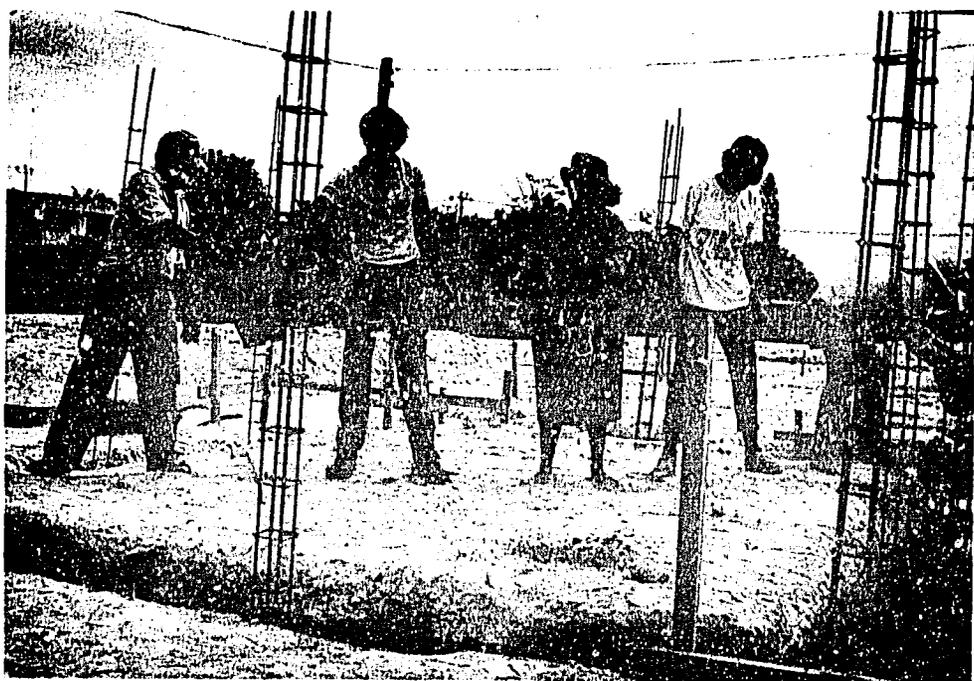
Brady

El Cortijo, a relocation site in the department of Ahuachapan, where fifty families are resettling permanently

Strengthening Local Government. In 1983, the Government of El Salvador developed a program to secure conflictive areas by strengthening local government in those areas and restoring essential community services. This became known as the National Plan. The United States supports the National Plan and is assisting Salvadoran efforts to establish civil authority and

constructed, and 42 water systems were built. These are projects that touch people and change lives.

From 1986 through 1988, the United States and the Government of El Salvador have provided over \$7.5 million in local currency to support the Municipalities in Action Program. Building on the success



Brady

Communities work together on projects that make a difference

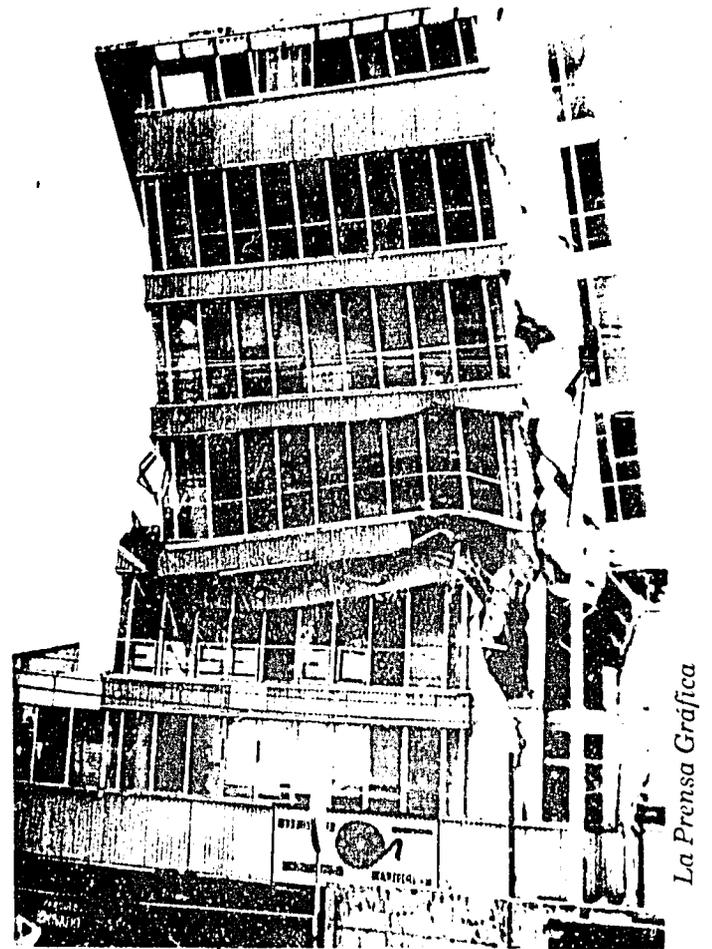
train local officials to provide schools, clinics, roads, and water systems. Using local currency generated by the Economic Support Fund program, mayors and other municipal officials identify, design, and implement community projects through the Municipalities in Action Program. In 1987, 23 schools were constructed or rehabilitated, 197 repairs on farm-to-market roads were made, 56 community centers were con-

of this effort, the Salvadoran Government is programming the equivalent of \$18.1 million in local currency to continue the activity. We believe money is especially well spent at this level; the impact on the population is potentially great, and the chance for democracy to grow at the grass roots level is considerable.

