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UNCLASSIFIED

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

EL SALVADOR

# PROJECT PAPER

# ESF FY 91 BALANCE OF PAYMENTS PROGRAM

AID/LAC/P-651

Project Number: 519-0369
Grant Number : 519-K-615

UNCLASSIFIED

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CLASSIFICATION:

AGENCY FOR INTERNATIONAL DEVELOPMENT

**PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)**

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|---|---|
| 1. PAAD Number: 519-0369 519-K-615 (Grant 519 K 615) | 2. Country: El Salvador |
| 3. Category: CASH TRANSFER | 4. Date: May 17, 1991 |
| 5. To: AA/LAC, James H. Michel | 6. OYB Change Number: N/A |
| 7. From: for LAC/DR, Jeffrey W. Evans (Acting) MS | 8. OYB Increase: NONE. To be taken from: ECONOMIC SUPPORT FUND (ESF) |
| 9. Approval Requested for Commitment of $ 90,000,000 | 10. Appropriation Budget Plan Code 170 65 519 00 50 11 LES191-35519-KG31 / 72-111/21037 |
| 11. Type Funding: ☐ Loan ☒ Grant | 12. Local Currency Arrangement: ☐ Informal ☒ Formal ☐ None |
| 13. Estimated Delivery Period: FY 1991/92 | 14. Transaction Eligibility Date |

15. Commodities Financed

| 16. Permitted Source | | 17. Estimated Source | |
|---|---|---|---|
| U.S. only | | U.S. | |
| Limited F.W. | | Industrialized Countries | |
| Free World | | Local | |
| Cash | $90,000,000 | Other | |

18. Summary Description

The purpose of this program is to provide balance of payments assistance for economic stabilization and recovery in El Salvador during CY 1991. The program is conditioned on a continuing economic stabilization and adjustment effort, improvements in public sector efficiency and further judical reform.

Program funds will be deposited into a separate, non-comingled ESF account or accounts in the U.S. from which payments for eligible foreign exchange transactions will be made. Eligible transactions include the importation of raw materials, intermediate goods, spare parts, agricultural inputs, and capital goods from the U.S. for the productive private sector, as well as the importation of petroleum and its derivatives from A.I.D. Geographic Code 941 countries.

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

| 19. Clearances | | Date |
|---|---|---|
| LAC/DR/CEN:MSilverman | MS | 5/23/91 |
| LAC/DPP:BSchouten | B.S. | 5/22/91 |
| GC/LAC:TGeiger | | 5/22/91 |
| PPC/PB:TBarker | | 5/22/91 |
| ARA/ECP:CBryant | | |
| M/PFM/A:MUsnick | | 5/24/91 |
| A/DAA/LAC:PBloom | | |

20. Action

☒ APPROVED ☐ DISAPPROVED

Authorized Signature: for — Date: 5/24/91

Title: ASSISTANT ADMINISTRATOR, LAC

AID 1120-1 (5-82) CLASSIFICATION:

Approval of Methods of Financing

This PAAD complies with current Agency guidance on methods of financing and has provided adequate audit coverage in accordance with the Paymants Verification Policy Implementation Guidance.

E. Cecile Adams, Controller, LAC

USAID/EL SALVADOR
1991 BALANCE OF PAYMENTS PROGRAM
PAAD
OUTLINE

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# I. SUMMARY

This PAAD presents USAID/El Salvador's strategy for the 1991 Balance of Payments Support Program (BOPS). The 1991 BOPS program will support Mission and LAC Bureau objectives of achieving broadly-based, sustainable economic growth and the evolution of a stable democratic society.

The GOES successfully implemented a set of macroeconomic reforms in 1989-1990. In 1990, the Salvadoran economy began to respond favorably to these adjustments, and economic performance was the best that the country has enjoyed since the onset of the civil war in 1979. Encouraged by GOES efforts to reform the economy, other donors (the International Monetary Fund, the World Bank, and the Interamerican Development Bank) have, after lengthy absences, greatly expanded their lending operations in El Salvador and will provide support to the GOES in the continuation of its adjustment effort in 1991 and beyond. The engagement of these donors is significant, as it is a sign of support for the structural adjustment program of President Cristiani's administration. The GOES program, however, hinges on continued USG support as well.

As articulated in the 1990-94 CDSS, the goals of the USG's economic assistance program to El Salvador are to: (1) promote economic and social stabilization and economic growth; (2) facilitate broad participation throughout the society in the benefits of growth; and (3) enhance the maturation of incipient democratic institutions and processes and create a political environment conducive to growth with equity. The progress made in the comprehensive restructuring of the economy and the entry of the other donors affords the Mission the opportunity to expand its policy dialogue to include additional strategic objectives. USAID/El Salvador will continue to provide the external resources crucial to ongoing GOES stabilization and adjustment efforts. However, in addition to encouraging further progress in macroeconomic reform, the Mission will focus more strongly on public sector efficiency, a major constraint affecting the implementation of the overall USG program, and on judicial reform, a key Mission and USG priority for strengthening democracy in El Salvador.

Improving public sector efficiency will embrace three distinct, but interrelated areas: (1) reform of tax policy and tax administration, (2) building integrated financial management and auditing and (3) improving the efficiency and effectiveness of the public sector (including the privatization of some government services). Judicial reform will be the other area of emphasis of the conditionality for the 1991 program. USAID/El Salvador already has, or will soon have, technical assistance interventions to assist the GOES in each of these areas. The Balance of Payments Support Program will add critical policy leverage to support these efforts by establishing performance benchmarks against which the BOPS disbursements will be made.

## II. BACKGROUND

### 1. The GOES Economic Adjustment Program

When President Cristiani took office in June 1989, his government was determined to firmly address the causes of the stagnation that plagued the Salvadoran economy since 1983 and contributed to deteriorating living standards for many poor Salvadorans. The free market economic philosophy of the Cristiani administration was significantly different from the previous Duarte administration. The Cristiani government has much greater confidence that the private sector, under more liberal market conditions, can stimulate improved conditions both on economic and social fronts, and that such improvements would be dispersed throughout the country to benefit the majority of Salvadorans.

In July 1989, the GOES initiated the most far reaching economic adjustment program in the history of El Salvador. The set of measures chosen to overcome the constraints to economic growth and recovery went far beyond what had been attempted by prior administrations. The program was balanced in the sense that it included the adjustments necessary to address the most serious imbalances in the economy, while also including social programs designed to mitigate the impact of these reforms on the poor.

The Removal of Restrictive Trade Practices. The first task that faced the GOES economic team was to attack the anti-export bias inherent in the old policy regime. Accordingly, the administration implemented a sweeping liberalization of the foreign trade market. The reforms included the substitution of a flexible exchange rate regime for the prevailing overvalued fixed rate regime, the reduction of high nominal tariffs on imports, and the elimination of numerous nontariff barriers (NTBs) to imports (e.g., quotas, import prohibitions and prior deposits for foreign exchange permits). These measures were designed to increase the profitability of exports, thus enhancing incentives to invest in the sector that holds the greatest promise of higher growth rates for the Salvadoran economy.

The most noteworthy accomplishment was the adoption of a new exchange rate regime. The GOES initially moved away from the fixed exchange rate, progressively passing more foreign transactions to the free market, and by June 1990, had adopted a fully flexible exchange rate system. The banking sector now competes with the newly legalized foreign exchange houses ("casas de cambio") in the foreign exchange market. The Central Bank still participates in the market, but the rate at which it buys and sells foreign exchange is based on the free market rate. Thus, the new regime is more flexible and responsive to domestic and international economic conditions. This has not only halted the growing overvaluation of the colon, but has achieved an estimated 20% devaluation of the real exchange rate through 1990.

To complement and reinforce the beneficial effects of the new exchange rate system, the GOES moved quickly to reduce the distorting effects of import tariffs and NTBs. The elimination of most nontariff barriers, the reduction in coffee export taxes, the elimination of export taxes on sugar and shrimp, and the adjustment of import tariff rates all supported the new exchange rate regime. The Mission estimates that with the new 5-35% range of nominal import tariff rates and the abolition of many NTBs, the average effective rate of protection (i.e., the protection given to value added in the production process) has fallen from 47% to 33%. These changes have not only exposed domestic production to the healthy effects of international competition, but have significantly reduced disincentives for investment in a wide range of profitable export activities.

Finally, the GOES successfully negotiated its accession to the GATT. By agreeing to the terms and conditions of world free trade in goods and services, El Salvador has committed itself to maintain a trade regime free of high tariffs and trade restrictions.

The Strengthening of Public Finances. The tax structure underwent modest reform in 1989. The administration's economic team realized that by streamlining the tax rate structure and eliminating exonerations to indirect taxes, the efficiency of the tax system could be improved, and the stage set for greater tax collections in the near term. Overall, the goal of the reforms was to improve fiscal performance through revenue improvement, since there is limited scope for expenditure reduction in the near term. Investment expenditures are already at very low levels and the continued need to finance the war and to provide necessary public services limited the possibility of reductions in current expenditures.

Accordingly, late in 1989, the Legislative Assembly passed a comprehensive package of tax reform measures focusing on the stamp tax, the income tax, the wealth tax, and several excise taxes. The stamp tax was greatly simplified; a uniform rate of 5% was levied, and most exemptions were eliminated. The income tax for individuals and corporations was modified. For individuals, the top marginal rate was lowered from 60% to 50%, and the number of tax brackets was reduced from 24 to 7. For corporations, the top marginal rate was lowered from 35% to 30%, and the number of brackets was lowered from five to three. Furthermore, corporate income tax payments are now based on estimates of current rather than on previous year revenues. The maximum rate for the wealth tax was also reduced, from 2.5% to 2%. The wealth tax exemption for individuals was raised from 150,000 colones to 300,000 colones,* and for corporations from 300,000 colones to 500,000 colones. Several excise taxes, (such as on public shows, distribution of films and matches), whose yields were low relative to the costs of administration were eliminated. Finally, export taxes on coffee were reduced and those on sugar and shrimp were abolished.

* 8 colones/U.S.$ as of 4/91.

Financial Sector Strengthening. The GOES also implemented several measures to improve the policy, legal, and institutional framework of the financial sector. Interest rates--both on deposits and loans in the banking system--were raised to positive real levels in order to stimulate financial savings, improve profitability in the banking system, and allocate credit in a more rational manner. In a separate measure, an audit of the nine commercial banks was conducted to determine the extent of nonperforming assets. As a result of this and other analyses, four of the nine commercial banks were intervened. The GOES then secured passage in November 1990 of three key pieces of legislation needed to implement reform measures - the Portfolio Clean-Up and Strengthening of the Commercial Banks and Savings and Loan Associations Law, the Commercial Banks and Savings and Loan Associations Privatization Law, and the Financial System Superintendency Law. These laws provide the basis for a private financial system and strengthened supervision and regulation. In December 1990, the GOES presented Action Plans to USAID/El Salvador which outline their plans for further Financial Sector Reform and Strengthening of the Financial System Superintendency. The Action Plans were approved and will be the basis for USAID assistance to the GOES for financial sector reform in 1991-92.

Reduction of State Intervention in the Economy. The administration swept away a host of price controls and monopolies that posed serious constraints to increased investment in the productive sectors of the Salvadoran economy.

-- Price controls were removed for 230 items. Only a few essential items remain under price controls: wheat flour, edible oil, refined petroleum products, sugar, cement and public services such as electricity, water and port charges.

-- The operations of IRA, the GOES basic grains marketing board, ceased in late 1989, and a system of price bands for corn linking domestic to world prices was introduced to maintain producer and consumer price stability for corn.

-- The GOES completed titling of most of the agrarian reform properties and introduced long sought after beneficiary rights legislation into the Legislative Assembly. Secure title increases farmers' propensity to make production and conservation investments in the land. The beneficiary rights legislation, when passed, will grant Phase I land reform beneficiaries freedom to choose their own land tenure arrangements, and permit them to re-organize factors of production. The GOES and USAID have also agreed to create a mechanism to finance the voluntary transfer of land to small farmers.

-- A study of GOES petroleum policies was conducted and the recommendations of this study were acted upon early in 1990. As a result, the importation of crude petroleum was removed from CEL, the state-owned electricity company, and privatized.

-- Finally, legislation permitting private competition in the marketing of coffee was passed by the Legislative Assembly.

Ensuring Price Stability. The GOES has begun to implement measures to close the fiscal and BOP deficits and has implemented strict monetary programming to control inflation and to enforce stability in domestic financial markets during this period of adjustment. For its part, the USG has provided resources to offset the deficits in the balance of payments and in the fiscal accounts.

2. Response of the Salvadoran Economy to the Adjustment Program

Just as the Salvadoran economy began to adjust to the 1989 reform measures, it was buffeted by the fall in coffee export receipts and by the November 1989 FMLN offensive -- the largest in the history of the war. The deficit of the Central Government, excluding grants, rose from 3.1% in 1988 to 4.9% in 1989 (Statistical Appendix C.2.c) due to the decline in coffee exports, increased outlays to meet increased public sector wages (pushed through the Legislative Assembly by the previous administration), and the impact of the aforementioned offensive. Furthermore, the trade deficit worsened in 1989 under the weight of the contraction in coffee exports and the increase in imports because of trade liberalization.

As a consequence of worse than expected performance in the fiscal and trade accounts, the Salvadoran economy weakened. GDP growth for 1989 was 1.1% (as compared to 1.6% in 1988, Statistical Appendix A.1.a), as much of the economic activity generated by mid-year was lost through the disruption of commercial and manufacturing activity during the offensive. Although the GOES met its annual inflation target, inflationary trends were clearly on the rise by year end. Measured on a December to December basis, inflation was 23.5% at the end of 1989 (Statistical Appendix B.1).

The GOES successfully weathered these setbacks, and by mid-year 1990 began to reap the beneficial effects of the economic reforms. With the exception of the offensive-induced loss of monetary control at year end 1989, the GOES exercised sound economic management throughout the crisis. The deterioration in the external and fiscal sectors were contained through further liberalization of the exchange rate regime and sound management of money and credit. More than anything else, these actions preserved the beneficial effects of the adjustment measures taken in 1989.

Balance of Payments. The reforms in the foreign trade sector, along with a Paris Club rescheduling of bilateral debt made possible by lender confidence in the reform program, significantly strengthened the balance of payments in 1990.

- The current account deficit in the balance of payments fell from the equivalent of 9.5% of GDP in 1989 to 6.6% of GDP in 1990 (Statistical Appendix E.1). A major improvement in the service account (drawback exports rose almost 50%), a 17% increase in merchandise exports, and a 46% increase in recorded remittances from Salvadoran living abroad were key factors in the decline.

- The merchandise trade deficit did not change significantly between 1989 and 1990. The $101 million growth in imports (a 9% increase) in 1990 -- reflecting higher real growth in the economy -- was almost offset by a $82 million improvement in exports (Statistical Appendix E.2-3). It is worth noting that nontraditional exports to extra-regional markets surged 33% in 1990.

- A dramatic improvement was registered in the capital account as net private capital inflows (including errors and omissions), increased from a negative $16 million in 1989 to a positive $161 million in 1990. This, combined with a $36 million net inflow recorded in the official and financial sector accounts, pushed the capital account balance to $196 million, a major gain from $86 million in 1989 (Statistical Appendix E.1).

Overall, with the improvement in the current and capital accounts, the balance of payments registered a surplus of nearly $60 million during 1990 -- a marked improvement compared to the deficit of almost $100 million in 1989.

The Fiscal Sector. The GOES achieved its program targets in the fiscal sector. Before grants, the deficit of the consolidated nonfinancial public sector (consisting of the Central Government and the rest of the public sector) declined to 3.6% of GDP from 5.8% in 1989 (Statistical Appendix C.1-3). Led by a 32% increase in Central Government tax collections, total public sector revenues showed a gain to the equivalent of 11.0% of GDP in 1990 from 10.8% in 1989. Although this represents a relatively small real increase, it does reverse the trend of prior years when public revenues fell from 16.8% of GDP in 1986 by the equivalent of two percentage points of GDP each year through 1989. However, the strong fiscal effort in 1990 was in expenditure control. While total public sector expenditures rose 11.6% in nominal terms, as a percent of GDP they dropped from 16.6% in 1989 to 14.5% in 1990. Mirroring financial developments in the entire fiscal sector, deficit of the Central Government was reduced from 4.9% of GDP in 1989 to 3.5% in 1990, under the program target of 3.6%.

Even though the GOES met its revenue targets for 1990, it is apparent that a more extensive effort to improve the machinery of collections and further movement towards a more efficient and equitable tax system is needed. Expenditure restraint enabled the GOES to narrow the fiscal deficit, but this cannot be continued year after year. Public sector investment is already at very low levels and must be increased to support higher real growth rates in the private sector.

Money Supply. The performance of the money supply was one of the most noteworthy developments in 1990 (Statistical Appendix D.1-5). Exchange rate stability and higher real rates of interest on deposits in the banking system have led to an increase in the demand for money, i.e, the willingness of the nonbank public to hold monetary assets in the domestic financial instruments. The desire of the public to hold more colones (and not trade them for dollars or speculative assets) has given the monetary authorities more flexibility over monetary programming and taken the pressure off the balance of payments and inflation. Overall net domestic credit growth in 1990 was 7.7%; growth in credit to the public sector was almost nil and credit to the private sector grew by about 11%. Banking sector liabilities to the private sector, however, surged by nearly 29%. The consequence of these financial developments was overall broad money growth of 28%.

Summary. Sound economic management in 1990 allowed the Salvadoran economy to respond favorably to the stabilization and adjustment measures initiated in 1989. Improved performance in the balance of payments and in the fiscal and monetary sectors led to real GDP growth of 3.4% (Statistical Appendix A.1-4), the largest increase recorded since 1978. This was considerably above the 2-3% target and up sharply from the 1.1% real growth in 1989.

The best performance in 1990 was registered in the agricultural sector. The devaluation of the real exchange rate, the removal of price controls, and the abolition of state trading in coffee and sugar sharply boosted price incentives and increased plantings throughout the agricultural sector. Preliminary figures indicate a 7.4% real growth rate for GDP originating in the agricultural sector in 1990. Benefitting from the improved policy regime and favorable weather conditions, almost all agricultural categories registered impressive gains. Record harvests were achieved for both corn and beans, the two most important staples for domestic consumption and an important source of income for small farmers. With both improved yields and greater areas under cultivation, bean production rose more than 30%, sorghum 11%, and the corn harvest, while only showing 2.4% growth, bettered its earlier record. Coffee output is estimated to have increased by about 19% in calendar year 1990. This, however, is the result primarily a strong 1989/90 harvest which showed an almost 80% increase over the previous crop year. The 1990/91 coffee crop is expected to show a 15-20% drop due to irregular rains and heavier than normal winds during November and December.

Real growth in manufacturing was somewhat slower, at 3%. The reforms in the trade and exchange regime hit hard at import substitution industries. Construction activity also continued to be depressed. Slow implementation of the public sector investment program and reduced demand for private sector housing construction led to a 13% fall in real GDP originating in the construction sector.

Strict adherence to the monetary program was instrumental in bringing inflationary pressures under control in 1990 (Statistical Appendix B.1-7). Without the sudden jump in petroleum prices after the start of the Persian Gulf crisis, inflation would have been about 15-16%, well within the 15-18% target range for the year (on an end-of-period basis). Even with the shock of higher oil prices in the last quarter of 1990, the inflation rate for 1990, 19.3%, was only one percentage point above the high end of the target range and much lower than the 23.5% rate for 1989. This success in battling inflation eased the shock of the adjustment program on the Salvadoran people.

Also contributing to a lower inflation rate were slower increases in food prices. The bumper 1990 harvest in basic grains helped keep the food component of the CPI below a 13% annual rate for the last half of 1990. This was a major improvement compared to the 25% annual rate recorded during the first half of 1990 and the 32% annual rate during the last half of 1989.

### 3. The 1991 Economic Adjustment Program

The GOES has made it very clear that it is not content to rest on its successes in 1989-1990. Although significant progress has been made, further efforts are needed to ensure the reforms are sustainable, and that there is no backward slippage. The adjustment effort must continue until the Salvadoran economy has achieved self-sustaining, noninflationary growth. The GOES now has much more external support for its economic program. With the support of these external donors, the GOES is now constructing a more ambitious economic program for 1991 and beyond.

The first objective of the program is to achieve higher growth and lower inflation in 1991. Supported by the IMF upper tranche Standby Arrangement, the GOES will attempt to further reduce inflation to the 10-14% range and to strengthen the balance of payments so as to create favorable conditions for real GDP growth of 3% or higher in 1991. To achieve these two objectives, the GOES has targeted:

-- A reduction in the overall deficit of the non-financial public sector to a level that can be supported by external grants and concessional loans from bilateral and multilateral creditors, without recourse to additional financing from the banking system. Based on projected foreign assistance to the GOES, net banking system credit to the public sector is programmed to be reduced by 5% in 1991. The deficit, excluding grants, will be reduced from 3.6% of GDP in 1990 to 2.6% of GDP in 1991. Given the 1991 expenditure target of 15.3% of GDP, achievement of this objective will require an increase in revenue collections to 12.6% of GDP in 1991 compared to 11.0% in 1990.

-- The continuation of a monetary program designed to contain pressures on domestic prices and the balance of payments while simultaneously permitting growth targets to be achieved. As such, domestic credit expansion will be limited to 6% growth during 1991. With net banking system credit to the public sector programmed to be substantially reduced during 1991 (see above), sufficient credit should be available for private sector production, commerce and investment. Consistent with growth and inflation targets and balance of payments projections, the broad money supply is programmed to grow 14% in 1991.

-- A narrowing of the current account deficit of the balance of payments (before grants) from the equivalent of 6.6% of GDP in 1990 to the equivalent of 5.5% of GDP in 1991. This target envisages a 15% increase in exports combined with 5% growth in imports. Private remittances are projected to grow by 9%.

-- An increase in the net international reserve position of the Central Reserve Bank of $13 million. This is consistent with a programmed increase in gross reserves to a level equal to 4.8 months of imports, close to El Salvador's near term goal of five months of imports.

The achievement of these targets will contribute to the ability of the GOES to sustain noninflationary growth in the long run, thereby raising the real per capita incomes of the Salvadoran people and laying the basis for sustained social and economic development.

TABLE 1
1991 MACROECONOMIC TARGETS
GOVERNMENT OF EL SALVADOR ECONOMIC PROGRAM

| Performance Indicators | 1990 | 1991 Program Target |
|---|---|---|
| Real GDP Growth Rate in Percent | 3.4 | 3 |
| Inflation -- Percent Change in CPI- Year-end basis | 19.3 | 10-14 |
| Fiscal deficit As Percent of GDP | | |
| Central Government | 3.5 | 2.5 |
| Consolidated Nonfinancial Public Sector | 3.6 | 2.6 |
| Current Account Deficit in Balance of Payments as Percent of GDP | 6.6 | 5.5 |
| Increase in Net International Reserves of the Central Bank- in millions of dollars | 117 | 13 |
| Growth in Broad Money Supply-Percent change over previous year | 28 | 14 |

The second broad objective in 1991 is to continue and extend the structural adjustments begun in 1989. The GOES is now outlining a further two year program of comprehensive structural reform. Many of these actions have already been the focus of USG-GOES negotiations and USAID financed technical assistance. The program includes:

-- Continued Liberalization of the Exchange and Trade Regimes. The GOES will maintain the unified and flexible exchange rate regime under which the nominal exchange rate will automatically adjust as domestic and world conditions change. The range of nominal import tariffs will be further compressed to 5-30% in 1991 with the goal of 10-20% by 1993. The remaining nontariff barriers, such as import authorizations for certain categories of food imports, will be abolished.

-- Strengthening of Public Sector Finances. Following the adjustment and rationalization of tax rates in 1989, the GOES will initiate in 1991 a multi-year program to improve the administration of tax policy and tax collections. A strategy to strengthen budgeting, treasury operations, financial management, accounting and the Court of Accounts will be developed in 1991 with a program of activities to begin later in the year or in 1992.

-- Financial Sector Strengthening. Following on the adjustment of interest rates in 1989, the GOES has agreed with the World Bank to implement a flexible interest rate regime in which the loan and deposit rates will adjust to market conditions in 1991. Now that the legal basis for a private financial system has been established, the GOES will initiate a program to restructure the portfolios of problem banks and S&Ls, divest itself of ownership in these institutions, and develop a strong and independent financial system supervisory and regulatory body.

-- Further Removal of Distortions in the Productive Sectors. In 1991, the system of price bands will be extended from corn to include rice and possibly sorghum. The GOES will also continue its program to privatize the assets of INAZUCAR and INCAFE, the state trading boards for sugar and coffee, and IRA, the now defunct state agency for basic grains.

-- Passage of the Beneficiary Rights Legislation. The GOES will obtain passage of legislation that was introduced to the Legislative Assembly as part of the 1990 program.

4. Other Donor Efforts

The increased participation of external donors will broaden support for economic stabilization and adjustment in El Salvador. USG policy dialogue, reinforced by technical assistance and the ESF cash transfer program, was instrumental to the GOES in their extensive reform efforts in 1989-90. Other donors will now build upon the earlier successes and support the GOES in the continuation of their program in 1991-92. The IMF program will continue into 1991, with a possible follow-on program in 1992. The World Bank recently approved a Structural Adjustment Loan for 1991-93. The IDB is planning major sector lending. A World Bank-sponsored Consultative Group will convene in May 1991 which will hopefully lead other bilateral donors to assist El Salvador.

## III. PROGRAM DESCRIPTION

### 1. Introduction

The success achieved by the GOES in macroeconomic reform and the significantly increased participation of other donors in support of economic adjustment in El Salvador has led the Mission to expand the focus of conditionality under the BOPS program. The GOES has implemented a comprehensive program of economic adjustment, and the Salvadoran economy is responding favorably. Furthermore, the IMF, World Bank, and IDB are supporting a continuation of economic adjustment in El Salvador. These successes in economic reform now make it possible to broaden the conditionality under the BOPS program and apply our policy leverage to achieve other objectives crucial to USG interests in El Salvador. Two of these objectives -- improving public sector efficiency and promoting judicial reform -- are the most important for they are instrumental to achieving sustainable economic and social development in El Salvador.

### 2. USG Goals

As stated in the Mission's FY 1990-FY 1994 Country Development Strategy Statement (CDSS), the goals of the USG's economic assistance program to El Salvador are to: (1) promote economic and social stabilization and economic growth; (2) facilitate broad participation throughout the society in the benefits of growth; and (3) enhance the maturation of incipient democratic institutions and processes and create a political environment conducive to growth with equity. These USAID goals are consistent with the new LAC Bureau Objectives of broad-based sustainable economic growth, support for the evolution of stable, democratic societies, and responses to needs for international cooperation in addressing specific challenges.