Helping Earthquake Victims. The United States answered the disastrous effects of the 1986 earthquake--some 1,500 dead, 300,000 homeless, and more than \$1 billion in damages--with an immediate Earthquake Recovery Project aimed at stabilizing the economy and helping the Government become operational again. Accomplishments of the \$50 million project include:

- ✓ Credit to nearly 8,000 Salvadoran families to rebuild their homes and to 2,500 people to reestablish their businesses;
- ✓ Building materials to erect temporary quarters distributed to 36,400 families;

Earthquake aftermath: some 1,500 dead, some 300,000 homeless, and more than \$1 billion in damages



La Prensa Gráfica

Izalco Building



La Prensa Gráfica

Search and rescue operations dominate first week following earthquake

October 10, 1986

- ✓ Approximately 1,500 families moved to more livable sites;
- ✓ 724 classrooms constructed and 240 classrooms rehabilitated;
- ✓ 900,000 person-days of employment generated by the removal of 115,000 cubic meters of rubble;

A year later, at a signing ceremony to fund a follow-on reconstruction project, U.S. Ambassador Edwin G. Corr praised the Salvadoran response to the earthquake. "Never before have I seen a Government move so swiftly and so decisively to marshal its resources and bring them to bear where they were needed most," he said.



Hotel San Salvador

- ✓ Over 20 temporary hospital wards, operating rooms, clinics, markets, and warehouses built;
- ✓ More than 50 temporary office buildings for critical government programs constructed; and
- ✓ Basic public services and all public utilities restored to operational status.

"Those days following the earthquake--painful as they were--have been called El Salvador's finest hour...because the Government and its people performed with such determination, compassion, and oneness."

With recovery complete, El Salvador now moves to reconstruction. The United States is assisting with an additional \$100 million for reconstruction in housing, small busi-



Galán h. for the Prensa Gráfica

nesses, and public services. This grant, along with contributions from other donors, is expected to return San Salvador to pre-earthquake conditions within five years.

U.S. Ambassador Edwin G. Corr meets with Salvadorans receiving housing materials donated by the United States. Building materials to erect temporary quarters were distributed to 36,400 families



Brady

Temporary shelter: Assistant Administrator Dwight Ink talks with earthquake victim

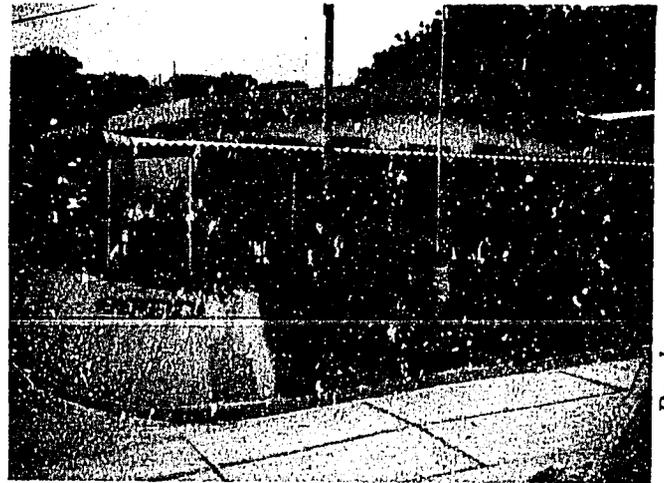


Arvidson

Permanent housing: USAID provides sites and services; the homeless rebuild

When the earthquake destroyed the Benjamin Bloom Children's Hospital, 473 underprivileged children hospitalized there had to be housed with families throughout the city. The unit shown here, financed by U.S. aid, made possible the resumption of a full schedule of medical care.

The earthquake also destroyed over 3,000 classrooms. Pictured below is one of the quickly-assembled schools that provided temporary classrooms which enabled school doors to open on time.



Brady

Benjamin Bloom Children's Hospital



U.S. assistance builds 964 temporary classrooms

Brady

Promoting Economic Recovery and Growth

It is not enough that assistance programs check the economic decline in El Salvador; they must also facilitate economic recovery and growth. This means invigorating the private sector, restoring traditional production to maximum levels, and developing new products for export outside Central America. In concert with the Government of El Salvador, we are meeting this challenge with credit, foreign exchange, training, policy reform, and support for an improved private-public sector relationship.

Since 1984, USAID has disbursed \$13.6 million in assistance to the Salvadoran Foundation for Economic and Social Development (FUSADES), a private, apolitical organization founded to facilitate economic growth. With U.S. assistance, FUSADES develops activities aimed at improving the investment climate.