It has become increasingly apparent that achieving USG goals are contingent upon improved public sector efficiency and progress in judicial reform. As mentioned above, many of the previous constraints to improved economic performance and broad based economic growth have been successfully addressed by the GOES. However, in spite of GOES efforts in tax reform and expenditure restraint, the efficiency of the public sector remains a problem. The government is inefficient in that it does not capture sufficient resources to finance its operations, nor does it consistently use the resources allocated to it in a rational manner. The structure of government administration is obsolete; many ministries are overstaffed in some areas and understaffed in others. Many government services could be privatized. Internal budgeting and accounting systems track public funds are slow and practically useless for management decisions. The Court of Accounts is engaged in an inefficient pre-audit role. Unless these problems are addressed, it will become progressively more difficult for the government to respond to a growing and developing economy, and a continuing fiscal deficit will continue to frustrate the monetary authorities in their quest to keep the economy on a stable growth path. Without a long-term commitment to improve public sector efficiency, high rates of noninflationary growth will be an elusive goal, and economic and social development in El Salvador will be constrained.

Judicial reform is a sine qua non for a stable, equitable, democratic society. The heretofore absence of significant success in addressing the problems of the judiciary contributed to the inability of the country to bring an end to the eleven year civil war. Moreover, governance could ultimately affect the success of the adjustment program. For example, tax, tariff, and customs reforms could be undermined by inept or corrupt public officials. In addition, the rule of law and the effective administration of justice provide the populace with access to acceptable non-violent channels for conflict resolution. Without this, there is little respect for contract and property rights, an essential feature of a market based economy. In addition, a more sound and equitable judicial system will bring legitimacy to the Salvadoran government in the eyes of other donors, particularly bilateral ones.

Given the Mission's interest in the success of the economic program and the continuation of other donor support for said program, the 1991 Balance of Payments Support program will continue to support the GOES adjustment program. However, the conditionality will be broadened in keeping with USG priorities. The agenda for 1991 will build a base for a long-term program of interventions to address public sector inefficiency and weaknesses in the judicial sector. The nature of these problems, however, precludes a near term solution. Nevertheless, the Mission will begin the process and focus the efforts of the GOES on these problems. As opportunities to improve government efficiency and judicial reform appear, the Mission will design appropriate interventions to deal with them. While there are arguably a number of other areas that could be suggested for inclusion in the policy dialogue agenda for 1991, public sector efficiency and judicial reform were selected because they permeate all the USG's efforts in El Salvador and have an impact on the long-term success of the structural adjustment and reform process.

### 3. Rationale for Continued USG BOP Support

Although the need for USG BOP assistance has declined in recent years, without assistance in 1991, the GOES economic program could fail, and there could be slippages on the gains made in 1990. The $90 million contemplated for cash transfer assistance in 1991 represents about 7% of the import level, and 30% of the current account deficit projected for the balance of payments in 1991. Under the existing flexible exchange rate regime, the absence of these resources would immediately put pressure on the exchange rate. If the monetary authorities did not quickly respond to this situation, the nominal exchange rate could devalue by at least 15% and domestic inflation could be at least five percentage points above the GOES target for 1991. Of course, the monetary authorities would respond. The BCR would, in all likelihood, do as it has done under similar circumstances in recent years. The target for domestic credit would be revised downward by as much as 10%, as the BCR attempted to compensate for the reduced external resources by reducing domestic demand. In the final analysis, it makes little difference whether the monetary authorities react passively or aggressively; without significant USG assistance, the Salvadoran economy would not be able to achieve its targets under the IMF sponsored stabilization program.

These arguments for continued USG balance of payments support are valid in spite of the increase in net international reserves that occurred in 1990 and those planned for 1991. This reserve position is a very important feature of the IMF/GOES monetary program and is designed to give the GOES an important cushion as the Salvadoran economy passes through subsequent phases of adjustment in 1991 and beyond. During the discussions among the GOES, IMF and USAID that preceded the design of the monetary program, it was agreed that it would be prudent to give the GOES a margin of international reserves so that the monetary authorities could better manage the exchange rate regime during the adjustment shocks that will likely occur. For example, further tariff adjustments scheduled for 1991 and the privatization of the commercial banks will have immediate an impact on import levels and on the capital account of the balance of payments. In order to dampen the shock of these events on the exchange rate, the monetary authorities should have at their disposal a reserve position equal to some five months of imports. Such a reserve will also prove to be useful as the Salvadoran economy experiences sustained annual real growth of 3% and higher.

For the Salvadoran people, the absence of USG balance of payments support would mean that their hopes for higher incomes and improved quality of life would be frustrated. Without this support, there would be lower imports of fuel, raw materials and intermediate goods critical to private sector activity and for the generation of jobs and incomes. Without these inputs, the growing response of agriculture and industry to the improved policy environment would be choked off. Consequently, the ability of the Salvadoran economy to absorb more people from the low wage informal sector to more productive employment would be frustrated.

Less balance of payments assistance would also reduce the local currency resources that the GOES applies to key social programs that help cushion the impact of the adjustment program on the most needy. The civil war, earthquake reconstruction and economic adjustment have put added demands on the capital budget. The GOES contributes counterpart funding to the portfolio of AID and other donor projects in areas such as the displaced persons, health, education and rural development. Resources are also needed for the ongoing repairs and reconstruction of war-related damage to roads, power and communications. Lastly, if the war comes to a end, the GOES will require the flexibility to respond quickly to high priority needs in areas such as municipal development that will allow the administration to achieve its goals in the social arena and promote democratic reform.

Lastly, balance of payments support helps forge a lasting partnership between U.S. exporters and Salvadoran industry. USG assistance will play a large part in the creation of a stable economic environment in which U.S. exporters can participate in Salvadoran growth and recovery. For Salvadoran importers, the partnership will give them access to the goods and technology that will be important to the long term development of their economy.

4. Constraints to Public Sector Efficiency

There are numerous obstacles facing the GOES in its quest to improve public sector efficiency and overhaul the judiciary. Constraints to public sector efficiency lie in distinct areas: inadequate tax policy and tax administration, lack of integrated financial management and auditing and an inefficient structure of of public sector wages and employment.

Tax Policy and Administration. The GOES cannot now capture sufficient resources to meet its expenditure demands. The administration of direct and indirect taxes and customs revenue must be strengthened. This will require staff training in all areas of tax administration, the automation of tax and customs procedures, an accurate and manageable registry of taxpayers and a corps of skilled auditors. With USAID support, the GOES has prepared a comprehensive strategy (Program of Modernization and Improvement of Fiscal Administration to be henceforth referred to as the PMM) to address the formulation of tax policy and the administration of customs, indirect taxes and direct taxes. The strategy was approved, and the GOES has now begun to contract for the long-term technical assistance required to implement the multi-year PMM. While the lengthy procurement process unfolds, the GOES has obtained several packages of short-term technical assistance in order to resolve several immediate problems in the area tax administration.

Integrated Financial Management and Auditing Financial administration must be improved in order to efficiently plan and account for government expenditures. To accomplish this, the GOES requires a uniform system of integrated financial management and auditing that includes:

--a budget process converting programs into financial requirements and assigning resources to these requirements in a prioritized manner;

--a treasury function that includes cash flow and debt management;

--an accounting function providing the financial information for planning and statistics and

--a Court of Accounts performing independent post-audits of governmental organizations, programs, activities and functions. As such, pre-control would be performed at individual organizational levels with proper internal controls in place to safeguard the assets and prevent fraud, waste and mismanagement.

A 1986 study contracted by USAID examined GOES financial management. It found that the laws governing budget, treasury, accounting and auditing operations were obsolete and badly in need of revision. Furthermore, it discovered that:

--the budgeting process has no single head and is difused throughout the government;

--treasury operations cover only a part of the public sector;

--the accounting system does not record information classified according to the organizational units of the GOES and

--the Court of Accounts possessed a legal and administrative apparatus that was obsolete and overstaffed. Currently, it performs pre-audit on all public sector institutions. The Salvadoran public sector has grown so much that the exercise of a centralized pre-control function now poses a significant bottleneck to the GOES financial control systems.

In April-May 1991, the GOES and USAID/El Salvador will develop a strategy for a program of activities to address the problems raised by the 1986 study. The program of activities should begin late in 1991 or in 1992.

<u>The Structure of Public Sector Wages and Employment</u> complements the fiscal problem. Overstaffing, as well as inappropriate staffing, is a prominent feature of public administration throughout the ministries of the Central Government and the autonomous agencies. For example, the Ministry of Agriculture and its associated autonomous agencies currently have 12,000 employees; it is estimated that perhaps only 2,000 are really necessary. In the Ministry of Health, the ratio of administrative to field personnel is excessive. Bloated bureaucracies must be trimmed and human resources shifted to those areas where government services are critical. Several autonomous agencies could be liquidated or privatized. Furthermore, the salary structure of the government is antiquated and does not provide adequate remuneration for critical skill levels. The GOES, with USAID-financed technical assistance, is planning a comprehensive review of employment and salary levels throughout the Central Government and the autonomous agencies. Based on this review, the GOES should implement adjustments in salary scales and employment levels along with the necessary plans for separation payments.

### 5. <u>Constraints to the Reform of the Judiciary</u>

In the early 1980s, the limitations of the Salvadoran judiciary became apparent with the inability of the Salvadoran justice system to successfully resolve several internationally publicized crimes. The weaknesses in the system were extensive. At every level the officials involved -- prosecutors, justices of the peace, judges, police investigators -- were poorly paid and poorly trained. As was true of other government sectors suffering through years of economic crisis, resources were severely limited, and the scarcity of basic materials and equipment would have crippled even a system that was otherwise problem-free. Justices of the peace and judges did not have even copies of the basic laws, or sufficient paper to carry out their work. Laws were antiquated and contradictory. The criminal justice system, established in more tranquil years, was overwhelmed by the growing flood of crimes arising from a society racked by years of war and economic crisis, and marked by a rapidly growing population. Less tangible, but even more detrimental to the credibility of a system of justice, was the influence and intimidation exerted by powerful interest groups, a reflexion of an historically polarized and stratified society. The structure of the judicial branch itself -- the method of selecting judges and their terms of office -- reflected a politicization of the system that made impartial justice a remote possibility.

The Judicial Reform Project (519-0296) which began in 1984 was organized around three areas defined by Congressional earmarks: "promotion of the creation of judicial investigative capabilities, protection of key participants in pending judicial cases, and modernization of penal codes." A fourth component was added to the project to address the need to improve the overall administrative capability of the court system.

Component I of the project created the National Legislative Revisory Commission (CORELESAL) to modernize the penal codes. The Commission was composed of representatives of all official sectors related to the justice system. The purpose in creating the Commission with diverse representation was to guarantee a thorough airing of proposals by the groups most affected by potential changes; to try to reach concensus among these groups before introducing the legislation in the Assembly; and to promote an apolitical approach to changing the judicial system, an element considered crucial for achieving real results. In addition to addressing the penal codes, CORELESAL was assigned the task of providing the legal basis otherwise needed to restructure the judicial system and improve its functioning.Component II of the project created a Judicial Protection Unit (JPU) within the Ministry of Justice to address the problem of intimidation recognized in the Congressional earmarks.

Component III was designed to address the inadequate investigative capabilities in El Salvador. Besides often spelling failure during the investigative stage of cases, the lack of investigative capability also led to excessive reliance on confessions by police and courts -- a characteristic of the Salvadoran judicial system which in turn often led to human rights abuses. In order to professionalize the investigative process and reduce the number of human rights abuses, the Commission for Investigations was created, under civilian control.

Component IV, Court Administration and Training, was designed to address the overall deficiency in training, resources, and organization of the court system. Specific problems were defined by a study of the courts carried out jointly by CORELESAL and ILANUD.

In addition to the dollar-funded activities financed under the project, a number of activities were financed with counterpart funds. The Public Defender's Office, which had been financed by AID in the early 1980's and had closed when external support ended, reopened its doors in 1986. Support was given to the Attorney General's Office to allow it to establish a Human Rights Division and to strengthen its overall operations. Local currency support permitted the Supreme Court to establish an administrative division, to provide additional resources to the judges, to establish a printing office, to improve the physical facilities of some of the courts, and to open new courts.

The Judicial Reform Project did not address all of the problems surrounding the failure of the administration of justice in El Salvador. Realistically, it could not have done so given the magnitude and complexity of the problems. Futhermore, regardless of how necessary the changes are, it is difficult for a society to break with long traditions and seek a bold reorganization of its legal structure in the midst of war and economic crisis, especially when many of the problems the system is confronting are related to the war. Additionally, differences with the Supreme Court over advancement of key cases and policy matters have resulted in the suspension of activities with the Court twice during the life of the project, thus delaying implementation. Within these limitations, the judicial reform activities have achieved some measure of success, but much remains to be done.

All the justices of the peace received training from ILANUD two years in a row in the basics of their jobs. For most, this was the only training they had ever received. The Court began printing the annual Judicial Gazette, containing jurisprudence and Supreme Court decisions, for the first time in ten years. The Court also printed an updated version of the most basic laws and distributed it to all the judges and justices of the peace, many of whom had no legal references books available to them prior to that time. The San Salvador courts increased their hours to full-time, and the Attorney General's Office followed suit. Several new courts opened to accommodate growing populations. The Court's budget doubled within a few years, and it began other programs to improve the court system, including establishing a system of roving judges to clean up long-pending case backlogs.

The Public Defender's Office has increased its staff of attorneys to 103. It has served nearly 8000 people, resulting in the release of 2000 from prison. In a country where the majority of the people do not have the economic resources to hire an attorney, access to legal counsel alone is a major step forward in providing equal justice. Furthermore, changes in the legislation begun by CORELESAL have required that legal counsel be provided to defendants at an earlier stage in the judicial process and have institutionalized the public defender's function. The SIU has gained recognition as a highly trained, professional investigative unit, dedicated to its work. The forensic lab has been recognized as equally professional and competent. Neither of these capabilities existed in El Salvador five years ago. Most importantly, the concept of using physical evidence instead of relying solely on confessions has been planted and is beginning to spread.

The JPU is perhaps the least successful of the elements of the Judicial Reform Project. The JPU was disbanded after serving at two trials, and this component has lain dormant since then. The problem of intimidation is complex and difficult to solve. Added to the difficulty is our reluctance to create another armed force, of whatever potential good, in a country where official armed groups abound and easily lead to abuse. In the meantime, protection services have been provided through private contractors on an individual basis.

The final activity under the project, CORELESAL, has not been a successful as anticipated. Although CORELESAL has drafted fifteen laws to date and nine of these have been enacted, a recent evaluation determined that these laws have not had a serious impact on the criminal justice system in El Salvador. The reasons for this are numerous: debate within CORELESAL is not as vigorous as it should be, which is at least partially attributable to a chilling effect which the members from the Supreme Court have on the others; introduction of new ideas has been too limited, because few of the members have any experience outside their own system and they have not availed themselves sufficiently of external technical assistance; real changes, including a restructuring of the court system itself, require amendments to the Constitution, and CORELESAL did not see changes at that level as included in its mandate, or did not think they were achievable; political opposition, particularly from the Supreme Court, resulted in some of the CORELESAL legislation being changed, and its effect reduced, after CORELESAL had finished working on it.

Although we hoped for greater success with this component, it may not have been realistic to think that CORELESAL, or any other organization in El Salvador, was easily going to address the most difficult issues involved in judicial reform from the outset of the project. The politicization of the court system, which is at the root of much of the corruption and miscarriages of justice, is obviously beneficial to many powerful groups and individuals. Changes in this system are going to occur only after a difficult struggle. CORELESAL was given the freedom to create a "Salvadoran" solution to the problems of the judicial system, with our financial and political support. Given the sensitivity of the Salvadorans to having "foreign" reforms to the system imposed on them, it was an essential step in the process. Additionally, despite limited results, the past five years of the program have served to help bring the need for judicial reform to the forefront. With the results of the evaluation, we now have a firm basis on which to sit with the Salvadoran Government to negotiate a clearer agenda for judicial reform, to restructure the mechanism for establishing the legal basis for those reforms, and to build on the momentum that has been generated.

It has also become clearer that real reforms will require attitudinal changes. A recent nationwide opinion survey of Salvadorans revealed that although the majority believe their system of justice is corrupt, inefficient, and unfair, they do not see the judicial system as distinct in this regard, but rather typical of Salvadoran government and the society in general. Obviously trying to change attitudes that shape the judicial system is going to be a long-term affair when these attitudes and the problems manifested by them are not unique to a small segment involved directly in the judicial system, but rather reflect the society as a whole.

Given the experience gained over the past five years of project implementation, it is an appropriate time to heighten the policy dialogue on judicial reform. Four conditions are being included within the balance of payments support program. The first requires a restructuring of CORELESAL and establishment of a clear legislative reform agenda, to assure better progress on this front. The second condition requires that the Government carry out a public awareness campaign, to address the need for attitudinal change. The third and fourth conditions require that specific steps be taken to address the need to increase the independence of the judiciary, a key issue within the judicial reform program.

6. Conditionality

a. Overview

The conditionality for the 1991 Balance of Payments Support program will consist of benchmarks related to: furthering macroeconomic policy reform; public sector efficiency including areas of tax administration, integrated financial management and auditing, public sector employment (including privatization); and, judicial reform. The balance of payments support will be disbursed in two equal tranches on/about June 15, 1991 and October 15, 1991. This schedule is consistent with the projections made by the monetary authorities under the 1991 monetary program. The performance benchmarks will be grouped around the two disbursement dates.

b. Macroeconomic Performance

The GOES is keenly aware of our interest in the continuation of the stabilization and adjustment program. It it were to falter, or regress, many of the Mission's interventions -- especially in privatization and export development -- would suffer. Accordingly, our BOP program will support the GOES commitment to pursue specific adjustment targets: a fiscal deficit equivalent to 2.6% of GDP; a BOP current account deficit equivalent to 5.5% of GDP and money and credit expansion consistent with real GDP growth of 3% and inflation of between 10-14%. In June and October 1991, GOES economic performance will be reviewed to determine if progress is consistent with the targets set in the GOES economic program.

c. Tax Policy and Administration

By June 1991, the Ministry of Finance will have initiated a multi-year program to improve tax policy and the administration of taxes in El Salvador. Consistent with this program, the GOES will complete the following actions in 1991:

-- Elimination of most of the remaining exemptions to import tariffs and the stamp tax;

-- Elimination of official paper tax; and

-- Specific measures to improve tax administration including, inter alia, raising penalty interest rates to market rates, requiring tax payments at time of filing, and reducing the period for banks to transfer tax proceeds collected to the Ministry of Finance from 45 to 3 working days.

By October, 1991, the GOES will have made further progress in the reform of fiscal administration by simplifying the structure of the

TABLE 2

1991 BALANCE OF PAYMENTS SUPPORT PROGRAM

| | JUNE 1991 (First Disbursement) | OCTOBER 1991 (Second Disbursement) |
|---|---|---|
| 1. Macroeconomic Program | Continue to implement GOES Economic Program. Performance targets include: reduction of fiscal deficit to 2.6% of GDP, BOP current account deficit of 5.5% of GDP, and monetary targets consistent with 3% real GDP growth and 10-14% inflation. 1/ | Continued satisfactory progress in achieving macroeconomic targets.<br>Adjust CEL, ANDA, and CEPA rates to levels consistent with program's fiscal targets. |
| 2. Agrarian Reform | Obtain passage of Beneficiary Rights Legislation. | |
| 3a. Public Sector Efficiency: Improve tax policy and administration (PMM). | Begin the implementation of comprehensive fiscal reform as laid out in the action plan recently approved by GOES. | Under this Action Plan, specific actions to be completed by October are:<br>Convert the current specific tax on alcoholic beverages to an ad-valorem basis.<br>Eliminate remaining exemptions to tariffs and stamp taxes.<br>Eliminate official paper tax.<br>Improve tax administration by raising penalty interest to market rates and requiring banks to transfer tax proceeds to Treasury within 3 working days. |
| 3b. Public Sector Efficiency: Strengthen integrated financial management and auditing. | With the participation of the MOF and the Court of Accounts, establish a committee to review and evaluate the GOES strategy for integrated financial management and auditing. | Committee approval of the GOES strategy.<br>A technical group formed by the Committee to begin drafting new legislation for GOES budgeting treasury, accounting and Court of Accounts. |

1/ These targets are subject to revision upon receipt of final draft of monetary targets.

1991 BALANCE OF PAYMENTS SUPPORT PROGRAM

| | JUNE 1991 (First Disbursement) | OCTOBER 1991 (Second Disbursement) |
|---|---|---|
| 3c. <u>Public Sector Efficiency:</u> Rationalize public sector employment. | Presidential Commission established for liquidation and privatization of state-owned enterprises.<br><br>Privatization law drafted and presented to Legislative Assembly.<br><br>Priorities for privatization set by Commission. | Complete an analysis of public sector employment and salary levels. Based on the analysis, prepare a plan for employment and salary adjustments. |
| 4. Judicial Reform: Strengthen administration of justice in El Salvador. | The GOES will initiate a program for the modernization of the Salvadoran judicial system. The program will consist of the following actions:<br><br>1. Create a technical support unit within the MOJ. | The new technical unit in MOJ, with internal and external technical assistance, will have prepared a legislative agenda, and have adopted broad operating procedures to permit public debate of proposed legislation. |
| | 2. Begin a public awareness campaign and open public hearings to discuss a judicial reform program to promote the efficient administration of justice. | Continue public awareness campaing. |
| | 3. With technical assistance, carry out a study of selection process and terms of office of key positions of the Judicial Branch. | The GOES will organize public hearings to discuss recommendations of the study. |
| | | 4. Submit legislation to the Legislative Assembly modifying the composition of the National Council for the Judiciary in order to broaden the representation of other interested groups in the selection of 1st and 2nd Instance Judges. |

alcohol and beverage tax including a conversion from specific to ad valorem rates.

Discussion. These measures are an important follow-on to the reforms taken late in 1989 and are consistent with the long-term objectives of the GOES under the PMM. The PMM will likely only have begun its activities by mid-year 1991. The above reforms, however, will result from short term technical assistance packages which are currently being provided to the GOES.

d. Integrated Financial Management and Auditing

By June 1991, the Ministry of Finance and the Court of Accounts shall form a committee to review and approve a GOES strategy for strengthening the system of integrated financial management and auditing. This strategy shall be based upon recommendations jointly prepared by USAID/GOES. By October 31, 1991, the committee shall approve such a strategy and, in addition, shall form a technical group to begin drafting appropriate legislation to establish new budgeting, treasury, accounting and auditing procedures in the GOES.

Discussion. As was discussed in section III.4 above, USAID/El Salvador with GOES participation will prepare recommendations for improving the system of integrated financial management and auditing in the GOES. This effort will take place in April-May 1991. The recommendations will be presented in June to a committee consisting of representatives of the Ministry of Finance and the Court of Accounts for review and evaluation. One important task facing the committee will be to evaluate those parts of the strategy that call for revision of the laws governing budget, treasury, accounting and auditing. In particular, the committee will consider the 1987 draft Organic Law for the Court of Accounts prepared under USAID auspices. The committee will determine the need to expand the scope of this proposed legislation to cover other areas of integrated financial management and auditing. By October 31, 1991 the committee shall complete its evaluation and propose a strategy acceptable to USAID. By October 31, 1991 the committee shall also form a technical group to begin work on drafting revised legislation governing all aspects of integrated financial management and auditing which will form the legal basis to implement new procedures for GOES financial operations.

e. The Rationalization of Public Sector Employment

By June 1991, the GOES will have formed a Presidential Commission to oversee the privatization of state-owned enterprises. Additionally, under the supervision of the Commission, the GOES will have drafted a privatization law and will have presented it to the Legislative Assembly. Lastly, armed with its legal authorization, the GOES will have set priorities for the liquidation and/or privatization of state-owned assets.

By October 1991, the GOES will complete a review and analysis of Central Government wage and employment levels. Based on this analysis, the GOES will prepare and openly discuss a plan for employment and salary adjustments. The plan will include the magnitude and timing of the initial round of employment adjustments, retirements and employee compensation; the schedule and magnitude of adjustments to the public sector salary scale; and the designation of specific departments of ministries or public agencies for more detailed analysis. As part of the in-depth analysis of specific entities, the GOES will develop time-phased training plans to improve the efficiency of the remaining workforce.

Discussion. With USAID-financed technical assistance, the Ministry of Planning and Coordination of Social and Economic Development (MIPLAN) will conduct an analysis of the employment and wage structure throughout the Central Government and selected autonomous agencies. The purpose of the study is to identify areas of over- and understaffing and key positions where wages should be adjusted. This analysis will be the first step in the process of improving the efficiency of the public sector workforce.

f. Judicial Reform

In 1991, the GOES will initiate a set of four actions to modernize the Salvadoran judicial system. First, by June 1991, the GOES will have created a technical support unit within the Ministry of Justice to draft legislative reforms. By October 1991, this new unit, with the help of outside technical assistance, will have prepared a new legislative agenda, and will have adopted broader operating procedures to permit public debate of proposed legislation.

Discussion. Due to excessive influence on CORELESAL by the Supreme Court and its failure to address some key issues, the Executive Branch will be given more responsibility over the drafting of reform legislation. Accordingly, a new technical unit will be established in the Ministry of Justice, and financing for CORELESAL is being terminated. A strict agenda of reforms for this unit to address will be established with the help of technical assistance. Additionally, procedures will be established requiring the new unit to open proposed legislation to public debate from very early in the process, to overcome the growing problem of isolation that we perceived to be developing with CORELESAL.

Second, by June 1991, the GOES will have begun a public awareness campaign and open public hearings to discuss a judicial reform program to promote the efficient administration of justice.

Discussion. As discussed above, one of the major constraints to reform of the judicial sector is an attitudinal one: corruption and inefficiency are regarded as commonplace and are accepted as the norm. Those who do recognize the need for reform often feel powerless to bring about change. This condition is aimed at stimulating the Salvadoran people, and the Government itself, to recognize the need for change, and to begin to think about how they can effect this change. The public awareness campaign will heighten the public debate that has evolved as a result of the Judicial Reform Project and will give the Government's imprimatur to this debate, a necessary condition if people are to feel free to discuss these often controversial issues.

Third, by June 1991, the GOES will carry out a study of the selection process and term of office of key positions of the Judicial Branch. By October 1991, public discussion of the recommendations of the study will be held.

Discussion. In accordance with the terms of the Salvadoran Constitution, all fourteen members of the Supreme Court are named at the same time by the Legislative Assembly and have a five year term of office. Neither the selection process nor the short-term of office are conducive to establishing an independent, impartial judiciary, and in fact result in a highly politicized structure. While there are many alternatives that could be proposed, no one is clearly more correct than the others, and any change has to take into account the highly complex political situation in El Salvador. The condition proposed would require the GOES to take the first step in making fundamental changes to the current judicial system by carrying out a study of the selection process of the Supreme Court and its term of office. The recommendations flowing from this study would then be discussed publicly in order to ensure that the views of all political, social, and economic sectors are heard, reinforcing the pluralistic process intrinsic to a democratic structure.

Lastly, by October 1991, legislation will be submitted to the Legislative Assembly that revises the composition of the National Council for the Judiciary in a manner that broadens the representation of other interested groups in the selection of first and second instance judges.