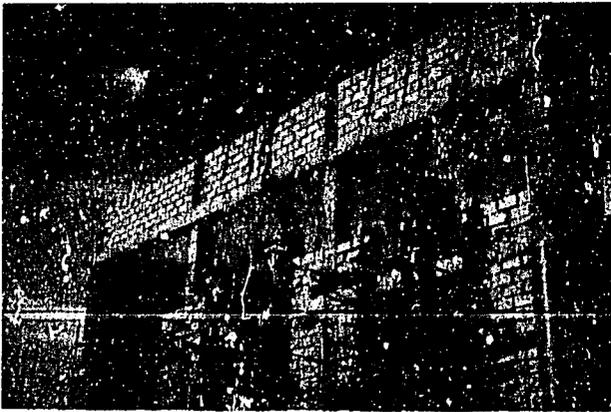
The Small and Micro Enterprise program, for example, provides both technical assistance and credit to small businesses; the Agricultural Diversification Program gives technical assistance and credit to farmers to promote the export of non-traditional crops; and the Trade and Investment Promotion Services supplies credit to assembly operations and light industry to foster nontraditional exports.

These programs are important to El Salvador because they identify foreign markets, finance feasibility studies, provide technical and financial assistance, and raise export awareness. After a relatively short period of implementation, we are beginning to see results. Through the Trade and Investment Promotion Services, 5,000 jobs



"Because microenterprises are so numerous and because they are a fundamental building block in the free enterprise system, the attention we pay to them is well worth our time and our best ideas."

--USAID Administrator Alan Woods



Invigorating the private sector



Entrepreneurs starting or expanding their own businesses

have been created, \$4.9 million has been generated in investment, and \$16.6 million in foreign exchange. These are encouraging reports. In an environment of cooperation and appropriate economic policies, most of these dollars will be reinvested.

FUSADES also assisted the Salvadoran Government draft the 1986 Export Promotion Law which provides incentives for export-oriented investors. This law, in turn, created a one-stop export center where the exporter can meet all paperwork requirements of the Government, making documentation less onerous.

A revitalized private sector is impossible without credit and foreign exchange. Local currency establishes credit lines and provides insurance against terrorist attack. More than \$211 million in credit and \$48 million in insurance have been made available to El Salvador's private sector. These monies are used for financing enterprises such as light industry manufacturing and for long-term capital investment.

Local currency generations from the FY 1986 balance-of-payments program also fund a \$48 million Eastern Region Reactivation Program aimed at rejuvenating the eastern zone of the country, an area wracked by war but essential to industrial renaissance. Additional local currency from the FY 1988 program will be assigned to the country's east, and new credit lines will be established to reactivate the country's geographic center.

U.S. economic aid also helps small entrepreneurs. In FY 1987, we disbursed over \$15 million in credit to Salvadorans to start or expand their own enterprises while grants enabled 11,000 people to improve their businesses. The development of small and micro businesses is important because they are estimated to represent 99 percent

Salvadorans hands-on experience in the free enterprise system. Also, from 1985 to 1986, 200 small business leaders were trained under the Central American Scholarship Program. These people are now back in El Salvador working in Salvadoran businesses.



U.S. aid provides technical assistance and credit to promote the export of nontraditional crops

of all nonagricultural, private sector enterprises in El Salvador and to account for 59 percent of jobs generated.

Together the Government of El Salvador and the U.S. Mission are supporting the country's Junior Achievement Program, an organization which has given 7,850 young

Government programs to invigorate the private sector are beginning to take effect. The economic decline in the early 80s has been halted, and while vigorous growth has yet to occur, the crisis of confidence which caused capital flight has lessened, and the relationship between the private and public sectors is one of increased cooperation.

Broadening the Benefits of Growth

The benefits of economic growth must be fairly shared if monetary and political gains are to be preserved. To help the Government meet basic human needs and diminish historical inequities, the United States supports programs that broaden the benefits of growth.

Supporting Agrarian Reform. For centuries, Salvadorans faced an inequality in land tenure considered among the worst in the world. In 1980, the Salvadoran Government began a land reform program affecting roughly one fourth of the country's farmland. The reform was decreed in three phases:

-- Phase I expropriated 469 properties which belonged to persons who owned more than 1,250 acres and incorporated the properties into 317 cooperatives made up of the peasants who worked those lands;

-- Phase II provided a means to expropriate any private holdings greater than the 605 acres established by the Constitution;

-- Phase III, or "land to the tiller," gave former sharecroppers and renters the opportunity to claim up to 17 acres of the land they formerly worked.



USIS

Land and the lack of land...

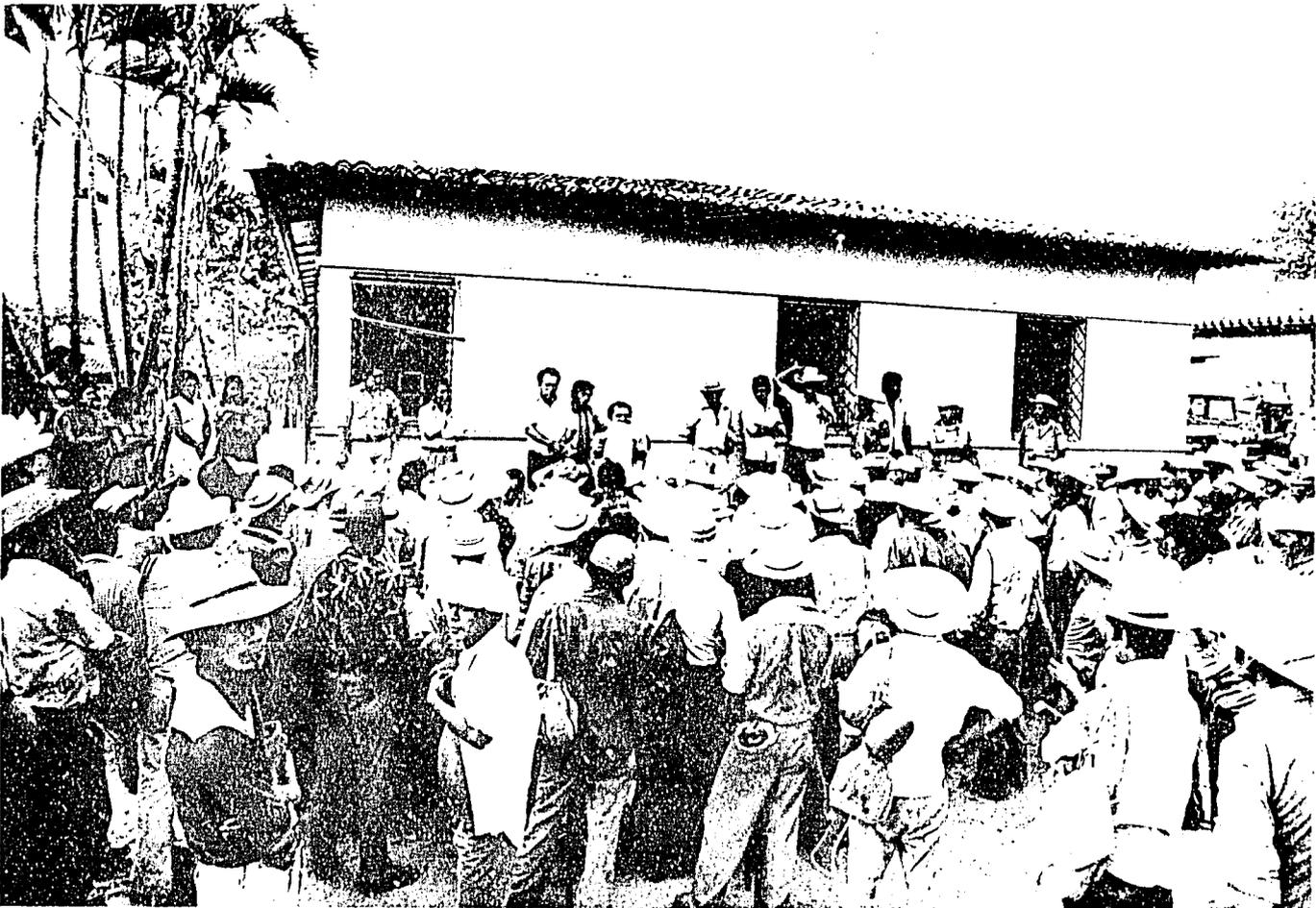


"...There is nothing better than land, a house, and a bright star."

The Ministry of Agriculture promotes the agrarian reform.

From the outset, the United States has supported the reform with technical assistance and financing for land titling, agricultural production and investment credit, training, and extension activities. Today, many of the objectives have been achieved. Most noteworthy is the fact that 23 percent of El Salvador's arable land has been

subject which compensated most of the former landowners whose properties were expropriated. Land titles have been awarded to approximately 299 cooperatives and 51,000 former renters and sharecroppers. Credit programs have channeled almost \$100 million in production loans to land reform beneficiaries.



Farmers receive news that the cooperative is titled in their name

transferred to formerly landless peasants directly benefiting a half-million people. These Salvadorans, who had little economic stake in their country, now have access to their own land, either individually or as members of cooperatives.

Under Phases I and II of the reform, the United States provided resources through the Agrarian Reform Sector Support Pro-

The three year period during which owners of more than 605 acres could voluntarily dispose of their excess landholdings expired in 1986. Laws to permit the voluntary disposition of lands in excess of that amount have been introduced in the General Assembly along with legislation to increase the number of reform beneficiaries. We support the Governments's efforts to distribute more land to individual farmers.

Upon completion, Phase III is expected to distribute over 240,000 acres to more than 337,000 beneficiaries and family members. Although much of their land is of marginal quality, these beneficiaries, who were once renters and sharecroppers, are already producing one-fourth of the corn and one-fifth of the beans consumed in El Salvador. Before agrarian reform, they had little incentive to conserve soil or make investments. Today, investments to improve the land and increase production are on the upswing. These are important signals that positive change is taking place.