Discussion. The 1983 Constitution made key advances in promoting an independent, impartial judiciary. It required that a National Council for the Judiciary be created which would nominate these judges. (Prior to this revision in the Constitution, the naming of lower court judges was at the full discretion of the Supreme Court, which itself was named by the Legislative Assembly, resulting in a politicization of the system from top to bottom.) For several years the Constitutional requirement to establish the National Council for the Judiciary was ignored. In 1988, CORELESAL drafted implementing legislation that would have created a Council composed of a mix of upper and lower court judges, government representatives, and representatives of the bar associations and law schools. However, the Supreme Court revised the legislation, changing the composition to give it a dominant role. Although the Legislative Assembly also revised the composition somewhat, the legislation ultimately passed still allowed the Supreme Court to retain a majority over the new body. The proposed reform would require the GOES to draft and submit modifying legislation designed to increase the autonomy of the National Council on the Judiciary from the Supreme Court, as was intended by the Constitutional Amendment.

## IV. SELECTED TOPICS

### 1. Local Currency Program

Purpose. Host Country Owned Local Currency (HCOLC) generations from the Balance of Payments/ESF and PL-480 Agreements continue to be programmed bilaterally with the GOES. The objectives of the HCOLC program are to enhance the capacity of the Government of El Salvador to design, manage and support its economic and social development programs; and to further United States Government development and policy objectives in El Salvador. Over the past several years, HCOLC generations have targeted: (1) stabilizing a deteriorating economy and a fragile social situation; (2) achieving recovery and sustained economic growth; (3) broadening the benefits of growth; and (4) strengthening the democratic process.

Given the success of stabilization efforts and in conformance with the dollar program, the HCOLC program now supports GOES efforts to achieve broad-based sustainable economic growth, the evolution of a stable, democratic society and the need for international cooperation in addressing specific challenges. Although the local currency program supports all Mission strategic sub-objectives, major emphasis is given to funding programs to encourage accelerated opportunities for increased participation in the economy by the historically disadvantaged and the strengthening of competent civilian governmental institutions.

Management. During 1990, the Mission continued to improve the Mission/GOES operational management system for the design and implementation of HCOLC activities. In 1989, the Mission revised operating procedures to clarify various program responsibilities. Although these changes improved local currency program management, further modifications were made this year to focus more attention on project impact, delegate more operational authority to GOES agencies and Mission technical offices, reduce review and approval time, and to comply with pending AID/W local currency guidance. Steps taken include: the HCOLC Action Plan format has been redesigned to stress purpose, objectives and activities instead of inputs; Mission technical offices were given the lead on review and approval of incoming action plans, thereby reducing time and paperwork needs substantially; more audit responsibility was placed on the Court of Accounts and SETEFE; and implementing institutions were limited to submitting only one HCOLC Action Plan per program, thereby reducing the number of HCOLC Action Plans to under 40 and substantially reducing the subsequent number of reprogrammings.

ESF local currencies finance activities in four areas: (1) counterpart for A.I.D. projects, (2) specific GOES/Mission high priority activities such as a PVO support fund and municipal development activities; (3) general budget support to GOES development programs, such as in health, education and agriculture and counterpart for other donor projects; and (4) AID trust funds. P.L. 480 local currencies fund activities in only the first two areas and only those with a rural focus. In recent years, the Mission has embarked on a policy track to reduce the number of management units, while recognizing the need to maintain emphasis on the Mission's highest priorities. There is also a clear understanding that ESF/BOP levels will, most likely, continue to decline. With the passage of new PL-480 legislation, the local currency resources generated will no longer be available.

As in the past, all local currency received under ESF or PL-480 agreements will be placed in separate accounts at the Central Bank (BCR). Implementing agencies, for projectized activities and for counterpart to A.I.D. projects, will receive local currency only in accordance with a HCOLC Action Plan approved by MIPLAN and A.I.D. The Mission will fulfill its monitoring responsibilities by analyzing and approving action plans, by requiring progress reports on activities carried out under action plans, and by requiring MIPLAN to conduct periodic audits and end use checks of resources. For the general budget support component, which is attributed to the national budget, A.I.D. and the Ministry of Finance will agree on sectors to receive funding. The Ministry of Finance will provide A.I.D. periodic reports on expenditures. For funds used by the Mission under its Trust Fund arrangement, A.I.D. will report on uses of funds to the GOES.

Programming. The FY 1990 ESF BOPS and P.L. 480 Title I Programs generated the Colon equivalent of $97.96 million and $35.0 million respectively for a total of $132.96 million. The Mission and GOES have jointly programmed these local currency resources to reinforce the aforementioned Mission objectives. Of the combined ESF/P.L. 480 Title I generations, approximately $34.1 million is for counterpart to A.I.D. projects, $32.0 million finances GOES priority projects, $59.7 million funds ordinary budget support for the education, health and agriculture ministries, as well as 1991 election support and other donor counterpart, and $7.1 million is for A.I.D. OE and program trust funds. The PL-480 Title I generations only finances counterpart to A.I.D. projects with a primarily rural focus and GOES priority projects in the rural areas. Except for a significant portion of ordinary budget support, these funds are being disbursed in CY 91.

The GOES in general and its implementing institutions in particular have matured in recent years. Although some entities are still struggling, many have overcome severe constraints to become much more reliable partners in the development process. These institutions' long-term involvement in implementing local currency activities has produced worthwhile experiences and lessons learned. The local currency program has witnessed steady improvement in terms of implementation and results attained. The Mission has helped the maturation process with technical assistance provided to strengthen management and accounting practices within local institutions. We have reinforced the improvement process by making the earlier mentioned changes in procedures and processes designed to give more responsibility and authority to the GOES.

TABLE 3
LOCAL CURRENCY PROGRAMMING
(COMBINED ESF AND PL 480 TITLE I)

| | Components | FY 1990 amount million | FY 1991 amount million | FY 1992 amount million | FY 1993 amount million |
|---|---|---|---|---|---|
| (1) | GOES counterpart for AID projects | $ 34.1 | $ 40.0 | $ 40.0 | $ 40.0 |
| (2) | High priority projects | 32.0 | 27.5 | 0.0 | 0.0 |
| (3) | General Budget Support | 59.7 | 43.9 | 37.2 | 45.5 |
| (4) | A.I.D. OE Trust Fund | 5.1 | 5.6 | 5.3 | 4.5 |
| (5) | A.I.D. Program Trust Fund | 2.0 1/ | 8.0 2/ | 7.5 3/ | 0.0 |
| | TOTAL | $132.9 | $125.0 | $ 90.0 4/ | $ 90.0 4/ |

1/ $2.0 million for PVO foundation working with AIFLD.

2/ $3.0 million for PVO foundation working with AIFLD and $5.0 million for Central America University/UCA.

3/ $2.5 million for PVO foundation working with AIFLD and $5.0 million for Central America University/UCA.

4/ Decrease due to shift of PL-480 Title I responsibility to USDA.

The strengthening of GOES organizations and the Mission's desire to reduce and consolidate management units has led to a policy change. That is, the Mission has decided to eliminate its involvement in GOES priority projects. Financially, this will be accomplished by shifting resources targeted for priority projects to the ordinary budget; beginning with a program decline in FY 91 resources and ending with total withdrawal with FY 92 resources. The number of GOES priority projects has declined from 15 to nine over the past two years. The programming of FY 91 resources envisions a further decline to seven GOES priority projects with emphasis on regional development/municipalities in action, democracy strengthening and agricultural/natural resources activities. (See Table 4 for an illustrative list of high priority projects for CY92 using FY91 programmed funds.)

In addition, the Mission's planned dollar portfolio will decline from approximately 35 projects in FY 91 to approximately 26 by the end of FY 94. This decline will reduce the demand for local currency counterpart to AID projects in the out years, and potentially free more funds for ordinary budget support, contingent upon the overall availability of resources. It should be noted that despite the declining trend in the number of management units, resources required for counterpart will not significantly diminish over the next three years This reflects the continuing need of ongoing projects scheduled to conclude during the above period, as well as substantial local currency requirements identified for the Strengthening Achievement in Basic Education Project, the Health Systems Support Project Amendment and the FY 92 Municipal Level Democratic Development Project.

The increasing availability of local currency to the GOES has three important consequences. First, it shows the Mission's growing confidence in allowing the GOES to make its own decisions within the budget process framework. Although the Mission will continue to participate with the GOES in allocating resources among priority sectors in conformance with AID policy, the GOES will have to make the tough decisions regarding allocations to particular activities within each sector. Second, these resources will enable the GOES increased flexibility to meet contingencies arising from quickly changing conditions. For example, if a peace accord is reached, the government would have to respond expeditiously and mobilize resources to implement specific agreed upon arrangements. This would be more easily facilitated without having funds tied up in specific projects. And third, the disbursement of local currency to the ordinary budget provides an instrument to reinforce policy dialogue at the macroeconomic and sectoral levels. Last year, for instance, we incorporated covenant-type language into the Local Currency Memorandum of Understanding to encourage the GOES to take steps to modernize its public sector finance system, study public sector workforce efficiency and establish a privatization commission, all of which are big elements in our development strategy.

The FY 91 ESF/BOP and P.L. 480 Title I programs will provide a combined total of $125.0 million which will generate approximately colones 1.0 billion. The Mission and GOES have just initiated discussions regarding the programming of these funds, most of which will be expended in CY 1992. Table 3 contains current and planned program levels for local currency generated from ESF/BOP and PL 480 Title I obligations.

TABLE 4
ILLUSTRATIVE LIST OF HIGH PRIORITY PROJECTS
CY 1992 LOCAL CURRENCY PROGRAM FROM ESF/PL 480 TITLE I FY 1991 RESOURCES

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Uplands Agricultural Systems/CENTA

Natural Resource and Env. Strategy

Regional Development (MIA,
Regional Development Program, CONARA Adm)

Municipal Development/ISDEM

Support to Administration of Justice

-Human Right Commission
-Election Observers Program

Private Sector Support(PVOs)

SETEFE Institutional Support

-SETEFE Audit Program
-SETEFE Administration

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2. Price Checking Unit

With USAID-financed technical assistance, the BCR established an office to verify prices on merchandise imports financed under the USG balance of payments support programs. The prices stated on the commercial invoices are checked against an international registry to determine if the prices conform to world prices for the same product. The purpose of the verification is to prevent unauthorized access to official foreign exchange through the time-honored practice of overinvoicing import transactions.

Under the previous fixed exchange rate regime in which the colon was overvalued, the Price Checking Unit performed an important function. Overinvoicing of imports is a tactic that is beneficial only under a fixed exchange rate regime with limited access to official foreign exchange at a preferential rate. However, the need for a price checking unit has disappeared with the implementation of a flexible exchange rate regime in El Salvador. Under a flexible exchange rate regime, where the rate varies with the forces of supply and demand, there is no preferential rate. An importer has unlimited access to foreign exchange at the going price. The incentive to engage in overinvoicing, therefore, disappears.

Moreover, the price checking unit is expensive for the BCR to maintain. The paperwork and delays involved in its operations raise transaction costs for importer and BCR alike and work against the important objective of assisting the GOES in liberalizing import transactions.

During the AID/W review of the PAAD Concept Paper, the Mission proposed, and AID/W agreed, that the BCR be allowed to suspend the operations of the Price Checking Unit during the implementation of the 1991 Balance of Payments Support Program.

3. Separate Dollar Account

U.S. Dollar and Local Currency Deposits. The BCR will open separate interest bearing accounts in U.S. banks exclusively for the deposit and retention of funds disbursed under the 1991 Balance of Payments Support Program. These accounts will be collectively referred to as the "Separate Account". The BCR will request disbursement of funds under this Grant to USAID/El Salvador by submitting a letter of request together with such information as the names of one or more U.S. commercial banks, their complete addresses, American Banking Association (ABA) numbers, BCR account numbers, and amounts to be deposited.

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

Within two (2) working days of receipt of bank notification of deposit of funds to the Separate Account, the BCR will deposit in a local special account an amount in local currency equivalent to the dollar amount disbursed by USAID to the Separate Account. Within five (5) working days of receipt of the deposit notification from the U.S. bank or banks, the BCR shall inform the Controller, USAID/El Salvador, in writing of the amount of dollars received, the exchange rate used and the amount of local currency deposited.

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

USAID/El Salvador has conducted a review of procedures and systems at the BCR and has determined that the BCR can properly manage the Separate Account.

Eligibility Dates. Funds deposited to the Separate Account may be withdrawn to support otherwise eligible transactions for which the BCR has evidence foreign exchange was disbursed to the exporter after the effective date of the Grant Agreement until the Separate Account balances are fully liquidated or twelve (12) months from the signing of the Agreement, whichever occurs first.

Funds redeposited to the Separate Account as a result of the independent verification process shall only be withdrawn based upon transactions for which the External Financing Department has evidence that foreign exchange was disbursed to the exporter after the date of the redeposit and up to twelve (12) months from the signing of this Agreement.

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

TABLE 5
PRODUCT CATEGORIES FOR THE SEPARATE DOLLAR ACCOUNT

1. PRODUCT CATEGORY

| PRODUCT CATEGORY | CODE |
|---|---|
| Raw material | A |
| Intermediate goods | B |
| Capital goods | C |
| Spare parts | D |
| Agricultural inputs | E |
| Petroleum | F |

2. ECONOMIC SECTOR DIVISION

| ECONOMIC SECTOR DIVISION | CODE |
|---|---|
| Manufacturing | 1 |
| Agricultural | 2 |
| Agroindustrial | 3 |
| Commercial | 4 |
| Construction | 5 |
| Transportation | 6 |
| Communications | 7 |
| Energy | 8 |
| Services | 9 |

3. TYPE OF PRODUCT

| TYPE OF PRODUCT | CODE |
|---|---|
| NAUCA classification | Standard Code |

No more than thirty percent (30%) of Grant funds may be used to finance imports for petroleum and its derivatives from sources outside of the United States, except as A.I.D. may otherwise agree in writing. Considering USG support for the San Jose Accords, the Mission considers this percentage to be appropriate.

To be eligible under this Agreement, the source of all products imported must be the United States of America to include its possessions and the Commonwealth of Puerto Rico, and, in the case of crude petroleum and its derivatives, Mexico, Venezuela as well as other AID Geographic Code 941 countries. Duty free ports do not constitute a source point under the terms of this Agreement. When a product is shipped from a free port or bonded warehouse in the form in which it was received therein, the "source" means the country where the product was produced and shipped to the free port or bonded warehouse. No direct procurement for the Salvadoran Armed Forces will be financed under this Agreement.

The maximum amount for each transaction eligible for funding from the Separate Account shall be the total cost of the import, payable in dollars to the exporter. Such cost shall include the cost of goods, shipping, handling, insurance, bank charges, and interest charges related to the TCIP (AID-EXIM) Program. As a mean to reduce the administrative costs of the Balance of Payments Support Program to both the BCR and USAID/El Salvador, the BCR will to the maximum extent possible use only transactions over $US 25,000 in value for financing under the BOPS Program. The $US 25,000 threshold is considered "goal," and as such can be disregarded by the BCR if doing so is necessary to meet the foreign exchange requirements of the Government of El Salvador.

Direct Payments From the separate Account. For each transaction meeting the eligibility criteria for funding, the BCR may pay the exporter directly from the Separate Account under the following procedures:

--The external Financing Department of the BCR will verify that all documentation (as specified in Section VII of this Annex) is complete and in the BCR transaction file, that the transaction meets the eligibility criteria and eligibility dates set forth in the Grant Agreement.

--In the case of a Supplier's Credit, the External Financing Department of the BCR will make payment in the form of a check or direct wire transfer to the supplier from the Separate Account.

--In the case of a Letter of Credit, the External Financing Department of the BCR will allocate and reserve funds from the Separate Account from which the Letter of Credit will be paid.

Direct Reimbursements from the Separate Account. Transactions determined to be eligible for financing from the Separate Account will be applied in the order received by the BCR (first-in, first-out basis). Since the transaction collection process will be continuous and capture all eligible transactions exceeding US$ 25,000, the BCR may have eligible transactions in excess of its needs in any given period. These transactions must be applied to the next dollar withdrawal request before any transactions of the subsequent period are applied.

For each transaction meeting the eligibility criteria for funding under this Balance of Payments Support Project but which has already been paid to the exporter with non-A.I.D. funds, the BCR may make reimbursement from the Separate Account under the following procedures:

--The external Financing Department of the BCR will verify that all documentation (as specified in Section VII of this Annex) is complete and in the BCR transaction file, that the transaction meets the eligibility criteria and eligibility dates set forth in the Grant Agreement.

--Based upon the cost to the importer of one or more eligible transactions (as specified in Section III.6 of this Annex) and using any generally accepted banking mechanism, the External Financing Department of the BCR will transfer the equivalent amount of U.S. dollars from the Separate Account to its own account or the account of the institution (commercial bank, foreign exchange house) that financed the import transaction.

--The External Financing Department of the BCR will clearly identify by Separate Account withdrawal identification number in the BOPS reporting system which transactions support each withdrawal from the Separate Account and place a copy of the withdrawal document in each transaction file.

Independent Verification and Redeposits to the Separate Account. USAID/El Salvador will conduct an independent verification of transactions contained in the BCR Report of Eligible Transactions specified above. One hundred percent of the transactions with a dollar value greater or equal to $ 25,000 and a sample of other transactions selected in accordance with Generally Accepted Auditing Standards will be reviewed. The independent verification will be performed semiannually or more frequently as determined by USAID/El Salvador.

USAID/El Salvador will communicate the results of the independent verification to the BCR for its review and comment within five (5) working days of the BCR receipt of this data. Subsequently, USAID/El Salvador shall formally notify the BCR of the official results of the independent verification. The BCR shall reimburse the Separate Account, within ten (10) working days of receipt of the official notification from USAID/El Salvador for any transactions which USAID/El Salvador determines to be ineligible.

Only eligible transactions for which foreign currency was disbursed to the exporter after the date of the redeposit shall be used to support subsequent withdrawals of redeposited funds. The BCR will maintain a record of redeposits to the Separate Account and clearly identify the transactions used to support subsequent withdrawals of these funds from the Separate Account.

USAID/El Salvador shall notify the BCR by means of a Project Implementation Letter of its final acceptance of all eligible transactions and Separate Account withdrawals after the completion of the final independent verification. Such written notification shall serve as evidence of the final liquidation of AID's disbursements to and interest earned on the Separate Account under this Project.

Documentation Requirements. The BCR will enter data on a daily basis from the source documents specified below and ensure that each transaction file contains all necessary documentation before a transaction is used as a basis for withdrawal from the Separate Account.

USAID/El Salvador and the BCR will soon conduct a systems analysis of the information flow required to substantiate Separate Account eligibility criteria. Until such time as this analysis results in a revised set of required documentation, the External Financing Department will require at a minimum the following:

--Copy of the foreign exchange authorization ("formulario unico para venta de divisas").
--Copy of the commercial invoice.
--Copy of the shipping documents (e.g. airway bill, bill of lading, etc.).
--Copy of the import certificate ("poliza").
--Evidence of payment to the exporter.

In accordance with the decision made at the AID/W review of the Concept Paper for the 1991 PAAD as discussed in the section above, international price verification will no longer be required.

If the USAID/BCR analysis results in a change in procedures during the implementation of this Project, the BCR shall inform USAID/El Salvador in writing of changes to the required documentation. USAID/El Salvador shall then notify the BCR by means of a Project Implementation Letter of its concurrence with the proposed changes.

The BCR shall maintain the files containing documentation for each transaction accepted by A.I.D. for a period of three (3) years commencing with the date that USAID/El Salvador issues formal notification of final documentation of final liquidation of all Project funds and acceptance of all eligible transactions.

BCR Reports. The BCR shall provide to USAID/El Salvador, as applicable, the following information and reports:

--The BCR shall report within five (5) working days of receiving notification of dollar deposits to the Separate Account:

a) The amount of each deposit to each U.S. bank.
b) The exchange rate used to determine the equivalent amount of local currency.
c) The amount of local currency deposited.

-subsequent to the first deposit of dollars and until all funds, including earned interest, have been exhausted from the Separate Account, the BCR will provide USAID/El Salvador, on a monthly basis, copies of all bank statements and corresponding reconciliation reports.

--The BCR will provide USAID/El Salvador, within three (3) working days after month end, a Report of Separate Account Withdrawals. This report will specify, for each withdrawal during the month, the withdrawal identification number, BOPS identification number and total US dollars withdrawn for each transaction.

--The BCR will provide USAID/El Salvador, within three (3) working days after month end, a Report of Eligible Transactions for the entire Project period, on a cumulative basis, with totals for all US dollar value columns. The following data elements for each transaction shall be reported in the same order as listed below:

a) BOPS identification number.
b) "Formulario unico" number.
c) Date the exporter was paid.
d) Product category.
e) NAUCA code.
f) Economic sector.
g) Source of imported goods.
h) Separate Account withdrawal ID number.
i) Total US dollars allowable from the Separate Account.
j) Total US dollars withdrawn from the Separate Account.
k) Verified amount.
l) Separate Account redeposit amount (*).
m) Independent verification date.

(*) This amount is calculated as described below, but only values grater than zero will be printed in the report:

--If the transaction has not been independently verified, the Separate Account redeposit amount will be equal to the total of US dollars withdrawn from the SA minus total US dollars allowable from the SA.

--If the transaction has been independently verified, the Separate Account redeposit will be equal to the total of US dollars withdrawn from the SA minus the verified amount.

--Within ten (10) working days after USAID/El Salvador officially notifies the BCR of the results of each independent verification, the BCR will record the independent verification date and verified amounts (items "k" and "m" above), in the BOPS database and will provide USAID/El Salvador with a Report of Verified Transaction Amounts for each of the following data elements and combination of data elements:

a) Product category.
b) Economic sector code.
c) Source and origin.
d) NAUCA code.
e) Product category by economic sector code.
f) Product category by source.

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STATISTICAL APPENDIX

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

a. In Constant 1962 Prices

| | Millions of 1962 Colones | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
| GDP at Market Prices | 3289.3 | 3016.8 | 2847.7 | 2870.4 | 2935.6 | 2993.6 | 3012.5 | 3093.5 | 3143.8 | 3177.0 | 3285.0 |
| Primary Production | 845.0 | 791.3 | 754.4 | 730.5 | 754.7 | 746.6 | 723.6 | 739.1 | 732.4 | 736.0 | 790.0 |
| Agriculture and Related Sectors | 841.1 | 787.5 | 750.6 | 726.8 | 750.9 | 742.8 | 719.7 | 734.7 | 727.7 | 731.1 | 785.5 |
| Mining | 3.9 | 3.8 | 3.8 | 3.7 | 3.8 | 3.8 | 3.9 | 4.4 | 4.7 | 4.9 | 4.5 |
| Secondary Production | 803.3 | 721.7 | 671.1 | 687.5 | 691.4 | 719.3 | 737.4 | 766.2 | 792.9 | 811.8 | 820.9 |
| Manufacturing | 586.2 | 525.0 | 480.9 | 490.5 | 496.9 | 515.4 | 528.3 | 544.1 | 560.5 | 574.4 | 591.6 |
| Construction | 111.4 | 94.3 | 90.4 | 92.2 | 86.9 | 90.9 | 93.3 | 104.0 | 112.2 | 116.2 | 101.3 |
| Utilities | 105.7 | 102.4 | 99.8 | 104.8 | 107.6 | 113.0 | 115.8 | 118.1 | 120.2 | 121.2 | 128.0 |
| Services | 1641.0 | 1503.8 | 1422.2 | 1452.4 | 1489.5 | 1527.7 | 1551.5 | 1588.2 | 1618.5 | 1629.2 | 1674.1 |
| Transportion and Communications | 193.7 | 172.5 | 161.3 | 170.9 | 175.6 | 178.8 | 179.7 | 183.0 | 186.7 | 189.0 | 201.0 |
| Commercial Services | 625.0 | 531.9 | 468.3 | 478.1 | 487.1 | 489.5 | 491.0 | 497.9 | 500.1 | 516.9 | 534.0 |
| Financial Services | 102.6 | 93.1 | 98.5 | 98.7 | 99.7 | 102.7 | 104.2 | 106.7 | 108.8 | 98.5 | 99.5 |
| Housing | 130.0 | 133.8 | 137.3 | 140.1 | 142.3 | 144.4 | 144.8 | 148.5 | 152.7 | 156.4 | 160.3 |
| Public Administration | 341.8 | 346.0 | 356.3 | 366.3 | 384.5 | 411.6 | 430.1 | 447.4 | 462.6 | 457.7 | 464.8 |
| Other Services | 247.9 | 226.5 | 200.5 | 198.3 | 200.3 | 200.7 | 201.7 | 204.7 | 207.6 | 210.7 | 214.5 |

| | Annual Growth Rates | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 81/80 | 82/81 | 83/82 | 84/83 | 85/84 | 86/85 | 87/86 | 88/87 | 89/88 | 90/99 |
| GDP at Market Prices | -8.3% | -5.6% | 0.8% | 2.3% | 2.0% | 0.6% | 2.7% | 1.6% | 1.1% | 3.4% |
| Primary Production | -6.4% | -4.7% | -3.2% | 3.3% | -1.1% | -3.1% | 2.1% | -0.9% | 0.5% | 7.3% |
| Agriculture and Related Sectors | -6.4% | -4.7% | -3.2% | 3.3% | -1.1% | -3.1% | 2.1% | -1.0% | 0.5% | 7.4% |
| Mining | -2.6% | 0.0% | -2.6% | 2.7% | 0.0% | 2.6% | 12.8% | 6.8% | 4.3% | -8.2% |
| Secondary Production | -10.2% | -7.0% | 2.4% | 0.6% | 4.0% | 2.5% | 3.9% | 3.5% | 2.4% | 1.1% |
| Manufacturing | -10.4% | -8.4% | 2.0% | 1.3% | 3.7% | 2.5% | 3.0% | 3.0% | 2.5% | 3.0% |
| Construction | -15.4% | -4.1% | 2.0% | -5.7% | 4.6% | 2.6% | 11.5% | 7.9% | 3.6% | -12.8% |
| Utilities | -3.1% | -2.5% | 5.0% | 2.7% | 5.0% | 2.5% | 2.0% | 1.8% | 0.8% | 5.6% |
| Services | -8.4% | -5.4% | 2.1% | 2.6% | 2.6% | 1.6% | 2.4% | 1.9% | 0.7% | 2.8% |
| Transportion and Communications | -10.9% | -6.5% | 6.0% | 2.8% | 1.8% | 0.5% | 1.8% | 2.0% | 1.2% | 6.3% |
| Commercial Services | -14.9% | -12.0% | 2.1% | 1.9% | 0.5% | 0.3% | 1.4% | 0.4% | 3.4% | 3.3% |
| Financial Services | -9.3% | 5.8% | 0.2% | 1.0% | 3.0% | 1.5% | 2.4% | 2.0% | -9.5% | 1.0% |
| Housing | 2.9% | 2.6% | 2.0% | 1.6% | 1.5% | 0.3% | 2.6% | 2.8% | 2.4% | 2.5% |
| Public Administration | 1.2% | 3.0% | 2.8% | 5.0% | 7.0% | 4.5% | 4.0% | 3.4% | -1.1% | 1.6% |
| Other Services | -8.6% | -11.5% | -1.1% | 1.0% | 0.2% | 0.5% | 1.5% | 1.4% | 1.5% | 1.9% |