Phase III : "land to the tiller"



FUSADES

Phase I beneficiaries: Cooperative Cara Sucia diversifying and producing for export. The U.S. Mission and Salvadoran Government are working to link agrarian reform farmers with domestic and foreign private sector industries which will provide the training, stable markets, technology, and credit required to increase production and income.

The legal process of land transfer and compensation will be complete by the end of 1988. This will assure approximately 22 percent of El Salvador's rural poor access to almost 23 percent of its farmland.

Without question, land reform has contributed to the improved political climate in El Salvador. Men and women who worked the land with little hope of ever owning it now have a stake in their country. The unfinished business of the agrar-

ian reform is increased production, productivity, and small farmers' incomes. The U.S. Mission and Salvadoran Government are working toward this by linking agrarian reform farmers with domestic and foreign private sector industries which will provide the training, stable markets, technology, and credit required to increase production and income. We will also encourage members of cooperatives toward greater independence in the productive and social aspects of their lives.



Brady

Phase III farm families: already producing one-fourth of the corn and one-fifth of the beans consumed in El Salvador. Now in its eighth year of implementation, the agrarian reform has changed land tenure patterns and provided new opportunity for the rural poor. The unfinished business of the agrarian reform is increased production, productivity, and small farmers' incomes.

Meeting Critical Health Needs. The early 80s saw budget cuts and a growing displaced persons population severely strain the country's capacity to provide health care. The purchase of medicines and medical equipment virtually ceased, and in 1983 the Government requested U.S. assistance.

The Mission responded immediately with the Health Systems Vitalization Project, an effort which infused El Salvador's health sector with over \$35 million in essential medicines, pharmaceutical supplies, and medical equipment. As the basis for longer-term health improvement, money was used to modernize procurement systems, insure drug quality control, and improve the maintenance of health facilities. What effect have these resources had on health in El Salvador?

Although cyclical in nature, certain vaccine-preventable diseases among children under five have declined or stabilized. Diphtheria is down by 50 percent, whooping cough, 73 percent; tetanus, 22 percent.



Brady

One thousand Salvadorans receive artificial limbs through a USAID program



Urbina for USIS

U.S. economic aid airlifts essential medicines to El Salvador

Measles is no longer among the top ten communicable diseases, and malaria has been dramatically reduced. Both child survival and life expectancy have increased. That El Salvador has suffered no epidemic in the last eight years despite a civil war and major earthquake, is remarkable and due, in part, to U.S. aid.

USAID's health portfolio also includes support to Private Voluntary Agencies like Project HOPE and Catholic Relief Services that work with maternal and child survival programs and to UNICEF to conduct nation-wide vaccination campaigns.



Arvidson

Health workers insure drug quality control

With a follow-on \$48 million Health Systems Support Project initiated in 1986, we are supporting the Government's transition from a curative health care program to one of prevention, strengthening the country's ability to deliver cost-effective primary health care, and exploring ways in which private sector institutions might become involved.

Finally, a number of small, yet important projects such as Assistance to Civilian Amputees, provides treatment and artificial limbs to civilian war victims. More than 300 lower-limb amputees have been fitted with temporary prostheses through U.S.-supported programs.

Supporting Voluntary Family Planning. A nation of over five million people in an area the size of Massachusetts, El Salvador is the most densely populated mainland country in Latin America. Since 1983, the U.S. Mission has worked through private and public institutions to help the Government promote voluntary family planning services. In the private sector, the Salvadoran Demographic Association served over 90,000 users of modern contraception in 1987. In the public sector, the Population Dynamics Project increased the number of couples using modern contraception from 255,000 in 1985 to 355,000 in 1987. These measures have helped El Salvador increase voluntary family planning users by 18 percent from 1986 to 1987.

Revitalizing Education. As a direct result of the war, over 800 schools have been abandoned, and approximately 600,000 children in grades one through six have no access to education. The Education System Revitalization Project, a \$50.6 million effort begun in 1985, has helped the Ministry of Education construct and rehabilitate almost a thousand rural classrooms benefiting 77,000 students.

The project, now in its third year, also has trained 7,900 teachers and furnished almost 1,600 classrooms with educational materials, bookcases, and 48,000 desks. It supplied three regional offices with school maintenance equipment and trained 800

Since the beginning of hostilities, over 800 schools have been abandoned and approximately 600,000 primary age children have no access to education. A USAID project helped construct and rehabilitate almost a thousand classrooms and furnish them with desks.



school communities in preventive maintenance.

Community response to this project is enthusiastic. Parents and teachers are using their own time to restore and maintain their schools, demonstrating a devotion that a centralized office cannot supply. In one case, parents repaired and refinished school desks in a period of four weeks. Thus, the project is sparking community participation in education which points the way to reducing costs to the Government.

U.S. assistance also promotes human development through the Central American Peace Scholarship Program (CAPS). The CAPS program sends economically disad-



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Central American Peace scholars come home and contribute to their country's development

vantaged Salvadorans to the United States for schooling so that they may return and contribute to their nation's future. Courses range from a few weeks of technical training at a community college to graduate studies at a university.

With its people-to-people approach, the CAPS program strengthens friendship between the two Americas. Scholars visit small towns and private homes in the U.S. and attend civic, cultural, and sporting events as part of the program's "Experience America" feature.

Between 1985 and 1989, approximately 2,400 Salvadorans will study in the United States under the CAPS program. Funding will continue with \$5.5 million in FY 1988 and \$7 million in FY 1989.



Brady

U.S. aid helps rehabilitate and construct rural schools benefiting almost 80,000 students

Strengthening Democratic Institutions

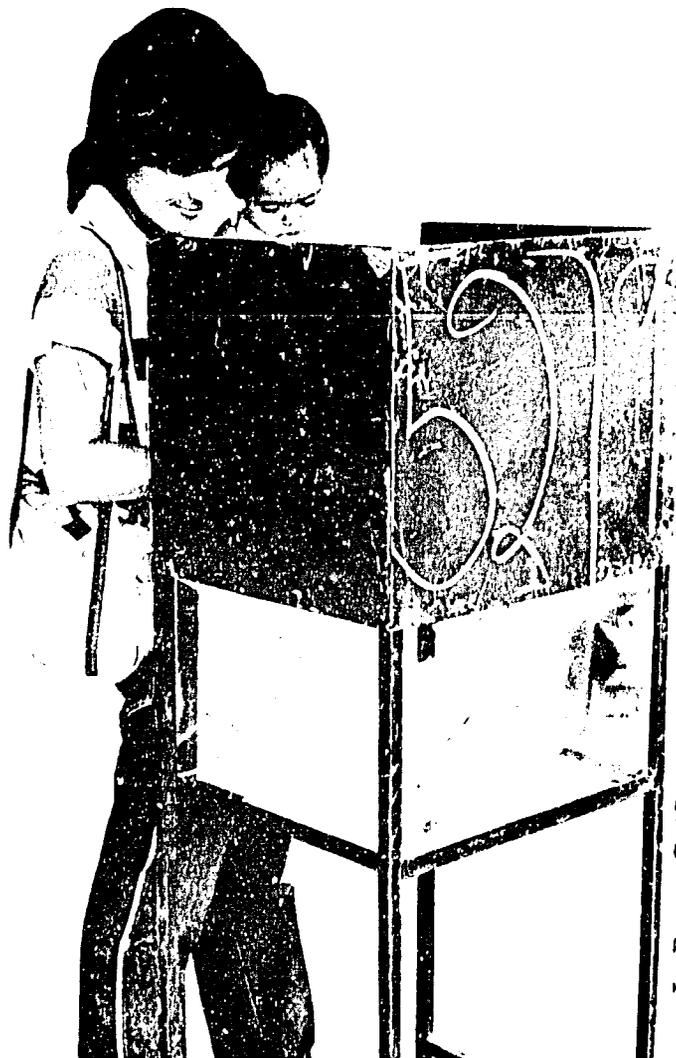
El Salvador remains a fragile democracy under extreme stress. If that democracy is to endure and host economic growth, institutions must be nurtured and fortified.

The Government of El Salvador recognizes the importance that an independent, impartial, and responsive judicial system represents to a democratic society and, with U.S. assistance, initiated a Judicial Reform Program in 1984. Under this program, the Government works to improve the administrative, technical, and legal performance of its criminal justice system.

The Revisory Commission for Salvadoran Legislation coordinates the reform effort and focuses on revising those procedures and laws that will make an immediate improvement in the existing criminal law system: legal defense and detention, rules of evidence, and the jury system.

The Commission also conducts public forums with law school faculties and with political and civic groups where proposed reforms are discussed. These prove to be important consensus building sessions. A grant of \$600,000 is provided to CENITEC, a private Salvadoran entity organized to stimulate public participation in policy issues and educate the public on the place of law in a democratic society.

We are also working closely with the Government of El Salvador to improve the court system's administrative management and physical facilities. For example, approximately 500 court personnel were trained both in El Salvador and abroad in court administration, collection and protection of evidence, and criminal procedures. A Public Defender's Office staffed by 20 lawyers to assist those Salvadorans unable to pay for legal counsel is established and credited with helping hundreds of people, many of whom would have been im-