| | As Percent of Total GDP | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
| GDP at Market Prices | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Primary Production | 25.7% | 26.2% | 26.5% | 25.4% | 25.7% | 24.9% | 24.0% | 23.9% | 23.3% | 23.2% | 24.0% |
| Agriculture and Related Sectors | 25.6% | 26.1% | 26.4% | 25.3% | 25.6% | 24.8% | 23.9% | 23.7% | 23.1% | 23.0% | 23.9% |
| Mining | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.2% | 0.1% |
| Secondary Production | 24.4% | 23.9% | 23.6% | 24.0% | 23.6% | 24.0% | 24.5% | 24.8% | 25.2% | 25.6% | 25.0% |
| Manufacturing | 17.8% | 17.4% | 16.9% | 17.1% | 16.9% | 17.2% | 17.5% | 17.6% | 17.8% | 18.1% | 18.0% |
| Construction | 3.4% | 3.1% | 3.2% | 3.2% | 3.0% | 3.0% | 3.1% | 3.4% | 3.6% | 3.7% | 3.1% |
| Utilities | 3.2% | 3.4% | 3.5% | 3.7% | 3.7% | 3.8% | 3.8% | 3.8% | 3.8% | 3.8% | 3.9% |
| Services | 49.9% | 49.8% | 49.9% | 50.6% | 50.7% | 51.0% | 51.5% | 51.3% | 51.5% | 51.3% | 51.0% |
| Transportion and Communications | 5.9% | 5.7% | 5.7% | 6.0% | 6.0% | 6.0% | 6.0% | 5.9% | 5.9% | 5.9% | 6.1% |
| Commercial Services | 19.0% | 17.6% | 16.4% | 16.7% | 16.6% | 16.4% | 16.3% | 16.1% | 15.9% | 16.3% | 16.3% |
| Financial Services | 3.1% | 3.1% | 3.5% | 3.4% | 3.4% | 3.4% | 3.5% | 3.4% | 3.5% | 3.1% | 3.0% |
| Housing | 4.0% | 4.4% | 4.8% | 4.9% | 4.8% | 4.8% | 4.8% | 4.8% | 4.9% | 4.9% | 4.9% |
| Public Administration | 10.4% | 11.5% | 12.5% | 12.8% | 13.1% | 13.7% | 14.3% | 14.5% | 14.7% | 14.4% | 14.1% |
| Other Services | 7.5% | 7.5% | 7.0% | 6.9% | 6.8% | 6.7% | 6.7% | 6.6% | 6.6% | 6.6% | 6.5% |

| | Contribution to Overall GDP Growth by Sector | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 81/80 | 82/81 | 83/82 | 84/83 | 85/84 | 86/85 | 87/86 | 88/87 | 89/88 | 90/89 |
| GDP at Market Prices | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Primary Production | 19.7% | 21.8% | -105.3% | 37.1% | -14.0% | -121.7% | 19.1% | -13.3% | 10.8% | 50.0% |
| Agriculture and Related Sectors | 19.7% | 21.8% | -104.8% | 37.0% | -14.0% | -122.2% | 18.5% | -13.9% | 10.2% | 50.4% |
| Mining | 0.0% | 0.0% | -0.4% | 0.2% | 0.0% | 0.5% | 0.6% | 0.6% | 0.6% | -0.4% |
| Secondary Production | 29.9% | 29.9% | 72.2% | 6.0% | 48.1% | 95.8% | 35.6% | 53.1% | 56.9% | 8.4% |
| Manufacturing | 22.5% | 26.1% | 42.3% | 9.8% | 31.9% | 68.3% | 19.5% | 32.6% | 41.9% | 15.9% |
| Construction | 6.3% | 2.3% | 7.9% | -8.1% | 6.9% | 12.7% | 13.2% | 16.3% | 12.0% | -13.8% |
| Utilities | 1.2% | 1.5% | 22.0% | 4.3% | 9.3% | 14.8% | 2.8% | 4.2% | 3.0% | 6.3% |
| Services | 50.3% | 48.3% | 133.0% | 56.9% | 65.9% | 125.9% | 45.3% | 60.2% | 32.2% | 41.6% |
| Transportion and Communications | 7.8% | 6.6% | 42.3% | 7.2% | 5.5% | 4.8% | 4.1% | 7.4% | 6.9% | 11.1% |
| Commercial Services | 34.2% | 37.6% | 43.2% | 13.8% | 4.1% | 7.9% | 8.5% | 4.4% | 50.6% | 15.8% |
| Financial Services | 3.5% | -3.2% | 0.9% | 1.5% | 5.2% | 7.9% | 3.1% | 4.2% | -31.0% | 0.9% |
| Housing | -1.4% | -2.1% | 12.3% | 3.4% | 3.6% | 2.1% | 4.6% | 8.3% | 11.1% | 3.6% |
| Public Administration | -1.5% | -6.1% | 44.1% | 27.9% | 46.7% | 97.9% | 21.4% | 30.2% | -14.8% | 6.6% |
| Other Services | 7.9% | 15.4% | -9.7% | 3.1% | 0.7% | 5.3% | 3.7% | 5.8% | 9.3% | 3.5% |

Source: Central Reserve Bank of El Salvador.

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

a. In Current Prices

| Millions of Colones | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | 8916.6 | 8646.4 | 8966.2 | 10151.8 | 11657.2 | 14330.8 | 19762.9 | 23140.6 | 27365.8 | 32230.0 | 41057.0 |
| Primary Production | 2491.5 | 2118.5 | 2089.0 | 2175.7 | 2338.0 | 2631.3 | 3995.6 | 3236.5 | 3847.8 | 3825.2 | 4664.4 |
| Agriculture and Related Sectors | 2480.2 | 2106.0 | 2075.4 | 2160.5 | 2319.8 | 2610.6 | 3968.9 | 3198.4 | 3800.8 | 3767.0 | 4599.0 |
| Mining | 11.3 | 12.5 | 13.6 | 15.2 | 18.2 | 20.7 | 26.7 | 38.1 | 47.0 | 58.2 | 65.4 |
| Secondary Production | 1934.4 | 1834.9 | 1882.2 | 2159.4 | 2473.6 | 3118.0 | 4050.9 | 5252.4 | 6158.3 | 7426.1 | 9511.7 |
| Manufacturing | 1339.4 | 1359.1 | 1381.9 | 1572.1 | 1837.1 | 2345.7 | 3085.7 | 4044.8 | 4808.5 | 5836.3 | 7647.2 |
| Construction | 305.9 | 284.2 | 300.6 | 343.4 | 355.3 | 437.0 | 547.1 | 710.4 | 814.5 | 984.3 | 1071.8 |
| Utilities | 109.1 | 191.6 | 199.7 | 243.9 | 281.2 | 335.3 | 418.1 | 497.2 | 535.3 | 605.5 | 792.7 |
| Services | 4590.7 | 4693.0 | 4995.0 | 5816.7 | 6845.6 | 8581.5 | 11716.4 | 14651.7 | 17359.7 | 20978.7 | 26880.9 |
| Transportion and Communications | 313.5 | 328.2 | 346.7 | 411.5 | 480.6 | 613.3 | 815.8 | 1060.8 | 1205.5 | 1415.8 | 1897.2 |
| Commercial Services | 2037.7 | 2027.6 | 2088.8 | 2509.5 | 2994.8 | 3897.8 | 5626.5 | 7275.3 | 8721.3 | 10831.5 | 14289.6 |
| Financial Services | 301.9 | 295.2 | 330.8 | 357.8 | 392.1 | 442.0 | 564.0 | 640.0 | 779.2 | 795.0 | 923.6 |
| Housing | 383.9 | 411.8 | 471.0 | 537.9 | 629.5 | 747.4 | 939.3 | 1182.1 | 1520.3 | 1892.5 | 2366.3 |
| Public Administration | 916.5 | 943.5 | 1049.7 | 1176.9 | 1366.2 | 1602.8 | 1976.5 | 2207.1 | 2384.8 | 2713.6 | 3129.0 |
| Other Services | 637.2 | 686.7 | 708.0 | 823.1 | 982.4 | 1278.2 | 1794.3 | 2286.4 | 2748.6 | 3330.3 | 4275.2 |

| Annual Growth Rates | 81/80 | 82/81 | 83/82 | 84/83 | 85/84 | 86/85 | 87/86 | 88/87 | 89/88 | 90/89 |
|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | -3.0% | 3.7% | 13.2% | 14.8% | 22.9% | 37.9% | 17.1% | 18.3% | 17.8% | 27.4% |
| Primary Production | -15.0% | -1.4% | 4.2% | 7.5% | 12.5% | 51.8% | -19.0% | 18.9% | -0.6% | 21.9% |
| Agriculture and Related Sectors | -15.1% | -1.5% | 4.1% | 7.4% | 12.5% | 52.0% | -19.4% | 18.8% | -0.9% | 22.1% |
| Mining | 10.6% | 8.8% | 11.8% | 19.7% | 13.7% | 29.0% | 42.7% | 23.4% | 23.8% | 12.4% |
| Secondary Production | 0.0% | 2.6% | 14.7% | 14.6% | 26.1% | 29.9% | 29.7% | 17.2% | 20.6% | 28.1% |
| Manufacturing | 1.5% | 1.7% | 13.8% | 16.9% | 27.7% | 31.5% | 31.1% | 19.9% | 21.4% | 31.0% |
| Construction | -7.1% | 5.8% | 14.2% | 3.5% | 23.0% | 25.2% | 29.8% | 14.7% | 20.8% | 8.9% |
| Utilities | 1.3% | 4.2% | 22.1% | 15.3% | 19.2% | 24.7% | 18.9% | 7.7% | 13.1% | 30.9% |
| Services | 2.2% | 6.4% | 16.5% | 17.7% | 25.4% | 36.5% | 25.1% | 18.5% | 20.8% | 28.1% |
| Transportion and Communications | 4.7% | 5.6% | 18.7% | 16.8% | 27.6% | 33.0% | 30.0% | 13.6% | 17.4% | 34.0% |
| Commercial Services | -0.5% | 3.0% | 20.1% | 19.3% | 30.2% | 44.4% | 29.3% | 19.9% | 24.2% | 31.9% |
| Financial Services | -2.2% | 12.1% | 8.2% | 9.6% | 12.7% | 27.6% | 13.5% | 21.8% | 2.0% | 16.2% |
| Housing | 7.3% | 14.4% | 14.2% | 17.0% | 18.7% | 25.7% | 25.8% | 28.6% | 24.5% | 25.0% |
| Public Administration | 2.9% | 11.3% | 12.1% | 16.1% | 17.3% | 23.3% | 11.7% | 8.1% | 13.8% | 15.3% |
| Other Services | 7.8% | 3.1% | 16.3% | 19.4% | 30.1% | 40.4% | 27.4% | 20.2% | 21.2% | 28.4% |

| As Percent of Total GDP | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Primary Production | 27.9% | 24.5% | 23.3% | 21.4% | 20.1% | 18.4% | 20.2% | 14.0% | 14.1% | 11.9% | 11.4% |
| Agriculture and Related Sectors | 27.8% | 24.4% | 23.1% | 21.3% | 19.9% | 18.2% | 20.1% | 13.8% | 13.9% | 11.7% | 11.2% |
| Mining | 0.1% | 0.1% | 0.2% | 0.1% | 0.2% | 0.1% | 0.1% | 0.2% | 0.2% | 0.2% | 0.2% |
| Secondary Production | 20.6% | 21.2% | 21.0% | 21.3% | 21.2% | 21.8% | 20.5% | 22.7% | 22.5% | 23.0% | 23.2% |
| Manufacturing | 15.0% | 15.7% | 15.4% | 15.5% | 15.8% | 16.4% | 15.6% | 17.5% | 17.6% | 18.1% | 18.6% |
| Construction | 3.4% | 3.3% | 3.4% | 3.4% | 3.0% | 3.0% | 2.8% | 3.1% | 3.0% | 3.1% | 2.6% |
| Utilities | 2.1% | 2.2% | 2.2% | 2.4% | 2.4% | 2.3% | 2.1% | 2.1% | 2.0% | 1.9% | 1.9% |
| Services | 51.5% | 54.3% | 55.7% | 57.3% | 58.7% | 59.9% | 59.3% | 63.3% | 63.4% | 65.1% | 65.5% |
| Transportion and Communications | 3.5% | 3.8% | 3.9% | 4.1% | 4.1% | 4.3% | 4.1% | 4.6% | 4.4% | 4.4% | 4.6% |
| Commercial Services | 22.9% | 23.5% | 23.3% | 24.7% | 25.7% | 27.2% | 28.5% | 31.4% | 31.9% | 33.6% | 34.8% |
| Financial Services | 3.4% | 3.4% | 3.7% | 3.5% | 3.4% | 3.1% | 2.9% | 2.8% | 2.8% | 2.5% | 2.2% |
| Housing | 4.3% | 4.8% | 5.3% | 5.3% | 5.4% | 5.2% | 4.8% | 5.1% | 5.6% | 5.9% | 5.8% |
| Public Administration | 10.3% | 10.9% | 11.7% | 11.6% | 11.7% | 11.2% | 10.0% | 9.5% | 8.7% | 8.4% | 7.6% |
| Other Services | 7.1% | 7.9% | 7.9% | 8.1% | 8.4% | 8.9% | 9.1% | 9.9% | 10.0% | 10.3% | 10.4% |

| Contribution to Overall GDP Growth by Sector | 81/80 | 82/81 | 83/82 | 84/83 | 85/84 | 86/85 | 87/86 | 88/87 | 89/88 | 90/89 |
|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Primary Production | 138.0% | -9.2% | 7.3% | 10.8% | 11.0% | 25.1% | -22.5% | 14.5% | -0.5% | 9.5% |
| Agriculture and Related Sectors | 138.5% | -9.6% | 7.2% | 10.6% | 10.9% | 25.0% | -22.8% | 14.3% | -0.7% | 9.4% |
| Mining | -0.4% | 0.3% | 0.1% | 0.2% | 0.1% | 0.1% | 0.3% | 0.2% | 0.2% | 0.1% |
| Secondary Production | -0.2% | 14.8% | 23.4% | 20.9% | 24.1% | 17.2% | 35.6% | 21.4% | 26.1% | 23.6% |
| Manufacturing | -7.3% | 7.1% | 16.0% | 17.6% | 19.0% | 13.6% | 28.4% | 18.1% | 21.1% | 20.5% |
| Construction | 8.0% | 5.1% | 3.6% | 0.8% | 3.1% | 2.0% | 4.8% | 2.5% | 3.5% | 1.0% |
| Utilities | -0.9% | 2.5% | 3.7% | 2.5% | 2.0% | 1.5% | 2.3% | 0.9% | 1.4% | 2.1% |
| Services | -37.9% | 94.4% | 69.3% | 68.3% | 64.9% | 57.7% | 86.9% | 64.1% | 74.4% | 66.9% |
| Transportion and Communications | -5.4% | 5.8% | 5.5% | 4.6% | 5.0% | 3.7% | 7.3% | 3.4% | 4.3% | 5.5% |
| Commercial Services | 3.7% | 19.1% | 35.5% | 32.2% | 33.8% | 31.8% | 48.8% | 34.2% | 43.4% | 39.7% |
| Financial Services | 2.5% | 11.1% | 2.3% | 2.3% | 1.9% | 2.2% | 2.3% | 3.3% | 0.3% | 1.5% |
| Housing | -10.3% | 18.5% | 5.6% | 6.1% | 4.4% | 3.5% | 7.2% | 8.0% | 7.7% | 5.4% |
| Public Administration | -10.0% | 33.2% | 10.7% | 12.6% | 8.8% | 6.9% | 6.8% | 4.2% | 6.8% | 4.7% |
| Other Services | -18.3% | 6.7% | 9.7% | 10.6% | 11.1% | 9.5% | 14.6% | 10.9% | 12.0% | 10.7% |

Source: Central Reserve Bank of El Salvador.

TABLE A.2.a.
EL SALVADOR : GROSS DOMESTIC PRODUCT -- by Sector of Final Demand, 1980 - 1990

a. In Constant 1962 Prices

Millions of 1962 Colones

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | 3289.3 | 3016.9 | 2847.7 | 2870.4 | 2935.6 | 2993.6 | 3012.5 | 3093.5 | 3143.8 | 3177.0 | 3285.0 |
| Gross Domestic Expenditure | 3330.2 | 3112.3 | 2875.9 | 2868.1 | 2971.6 | 3059.4 | 3140.1 | 3153.5 | 3259.9 | 3436.1 | 3291.6 |
| Consumption Expenditures | 2918.1 | 2716.1 | 2520.1 | 2542.5 | 2636.3 | 2742.8 | 2755.5 | 2785.1 | 2823.3 | 2848.7 | 2894.5 |
| Private Sector | 2495.7 | 2278.8 | 2084.6 | 2113.7 | 2175.3 | 2250.6 | 2244.9 | 2259.2 | 2284.3 | 2316.0 | 2369.0 |
| Public Sector | 422.4 | 437.3 | 435.5 | 428.8 | 461.0 | 492.2 | 510.6 | 525.9 | 539.0 | 532.7 | 525.5 |
| Net Domestic Investment | 412.1 | 396.2 | 355.8 | 325.6 | 335.3 | 316.6 | 384.6 | 368.4 | 436.6 | 587.4 | 397.1 |
| Gross Fixed Capital Formation | 422.3 | 376.7 | 338.7 | 313.5 | 320.8 | 353.6 | 380.1 | 414.7 | 430.2 | 469.2 | 388.0 |
| Private Sector | 189.4 | 161.3 | 163.7 | 178.0 | 199.4 | 241.9 | 285.8 | 306.8 | 305.1 | 318.5 | 293.8 |
| Public Sector | 232.9 | 215.4 | 175.0 | 135.5 | 121.4 | 111.7 | 94.3 | 107.9 | 125.1 | 150.7 | 94.2 |
| Changes in Inventories | -10.2 | 19.5 | 17.1 | 12.1 | 14.5 | -37.0 | 4.5 | -46.3 | 6.4 | 118.2 | 9.1 |
| Net Exports | -40.9 | -95.4 | -28.2 | 2.3 | -36.0 | -65.8 | -127.6 | -60.0 | -116.1 | -259.1 | -6.6 |
| Exports of Goods and Nonfactor Services | 837.6 | 690.4 | 588.4 | 698.1 | 674.4 | 648.1 | 566.4 | 636.6 | 576.8 | 476.1 | 731.3 |
| Imports of Goods and Nonfactor Services | 879.5 | 785.8 | 616.6 | 695.8 | 710.4 | 713.9 | 694.0 | 696.6 | 692.9 | 735.2 | 737.9 |
| Net Factor Payments | -47.0 | -51.9 | -72.7 | -104.5 | -86.3 | -73.9 | -72.0 | -70.1 | -58.5 | -56.0 | -58.6 |
| Gross National Product at Market Prices | 3242.0 | 2965.0 | 2774.7 | 2765.6 | 2849.3 | 2919.8 | 2940.7 | 3023.5 | 3085.2 | 3121.0 | 3236.5 |

Annual Growth Rates

| | 81/80 | 82/81 | 83/82 | 84/83 | 85/84 | 86/85 | 87/86 | 88/87 | 89/88 | 90/89 |
|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | -8.3% | -5.6% | 0.8% | 2.3% | 2.0% | 0.6% | 2.7% | 1.6% | 1.1% | 3.4% |
| Gross Domestic Expenditure | -6.5% | -7.6% | -0.3% | 3.6% | 3.0% | 2.6% | 0.4% | 3.4% | 5.4% | -4.2% |
| Consumption Expenditures | -6.9% | -7.2% | 0.9% | 3.7% | 4.0% | 0.5% | 1.1% | 1.4% | 0.9% | 1.6% |
| Private Sector | -8.7% | -8.5% | 1.4% | 2.9% | 3.5% | -0.3% | 0.6% | 1.1% | 1.4% | 2.3% |
| Public Sector | 3.5% | -0.4% | -1.5% | 7.5% | 6.8% | 3.7% | 3.0% | 2.5% | -1.2% | -1.4% |
| Net Domestic Investment | -3.9% | -10.2% | -8.5% | 3.0% | -5.6% | 21.5% | -4.2% | 18.5% | 34.5% | -32.4% |
| Gross Fixed Capital Formation | -10.8% | -10.1% | -7.4% | 2.3% | 10.2% | 7.5% | 9.1% | 3.7% | 9.1% | -17.3% |
| Private Sector | -14.8% | 1.5% | 8.7% | 12.0% | 21.3% | 18.1% | 7.3% | -0.6% | 4.4% | -7.8% |
| Public Sector | -7.5% | -18.8% | -22.6% | -10.4% | -8.0% | -15.6% | 14.4% | 15.9% | 20.5% | -37.5% |
| Changes in Inventories | | | | | | | | | | |
| Net Exports | | | | | | | | | | |
| Exports of Goods and Nonfactor Services | -17.6% | -14.8% | 18.6% | -3.4% | -3.9% | -12.6% | 12.4% | -9.4% | -17.5% | 53.6% |
| Imports of Goods and Nonfactor Services | -10.6% | -21.5% | 12.8% | 2.1% | 0.5% | -2.8% | 0.4% | -0.5% | 6.1% | 0.4% |
| Net Factor Payments | -10.3% | -40.0% | -43.9% | 17.4% | 14.4% | 2.6% | 2.5% | 16.6% | 4.3% | -4.6% |
| Gross National Product at Market Prices | -8.5% | -6.4% | -0.3% | 3.0% | 2.5% | 0.7% | 2.8% | 2.0% | 1.2% | 3.7% |

As percent of Total GDP

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Gross Domestic Expenditure | 101.2% | 103.2% | 101.0% | 99.9% | 101.2% | 102.2% | 104.2% | 101.9% | 103.7% | 108.2% | 100.2% |
| Consumption Expenditures | 88.7% | 90.0% | 88.5% | 88.6% | 89.8% | 91.6% | 91.5% | 90.0% | 89.8% | 89.7% | 88.1% |
| Private Sector | 75.9% | 75.5% | 73.2% | 73.6% | 74.1% | 75.2% | 74.5% | 73.0% | 72.7% | 72.9% | 72.1% |
| Public Sector | 12.8% | 14.5% | 15.3% | 14.9% | 15.7% | 16.4% | 16.9% | 17.0% | 17.1% | 16.8% | 16.0% |
| | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Net Domestic Investment | 12.5% | 13.1% | 12.5% | 11.3% | 11.4% | 10.6% | 12.8% | 11.9% | 13.9% | 18.5% | 12.1% |
| Gross Fixed Capital Formation | 12.9% | 12.5% | 11.9% | 10.9% | 10.9% | 11.8% | 12.6% | 13.4% | 13.7% | 14.8% | 11.8% |
| Private Sector | 5.8% | 5.3% | 5.7% | 6.2% | 6.8% | 8.1% | 9.5% | 9.9% | 9.7% | 10.0% | 8.9% |
| Public Sector | 7.1% | 7.1% | 6.1% | 4.7% | 4.1% | 3.7% | 3.1% | 3.5% | 4.0% | 4.7% | 2.9% |
| Changes in Inventories | -0.3% | 0.6% | 0.6% | 0.4% | 0.5% | -1.2% | 0.1% | -1.5% | 0.2% | 3.7% | 0.3% |
| Net Exports | -1.2% | -3.7% | -1.0% | 0.1% | -1.2% | -2.2% | -4.2% | -1.9% | -3.7% | -8.2% | -0.2% |
| Exports of Goods and Nonfactor Services | 25.5% | 22.9% | 20.7% | 24.3% | 23.0% | 21.6% | 18.8% | 20.6% | 18.3% | 15.0% | 22.3% |
| Imports of Goods and Nonfactor Services | 26.7% | 26.0% | 21.7% | 24.2% | 24.2% | 23.8% | 23.0% | 22.5% | 22.0% | 23.1% | 22.5% |
| Net Factor Payments | -1.4% | -1.7% | -2.6% | -3.6% | -2.9% | -2.5% | -2.4% | -2.3% | -1.9% | -1.8% | -1.8% |
| Gross National Product at Market Prices | 99.5% | 98.3% | 97.4% | 96.4% | 97.1% | 97.5% | 97.6% | 97.7% | 98.1% | 98.2% | 98.5% |

Contribution to Overall GDP Growth by Sector

| | 81/80 | 82/81 | 83/82 | 84/83 | 85/84 | 86/85 | 87/86 | 88/87 | 89/88 | 90/89 |
|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Gross Domestic Expenditure | 80% | 140% | -34% | 159% | 151% | 427% | 17% | 212% | 531% | -134% |
| Consumption Expenditures | 74% | 116% | 99% | 144% | 184% | 67% | 37% | 76% | 77% | 42% |
| Private Sector | 80% | 115% | 128% | 94% | 130% | -30% | 18% | 50% | 95% | 49% |
| Public Sector | -5% | 1% | -30% | 49% | 54% | 97% | 19% | 26% | -19% | -7% |
| | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Net Domestic Investment | 6% | 24% | -133% | 15% | -32% | 360% | -20% | 136% | 454% | -176% |
| Gross Fixed Capital Formation | 17% | 22% | -111% | 11% | 57% | 140% | 43% | 31% | 117% | -75% |
| Private Sector | 10% | -1% | 63% | 33% | 73% | 232% | 26% | -3% | 40% | -23% |
| Public Sector | 6% | 24% | -174% | -22% | -17% | -92% | 17% | 34% | 77% | -52% |
| Changes in Inventories | -11% | 1% | -22% | 4% | -89% | 220% | -63% | 105% | 337% | -101% |
| Net Exports | 20% | -40% | -134% | -59% | -51% | -327% | 83% | -112% | -431% | 234% |
| Exports of Goods and Nonfactor Services | 54% | 60% | 483% | -36% | -45% | -432% | 87% | -119% | -303% | 736% |
| Imports of Goods and Nonfactor Services | 34% | 100% | 349% | 22% | 6% | -105% | 3% | -7% | 127% | 2% |

Source: Central Reserve Bank of El Salvador.