La Prensa Gráfica

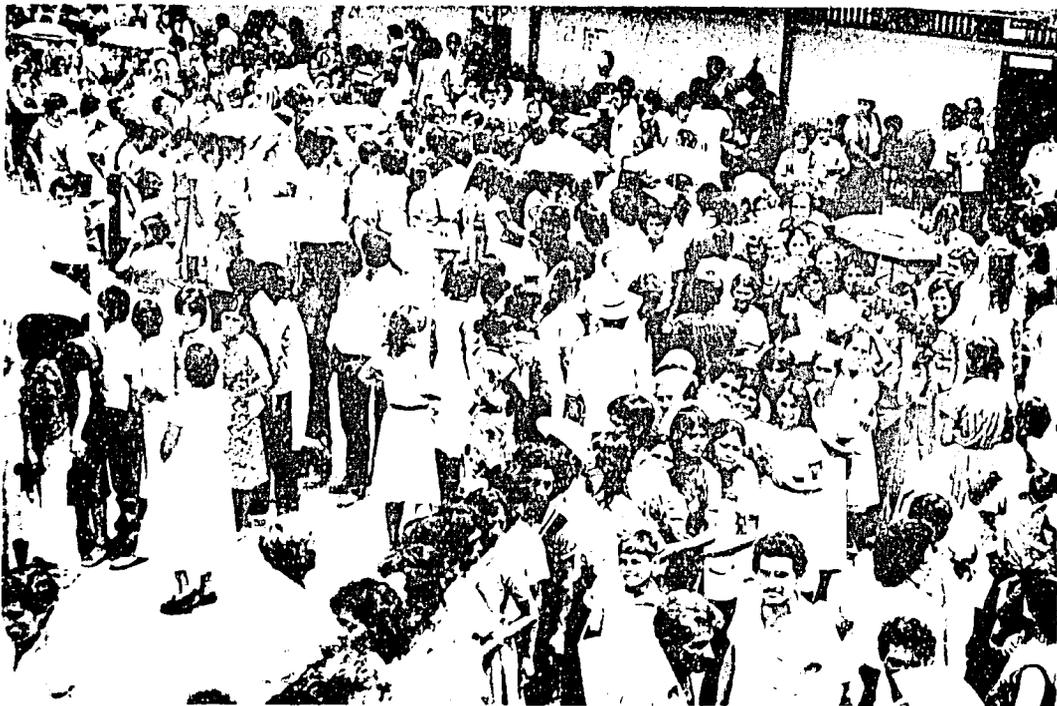
properly imprisoned. Additionally, three new law libraries now exist.

Strengthening representative government is a vital element in El Salvador's goal to advance democracy. The U.S. is responding with financial and technical assistance. During 1987, we funded training for 270 mayors, municipal employees, and community leaders in the design and implementation of community projects. Participants learned how to conduct town meetings and how to respond more effectively to the needs of their communities.

In partnership to strengthen the democratic process in El Salvador, the United States provides support to the democratic labor movement through the American Institute for Free Labor Development (AIFLD). AIFLD has helped farm workers organize and play a part in implementing the agrarian reform. In 1987, our support focused on both the urban and rural labor union movement and financed 350 seminars which were attended by more than 12,000 members. The project funds a train-

sistance enabled the Government to revise the registry and develop a laminated voter card for the municipal elections of 1988.

United States aid continues to fund the Human Rights Commission which offers Salvadoran citizens a protected environment in which to lodge complaints and a staff to investigate allegations. Military personnel now receive human rights training, and a comprehensive course in human rights is provided to all members of the



La Prensa Gráfica

Despite guerrilla opposition, four free and open nationwide elections since 1982

ing center to teach construction skills, and several participating unions sponsor literacy programs attended by an average of 1,500 persons a year.

Despite guerrilla opposition, El Salvador has held four free and open nationwide elections since 1982. The U.S. Mission contributes to the integrity of those elections by helping the Central Election Commission develop a modern, automated registry system and arranging for international observers to view the election process. Recent as-

National Police and is extended to the Treasury Police and National Guard. The training is mandatory for all officers of all three police forces. In the past three years, violations have been reduced to a fraction of their previous levels, and improvement in the human rights climate is acknowledged by international organizations and by the Salvadoran Roman Catholic Church.



Providing growers with improved production methods and linking farmers with export markets

Looking Ahead - Changes and Challenges

Today, El Salvador is a different country from what it was eight years ago. A democratic government has set the stage for social and economic reform, and together the United States and El Salvador are designing and implementing programs that take advantage of improved conditions.

To do this, we are pursuing a two-track strategy that simultaneously addresses the short-and long-term needs of the country. Our short-term efforts continue to focus on economic stabilization and will remain in force probably through 1990; our long-term efforts are designed to promote sustainable economic growth and will guide our assistance through 1992 and beyond.

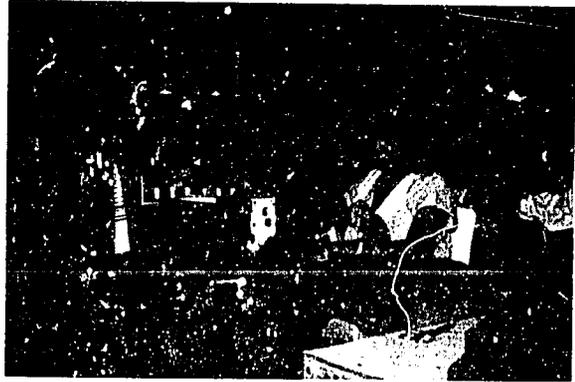
In the short-term, U.S. assistance will continue to provide balance-of-payments

support while simultaneously assisting the Government to make needed structural adjustments to its economy. U.S. aid will buy medicines and medical equipment, replace vital infrastructure damaged by war, provide a safety net for the displaced, rebuild and repair schools. But the time is right to go beyond the scope of these programs, consolidate gains, and point projects in directions that promote economic growth and long-term development.