TABLE A.2.b.
EL SALVADOR: GROSS DOMESTIC PRODUCT -- by Sector of Final Demand, 1980 - 1990

b. In Current Prices

Millions of Colones

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | 8917 | 8646 | 8966 | 10152 | 11657 | 14331 | 19763 | 23141 | 27366 | 32230 | 41057 |
| Gross Domestic Expenditure | 8835 | 9244 | 9477 | 10702 | 12448 | 15415 | 20628 | 24786 | 29138 | 35605 | 45641 |
| Consumption Expenditures | 7652 | 8013 | 8291 | 9478 | 11054 | 13860 | 18009 | 21926 | 25637 | 30373 | 40721 |
| Private Sector | 6405 | 6644 | 6877 | 7871 | 9184 | 11640 | 15206 | 18744 | 22153 | 26443 | 36404 |
| Public Sector | 1247 | 1369 | 1415 | 1607 | 1869 | 2220 | 2803 | 3181 | 3484 | 3930 | 4317 |
| Net Domestic Investment | 1183 | 1231 | 1185 | 1224 | 1394 | 1554 | 2619 | 2861 | 3501 | 5232 | 4920 |
| Gross Fixed Capital Formation | 1210 | 1173 | 1130 | 1180 | 1336 | 1723 | 2594 | 3159 | 3456 | 4293 | 4834 |
| Private Sector | 575 | 539 | 585 | 716 | 881 | 1251 | 2091 | 2481 | 2607 | 3169 | 3904 |
| Public Sector | 636 | 634 | 545 | 464 | 455 | 473 | 502 | 677 | 848 | 1124 | 930 |
| Changes in Inventories | -27 | 58 | 56 | 44 | 59 | -169 | 26 | -297 | 45 | 938 | 87 |
| Net Exports | 82 | -597 | -510 | -550 | -791 | -1084 | -865 | -1646 | -1772 | -3375 | -4584 |
| Exports of Goods and Nonfactor Services | 3046 | 2307 | 2042 | 2486 | 2536 | 3199 | 4875 | 4395 | 4327 | 4261 | 6528 |
| Imports of Goods and Nonfactor Services | 2964 | 2904 | 2553 | 3036 | 3327 | 4283 | 5740 | 6040 | 6099 | 7636 | 11113 |
| Net Factor Payments | -128 | -149 | -229 | -370 | -343 | -354 | -472 | -525 | -509 | -568 | -730 |
| Gross National Product at Market Prices | 8789 | 8498 | 8737 | 9782 | 11314 | 13977 | 19291 | 22616 | 26857 | 31662 | 40327 |

Annual Growth Rates

| | 81/80 | 82/81 | 83/82 | 84/83 | 85/84 | 86/85 | 87/86 | 88/87 | 89/88 | 90/89 |
|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | -3.0% | 3.7% | 13.2% | 14.8% | 22.9% | 37.9% | 17.1% | 18.3% | 17.8% | 27.4% |
| Gross Domestic Expenditure | 4.6% | 2.5% | 12.9% | 16.3% | 23.8% | 33.8% | 20.2% | 17.6% | 22.2% | 28.2% |
| Consumption Expenditures | 4.7% | 3.5% | 14.3% | 16.6% | 25.4% | 29.9% | 21.7% | 16.9% | 18.5% | 34.1% |
| Private Sector | 3.7% | 3.5% | 14.5% | 16.7% | 26.7% | 30.6% | 23.3% | 18.2% | 19.4% | 37.7% |
| Public Sector | 9.7% | 3.4% | 13.6% | 16.3% | 18.7% | 26.2% | 13.5% | 9.5% | 12.8% | 9.8% |
| Net Domestic Investment | 4.1% | -3.7% | 3.2% | 13.9% | 11.5% | 68.5% | 9.2% | 22.4% | 49.4% | -6.0% |
| Gross Fixed Capital Formation | -3.1% | -3.7% | 4.4% | 13.2% | 29.0% | 50.5% | 21.8% | 9.4% | 24.2% | 12.6% |
| Private Sector | -6.2% | 8.5% | 22.3% | 23.0% | 42.0% | 67.2% | 18.6% | 5.1% | 21.6% | 23.2% |
| Public Sector | -0.3% | -14.1% | -14.0% | -1.9% | 3.8% | 6.3% | 34.8% | 25.3% | 32.5% | -17.3% |
| Changes in Inventories | | | | | | | | | | |
| Net Exports | | | | | | | | | | |
| Exports of Goods and Nonfactor Services | -24.3% | -11.5% | 21.7% | 2.0% | 26.2% | 52.4% | -9.9% | -1.5% | -1.5% | 53.2% |
| Imports of Goods and Nonfactor Services | -2.0% | -12.1% | 10.9% | 9.6% | 28.9% | 34.0% | 5.2% | 1.0% | 25.2% | 45.5% |
| Net Factor Payments | -16.6% | -53.9% | -61.6% | 7.3% | -3.2% | -33.4% | -11.1% | 3.0% | -11.6% | -28.5% |
| Gross National Product at Market Prices | -3.3% | 2.8% | 12.0% | 15.7% | 23.5% | 38.0% | 17.2% | 18.8% | 17.9% | 27.4% |

As percent of Total GDP

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Gross Domestic Expenditure | 99.1% | 106.9% | 105.7% | 105.4% | 106.8% | 107.6% | 104.4% | 107.1% | 106.5% | 110.5% | 111.2% |
| Consumption Expenditures | 85.8% | 92.7% | 92.5% | 93.4% | 94.8% | 96.7% | 91.1% | 94.7% | 93.7% | 94.2% | 99.2% |
| Private Sector | 71.8% | 76.8% | 76.7% | 77.5% | 78.8% | 81.2% | 76.9% | 81.0% | 80.9% | 82.0% | 88.7% |
| Public Sector | 14.0% | 15.8% | 15.8% | 15.8% | 16.0% | 15.5% | 14.2% | 13.7% | 12.7% | 12.2% | 10.5% |
| Net Domestic Investment | 13.3% | 14.2% | 13.2% | 12.1% | 12.0% | 10.8% | 13.3% | 12.4% | 12.8% | 16.2% | 12.0% |
| Gross Fixed Capital Formation | 13.6% | 13.6% | 12.6% | 11.6% | 11.5% | 12.0% | 13.1% | 13.6% | 12.6% | 13.3% | 11.8% |
| Private Sector | 6.4% | 6.7% | 6.5% | 7.0% | 7.6% | 8.7% | 10.6% | 10.7% | 9.5% | 9.8% | 9.5% |
| Public Sector | 7.1% | 7.3% | 6.1% | 4.6% | 3.9% | 3.3% | 2.5% | 2.9% | 3.1% | 3.5% | 2.3% |
| Changes in Inventories | -0.3% | 0.7% | 0.6% | 0.4% | 0.5% | -1.2% | 0.1% | -1.3% | 0.2% | 2.9% | 0.2% |
| Net Exports | 0.9% | -6.9% | -5.7% | -5.4% | -6.8% | -7.6% | -4.4% | -7.1% | -6.5% | -10.5% | -11.2% |
| Exports of Goods and Nonfactor Services | [illegible] | [illegible] | [illegible] | 24.5% | 21.8% | 22.3% | 24.7% | 19.0% | 15.8% | 13.2% | 15.9% |
| Imports of Goods and Nonfactor Services | [illegible] | [illegible] | 26.5% | 29.9% | 28.5% | 29.9% | 29.0% | 26.1% | 22.3% | 23.7% | 27.1% |
| Net Factor Payments | -1.4% | -1.7% | -2.6% | -3.6% | -2.9% | -2.5% | -2.4% | -2.3% | -1.9% | -1.8% | -1.8% |
| Gross National Product at Market Prices | 98.6% | 98.3% | 97.4% | 96.4% | 97.1% | 97.5% | 97.6% | 97.7% | 98.1% | 98.2% | 98.2% |

Contribution to Overall GDP Growth by Sector

| | 81/80 | 82/81 | 83/82 | 84/83 | 85/84 | 86/85 | 87/86 | 88/87 | 87/86 | 88/87 |
|---|---|---|---|---|---|---|---|---|---|---|
| GDP at Market Prices | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Gross Domestic Expenditure | -151% | 73% | 103% | 116% | 111% | 96% | 123% | 103% | [illegible] | 114% |
| Consumption Expenditures | -134% | 87% | 100% | 105% | 105% | 76% | 116% | 89% | 97% | 117% |
| Private Sector | -89% | 73% | 84% | 87% | 92% | 66% | 105% | 81% | 89% | [illegible] |
| Public Sector | -45% | 14% | 16% | 17% | 13% | 11% | 11% | 7% | 9% | 4% |
| Net Domestic Investment | -18% | -14% | 3% | 11% | 6% | 20% | 7% | 15% | 36% | -4% |
| Gross Fixed Capital Formation | 14% | -14% | 4% | 10% | 14% | 16% | 17% | 7% | 17% | 6% |
| Private Sector | 13% | 14% | 11% | 11% | 14% | 15% | 12% | 3% | 12% | 8% |
| Public Sector | 1% | -28% | -7% | -1% | 1% | 1% | 5% | 4% | 6% | -2% |
| Changes in Inventories | -32% | -1% | -1% | 1% | -9% | 4% | -10% | 8% | 18% | -10% |
| Net Exports | 251% | 27% | -3% | -16% | -11% | 4% | -23% | -3% | -33% | -14% |
| Exports of Goods and Nonfactor Services | 274% | -83% | 37% | 3% | 25% | 31% | -14% | -2% | -1% | 26% |
| Imports of Goods and Nonfactor Services | 22% | -110% | 41% | 19% | 36% | 27% | 9% | 1% | 32% | 19% |
| Net Factor Payments | | | | | | | | | | |
| Gross National Product at Market Prices | | | | | | | | | | |

Source: Central Reserve Bank of El Salvador.

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

| | TOTAL | | MALE | | FEMALE | |
|---|---|---|---|---|---|---|
| | 1988 | 1990 | 1988 | 1990 | 1988 | 1990 |
| **a. TOTAL** | 739491 | 926478 | 463271 | 542791 | 276220 | 383687 |
| Agriculture | 69998 | 80212 | 59380 | 67315 | 10618 | 12897 |
| Mining | 342 | 734 | 342 | 636 | 0 | 98 |
| Industry | 164252 | 213145 | 100929 | 120033 | 63323 | 93112 |
| Electricity, gas, water | 5236 | 5838 | 5037 | 5482 | 199 | 356 |
| Construction | 52206 | 63540 | 50771 | 61397 | 1435 | 2143 |
| Commerce | 182338 | 253637 | 67824 | 93382 | 114514 | 160255 |
| Transport. and Commun. | 41916 | 50631 | 37842 | 47441 | 4074 | 3190 |
| Financial Establish. | 22607 | 24890 | 13843 | 15198 | 8764 | 9692 |
| Services | 176628 | 208667 | 113958 | 123486 | 62670 | 85181 |
| Other | 23968 | 25184 | 13345 | 8421 | 10623 | 16763 |
| **b. FORMAL SECTOR** | 462118 | 441437 | 316441 | 294390 | 145677 | 147047 |
| Agriculture | 43954 | 36485 | 34464 | 27720 | 9490 | 8765 |
| Mining | 258 | 516 | 258 | 418 | 0 | 98 |
| Industry | 100388 | 106654 | 66341 | 69891 | 34047 | 36763 |
| Electricity, gas, water | 5070 | 5426 | 4871 | 5148 | 199 | 278 |
| Construction | 35408 | 31164 | 34168 | 29526 | 1240 | 1638 |
| Commerce | 59490 | 62811 | 33647 | 35767 | 25843 | 27044 |
| Transport. and Commun. | 25740 | 22185 | 21889 | 19681 | 3851 | 2504 |
| Financial Establish. | 21809 | 22743 | 13124 | 14025 | 8685 | 8718 |
| Services | 146033 | 153453 | 94334 | 92214 | 51699 | 61239 |
| Other | 23968 | 0 | 13345 | 0 | 10623 | 0 |
| **c. INFORMAL SECTOR 1/** | 277373 | 485041 | 146830 | 248401 | 130543 | 236640 |
| Agriculture | 26044 | 43727 | 24916 | 39595 | 1128 | 4132 |
| Mining | 84 | 218 | 84 | 218 | 0 | 0 |
| Industry | 63864 | 106491 | 34588 | 50142 | 29276 | 56349 |
| Electricity, gas, water | 166 | 412 | 166 | 334 | 0 | 78 |
| Construction | 16798 | 32376 | 16603 | 31871 | 195 | 505 |
| Commerce | 122848 | 190826 | 34177 | 57615 | 88671 | 133211 |
| Transport. and Commun. | 16176 | 28446 | 15953 | 27760 | 223 | 686 |
| Financial Establish. | 798 | 2147 | 719 | 1173 | 79 | 974 |
| Services | 30595 | 55214 | 19624 | 31272 | 10971 | 23942 |
| Other | 0 | 25184 | 0 | 8421 | 0 | 16763 |

1/ Domestic Service is not included.

Source: Household Survey, Ministry of Planning.

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Table A.4
EL SALVADOR:
URBAN LABOR MARKET
1988-1990 1/
(Numbers of Persons and Percentages)

| | 1988 | 1990 |
|---|---|---|
| Working Age Population (WAP) 2/ | 1,657,282 | 1,787,896 |
| Economically Active Population (EAP) | 790,568 | 982,802 |
| Total Employment | 716,473 | 884,921 |
| Population Fully Employed | 623,263 | 794,074 |
| Visible Under Employment 3/ | 93,210 | 90,847 |
| Unemployment | 74,095 | 97,881 |
| Separated | 50,127 | 72,735 |
| New Entrants | 23,968 | 25,146 |
| Economically Inactive Population (EIP) | 866,714 | 805,094 |
| Students | 418,329 | 409,769 |
| Homemakers | 326,826 | 275,467 |
| Retirees | 16,573 | 17,823 |
| Disabled | 76,444 | 86,994 |
| Others | 28,542 | 15,041 |
| Employment Rate | 90.6% | 90.0% |
| Underemployment Rate | 11.8% | 9.2% |
| Full Employment Rate | 78.8% | 80.8% |
| Open Unemployment Rate | 9.4% | 10.0% |
| Inactive Rate (EIP/WAP) | 52.3% | 45.0% |
| Participation Rate (EAP/WAP) | 47.7% | 55.0% |

Source: Ministry of Planning, Household Surveys.

1/ Surveys conducted during January through June of each year.
2/ Population aged 10 and above.
3/ Those working less than 35 hours per week and seeking full time employment.

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

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

Source: General Directorate of Statistics and Census

Table B.2
El Salvador:
Consumer Price Index
Annual, Quarterly and Monthly Rates of Change

| | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **a. Annual Percent Change-- Period Average 1/** | | | | | | | | | | | | |
| Annual | 15.9 | 17.3 | 14.8 | 11.7 | 13.1 | 11.7 | 22.3 | 31.9 | 24.9 | 19.8 | 17.6 | 24.0 |
| ----- | ---- | ---- | ---- | ---- | ---- | ---- | ---- | ---- | ---- | ---- | ---- | ---- |
| Quarter I | 18.0 | 14.0 | 18.7 | 11.0 | 12.7 | 14.6 | 13.2 | 32.4 | 28.8 | 19.5 | 17.0 | 26.4 |
| Quarter II | 16.3 | 18.5 | 15.1 | 11.5 | 10.9 | 14.3 | 18.7 | 32.6 | 27.9 | 20.1 | 14.1 | 28.2 |
| Quarter III | 13.9 | 19.1 | 13.4 | 11.4 | 14.3 | 9.4 | 25.5 | 32.3 | 23.0 | 20.9 | 17.7 | 22.0 |
| Quarter IV | 15.4 | 17.6 | 12.5 | 13.0 | 14.5 | 9.0 | 31.3 | 30.6 | 20.6 | 18.6 | 21.5 | 20.1 |
| **b. 12-Month End-Of Period Percent Change 2/** | | | | | | | | | | | | |
| January | 15.8 | 13.5 | 19.8 | 11.2 | 13.1 | 14.7 | 11.2 | 31.7 | 30.8 | 19.1 | 17.0 | 25.7 |
| February | 18.2 | 13.1 | 19.9 | 10.1 | 12.9 | 14.5 | 13.4 | 33.1 | 27.4 | 19.9 | 17.7 | 26.0 |
| March | 20.2 | 15.4 | 16.6 | 11.6 | 12.1 | 14.6 | 14.9 | 32.2 | 28.4 | 19.6 | 16.3 | 27.5 |
| April | 18.0 | 17.3 | 15.9 | 11.3 | 10.7 | 15.8 | 16.2 | 32.7 | 29.4 | 19.0 | 13.7 | 29.7 |
| May | 16.6 | 18.6 | 14.6 | 11.6 | 10.8 | 14.6 | 18.1 | 33.1 | 28.0 | 20.1 | 13.2 | 28.6 |
| June | 14.3 | 19.6 | 14.9 | 11.6 | 11.4 | 12.6 | 21.8 | 32.1 | 26.4 | 21.2 | 15.4 | 26.1 |
| July | 12.2 | 21.0 | 13.2 | 11.0 | 12.8 | 11.3 | 23.8 | 31.0 | 25.8 | 24.2 | 13.7 | 24.5 |
| August | 13.6 | 19.8 | 13.7 | 10.6 | 15.4 | 9.1 | 25.1 | 33.3 | 22.2 | 19.6 | 19.6 | 20.7 |
| September | 15.9 | 16.5 | 13.3 | 12.6 | 14.7 | 7.8 | 27.4 | 32.7 | 21.2 | 19.0 | 19.8 | 20.8 |
| October | 15.6 | 17.2 | 12.9 | 12.5 | 14.4 | 7.7 | 30.5 | 31.7 | 21.1 | 19.4 | 20.0 | 20.1 |
| November | 15.8 | 17.1 | 12.8 | 12.9 | 14.2 | 9.3 | 31.5 | 29.8 | 21.2 | 18.0 | 21.1 | 21.1 |
| December | 14.8 | 16.6 | 11.6 | 13.4 | 14.7 | 9.8 | 31.9 | 30.4 | 19.6 | 18.2 | 23.5 | 19.3 |
| **c. Moving 12-Month Period Average Percent Change 3/** | | | | | | | | | | | | |
| January | | 15.7 | 17.9 | 14.1 | 11.9 | 13.3 | 11.4 | 24.0 | 31.9 | 23.9 | 19.6 | 18.4 |
| February | | 15.2 | 18.4 | 13.3 | 12.1 | 13.4 | 11.4 | 25.7 | 31.3 | 23.3 | 19.4 | 19.1 |
| March | | 14.9 | 18.5 | 12.9 | 12.1 | 13.6 | 11.4 | 27.1 | 31.0 | 22.6 | 19.1 | 20.1 |
| April | | 14.9 | 18.3 | 12.6 | 12.1 | 14.0 | 11.5 | 28.5 | 30.7 | 21.7 | 18.6 | 21.4 |
| May | | 15.1 | 18.0 | 12.3 | 12.0 | 14.3 | 11.9 | 29.7 | 30.3 | 21.1 | 18.0 | 22.7 |
| June | | 15.5 | 17.6 | 12.0 | 12.0 | 14.4 | 12.7 | 30.6 | 29.8 | 20.8 | 17.5 | 23.6 |
| July | | 16.3 | 16.9 | 11.9 | 12.1 | 14.3 | 13.7 | 31.1 | 29.3 | 20.7 | 16.6 | 24.5 |
| August | | 16.8 | 16.4 | 11.6 | 12.5 | 13.7 | 15.1 | 31.8 | 28.4 | 20.5 | 16.7 | 24.5 |
| September | | 16.8 | 16.1 | 11.6 | 12.7 | 13.1 | 16.7 | 32.2 | 27.4 | 20.3 | 16.8 | 24.5 |
| October | | 16.9 | 15.7 | 11.5 | 12.9 | 12.5 | 18.6 | 32.3 | 26.5 | 20.2 | 16.9 | 24.4 |
| November | | 17.0 | 15.4 | 11.6 | 13.0 | 12.1 | 20.5 | 32.1 | 25.8 | 19.9 | 17.2 | 24.4 |
| December | | 17.3 | 14.8 | 11.7 | 13.1 | 11.7 | 22.3 | 31.9 | 24.9 | 19.8 | 17.6 | 24.0 |
| **d. Monthly Percent Change** | | | | | | | | | | | | |
| January | 1.5 | 0.4 | 1.5 | 1.0 | 0.7 | 0.7 | 2.0 | 1.8 | 2.1 | 1.7 | 0.6 | 2.4 |
| February | 1.9 | 1.6 | 1.6 | 0.6 | 0.4 | 0.2 | 2.3 | 3.4 | 0.7 | 1.4 | 1.9 | 2.2 |
| March | 1.5 | 3.6 | 0.8 | 2.1 | 1.4 | 1.5 | 2.8 | 2.1 | 2.9 | 2.7 | 1.5 | 2.8 |
| April | 0.6 | 2.2 | 1.6 | 1.3 | 0.0 | 1.0 | 2.2 | 2.6 | 3.3 | 2.8 | 0.5 | 2.2 |
| May | 1.0 | 2.1 | 0.9 | 1.2 | 1.3 | 0.3 | 1.9 | 2.2 | 1.1 | 2.0 | 1.5 | 0.8 |
| June | 0.3 | 1.2 | 1.5 | 1.5 | 2.0 | 0.2 | 3.3 | 2.6 | 1.3 | 2.2 | 4.2 | 2.1 |
| July | 1.1 | 2.3 | 0.8 | 0.3 | 1.6 | 0.5 | 2.2 | 1.3 | 0.8 | 3.3 | 1.8 | 0.5 |
| August | 1.2 | 0.2 | 0.6 | 0.2 | 2.5 | 0.5 | 1.5 | 3.3 | 0.4 | -3.4 | 1.6 | -1.6 |
| September | 3.9 | 1.0 | 0.6 | 2.4 | 1.7 | 0.5 | 2.5 | 2.0 | 1.1 | 0.6 | 0.8 | 0.9 |
| October | 0.3 | 0.9 | 0.6 | 0.5 | 0.3 | 0.1 | 2.5 | 1.8 | 1.7 | 2.1 | 2.2 | 1.6 |
| November | 0.5 | 0.5 | 0.3 | 0.7 | 0.6 | 2.1 | 2.9 | 1.5 | 1.5 | 0.3 | 1.2 | 2.0 |
| December | 0.2 | 1.4 | 0.4 | 0.9 | 1.3 | 1.8 | 2.1 | 2.5 | 1.2 | 1.3 | 3.4 | 1.9 |

Source: General Directorate of Statistics and Census.

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

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Table B.3
El Salvador:
Consumer Price Index
Annual, Quarterly and Monthly Indices
(December 1978 = 100)

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

Source: General Directorate of Statistics and Census.

1/ Annual and quarterly figures are period averages.

TABLE 8.4.a.
EL SALVADOR: GROSS DOMESTIC PRODUCT DEFLATORS -- By Sector of Origin, 1980-1990

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **a. Deflators 1962 = 100** | | | | | | | | | | | |
| GDP at Market Prices | 271.1 | 286.6 | 314.9 | 353.7 | 397.1 | 478.7 | 656.0 | 748.0 | 870.5 | 1014.5 | 1249.8 |
| Primary Production | 294.9 | 267.7 | 276.9 | 297.8 | 309.8 | 352.4 | 552.2 | 437.9 | 525.4 | 519.7 | 590.4 |
| Agriculture and Related Sectors | 294.9 | 267.4 | 276.5 | 297.3 | 308.9 | 351.5 | 551.5 | 435.3 | 522.3 | 515.3 | 585.5 |
| Mining | 289.7 | 328.9 | 357.9 | 410.8 | 478.9 | 544.7 | 684.6 | 865.9 | 1000.0 | 1187.8 | 1453.3 |
| Secondary Production | 228.4 | 254.2 | 280.5 | 314.1 | 357.8 | 433.5 | 549.3 | 685.5 | 776.7 | 914.8 | 1158.7 |
| Manufacturing | 228.5 | 258.9 | 287.4 | 320.5 | 369.7 | 455.1 | 584.1 | 743.4 | 857.9 | 1016.1 | 1292.6 |
| Construction | 274.6 | 301.4 | 332.5 | 372.5 | 408.9 | 480.7 | 586.4 | 683.1 | 725.9 | 847.1 | 1058.0 |
| Utilities | 178.9 | 187.1 | 200.1 | 232.7 | 261.3 | 296.7 | 361.1 | 421.0 | 445.3 | 499.6 | 619.3 |
| Services | 279.8 | 312.1 | 351.2 | 400.5 | 459.6 | 561.7 | 755.2 | 922.5 | 1072.6 | 1287.7 | 1605.7 |
| Transportion and Communications | 161.8 | 190.3 | 214.9 | 240.8 | 273.7 | 343.0 | 454.0 | 579.7 | 645.7 | 749.1 | 943.9 |
| Commercial Services | 326.0 | 381.2 | 446.0 | 524.9 | 614.8 | 796.3 | 1145.9 | 1461.2 | 1743.9 | 2095.5 | 2676.0 |
| Financial Services | 294.2 | 317.1 | 335.8 | 362.5 | 393.3 | 430.4 | 541.3 | 599.8 | 716.2 | 807.1 | 928.2 |
| Housing | 295.3 | 307.8 | 343.0 | 383.9 | 442.4 | 517.6 | 648.7 | 796.0 | 995.6 | 1210.0 | 1476.2 |
| Public Administration | 268.1 | 272.7 | 294.6 | 321.3 | 355.3 | 389.4 | 459.5 | 493.3 | 515.5 | 592.9 | 673.2 |
| Other Services | 257.0 | 303.2 | 353.1 | 415.1 | 490.5 | 636.9 | 889.6 | 1117.0 | 1324.0 | 1580.6 | 1993.1 |
| **b. Annual Growth Rates** | | | | | | | | | | | |
| GDP at Market Prices | | 5.7% | 9.9% | 12.3% | 12.3% | 20.6% | 37.0% | 14.0% | 16.4% | 16.5% | 23.2% |
| Primary Production | | -9.2% | 3.4% | 7.6% | 4.0% | 13.8% | 56.7% | -20.7% | 20.0% | -1.1% | 13.6% |
| Agriculture and Related Sectors | | -9.3% | 3.4% | 7.5% | 3.9% | 13.8% | 56.9% | -21.1% | 20.0% | -1.4% | 13.6% |
| Mining | | 13.5% | 8.8% | 14.8% | 16.6% | 13.7% | 25.7% | 26.5% | 15.5% | 18.8% | 22.4% |
| Secondary Production | | 11.3% | 10.3% | 12.0% | 13.9% | 21.2% | 26.7% | 24.8% | 13.3% | 17.8% | 26.7% |
| Manufacturing | | 13.3% | 11.0% | 11.5% | 15.4% | 23.1% | 28.3% | 27.3% | 15.4% | 18.4% | 27.2% |
| Construction | | 9.8% | 10.3% | 12.0% | 9.8% | 17.6% | 22.0% | 16.5% | 6.3% | 16.7% | 24.9% |
| Utilities | | 4.6% | 6.9% | 16.3% | 12.3% | 13.5% | 21.7% | 16.6% | 5.8% | 12.2% | 24.0% |
| Services | | 11.6% | 12.5% | 14.0% | 14.8% | 22.2% | 34.4% | 22.2% | 16.3% | 20.1% | 24.7% |
| Transportion and Communications | | 17.6% | 13.0% | 12.0% | 13.7% | 25.3% | 32.4% | 27.7% | 11.4% | 16.0% | 26.0% |
| Commercial Services | | 16.9% | 17.0% | 17.7% | 17.1% | 29.5% | 43.9% | 27.5% | 19.3% | 20.2% | 27.7% |
| Financial Services | | 7.8% | 5.9% | 7.9% | 8.5% | 9.4% | 25.8% | 10.8% | 19.4% | 12.7% | 15.0% |
| Housing | | 4.2% | 11.5% | 11.9% | 15.2% | 17.0% | 25.3% | 22.7% | 25.1% | 21.5% | 22.0% |
| Public Administration | | 1.7% | 8.0% | 9.1% | 10.6% | 9.6% | 18.0% | 7.3% | 4.5% | 15.0% | 13.5% |
| Other Services | | 18.0% | 16.5% | 17.5% | 18.2% | 29.9% | 39.7% | 25.6% | 18.5% | 19.4% | 26.1% |

Source: Central Reserve Bank of El Salvador.

TABLE B.4.b.

EL SALVADOR: GROSS DOMESTIC PRODUCT DEFLATORS -- by Sector of Final Demand, 1980 - 1990

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **(1) Deflators (1962 = 100)** | | | | | | | | | | | |
| GDP at Market Prices | 271.1 | 286.6 | 314.9 | 353.7 | 397.1 | 478.7 | 656.0 | 748.0 | 870.5 | 1014.5 | 1249.8 |
| Gross Domestic Expenditure | 265.3 | 297.0 | 329.5 | 373.1 | 418.9 | 503.8 | 656.9 | 786.0 | 893.8 | 1036.2 | 1386.6 |
| Consumption Expenditures | 262.2 | 295.0 | 329.0 | 372.8 | 419.3 | 505.3 | 653.6 | 787.2 | 908.0 | 1066.2 | 1406.8 |
| Private Sector | 256.6 | 291.6 | 329.9 | 372.4 | 422.2 | 517.2 | 677.4 | 829.7 | 969.8 | 1141.7 | 1536.7 |
| Public Sector | 295.3 | 313.0 | 324.8 | 374.8 | 405.5 | 451.0 | 548.9 | 604.9 | 646.4 | 737.8 | 821.5 |
| Net Domestic Investment | 287.1 | 310.7 | 333.1 | 375.8 | 415.9 | 491.0 | 681.0 | 776.5 | 801.8 | 890.6 | 1239.0 |
| Gross Fixed Capital Formation | 286.5 | 311.4 | 333.5 | 376.3 | 416.4 | 487.4 | 682.3 | 761.5 | 803.3 | 915.0 | 1245.8 |
| Private Sector | 303.4 | 334.3 | 357.4 | 402.1 | 441.6 | 517.0 | 731.7 | 808.6 | 854.6 | 995.0 | 1328.6 |
| Public Sector | 272.9 | 294.2 | 311.2 | 342.5 | 375.0 | 423.1 | 532.8 | 627.5 | 678.2 | 746.0 | 987.3 |
| Changes in Inventories | 265.7 | 297.9 | 325.7 | 362.8 | 403.4 | 456.5 | 571.1 | 642.3 | 704.7 | 793.7 | 951.6 |
| Net Exports | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Exports of Goods and Nonfactor Services | 363.7 | 334.1 | 347.1 | 356.1 | 376.0 | 493.6 | 860.7 | 690.3 | 750.1 | 895.0 | 892.7 |
| Imports of Goods and Nonfactor Services | 337.4 | 369.6 | 414.0 | 436.4 | 468.3 | 599.9 | 827.1 | 867.1 | 880.1 | 1038.6 | 1506.0 |
| Net Factor Payments | 271.1 | 286.6 | 314.9 | 353.7 | 397.1 | 478.7 | 656.0 | 748.0 | 870.5 | 1014.5 | 1246.0 |
| Gross National Product at Market Prices | 271.1 | 286.6 | 314.9 | 353.7 | 397.1 | 478.7 | 656.0 | 748.0 | 870.5 | 1014.5 | 1246.0 |
| **(2) Annual Growth Rates** | | | | | | | | | | | |
| GDP at Market Prices | | 5.7% | 9.9% | 12.3% | 12.3% | 20.6% | 37.0% | 14.0% | 16.4% | 16.5% | 23.2% |
| Gross Domestic Expenditure | | 12.0% | 10.9% | 13.2% | 12.3% | 20.3% | 30.4% | 19.6% | 13.7% | 15.9% | 33.8% |
| Consumption Expenditures | | 12.5% | 11.5% | 13.3% | 12.5% | 20.5% | 29.3% | 20.5% | 15.3% | 17.4% | 31.9% |
| Private Sector | | 13.6% | 13.1% | 12.9% | 13.4% | 22.5% | 31.0% | 22.5% | 16.9% | 17.7% | 34.6% |
| Public Sector | | 6.0% | 3.8% | 15.4% | 8.2% | 11.2% | 21.7% | 10.2% | 6.9% | 14.1% | 11.3% |
| Net Domestic Investment | | 8.2% | 7.2% | 12.8% | 10.7% | 18.1% | 38.7% | 14.0% | 3.3% | 11.1% | 39.1% |
| Gross Fixed Capital Formation | | 8.7% | 7.1% | 12.8% | 10.7% | 17.0% | 40.0% | 11.6% | 5.5% | 13.9% | 36.1% |
| Private Sector | | 10.2% | 6.9% | 12.5% | 9.8% | 17.1% | 41.5% | 10.5% | 5.7% | 16.4% | 33.5% |
| Public Sector | | 7.8% | 5.8% | 10.1% | 9.5% | 12.8% | 25.9% | 17.8% | 8.1% | 10.0% | 32.3% |
| Changes in Inventories | | 12.1% | 9.3% | 11.4% | 11.2% | 13.1% | 25.1% | 12.5% | 9.7% | 12.6% | 19.9% |
| Net Exports | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Exports of Goods and Nonfactor Services | | -8.1% | 3.9% | 2.6% | 5.6% | 31.3% | 74.4% | -19.8% | 8.7% | 19.3% | -0.3% |
| Imports of Goods and Nonfactor Services | | 9.5% | 12.0% | 5.4% | 7.3% | 28.1% | 37.9% | 4.8% | 1.5% | 18.0% | 45.0% |
| Net Factor Payments | | 5.7% | 9.9% | 12.3% | 12.3% | 20.5% | 37.0% | 14.0% | 16.4% | 16.5% | 22.8% |
| Gross National Product at Market Prices | | 5.7% | 9.9% | 12.3% | 12.3% | 20.5% | 37.0% | 14.0% | 16.4% | 16.5% | 22.8% |

Source: Central Reserve Bank of El Salvador.

TABLE 8.5
EL SALVADOR: EXCHANGE RATE TRENDS
MONTHLY AVERAGE RATES
(colones per dollar)

| 1989 1/ | INTER-BANK RATE | | BLACK MARKET RATE | |
|---|---|---|---|---|
| | BUY | SELL | BUY | SELL |
| January | 5.00 | 5.00 | 5.48 | 5.56 |
| February | 5.00 | 5.00 | 5.72 | 5.81 |
| March | 5.00 | 5.00 | 5.78 | 5.87 |
| April | 5.00 | 5.00 | 5.66 | 5.78 |
| May | 5.00 | 5.00 | 5.83 | 5.96 |
| June | 5.00 | 5.00 | 6.09 | 6.19 |
| July | 6.13 | 6.26 | 6.28 | 6.39 |
| August | 6.27 | 6.37 | 6.41 | 6.45 |
| September | 6.36 | 6.41 | 6.42 | 6.46 |
| October | 6.41 | 6.43 | 6.45 | 6.50 |
| November | 6.44 | 6.46 | 6.55 | 6.62 |
| December | 6.50 | 6.50 | 6.70 | 6.79 |

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

1/ From January 1986 to July 28, 1989 the official exchange market and the inter-bank market were unified at 5.00 colones per U.S. dollar. On July 28, 1989, the inter-bank market was permitted to float while the official rate remained fixed at 5.00 colones per U.S. dollar. By December 31, 1989, all official transactions had been transferred to the inter-bank market. On March 16, 1990, the official market was reestablished at 6.9 colones per U.S. dollar. In April 1990 foreign exchange trading houses were legalized.
In May, 1990 the official rate was set as the arithmetic mean at the inter-bank rate and the exchange house rate-both freely floating rates.

2/ Since May, 1990 exchange houses are estimated to channel most transactions previously registered through the black market.

Source: Central Reserve Bank of El Salvador

Table B.6
El Salvador: Real Effective Exchange Rate
Indices: 1980=100

| | Real Effective Exchange Rate 1/ 2/ | Nominal Effective Exchange Rate 1/ | Relative Consumer Prices (Local Currencies) | Exchange Rate in terms of U.S. Dollars 1/ | Consumer Price Index (Seasonally Adjusted) | Consumer Price Index |
|---|---|---|---|---|---|---|
| 1986 | | | | | | |
| I | 121.265 | 117.827 | 103.050 | 54.271 | 236.515 | 236.552 |
| II | 117.662 | 110.359 | 106.611 | 50.000 | 251.813 | 253.374 |
| III | 124.145 | 111.084 | 111.769 | 50.000 | 269.993 | 270.438 |
| IV | 130.269 | 111.533 | 116.801 | 50.000 | 288.107 | 286.875 |
| 1987 | | | | | | |
| I | 132.779 | 111.283 | 119.322 | 50.000 | 304.781 | 303.469 |
| II | 137.256 | 114.280 | 120.125 | 50.000 | 321.799 | 324.165 |
| III | 141.652 | 118.711 | 119.331 | 50.000 | 332.256 | 332.684 |
| IV | 142.386 | 118.315 | 120.351 | 50.000 | 347.844 | 346.064 |
| 1988 | | | | | | |
| I | 145.801 | 121.631 | 119.879 | 50.000 | 364.217 | 362.762 |
| II | 154.705 | 127.412 | 121.425 | 50.000 | 386.177 | 389.312 |
| III | 166.364 | 138.993 | 119.729 | 50.000 | 401.514 | 402.221 |
| IV | 165.563 | 142.248 | 116.401 | 50.000 | 412.439 | 410.244 |
| 1989 | | | | | | |
| I | 152.440 | 133.424 | 114.261 | 44.700 | 426.382 | 424.425 |
| II | 153.176 | 133.929 | 114.383 | 43.525 | 440.437 | 444.165 |
| III | 155.707 | 134.735 | 115.575 | 41.650 | 472.620 | 473.323 |
| IV | 162.546 | 143.919 | 112.971 | 41.474 | 501.306 | 498.517 |
| 1990 | | | | | | |
| I | 147.488 | 135.515 | 108.814 | 25.881 | 538.876 | 536.487 |
| II | 140.886 | 132.889 | 106.017 | 32.805 | 564.615 | 569.387 |
| III | 136.206 | 132.961 | 102.467 | 32.017 | 576.540 | 577.278 |
| IV | 136.200 | | | | | 598.467 |

Source: International Monetary Fund

1/ Increase denotes appreciation.
2/ Using seasonally adjusted price indices.

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

| Economic Activity and Area | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|
| Agricultural Workers | | | | | | | |
| Men 16 years and older | 5.2 | 5.2 | 8 | 8 | 10 | 10 | 11.5 |
| Women 16 years old and older | 4.6 | 4.6 | 8 | 8 | 10 | 10 | 11.5 |
| Under 16 years of age | 4.6 | 4.6 | 7 | 7 | 9 | 9 | 10.5 |
| Disabled | n/a | n/a | 7 | 7 | 9 | 9 | 10.5 |
| Harvesting Workers | | | | | | | |
| Coffee | 14.25 | 14.25 | 14.25 | 14.25 | 16.25 | 16.25 | 16.25 |
| Sugar | 11.5 | 11.5 | 11.5 | 11.5 | 13.5 | 13.5 | 13.5 |
| Cotton | 10.5 | 10.5 | 10.5 | 10.5 | 12 | 12 | 12 |
| Agricultural Industries | | | | | | | |
| Coffee processing plant | 14 | 14 | 14 | 14 | 17 | 17 | 17 |
| Sugar mills | 8 | 8 | 8 | 8 | 11 | 11 | 11 |
| Gining mill | 8 | 8 | 8 | 8 | 11 | 11 | 11 |
| Industry and Services | | | | | | | |
| San Salvador | 13 | 13 | 15 | 15 | 18 | 18 | 21 |
| Rest of the Country | 11.9 | 11.9 | 14 | 14 | 17 | 17 | 20 |
| Commerce | | | | | | | |
| San Salvador | 13 | 13 | 15 | 15 | 18 | 18 | 21 |
| Rest of the Country | 11.9 | 11.9 | 14 | 14 | 17 | 17 | 20 |

(Rate of Increase)

| Economic Activity and Area | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|
| Agricultural Workers | | | | | | |
| Men 16 years and older | 0.0% | 53.8% | 0.0% | 25.0% | 0.0% | 15.0% |
| Women 16 years old and older | 0.0% | 73.9% | 0.0% | 25.0% | 0.0% | 15.0% |
| Under 16 years of age | 0.0% | 52.2% | 0.0% | 28.6% | 0.0% | 16.7% |
| Disabled | n/a | n/a | 0.0% | 28.6% | 0.0% | 16.7% |
| Harvesting Workers | | | | | | |
| Coffee | 0.0% | 0.0% | 0.0% | 14.0% | 0.0% | 0.[illegible] |
| Sugar | 0.0% | 0.0% | 0.0% | 17.4% | 0.0% | 0.0% |
| Cotton | 0.0% | 0.0% | 0.0% | 14.3% | 0.0% | 0.0% |
| Agricultural Industries | | | | | | |
| Coffee processing plant | 0.0% | 0.0% | 0.0% | 21.4% | 0.0% | 0.0% |
| Sugar mills | 0.0% | 0.0% | 0.0% | 37.5% | 0.0% | 0.0% |
| Gining mill | 0.0% | 0.0% | 0.0% | 37.5% | 0.0% | 0.0% |
| Industry and Services | | | | | | |
| San Salvador | 0.0% | 15.4% | 0.0% | 20.0% | 0.0% | 16.7% |
| Rest of the Country | 0.0% | 17.6% | 0.0% | 21.4% | 0.0% | 17.6% |
| Commerce | | | | | | |
| San Salvador | 0.0% | 15.4% | 0.0% | 20.0% | 0.0% | 16.7% |
| Rest of the Country | 0.0% | 17.6% | 0.0% | 21.4% | 0.0% | 17.6% |

Source: Ministry of Labor.

TABLE C.1. EL SALVADOR: Consolidated Operations of the Nonfinancial Public Sector

| a. In Millions of Current Colones | 1986 | 1987 | 1988 | 1989 | (Prel) 1990 |
|---|---|---|---|---|---|
| Revenue and grants | 3628.9 | 4021.5 | 4057.2 | 4011.9 | 5195.6 |
| Current revenue | 3314.4 | 3414.1 | 3514.7 | 3467.1 | 4482.5 |
| Tax revenue | 2746.6 | 2816.9 | 2839.3 | 2824.3 | 3694.9 |
| Nontax revenue | 362.4 | 325.7 | 399.0 | 460.5 | 468.0 |
| Operating surplus of public enterprises | 205.4 | 271.5 | 276.4 | 182.3 | 319.6 |
| Capital revenue | 2.7 | 19.8 | 0.5 | 12.2 | 16.9 |
| Foreign grants | 311.8 | 587.6 | 542.0 | 532.6 | 696.2 |
| Expenditure and net lending | 3728.8 | 4089.4 | 4436.9 | 5351.9 | 5973.4 |
| Current expenditure | 2795.0 | 3149.8 | 3430.5 | 3967.1 | 4921.7 |
| Consumption and interest | 2654.7 | 2960.3 | 3186.7 | 3616.3 | 4500.2 |
| Current transfers | 140.3 | 189.5 | 243.8 | 350.8 | 421.5 |
| Capital expenditure | 855.1 | 920.4 | 946.1 | 1295.5 | 1051.1 |
| Fixed capital formation | 752.1 | 849.9 | 946.1 | 1253.2 | 996.6 |
| Capital transfers | 103.0 | 70.5 | 0.0 | 42.3 | 54.5 |
| Net lending | 78.7 | 19.2 | 60.3 | 89.3 | 0.6 |
| Current account deficit (-) | 519.4 | 264.3 | 84.2 | -500.0 | -439.2 |
| Overall deficit (-) before grants | -411.7 | -655.5 | -921.7 | -1872.6 | -1474.0 |
| Overall deficit (-) | -99.9 | -67.9 | -379.7 | -1340.0 | -777.8 |
| External financing (net) | 260.7 | 206.2 | 318.3 | 506.7 | 1046.4 |
| Disbursements | 526.5 | 437.9 | 565.6 | 715.0 | 1348.3 |
| Amortization | -265.8 | -231.7 | -247.3 | -208.3 | -301.9 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Internal financing (net) | -160.8 | -138.3 | 61.4 | 833.3 | -268.6 |
| Banking System | -297.7 | 0.6 | -156.1 | 838.8 | 6.0 |
| Central Reserve Bank | -285.5 | 138.7 | -27.4 | 913.2 | 47.8 |
| Banks | -12.2 | -138.1 | -128.7 | -74.4 | -41.8 |
| Bonds outside banking system | 55.0 | 16.9 | -33.2 | 0.2 | -34.0 |
| Floating debt | 104.4 | 45.2 | 192.4 | -209.7 | -1202.1 |
| Other | -22.5 | -201.0 | 58.3 | 204.0 | 961.5 |

Source : Central Reserve Bank

TABLE C.1. EL SALVADOR: Consolidated Operations of the Nonfinancial Public Sector (Completed)

| b. Annual Growth Rates | 1986 | 1987 | 1988 | 1989 | (Prel) 1990 |
|---|---|---|---|---|---|
| Revenue and grants | | 10.8% | 0.9% | -1.1% | 29.5% |
| Current revenue | | 3.0% | 2.9% | -1.4% | 29.3% |
| Tax revenue | | 2.6% | 0.8% | -0.5% | 30.8% |
| Foreign grants | | 88.5% | -7.8% | -1.7% | 30.7% |
| Expenditure and net lending | | 9.7% | 8.5% | 20.6% | 11.6% |
| Current expenditure | | 12.7% | 8.9% | 15.6% | 24.1% |
| Capital expenditure | | 7.6% | 2.8% | 36.9% | -18.9% |
| Fixed capital formation | | 13.0% | 11.3% | 32.5% | -20.5% |
| External financing (net) | | -20.9% | 54.4% | 59.2% | 106.5% |
| Internal financing (net) | | -14.0% | -144.4% | 1257.2% | -132.2% |
| **c. As percent of GDP** | | | | | |
| Revenue and grants | 18.4% | 17.4% | 14.8% | 12.4% | 12.7% |
| Current revenue | 16.8% | 14.8% | 12.8% | 10.8% | 10.9% |
| Tax revenue | 13.9% | 12.2% | 10.4% | 8.8% | 9.0% |
| Foreign grants | 1.6% | 2.5% | 2.0% | 1.7% | 1.7% |
| Expenditure and net lending | 18.9% | 17.7% | 16.2% | 16.6% | 14.5% |
| Current expenditure | 14.1% | 13.6% | 12.5% | 12.3% | 12.0% |
| Consumption and interest | 13.4% | 12.8% | 11.6% | 11.2% | 11.0% |
| Capital expenditure | 4.3% | 4.0% | 3.5% | 4.0% | 2.6% |
| Fixed capital formation | 3.8% | 3.7% | 3.5% | 3.9% | 2.4% |
| Overall deficit (-) | | | | | |
| Including Grants | -0.5% | -0.3% | -1.4% | -4.2% | -1.9% |
| Excluding Grants | -2.1% | -2.8% | -3.4% | -5.8% | -3.6% |
| External financing (net) | 1.3% | 0.9% | 1.2% | 1.6% | 2.5% |
| Internal financing (net) | -0.8% | -0.6% | 0.2% | 2.6% | -0.7% |
| Banking System | -1.5% | 0.0% | -0.6% | 2.6% | 0.0% |

Source : Central Reserve Bank

TABLE C.2. EL SALVADOR: Consolidated Central Government Operations

| a. In Millions of Current Colones | 1986 | 1987 | 1988 | 1989 | (Prel) 1990 |
|---|---|---|---|---|---|
| Revenue and grants | 3159.2 | 3306.2 | 3385.8 | 3182.6 | 4135.2 |
| Current revenue | 2711.7 | 2731.2 | 2728.9 | 2617.4 | 3442.3 |
| Tax revenue | 2537.5 | 2613.3 | 2562.5 | 2457.0 | 3302.2 |
| Nontax revenue | 174.2 | 117.9 | 166.4 | 160.4 | 140.1 |
| Current transfers from public enterprises | 133.3 | 29.3 | 114.9 | 42.5 | 10.5 |
| Capital revenue | 2.4 | 0.0 | 0.0 | 0.1 | 1.2 |
| Foreign grants | 311.8 | 545.7 | 542.0 | 522.6 | 681.2 |
| Expenditure and net lending | 3438.2 | 3592.8 | 3690.2 | 4232.6 | 4866.4 |
| Current expenditure | 2567.2 | 2761.8 | 3042.2 | 3398.4 | 4259.9 |
| Wages and salaries | 1456.9 | 1708.7 | 1821.0 | 2059.0 | 2427.9 |
| Goods and services | 384.8 | 449.8 | 511.3 | 500.3 | 707.0 |
| Interest | 260.0 | 241.2 | 243.8 | 287.6 | 431.9 |
| Transfers | 465.5 | 362.1 | 466.1 | 551.5 | 693.1 |
| Rest of general government | 216.2 | 232.8 | 238.5 | 309.8 | 403.9 |
| Public enterprises | 176.0 | 42.4 | 113.2 | 50.5 | 75.5 |
| Public financial intermediaries | 0.0 | 0.0 | 0.0 | 25.0 | 25.0 |
| Private sector | 67.7 | 78.6 | 105.0 | 157.3 | 174.7 |
| Abroad | 5.6 | 8.3 | 9.4 | 8.9 | 14.0 |
| Capital expenditure | 601.8 | 703.4 | 588.0 | 745.9 | 605.9 |
| Fixed capital formation | 484.6 | 532.4 | 468.2 | 642.6 | 419.8 |
| Transfers | 117.2 | 171.0 | 119.8 | 103.3 | 186.1 |
| Rest of general government | 14.3 | 56.5 | 119.8 | 61.0 | 117.8 |
| Public enterprises | 0.0 | 44.0 | 0.0 | 0.0 | 13.8 |
| Public financial intermediaries | 101.7 | 65.1 | 0.0 | 9.9 | 13.1 |
| Private sector | 1.2 | 5.4 | 0.0 | 32.4 | 41.4 |
| Net lending to | 269.2 | 127.6 | 60.0 | 88.3 | 0.6 |
| Rest of general government | 169.0 | 107.4 | 0.0 | -2.0 | 0.0 |
| Public enterprises | -2.0 | 1.3 | 0.0 | 1.0 | 0.0 |
| Public financial intermediaries | 35.0 | 0.0 | 0.0 | 50.7 | 0.0 |
| Other | 67.2 | 18.9 | 60.0 | 38.6 | 0.6 |
| Current account deficit (-) | 277.8 | -1.3 | -198.4 | -738.5 | -807.1 |
| Overall deficit before grants | -590.8 | -832.3 | -846.4 | 1572.6 | -1412.4 |
| Overall deficit (-) | -279.0 | -286.6 | -304.4 | -1050.0 | -731.2 |
| External financing (net) | 321.1 | 279.5 | 278.0 | 199.9 | 881.4 |
| Disbursements | 492.6 | 416.4 | 453.8 | 354.0 | 1065.7 |
| Amortization /1 | -171.5 | -136.9 | -175.8 | -154.1 | -184.3 |
| Internal financing (net) | -42.0 | 7.1 | 26.4 | 850.1 | -150.2 |
| Banking System | -186.9 | 142.7 | -162.4 | 985.3 | 208.8 |
| Central Reserve Bank | -301.5 | 84.4 | -69.6 | 888.1 | 266.7 |
| Banks | 114.6 | 58.3 | -92.8 | 97.2 | -57.9 |
| Bonds outside banking system | -51.8 | 4.2 | -39.0 | 1.3 | 0.0 |
| Floating debt | 219.0 | 70.0 | 219.5 | -371.6 | -1023.1 |
| Other | -22.3 | -209.8 | 8.3 | 235.1 | 664.1 |

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

Source: Central Reserve Bank

TABLE C.2. EL SALVADOR: Consolidated Central Government Operations (Completed)

| b. Annual Growth Rates | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| **Revenue and grants** | 39.0% | 4.7% | 2.4% | -6.0% | 29.9% |
| Current revenue | 42.7% | 0.7% | -0.1% | -4.1% | 31.5% |
| Tax revenue | 41.4% | 3.0% | -1.9% | -4.1% | 34.4% |
| Nontax revenue | 64.8% | -32.3% | 41.1% | -3.6% | -12.7% |
| Foreign grants | 109.1% | 75.0% | -0.7% | -3.6% | 30.3% |
| **Expenditure and net lending** | 34.5% | 4.5% | 2.7% | 14.7% | 15.0% |
| Current expenditure | 31.1% | 7.6% | 10.2% | 11.7% | 25.4% |
| Wages and salaries | 16.5% | 17.3% | 6.6% | 13.1% | 17.9% |
| Goods and services | 56.0% | 16.9% | 13.7% | -2.2% | 41.3% |
| Interest | 47.1% | -7.2% | 1.1% | 18.0% | 50.2% |
| Transfers | 63.9% | -22.2% | 20.7% | 18.3% | 25.7% |
| Capital expenditure | 7.7% | 16.9% | -16.4% | 26.9% | -18.8% |
| Fixed capital formation | 15.9% | 9.9% | -12.1% | 37.2% | -34.7% |
| Transfers | -16.6% | 45.9% | -29.9% | -13.8% | 80.2% |
| Net lending | 573.0% | -52.6% | -53.0% | 47.2% | -99.3% |
| External financing (net) | 35.9% | -13.0% | -0.5% | -28.1% | 340.9% |
| Internal financing (net) | -188.2% | -116.9% | 271.8% | 3120.1% | -117.7% |
| Banking System | -171.9% | -176.4% | -213.8% | -706.7% | -78.8% |

| c. As Percent of GDP | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| **Revenue and grants** | 16.0% | 14.3% | 12.4% | 9.9% | 10.1% |
| Current revenue | 13.7% | 11.8% | 10.0% | 8.1% | 8.4% |
| Tax revenue | 12.8% | 11.3% | 9.4% | 7.6% | 8.0% |
| Foreign grants | 1.6% | 2.4% | 2.0% | 1.6% | 1.7% |
| **Expenditure and net lending** | 17.4% | 15.5% | 13.5% | 13.1% | 11.9% |
| Current expenditure | 13.0% | 11.9% | 11.1% | 10.5% | 10.4% |
| Wages and salaries | 7.4% | 7.4% | 6.7% | 6.4% | 5.9% |
| Goods and services | 1.9% | 1.9% | 1.9% | 1.6% | 1.7% |
| Interest | 1.3% | 1.0% | 0.9% | 0.9% | 1.1% |
| Transfers | 2.4% | 1.6% | 1.7% | 1.7% | 1.7% |
| Capital expenditure | 3.0% | 3.0% | 2.1% | 2.3% | 1.5% |
| Fixed capital formation | 2.5% | 2.3% | 1.7% | 2.0% | 1.0% |
| Transfers | 0.6% | 0.7% | 0.4% | 0.3% | 0.5% |
| Net lending | 1.4% | 0.6% | 0.2% | 0.3% | 0.0% |
| Current account deficit (-) | 1.4% | 0.0% | -0.7% | -2.3% | -2.0% |
| Overall deficit (-) | | | | | |
| Excluding Grants | -3.0% | -3.6% | -3.1% | -4.9% | -3.4% |
| Including Grants | -1.4% | -1.2% | -1.1% | -3.3% | -1.8% |
| External financing (net) | 1.6% | 1.2% | 1.0% | 0.6% | 2.1% |
| Internal financing (net) | -0.2% | 0.0% | 0.1% | 2.6% | -0.4% |
| Banking System | -0.9% | 0.6% | -0.6% | 3.1% | 0.5% |

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

Source: Central Reserve Bank

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TABLE C.3.EL SALVADOR: Central Government Revenue and Grants by Category
(In millions of colones)

| | 1986 | 1987 | 1988 | 1989 | (Prel) 1990 |
|---|---|---|---|---|---|
| Total revenue and grants | 3159.2 | 3306.2 | 3385.8 | 3182.6 | 4135.2 |
| Current revenue | 2711.7 | 2731.2 | 2728.9 | 2617.4 | 3442.3 |
| Tax revenue | 2579.3 | 2588.2 | 2531.9 | 2457.4 | 3246.0 |
| Direct taxes | 525.7 | 711.1 | 739.0 | 758.1 | 904.5 |
| Income tax | 432.8 | 560.5 | 560.7 | 581.4 | 719.6 |
| Personal | 183.3 | 199.1 | 211.1 | 252.7 | |
| Corporate | 200.6 | 316.5 | 349.6 | 328.7 | |
| Other | 48.9 | 44.9 | 0.0 | 0.0 | 0.0 |
| Wealth tax | 57.1 | 108.6 | 119.8 | 118.9 | 123.7 |
| Property transfer tax | 35.8 | 42.0 | 58.5 | 57.8 | 61.2 |
| Taxes on foreign trade | 1168.4 | 701.5 | 592.2 | 445.5 | 700.5 |
| Import taxes | 204.1 | 258.6 | 214.3 | 312.8 | 442.8 |
| Export taxes | 964.3 | 442.9 | 377.9 | 132.7 | 257.7 |
| Of which: on coffee | 955.1 | 431.7 | 368.3 | 123.9 | 255.7 |
| Taxes on domestic transactions | 885.2 | 1175.6 | 1200.7 | 1253.8 | 1641.0 |
| Liquor and beer | 108.5 | 123.1 | 123.4 | 141.2 | 174.4 |
| Cigarettes | 78.6 | 94.1 | 113.6 | 101.5 | 101.6 |
| Sugar | 3.1 | 2.7 | 5.5 | 4.7 | 108.0 |
| Petroleum products | 28.9 | 33.8 | 34.4 | 40.5 | 34.4 |
| Selective consumption tax | 20.8 | 26.3 | 20.3 | 4.5 | 0.0 |
| Other consumption tax | 37.8 | 122.3 | 134.1 | 137.0 | 95.4 |
| Stamp tax | 550.2 | 703.0 | 707.1 | 764.0 | 1030.8 |
| Automobile registrations | 15.7 | 17.7 | 18.8 | 18.5 | 17.6 |
| Other taxes | 41.6 | 52.6 | 43.5 | 41.9 | 78.8 |
| Nontax revenue | 174.2 | 117.9 | 166.4 | 160.4 | 140.1 |
| Transfers from private sector (fees,fines, etc) | 28.4 | 32.1 | 66.3 | 45.4 | 45.5 |
| Income from public service | 97.8 | 38.3 | 33.1 | 31.5 | 38.8 |
| Sale of goods and services | 29.8 | 17.3 | 26.3 | 28.3 | 34.5 |
| Interest, rent, and dividends | 13.7 | 22.4 | 23.0 | 36.5 | 13.7 |
| Other | 4.5 | 7.8 | 17.7 | 18.7 | 7.6 |
| Adjustment for tax/interest arrears | -41.8 | 25.1 | 30.6 | -0.4 | 56.2 |
| Current transfers from public enterprises (public enterprises profits) | 133.3 | 29.3 | 114.9 | 42.5 | 10.5 |
| Capital revenue | 2.4 | 0.0 | 0.0 | 0.1 | 1.2 |
| Foreign grants | 311.8 | 545.7 | 542.0 | 522.6 | 681.2 |
| Of which: AID | 311.8 | 545.7 | 472.0 | 522.6 | 681.2 |

Source: Central Reserve Bank of El Salvador; Ministry of Finance.