If El Salvador is to move in those directions, it must produce for export. Recognizing this, the Government is expanding and creating new free trade zones with industrial facilities for light manufacturing and export services. Economic Support Funds and local currency resources are already financing a private sector free zone

development project. This will enhance the country's capacity to compete in overseas markets while creating jobs at home and promoting foreign exchange.

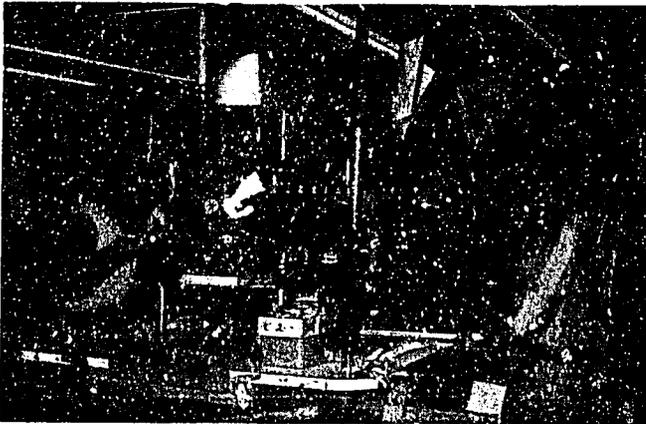
The \$51.4 million Industrial Stabilization Project, our first major effort in this direction, is streamlining export procedures and developing an overseas markets intelligence network. A \$24 million industrial parks initiative will help increase foreign exchange earnings and employment opportunities through infrastructure development and marketing assistance to attract potential clients to the parks. A privatization project, scheduled for FY 1989, will furnish the financial and human resources needed



Promoting the country's highly productive, low-cost labor

by the Government to privatize underproductive state-owned holdings.

To achieve long-term growth in agriculture, the Salvadoran farmer must diversify. Current development projects emphasize the production, processing, and marketing of nontraditional crops. We began in 1986 with the Water Management Project, an \$18.7 million effort that furnishes on-farm irrigation systems to produce high-value, export crops like flowers, melons, shrimp, and sesame. In 1987, we followed with the Agribusiness Development Project offering resources to farmers, cooperatives, and private companies to process and market nontraditional products for export. This effort alone is expected to generate some



Generating export opportunities for Salvadoran enterprises

6,000 person-years of labor and over \$ 21 million in foreign exchange earnings.

Future agricultural programs will provide growers with improved production methods and link the agrarian reform cooperatives with nontraditional export markets. For example, a research and technology transfer effort will teach modern agricul-

try's new, export-driven economic model. U.S. assistance is helping with a \$15 million project to train Salvadorans in those technical skills most needed by private enterprise. The project will establish demand-driven, competency-based training programs in 25 occupational areas and train 2,300 people in jobs for nontraditional export.



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Production, processing and marketing of nontraditional crops

tural techniques while a commercial farming project, now on the drawing board, will connect producers with agricultural processing enterprises. Such programs have potential to increase profits and offer an avenue by which beneficiaries of the agrarian reform can enter the nontraditional production sector.

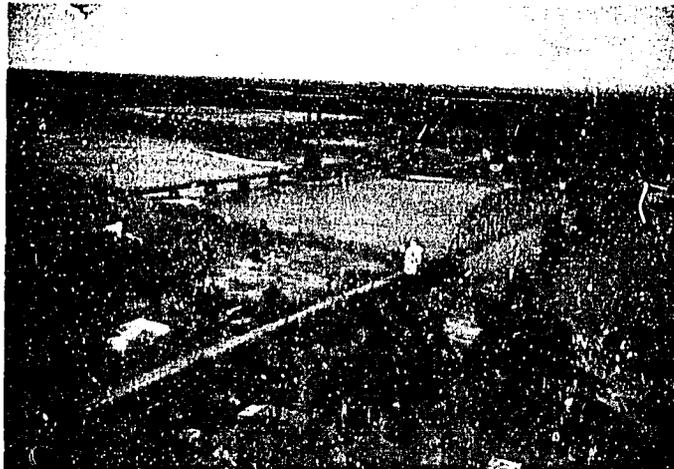
El Salvador's education sector is also moving into position to support the coun-

El Salvador recognizes that it must promote the country's highly productive, low-cost labor and generate opportunities for joint venture between Salvadoran entrepreneurs and foreign markets. Incentives for foreign investment already exist, but U.S. and Salvadoran officials are discussing additional legislation to clear the way for establishing export-oriented businesses. Industrial park facilities, credit, training, legal and organizational assistance, and

war risk insurance will shorten the time between a typical investment decision and a profitable operation.

Economic growth, of course, is a much longer process than economic stabilization, and democratic development is more arduous than judicial reform. Along with vigor-

ous, enlightened strategies and a willingness to risk, each demands commitment and patience. Yet economic growth and democratic development are the most important goals of our partnership, even as they remain its most fundamental challenge.



In the foreground, often damaged by guerrillas, is El Salvador's railroad bridge. In the background, where the Puente de Oro once stood, stands the longest Bailey bridge in the world. The bridges exist today as a result of U.S. aid to El Salvador and a partnership between the two countries.