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

| | 1988 Dec. | 1989 March | 1989 June | 1989 Sept. | 1989 Dec. | 1990 March | 1990 June | 1990 Sept. | 1990 Dec. |
|---|---|---|---|---|---|---|---|---|---|
| | (In millions of colones) | | | | | | | | |
| Liabilities to private sector (M3) 1/ | 7455.1 | 7255.8 | 7442.7 | 7535.9 | 8290.9 | 8725.9 | 9174.0 | 9602.3 | 10708.9 |
| Money Supply (M2) | 6961.9 | 6825.2 | 7030.5 | 7059.9 | 7774.0 | 8150.7 | 8331.7 | 8774.9 | 9894.5 |
| Basic Money Supply (M1) | 2742.7 | 2648.1 | 2643.7 | 2536.4 | 3163.4 | 3258.3 | 3055.7 | 3040.8 | 3869.6 |
| Currency in circulation | 1326.2 | 1230.6 | 1304.4 | 1241.9 | 1727.1 | 1501.6 | 1479.0 | 1461.1 | 1856.3 |
| Sight deposits | 1416.5 | 1417.5 | 1339.3 | 1294.5 | 1436.3 | 1756.7 | 1576.7 | 1579.7 | 2013.3 |
| Quasi-money | 4219.2 | 4177.1 | 4386.8 | 4523.5 | 4610.6 | 4892.4 | 5276.0 | 5734.1 | 6024.9 |
| Time and savings deposits | 4084.0 | 4038.8 | 4238.9 | 4373.3 | 4468.6 | 4747.8 | 5100.3 | 5556.0 | 5885.7 |
| Trust funds | 135.2 | 138.3 | 147.9 | 150.2 | 142.0 | 144.6 | 175.7 | 178.1 | 139.2 |
| Other | 493.2 | 430.6 | 412.2 | 476.0 | 516.9 | 575.2 | 842.3 | 827.4 | 814.4 |
| Foreign currency deposits | 274.0 | 208.9 | 194.9 | 242.8 | 276.2 | 369.4 | 593.2 | 580.0 | 579.6 |
| Import deposits | 18.4 | 10.8 | 8.6 | 6.2 | 5.5 | 4.9 | 51.2 | 55.3 | 36.9 |
| Bonds | 154.0 | 164.1 | 159.2 | 174.1 | 182.3 | 148.0 | 145.0 | 139.2 | 138.0 |
| Private capital | 46.8 | 46.8 | 49.5 | 52.9 | 52.9 | 52.9 | 52.9 | 52.9 | 59.9 |
| Memorandum: Exchange rate for Central Bank | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 7.25 | 7.5 | 7.75 | 8.0 |
| Exchange rate for Commerc. Banks | 5.0 | 5.0 | 5.0 | 5.0 | 6.5 | 7.25 | 7.5 | 7.75 | 8.0 |
| | As percent of M3) | | | | | | | | |
| Money Supply (M2) | 93.4 | 94.1 | 94.5 | 93.7 | 93.8 | 93.4 | 90.8 | 91.4 | 92.4 |
| Basic Money Supply (M1) | 36.8 | 36.5 | 35.5 | 33.7 | 38.2 | 37.3 | 33.3 | 31.7 | 36.1 |
| Currency in circulation | 17.8 | 17.0 | 17.5 | 16.5 | 20.8 | 17.2 | 16.1 | 15.2 | 17.3 |
| Sight deposits | 19.0 | 19.5 | 18.0 | 17.2 | 17.3 | 20.1 | 17.2 | 16.5 | 18.8 |
| Quasi-money | 56.6 | 57.6 | 58.9 | 60.0 | 55.6 | 56.1 | 57.5 | 59.7 | 56.3 |
| Time and savings deposits | 54.8 | 55.7 | 57.0 | 58.0 | 53.9 | 54.4 | 55.6 | 57.9 | 55.0 |
| Trust funds | 1.8 | 1.9 | 2.0 | 2.0 | 1.7 | 1.7 | 1.9 | 1.9 | 1.3 |
| Other | 6.6 | 5.9 | 5.5 | 6.3 | 6.2 | 6.6 | 9.2 | 8.6 | 7.6 |

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Table D.1.
El Salvador: Monetary Survey

(Completed)

| | 1989 Dec. | 1990 Dec. | 1989 March | 1989 June | 1989 Sept. | 1989 Dec. | 1990 March | 1990 June | 1990 Sept. | 1990 Dec. |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | (Annualized growth rates) 2/ | | | | | | | |
| Liabilities to private sector (M3) 1/ | 11.2 | 29.2 | -10.3 | 10.7 | 5.1 | 46.5 | 22.7 | 22.2 | 20.0 | 54.7 |
| Money Supply (M2) | 11.7 | 27.3 | -7.6 | 12.6 | 1.7 | 47.0 | 20.8 | 9.2 | 23.0 | 61.7 |
| Basic Money Supply (M1) | 15.3 | 22.3 | -13.1 | -0.7 | -15.3 | 142.0 | 12.6 | -22.6 | -1.9 | 162.2 |
| Currency in circulation | 30.2 | 7.5 | -25.9 | 26.2 | -17.8 | 274.0 | -42.9 | -5.9 | -4.8 | 160.5 |
| Sight deposits | 1.4 | 40.2 | C.3 | -20.3 | -12.7 | 51.6 | 123.8 | -35.1 | 0.8 | 163.8 |
| Quasi-money | 9.3 | 30.7 | -3.9 | 21.6 | 13.1 | 7.9 | 26.8 | 35.2 | 39.5 | 21.9 |
| Time and savings deposits | 9.4 | 31.7 | -4.4 | 21.3 | 13.3 | 9.0 | 27.4 | 33.2 | 40.8 | 25.9 |
| | | | (Flows in millions of colones) | | | | | | | |
| Liabilities to private sector (M3) 1/ | 835.8 | 2418.0 | -199.3 | 186.9 | 93.2 | 755.0 | 435.0 | 448.1 | 428.3 | 1106.6 |
| Money Supply (M2) | 812.1 | 2120.5 | -136.7 | 205.3 | 29.4 | 714.1 | 376.7 | 181.0 | 443.2 | 1119.6 |
| Basic Money Supply (M1) | 420.7 | 706.2 | -94.6 | -4.4 | -107.3 | 627.0 | 94.9 | -202.6 | -14.9 | 828.8 |
| Currency in circulation | 400.9 | 129.2 | -95.6 | 73.8 | -62.5 | 485.2 | -225.5 | -22.6 | -17.9 | 395.2 |
| Sight deposits | 19.8 | 577.0 | 1.0 | -78.2 | -44.8 | 141.8 | 320.4 | -180.0 | 3.0 | 433.6 |
| Quasi-money | 391.4 | 1414.3 | -42.1 | 209.7 | 136.7 | 87.1 | 281.8 | 383.6 | 458.1 | 290.8 |
| Time and savings deposits | 384.6 | 1417.1 | -45.2 | 200.1 | 134.4 | 95.3 | 279.2 | 352.5 | 455.7 | 329.7 |

1/ Of the consolidated Banking System

2/ For annual data, percent change as of year end compared to previous year end. For quaterly data, percent change as of end of quarter compared to end of previous quarter converted to an annual rate.

04-Apr-91

Table D.2.a
El Salvador: Accounts of the Central Reserve Bank
(In millions of colones)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Net international reserves | 755.1 | 1225.1 | 1049.7 | 1232.5 | 2898.5 |
| Assets | 1322.3 | 1398.0 | 1275.5 | 1790.0 | 4039.8 |
| Liabilities | -567.2 | -172.9 | -225.8 | -557.5 | -1141.3 |
| Domestic credit | 4303.5 | 4658.5 | 5204.8 | 6111.0 | 6526.1 |
| Central Government (net) | 1338.2 | 1422.6 | 1353.0 | 2241.1 | 3784.5 |
| Credit 1/ | 1974.2 | 2083.3 | 2295.3 | 3286.8 | 5124.8 |
| Deposits (-) | -636.0 | -660.7 | -942.3 | -1045.7 | -1340.3 |
| Rest of general government (net) | 68.6 | 48.0 | 128.0 | 99.8 | -193.8 |
| Credit | 131.9 | 133.1 | 201.2 | 192.3 | 50.9 |
| Deposits (-) | -63.3 | -85.1 | -73.2 | -92.5 | -244.7 |
| Nonfinancial public enterprises (net) | 314.7 | 374.8 | 348.3 | -45.8 | -618.7 |
| INCAFE AND INAZUCAR (net) | 408.0 | 469.3 | 671.8 | 592.7 | 51.8 |
| Businesses and individuals | 64.0 | 54.9 | 6.7 | 0.0 | 0.0 |
| Monetary financial institutions | 957.3 | 1237.5 | 1450.8 | 2315.5 | 2249.0 |
| Nonmonetary financial institutions | 368.2 | 366.4 | 433.4 | 477.9 | 435.6 |
| Official capital and reserves | -340.7 | -351.7 | -365.4 | -385.8 | -1190.1 |
| Subscriptions to nonmonetary international financial institutions (net) | 222.9 | 216.7 | 217.0 | 206.8 | 327.7 |
| Unclassified assets (net) | 902.3 | 820.0 | 961.2 | 608.8 | 1680.1 |
| Assets | 5058.6 | 5883.6 | 6254.5 | 7343.5 | 9424.6 |
| Liabilities | 5058.6 | 5883.6 | 6254.5 | 7343.5 | 9424.6 |
| Allocation of SDRs and valuation adjust. | 152.5 | 176.2 | 167.3 | 164.7 | 249.9 |
| AID related deposits | 750.0 | 1368.7 | 1517.7 | 2088.7 | 1317.9 |
| Medium-and long-term foreign liabilities | 2083.3 | 1760.4 | 1566.7 | 1767.7 | 2949.6 |
| Other liabilities | 1987.0 | 1676.7 | 1513.4 | 1747.5 | 2948.3 |
| IMF: Trust Fund | 96.3 | 83.7 | 53.3 | 20.2 | 1.3 |
| Liabilities to monetary financial instit. | 832.8 | 1192.6 | 1576.7 | 1525.0 | 2872.5 |
| Currency | 116.7 | 56.9 | 68.8 | 90.5 | 119.7 |
| Deposits | 716.1 | 1135.7 | 1507.9 | 1434.5 | 2225.0 |
| Investment bonds | 0.0 | 0.0 | 0.0 | 0.0 | 527.8 |
| Liabilities to nonmonetary financial instit. | 38.0 | 55.9 | 74.3 | 54.4 | 135.1 |
| Liabilities to private sector | 1202.0 | 1329.8 | 1351.8 | 1743.0 | 1899.6 |
| Currency in circulation | 1156.5 | 1298.0 | 1326.2 | 1727.1 | 1856.3 |
| Sight deposits | 8.5 | 6.5 | 5.4 | 9.8 | 6.4 |
| Import deposits | 37.0 | 25.1 | 18.4 | 5.5 | 36.9 |
| Investment bonds | 0.0 | 0.2 | 1.8 | 0.6 | 0.0 |
| Memoranda: Net Domestic Assets (IMF Stand-by) 2/ | 3234.7 | 3202.0 | 3360.9 | 4351.0 | 3225.3 |
| Exchange rate | 5.0 | 5.0 | 5.0 | 5.0 | 8.0 |

1/ In 1989 includes C 392.2 million of accumulated unpaid interest obligations previously classified in "unclassified assets". In 1990, includes credit for C1214.0 million previously classified in nonfinancial public sector and C185.6 million accumulated unpaid interest obligations of nonfinancial public sector previously classified in "unclassified assets".

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

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

(Annual growth rates)

| | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|
| Net international reserves | 62.2 | -14.3 | 17.4 | 135.2 |
| Assets | 5.7 | -8.8 | 40.3 | 125.7 |
| Liabilities | -69.5 | 30.6 | 146.9 | 104.7 |
| Domestic credit | 8.2 | 11.7 | 17.4 | 6.8 |
| Central Government (net) | 6.3 | -4.9 | 65.6 | 68.9 |
| Credit | 5.5 | 10.2 | 43.2 | 55.9 |
| Deposits (-) | 3.9 | 42.6 | 11.0 | 28.2 |
| Rest of general government (net) | -30.0 | 166.7 | -22.0 | -294.2 |
| Credit | 0.9 | 51.2 | -4.4 | -73.5 |
| Deposits (-) | 34.4 | -14.0 | 26.4 | 164.5 |
| Nonfinancial public enterprises (net) | 19.1 | -7.1 | -113.1 | 1250.9 |
| INCAFE AND INAZUCAR (net) | 15.0 | 43.1 | -11.8 | -91.3 |
| Businesses and individuals | -14.2 | -87.8 | -100.0 | ... |
| Monetary financial institutions | 29.3 | 17.2 | 59.6 | -2.9 |
| Nonmonetary financial institutions | -0.5 | 18.3 | 10.3 | -8.9 |
| Official capital and reserves | 3.2 | 3.9 | 5.6 | 208.5 |
| Subscriptions to nonmonetary international financial institutions (net) | -2.8 | 0.1 | -4.7 | 58.5 |
| Unclassified assets (net) | -9.1 | 17.2 | -36.7 | 176.0 |
| Assets | 16.3 | 6.3 | 17.4 | 28.3 |
| Liabilities | 16.3 | 6.3 | 17.4 | 28.3 |
| Allocation of SDRs and valuation adjust. | 15.5 | -5.1 | -1.6 | 51.7 |
| AID related deposits | 82.5 | 10.9 | 37.6 | -36.9 |
| Medium-and long-term foreign liabilities | -15.5 | -11.0 | 12.8 | 66.9 |
| Other liabilities | -15.6 | -9.7 | 15.5 | 68.7 |
| IMF: Trust Fund | -13.1 | -36.3 | -62.1 | -93.6 |
| Liabilities to monetary financial instit. | 43.2 | 32.2 | -3.3 | 88.4 |
| Currency | -51.2 | 20.9 | 31.5 | 32.3 |
| Deposits | 58.6 | 32.8 | -4.9 | 55.1 |
| Investment bonds | ... | ... | ... | ... |
| Liabilities to nonmonetary financial instit. | 47.1 | 32.9 | -26.8 | 148.3 |
| Liabilities to private sector | 10.6 | 1.7 | 28.9 | 9.0 |
| Currency in circulation | 12.2 | 2.2 | 30.2 | 7.5 |
| Sight deposits | -23.5 | -16.9 | 81.5 | -34.7 |
| Import deposits | -32.2 | -26.7 | -70.1 | 570.9 |
| Investment bonds | ... | 800.0 | -66.7 | -100.0 |
| Memoranda: Net Domestic Assets (IMF Stand-by) 2/ | -1.0 | 5.0 | 29.5 | -25.9 |

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

(Flows in millions of colones)

| | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|
| **Net international reserves** | 470.0 | -175.4 | 182.8 | 1666.0 |
| Assets | 75.7 | -122.5 | 514.5 | 2249.8 |
| Liabilities | 394.3 | -52.9 | -331.7 | -583.8 |
| **Domestic credit** | 355.0 | 546.3 | 906.2 | 415.1 |
| Central Government (net) | 84.4 | -69.6 | 888.1 | 1543.4 |
| Credit | 109.1 | 212.0 | 991.5 | 1838.0 |
| Deposits (-) | -24.7 | -281.6 | -103.4 | -294.6 |
| Rest of general government (net) | -20.6 | 80.0 | -28.2 | -293.6 |
| Credit | 1.2 | 68.1 | -8.9 | -141.4 |
| Deposits (-) | -21.8 | 11.9 | -19.3 | -152.2 |
| Nonfinancial public enterprises (net) | 60.1 | -26.5 | -394.1 | -572.9 |
| INCAFE AND INAZUCAR (net) | 61.3 | 202.5 | -79.1 | -540.9 |
| Businesses and individuals | -9.1 | -48.2 | -6.7 | 0.0 |
| Monetary financial institutions | 280.2 | 213.3 | 864.7 | -66.5 |
| Nonmonetary financial institutions | -1.8 | 67.0 | 44.5 | -42.3 |
| Official capital and reserves | -11.0 | -13.7 | -20.4 | -804.3 |
| Subscriptions to nonmonetary international financial institutions (net) | 0.0 | 0.0 | 0.0 | 0.0 |
| | -6.2 | 0.3 | -10.2 | 120.9 |
| Unclassified assets (net) | -82.3 | 141.2 | -352.4 | 1071.3 |
| **Assets** | 825.0 | 370.9 | 1089.0 | 2081.1 |
| **Liabilities** | 825.0 | 370.9 | 1089.0 | 2081.1 |
| **Allocation of SDRs and valuation adjust.** | 23.7 | -8.9 | -2.6 | 85.2 |
| **AID related deposits** | 618.7 | 149.0 | 571.0 | -770.8 |
| **Medium-and long-term foreign liabilities** | -322.9 | -193.7 | 201.0 | 1181.9 |
| Other liabilities | -310.3 | -163.3 | 234.1 | 1200.8 |
| IMF: Trust Fund | -12.6 | -30.4 | -33.1 | -18.9 |
| **Liabilities to monetary financial instit.** | 359.8 | 384.1 | -51.7 | 1347.5 |
| Currency | -59.8 | 11.9 | 21.7 | 29.2 |
| Deposits | 419.6 | 372.2 | -73.4 | 790.5 |
| Investment bonds | 0.0 | 0.0 | 0.0 | 527.8 |
| **Liabilities to nonmonetary financial instit.** | 17.9 | 18.4 | -19.9 | 80.7 |
| **Liabilities to private sector** | 127.8 | 22.0 | 391.2 | 156.6 |
| Currency in circulation | 141.5 | 28.2 | 400.9 | 129.2 |
| Sight deposits | -2.0 | -1.1 | 4.4 | -3.4 |
| Import deposits | -11.9 | -6.7 | -12.9 | 31.4 |
| Investment bonds | 0.2 | 1.6 | -1.2 | -0.6 |
| Memoranda: Net Domestic Assets (IMF Stand-by) 2/ | -32.7 | 158.9 | 990.1 | -1125.7 |

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

(In millions of colones)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Net international reserves | 1120.1 | 1554.6 | 1268.0 | 1440.1 | 3460.0 |
| Assets | 1794.6 | 1807.1 | 1635.8 | 2255.3 | 4737.6 |
| Liabilities | -674.5 | -252.5 | -367.8 | -815.2 | -1277.6 |
| Net Domestic Assets | 8810.6 | 9084.3 | 10248.0 | 11616.0 | 12751.9 |
| Credit to public sector (net) | 1637.1 | 1694.5 | 1551.0 | 2219.2 | 2856.1 |
| Central Government (net) | 1633.8 | 1776.5 | 1614.0 | 2597.3 | 4082.8 |
| Credit | 2303.7 | 2470.2 | 2590.2 | 3682.5 | 5513.1 |
| Deposits (-) | -669.9 | -693.7 | -976.2 | -1085.2 | -1430.3 |
| Rest of the public sector | 3.3 | -82.0 | -63.0 | -378.1 | -1226.7 |
| Rest of general government (net) | -118.9 | -203.6 | -124.1 | -158.9 | -439.6 |
| Credit | 220.6 | 231.3 | 352.2 | 319.0 | 219.9 |
| Deposits (-) | -339.5 | -434.9 | -476.3 | -477.9 | -659.5 |
| Nonfinancial public enterprises (net) | 122.2 | 121.6 | 61.1 | -219.2 | -787.1 |
| Credit to private sector | 5758.6 | 6238.7 | 7178.4 | 7799.6 | 7836.6 |
| INCAFE AND INAZUCAR (net) | 408.0 | 469.3 | 671.8 | 592.7 | 51.8 |
| Businesses and individuals | 4980.2 | 5401.0 | 6071.1 | 6726.8 | 7345.2 |
| Nonmonetary financial institutions | 370.4 | 368.4 | 435.5 | 480.1 | 439.6 |
| Official capital and reserves | -493.1 | -503.2 | -605.7 | -660.6 | -1464.9 |
| Subscriptions to nonmonetary international financial institutions (net) | 222.9 | 216.7 | 217.0 | 206.8 | 327.7 |
| Unclassified assets (net) 3/ | 1685.1 | 1437.6 | 1907.3 | 2051.0 | 3196.4 |
| Assets | 9930.7 | 10638.9 | 11516.0 | 13056.1 | 16211.9 |
| Liabilities | 9930.7 | 10638.9 | 11516.0 | 13056.1 | 16211.9 |
| Allocation of SDRs and valuation adjust. | 152.5 | 176.2 | 167.3 | 164.7 | 249.9 |
| Medium-and long-term foreign liabilities | 2094.7 | 1766.0 | 1568.7 | 1769.1 | 2950.9 |
| Other liabilities | 1998.4 | 1682.3 | 1515.4 | 1748.9 | 2949.6 |
| IMF: Trust Fund | 96.3 | 83.7 | 53.3 | 20.2 | 1.3 |
| AID related deposits | 750.0 | 1368.7 | 1517.7 | 2088.7 | 1317.9 |
| Liabilities to nonmonetary financial instit. | 658.5 | 746.5 | 807.2 | 742.7 | 984.3 |
| Liabilities to private sector | 6275.0 | 6581.5 | 7455.1 | 8290.9 | 10708.9 |
| Money | 2584.7 | 2551.0 | 2742.7 | 3163.4 | 3869.6 |
| Currency in circulation | 1156.5 | 1298.0 | 1326.2 | 1727.1 | 1856.3 |
| Sight deposits | 1428.2 | 1253.0 | 1416.5 | 1436.3 | 2013.3 |
| Quasi-money | 3342.2 | 3653.4 | 4219.2 | 4610.6 | 6024.9 |
| Time and savings deposits | 3320.6 | 3608.6 | 4084.0 | 4468.6 | 5885.7 |
| Trust funds | 21.6 | 44.8 | 135.2 | 142.0 | 139.2 |
| Other | 348.1 | 377.1 | 493.2 | 516.9 | 814.4 |
| Foreign currency deposits | 107.5 | 158.8 | 274.0 | 276.2 | 579.6 |
| Import deposits | 37.0 | 25.1 | 18.4 | 5.5 | 36.9 |
| Bonds | 164.6 | 153.8 | 154.0 | 182.3 | 138.0 |
| Private capital | 39.0 | 39.4 | 46.8 | 52.9 | 59.9 |
| Memorandum: Exchange rate for Central Bank | 5.0 | 5.0 | 5.0 | 5.0 | 8.0 |
| Exchange rate for Commerc. Banks | 5.0 | 5.0 | 5.0 | 6.5 | 8.0 |

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

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Table D.3.b.
El Salvador: Accounts of the Banking System

(Annual growth rates)

| | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|
| Net international reserves | 38.8 | -18.4 | 13.6 | 140.3 |
| Assets | 0.7 | -9.5 | 37.9 | 110.1 |
| Liabilities | -62.6 | 45.7 | 121.6 | 56.7 |
| Net Domestic Assets | 3.1 | 12.8 | 13.3 | 9.8 |
| Credit to public sector (net) | 3.5 | -8.5 | 43.1 | 28.7 |
| Central Government (net) | 8.7 | -9.1 | 60.9 | 57.2 |
| Credit | 7.2 | 4.9 | 42.2 | 49.7 |
| Deposits (-) | 3.6 | 40.7 | 11.2 | 31.8 |
| Rest of public sector | ... | -23.2 | 500.2 | 224.4 |
| Rest of general government (net) | 71.2 | -39.0 | 28.0 | 176.7 |
| Credit | 4.9 | 52.3 | -9.4 | -31.1 |
| Deposits (-) | 28.1 | 9.5 | 0.3 | 38.0 |
| Nonfinancial public enterprises (net) | -0.5 | -49.8 | -458.8 | 259.1 |
| Credit to private sector | 8.3 | 15.1 | 8.7 | 0.5 |
| INCAFE AND INAZUCAR (net) | 15.0 | 43.1 | -11.8 | -91.3 |
| Businesses and individuals | 8.4 | 12.4 | 10.8 | 9.2 |
| Nonmonetary financial institutions | -0.5 | 18.2 | 10.2 | -8.4 |
| Official capital and reserves | 2.0 | 20.4 | 9.1 | 121.8 |
| Subscriptions to nonmonetary international financial institutions (net) | -2.8 | 0.1 | -4.7 | 58.5 |
| Unclassified assets (net) 3/ | -14.7 | 32.7 | 7.5 | 55.8 |
| Assets | 7.1 | 8.2 | 13.4 | 24.2 |
| Liabilities | 7.1 | 8.2 | 13.4 | 24.2 |
| Allocation of SDRs and valuation adjust. | 15.5 | -5.1 | -1.6 | 51.7 |
| Medium-and long-term foreign liabilities | -15.7 | -11.2 | 12.8 | 66.8 |
| Other liabilities | -15.8 | -9.9 | 15.4 | 68.7 |
| IMF: Trust Fund | -13.1 | -36.3 | -62.1 | -93.6 |
| AID related deposits | 82.5 | 10.9 | 37.6 | -36.9 |
| Liabilities to nonmonetary financial instit. | 13.4 | 8.1 | -8.0 | 32.5 |
| Liabilities to private sector | 4.9 | 13.3 | 11.2 | 29.2 |
| Money | -1.3 | 7.5 | 15.3 | 22.3 |
| Currency in circulation | 12.2 | 2.2 | 30.2 | 7.5 |
| Sight deposits | -12.3 | 13.0 | 1.4 | 40.2 |
| Quasi-money | 9.3 | 15.5 | 9.3 | 30.7 |
| Time and savings deposits | 8.7 | 13.2 | 9.4 | 31.7 |
| Trust funds | 107.4 | 201.8 | 5.0 | -2.0 |
| Other | 8.3 | 30.8 | 4.8 | 57.6 |
| Foreign currency deposits | 47.7 | 72.5 | 0.8 | 109.8 |
| Import deposits | -32.2 | -26.7 | -70.1 | 570.9 |
| Bonds | -6.6 | 0.1 | 18.4 | -24.3 |
| Private capital | 1.0 | 18.8 | 13.0 | 13.2 |

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

(Flows in millions of colones)

| | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|
| Net international reserves | 434.5 | -286.6 | 172.1 | 2019.9 |
| Assets | 12.5 | -171.3 | 619.5 | 2482.3 |
| Liabilities | 422.0 | -115.3 | -447.4 | -462.4 |
| Net Domestic Assets | 273.7 | 1163.7 | 1368.0 | 1135.9 |
| Credit to public sector (net) | 57.4 | -143.5 | 668.2 | 636.9 |
| Central Government (net) | 142.7 | -162.5 | 983.3 | 1485.5 |
| Credit | 166.5 | 120.0 | 1092.3 | 1830.6 |
| Deposits (-) | -23.8 | -282.5 | -109.0 | -345.1 |
| Rest of the public sector | -85.3 | 19.0 | -315.1 | -848.6 |
| Rest of general government (net) | -84.7 | 79.5 | -34.8 | -280.7 |
| Credit | 10.7 | 120.9 | -33.2 | -99.1 |
| Deposits (-) | -95.4 | -41.4 | -1.6 | -181.6 |
| Nonfinancial public enterprises (net) | -0.6 | -60.5 | -280.3 | -567.9 |
| Credit to private sector | 480.1 | 939.7 | 621.2 | 37.0 |
| INCAFE AND INAZUCAR (net) | 61.3 | 202.5 | -79.1 | -540.9 |
| Businesses and individuals | 420.8 | 670.1 | 655.7 | 618.4 |
| Nonmonetary financial institutions | -2.0 | 67.1 | 44.6 | -40.5 |
| Official capital and reserves | -10.1 | -102.5 | -54.9 | -804.3 |
| Subscriptions to nonmonetary interna- | 0.0 | 0.0 | 0.0 | 0.0 |
| tional financial institutions (net) | -6.2 | 0.3 | -10.2 | 120.9 |
| Unclassified assets (net) 3/ | -247.5 | 469.7 | 143.7 | 1145.4 |
| Assets | 708.2 | 877.1 | 1540.1 | 3155.8 |
| Liabilities | 708.2 | 877.1 | 1540.1 | 3155.8 |
| Allocation of SDRs and valuation adjust. | 23.7 | -8.9 | -2.6 | 85.2 |
| Medium-and long-term foreign liabilities | -328.7 | -197.3 | 200.4 | 1181.8 |
| Other liabilities | -316.1 | -166.9 | 233.5 | 1200.7 |
| IMF: Trust Fund | -12.6 | -30.4 | -33.1 | -18.9 |
| AID related deposits | 618.7 | 149.0 | 571.0 | -770.8 |
| Liabilities to nonmonetary financial instit. | 88.0 | 60.7 | -64.5 | 241.6 |
| Liabilities to private sector | 306.5 | 873.6 | 835.8 | 2418.0 |
| Money | -33.7 | 191.7 | 420.7 | 706.2 |
| Currency in circulation | 141.5 | 28.2 | 400.9 | 129.2 |
| Sight deposits | -175.2 | 163.5 | 19.8 | 577.0 |
| Quasi-money | 311.2 | 565.8 | 391.4 | 1414.3 |
| Time and savings deposits | 288.0 | 475.4 | 384.6 | 1417.1 |
| Trust funds | 23.2 | 90.4 | 6.8 | -2.8 |
| Other | 29.0 | 116.1 | 23.7 | 297.5 |
| Foreign currency deposits | 51.3 | 115.2 | 2.2 | 303.4 |
| Import deposits | -11.9 | -6.7 | -12.9 | 31.4 |
| Bonds | -10.8 | 0.2 | 28.3 | -44.3 |
| Private capital | 0.4 | 7.4 | 6.1 | 7.0 |

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

(Millions of Dollars)

| | 1988 | 1989 | | | | 1990 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Dec. | March | June | Sept. | Dec. | March | June | Sept. | Dec. |
| Net International Reserves | 209.9 | 188.0 | 177.8 | 173.0 | 246.5 | 175.8 | 256.6 | 342.2 | 363.6 |
| Assets | 255.1 | 248.2 | 238.3 | 252.9 | 358.0 | 325.0 | 398.0 | 490.2 | 506.3 |
| Monetary gold | 117.3 | 117.3 | 117.3 | 117.3 | 117.3 | 117.3 | 117.3 | 117.3 | 117.3 |
| Foreign exchange | 137.8 | 130.9 | 121.0 | 135.6 | 240.7 | 207.7 | 280.7 | 372.8 | 389.0 |
| Cash | 1.5 | 0.8 | 0.3 | 2.1 | 1.5 | 3.5 | 3.2 | 0.4 | 0.2 |
| Deposits abroad | 100.6 | 89.6 | 86.8 | 86.8 | 142.7 | 132.9 | 202.9 | 326.8 | 333.3 |
| Investments | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Compensatory agreements | 35.6 | 38.5 | 33.4 | 42.5 | 42.2 | 39.6 | 35.9 | 33.6 | 34.7 |
| Transitory accounts | 0.0 | 1.9 | 0.4 | 0.4 | 1.6 | 1.7 | 37.1 | 11.9 | 20.7 |
| Interbank market | 0.0 | 0.0 | 0.0 | 3.7 | 52.6 | 29.8 | 1.6 | 0.0 | 0.0 |
| SDR holdings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Liabilities | 45.2 | 60.2 | 60.5 | 79.9 | 111.5 | 149.2 | 141.4 | 148.1 | 142.7 |
| Short term foreign liabilities | 33.9 | 44.9 | 50.6 | 70.0 | 96.7 | 141.3 | 138.5 | 153.2 | 148.0 |
| Loans | 13.5 | 15.8 | 13.0 | 22.0 | 51.3 | 83.4 | 79.9 | 94.4 | 109.2 |
| Time deposits | 0.0 | 6.2 | 4.4 | 0.3 | 0.2 | 0.2 | 0.2 | 1.2 | 1.2 |
| Compensatory and payments agreements | 20.4 | 23.0 | 33.3 | 47.7 | 45.2 | 57.7 | 58.4 | 57.6 | 37.6 |
| FOCEM(Net) | -11.2 | -15.2 | -9.9 | -9.9 | -14.9 | -7.9 | -2.7 | 5.3 | 5.3 |
| FMI (Net) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.1 | 0.0 |
| Memorandum: Gross reserves in months of imports of goods and services | 2.2 | 2.0 | 1.9 | 2.0 | 2.9 | 2.4 | 3.0 | 3.7 | 3.8 |

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Table D.5.
El Salvador: Monetary Program for 1990/1991
Program targets and Actual Perfomance
(Millions of colones)

| | 1989 | 1990 | Prog. Dic.90 | Prog. Dec.91 | Deviation from Dec.30 Target | Flows Dec.90 | Relative change Dec.90 | Relative change Dec. 91 |
|---|---|---|---|---|---|---|---|---|
| Domestic Credit | 9930.9 | 10692.9 | 10731.1 | 11496.3 | -38.2 | 762.0 | 7.7 | 7.1 |
| Credit to public sector 1/ | 2850.1 | 2856.1 | 2772.1 | 2326.4 | 84.0 | 6.0 | 0.2 | -16.1 |
| Central Government (net) | 3874.1 | 4082.9 | 4003.2 | 3786.0 | 79.7 | 208.8 | 5.4 | -5.4 |
| Credit | 4983.4 | 5513.1 | 5202.0 | 5088.9 | 311.1 | 529.7 | 10.6 | -2.2 |
| Deposits | -1109.3 | -1430.2 | -1198.8 | -1302.9 | -231.4 | -320.9 | 28.9 | 8.7 |
| Rest of public sector (net) | -1024.0 | -1226.8 | -1231.1 | -1459.6 | 4.3 | -202.8 | 19.8 | 18.6 |
| Credit | 209.8 | 231.9 | 192.8 | 188.4 | 39.1 | 22.1 | 10.5 | -2.3 |
| Deposits | 1201.2 | 1426.1 | 1391.3 | 1615.4 | 34.8 | 224.9 | 18.7 | 16.1 |
| Cedulas | 32.6 | 32.6 | 32.6 | 32.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Private Sector | 7080.8 | 7836.8 | 7959.0 | 9169.9 | -122.2 | 756.0 | 10.7 | 15.2 |
| INCAFE/INAZUCAR | 30.7 | 51.8 | 51.9 | 53.5 | -0.1 | 21.1 | 68.7 | 3.1 |
| Credit | 43.1 | 62.7 | 62.1 | 61.7 | 0.6 | 19.6 | 45.5 | -0.6 |
| Deposits | 12.4 | 10.9 | 10.2 | 8.2 | 0.7 | -1.5 | -12.1 | -19.6 |
| Others Official credit Inst. | 323.8 | 439.8 | 507.1 | 531.4 | -67.3 | 116.0 | 35.8 | 4.8 |
| Private | 155.3 | 153.1 | 170.3 | 247.0 | -17.2 | -2.2 | -1.4 | 45.0 |
| Publics | 168.5 | 286.7 | 336.8 | 284.4 | -50.1 | 118.2 | 70.1 | -15.6 |
| Commercial banks | 6726.3 | 7345.2 | 7400.0 | 8585.0 | -54.8 | 618.9 | 9.2 | 16.0 |
| Exchange rate | 8.0 | 8.0 | 8.0 | 8.0 | | | | |

1/ Consolidated nonfinancial public sector (CNFPS).

Note: In December 1990 a consolidation of Public Sector debt was concluded. In this consolidation, debt previously held by several public institutions and autonomous agencies was assumed by the central government. The totals were as follows: C475.9 million from the rest of the CNFPS, C559.4 million from INCAFE/INAZUCAR, C98.5 million from other official credit intitutions, and C167.1 million as unpaid interest previously classified in "net other assets." For analytical purposes, the 1989 credit balances presented above have been adjusted to reflect the 1990 consolidation/reclassification. As such, the credit figures for 1989 differ from those presented in table D.3.

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TABLE E.1
EL SALVADOR: BALANCE OF PAYMENTS, 1987-1990
(Millions of U.S. Dollars)

| | 1987 | | | 1988 | | | 1989 | | | 1990 (Prel) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit | Debit | Balance | Credit | Debit | Balance | Credit | Debit | Balance | Credit | Debit | Balance |
| CURRENT ACCOUNT | | | -238.7 | | | -235.2 | | | -467.2 | | | -360.2 |
| GOODS AND SERVICES | 918.1 | 1351.7 | -433.6 | 905.4 | 1361.6 | -456.2 | 802.0 | 1506.0 | -704.0 | 903.4 | 1608.6 | -705.2 |
| Merchandise trade, 1/ | 590.9 | 994.1 | -403.2 | 608.8 | 1006.9 | -398.1 | 496.5 | 1161.3 | -664.8 | 580.2 | 1262.4 | -682.2 |
| Transportation | 67.2 | 43.6 | 23.6 | 68.4 | 45.4 | 23.0 | 68.9 | 45.6 | 23.3 | | | |
| Travel | 43.4 | 73.4 | -30.0 | 61.4 | 71.5 | -10.1 | 62.4 | 60.0 | 2.4 | | | |
| Factor income | 17.5 | 140.3 | -122.8 | 17.6 | 138.2 | -120.6 | 17.5 | 138.8 | -121.3 | | | -124.1 |
| Direct investment | -.- | 41.0 | -41.0 | -.- | 40.3 | -40.3 | -.- | 40.0 | -40.0 | | | -29.4 |
| Interest | 17.5 | 99.3 | -81.8 | 17.6 | 97.9 | -80.3 | 17.5 | 98.8 | -81.3 | | | -94.7 |
| Government transactions | 64.1 | 13.8 | 50.3 | 70.7 | 13.6 | 57.1 | 75.7 | 13.9 | 61.8 | | | |
| Other government services | 135.0 | 86.5 | 48.5 | 78.5 | 86.0 | -7.5 | 81.0 | 86.4 | -5.4 | | | |
| PRIVATE TRANSFERS | 195.4 | 0.5 | 194.9 | 221.6 | 0.6 | 221.0 | 237.4 | 0.6 | 236.8 | | | 345.0 |
| OFFICIAL TRANSFERS | 380.1 | 1.8 | 378.3 | 289.4 | 1.8 | 287.6 | 284.2 | 1.8 | 282.4 | | | 223.2 |
| CAPITAL ACCOUNT | 169.6 | 223.4 | -53.8 | 196.6 | 372 | -175.4 | 253.7 | 167.7 | 86.0 | | | 196.4 |
| PRIVATE CAPITAL | -.- | 23.3 | -23.3 | -.- | 163.2 | -163.2 | -.- | 16.8 | -16.8 | | | 160.8 |
| Direct investment | -.- | -.- | -.- | -.- | -.- | -.- | -.- | -.- | -.- | | | |
| Medium and long-term loans | -.- | -.- | -.- | -.- | -.- | -.- | -.- | -.- | -.- | | | |
| Short-term loans (including net | -.- | -.- | -.- | -.- | -.- | -.- | -.- | -.- | -.- | | | |
| errors and omissions) | -.- | 23.3 | -23.3 | -.- | 163.2 | -163.2 | -.- | 16.8 | -16.8 | | | |
| OFFICIAL CAPITAL | 90.7 | 51 | 39.7 | 115.8 | 49.7 | 66.1 | 141.8 | 20.6 | 121.2 | 95.8 | 67.0 | 28.8 |
| Central Government 2/ | 88.2 | 31.9 | 56.3 | 85.1 | 34.7 | 50.4 | 69.6 | 9.9 | 59.7 | | | |
| Rest of general government | -.- | 0.5 | -0.5 | -.- | 0.4 | -0.4 | -.- | 0.2 | -0.2 | | | |
| Public enterprises | 2.5 | 18.6 | -16.1 | 30.7 | 14.6 | 16.1 | 72.2 | 10.5 | 61.7 | | | |
| FINANCIAL PUBLIC INTERMEDIARIES | 78.9 | 149.1 | -70.2 | 80.8 | 159.1 | -78.3 | 111.9 | 130.3 | -18.4 | 69.6 | 62.8 | 6.8 |
| Central Reserve Bank 3/ | 51.7 | 145.7 | -94.0 | 54.7 | 150.3 | -95.6 | 109.2 | 129.0 | -19.8 | | | |
| Deposit and mortgage banks | 7.1 | 1.2 | 5.9 | 22.2 | 0.7 | 21.5 | 2.2 | 0.1 | 2.1 | | | |
| Long term (net) | -.- | 1.2 | -1.2 | -.- | 0.7 | -0.7 | -.- | 0.1 | -0.1 | | | |
| Short term (net) | 7.1 | -.- | 7.1 | 22.2 | -.- | 22.2 | 2.2 | -.- | 2.2 | | | |
| Other public financial Intermediaries | 20.1 | 2.2 | 17.9 | 3.9 | 8.1 | -4.2 | 0.5 | 1.2 | -0.7 | | | |
| OVERALL BALANCE (DEFICIT-) | | | 85.8 | | | -123.0 | | | -98.8 | | | 59.4 |
| Change in arrears (-decrease) 4/ | | | -16.1 | | | 27.9 | | | 74.9 | | | -104.5 |
| Refinancing of arrears through CB dollar bonds | | | -.- | | | -.- | | | 6.4 | | | |
| Short Term Liabilities converted into Medium-term 5/ | | | 24.0 | | | -.- | | | -.- | | | |
| Reschedules of medium-term liabilities 6/ | | | -.- | | | 60.0 | | | 50.0 | | | 162.1 |
| Net official reserves (increase -) | | | -93.9 | | | 35.1 | | | -36.5 | | | -117.0 |
| Net use of Fund resources | | | -37.3 | | | -5.5 | | | -.- | | | |
| Other net official reserves (gross of rescheduling) | | | -32.6 | | | 40.6 | | | -36.5 | | | |
| Rescheduling | | | -24 | | | -.- | | | -.- | | | |
| MEMORANDA: | | | | | | | | | | | | |
| Net Services | | | [illegible] | | | -58.1 | | | -39.2 | | | -23.0 |
| Goods and Nonfactor Services | 900.6 | 1211.4 | -310.8 | 887.8 | 1223.4 | [illegible] | 785.5 | [illegible] | -581.7 | | | -652.2 |

SOURCE: Central Bank of El Salvador and IMF.
NOTES: 1/ Exports, f.o.b. and imports, c.i.f.
2/ Excludes government dollar bonds issued to refinance arrears but includes repayment of government dollar bonds.
3/ Excludes medium-term liabilities converted from short-term.
4/ Includes arrears with the rest of Central America.
5/ Excludes repayments which are included in medium-and long-term debits of the Central Bank.
6/ One year roll-over in 1988 and rescheduling with a four-year grace period in 1989.

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

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | Prel. 1990 |
|---|---|---|---|---|---|---|---|
| | (Value in millions of U.S. dollars; volume in thousands of quintals; unit price in U.S. dollars per quintal) | | | | | | |
| Total exports, (F.O.B.) 1/ | 726 | 695 | 755 | 592 | 609 | 498 | 580 |
| Traditional exports | 499 | 526 | 594 | 387 | 393 | 253 | 295 |
| Coffee | | | | | | | |
| value | 444 | 464 | 547 | 352 | 358 | 229 | 259 |
| volume | 3530 | 3456 | 2937 | 3383 | 2729 | 1874 | 0 |
| unit value | 126 | 134 | 186 | 104 | 131 | 122 | 0 |
| Cotton | | | | | | | |
| value | 9 | 29 | 5 | 2 | 0 | 1 | 1 |
| volume | 114 | 514 | 132 | 56 | 8 | 18 | 0 |
| unit value | 80 | 56 | 34 | 40 | 39 | 46 | 0 |
| Sugar | | | | | | | |
| value | 26 | 23 | 25 | 12 | 19 | 13 | 20 |
| volume | 1636 | 2422 | 2144 | 821 | 1702 | 633 | 0 |
| unit value | 16 | 10 | 12 | 15 | 11 | 21 | 0 |
| Shrimp | | | | | | | |
| value | 20 | 10 | 17 | 21 | 16 | 10 | 14 |
| Nontraditional exports | 227 | 169 | 161 | 205 | 216 | 245 | 285 |
| CACM | 157 | 96 | 91 | 120 | 140 | 161 | 173 |
| to other markets | 70 | 73 | 70 | 85 | 76 | 84 | 112 |
| | (Annual percentage change) | | | | | | |
| Total exports | -4.2 | -6.3 | 8.6 | -21.7 | 2.9 | -18.2 | 16.5 |
| Traditional exports | -8.2 | 5.4 | 12.9 | -34.8 | 1.6 | -35.6 | 16.6 |
| Nontraditional exports | 6.7 | -25.5 | -4.7 | 27.3 | 5.4 | 13.4 | 16.3 |
| CACM | -4.7 | -38.9 | -5.2 | 31.9 | 16.7 | 15.0 | 7.5 |
| To other markets | 46.0 | 4.9 | -4.1 | 21.4 | -10.6 | 10.5 | 33.3 |
| | (In percent of total value) | | | | | | |
| Total exports | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Traditional exports | 68.8 | 77.4 | 79.5 | 65.4 | 64.5 | 50.8 | 50.8 |
| Nontraditional exports | 31.2 | 24.9 | 21.6 | 34.6 | 35.5 | 49.2 | 49.2 |
| CACM | 21.7 | 14.1 | 12.2 | 20.3 | 23.0 | 32.3 | 29.8 |
| To other markets | 9.6 | 10.7 | 9.4 | 14.4 | 12.5 | 16.9 | 19.3 |

Source: Central Reserve Bank of El Salvador.

1/ Sums of components may not exactly equal totals due to rounding.
2/ In thousands of kilograms.
3/ In U.S. dollars per kilogram.

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

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|
| | | (In millions o | U.S. dollars) | | | |
| Total Imports (C.I.F.) | 961.3 | 934.9 | 994.1 | 1006.9 | 1161.4 | 1262.5 |
| Consumer Goods | 258.8 | 207 | 240.5 | 258.2 | 294.6 | 398.9 |
| Nondurables | 210.9 | 181.8 | 208.4 | 224.9 | 258 | 361.4 |
| Durables | 47.9 | 25.2 | 32.1 | 33.3 | 36.6 | 37.5 |
| Raw Materials | 544.8 | 453.4 | 501.3 | 496.2 | 577.3 | 629.1 |
| Agriculture | 75.5 | 41.2 | 39.1 | 35.9 | 52.3 | 58 |
| Of which: Fertilizers | 39.5 | 24.7 | 27.3 | 23.5 | 32.5 | 29.8 |
| Industry | 423.1 | 368.2 | 401.7 | 397 | 426.1 | 492.8 |
| Of which: Petroleum imports | 133.2 | 82 | 104.3 | 81 | 87.4 | 121.8 |
| Construction Materials | 46.2 | 44 | 60.5 | 63.3 | 98.9 | 78.3 |
| Capital Goods | 157.7 | 224.5 | 252.3 | 252.3 | 279.7 | 234.5 |
| Agriculture | 13.5 | 10.3 | 13.2 | 8 | 9.2 | 8.9 |
| Industry | 43.3 | 58.7 | 72.4 | 79.1 | 77.4 | 71.1 |
| Transport | 67.9 | 123.6 | 123.9 | 121.8 | 141.5 | 102.6 |
| Construction | 6.2 | 6.4 | 10.6 | 11.2 | 17 | 8.3 |
| Other | 26.8 | 25.5 | 32.2 | 32.2 | 34.6 | 43.6 |
| Not Elsewhere Classified 1/ | -.- | 50 | -.- | -.- | 9.8 | -.- |
| | | | (Annual Growth Rates) | | | |
| Total Imports (C.I.F.) | | -2.7% | 6.3% | 1.3% | 15.3% | 8.7% |
| Consumer Goods | | -20.0% | 16.2% | 7.4% | 14.1% | 35.4% |
| Nondurables | | -13.8% | 14.6% | 7.9% | 14.7% | 40.1% |
| Durables | | -47.4% | 27.4% | 3.7% | 9.9% | 2.5% |
| Raw Materials | | -16.8% | 10.6% | -1.0% | 16.3% | 9.0% |
| Agriculture | | -45.4% | -5.1% | -8.2% | 45.7% | 10.9% |
| Industry | | -13.0% | 9.1% | -1.2% | 7.3% | 15.7% |
| Of which: Petroleum imports | | -38.4% | 27.2% | -22.3% | 7.9% | 39.4% |
| Construction Materials | | -4.8% | 37.5% | 4.6% | 56.2% | -20.9% |
| Capital Goods | | 42.4% | 12.4% | 0.0% | 10.9% | -16.2% |
| Agriculture | | -23.7% | 28.2% | -39.4% | 15.0% | -3.3% |
| Industry | | 35.6% | 23.3% | 9.3% | -2.1% | -8.1% |
| Transport | | 82.0% | 0.2% | -1.7% | 16.2% | -27.5% |
| Construction | | 3.2% | 65.6% | 5.7% | 51.8% | -51.2% |
| Other | | -4.9% | 26.3% | 0.0% | 7.5% | 26.0% |

Source: Central Reserve Bank of El Salvador.
1/ Includes emergency relief after the earthquake of 1986 and donations after the outbreak of civil war in late 1989.

**Agency for International Development**
Washington, D.C. 20523

LAC-IEE-91-42

# ENVIRONMENTAL THRESHOLD DECISION

| | | |
|---|---|---|
| Project Location | : | El Salvador |
| Project Title | : | 1991 Balance of Payments Program |
| Project Number | : | 519-0369 |
| Funding | : | $90 million (ESF) |
| Life of Project | : | 1 year |
| IEE Prepared by | : | Ken Ellis<br>Environmental Officer<br>USAID/El Salvador |
| Recommended Threshold Decision | : | Categorical Exclusion |
| Bureau Threshold Decision | : | Concur with Recommendation |
| Comments | : | The Grant Agreement will contain a condition precedent indicating that no pesticides will be procured or used without first completing an Environmental Assesment and having it approved by AID/W. |
| Copy to | : | Henry H. Bassford, Director<br>USAID/El Salvador |
| Copy to | : | Ken Ellis, USAID/El Salvador |
| Copy to | : | Mark Silverman, LAC/DR/CEN |
| Copy to | : | Wayne Williams, REA/CEN |
| Copy to | : | IEE File |

John O Wilson Date MAY 16 1991

John O. Wilson
Deputy Chief Environmental Officer
Bureau for Latin America
and the Caribbean

10

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

# ENVIRONMENTAL THRESHOLD DECISION

| | | |
|---|---|---|
| Project Location | : | El Salvador |
| Project Title and number | : | Balance of Payments 519-0369 |
| Funding | : | $ 90,000,000 (ESF) |
| Life of Project | : | 1 year |
| IEE Prepared by | : | Ken Ellis<br>Environmental Officer<br>USAID/El Salvador |
| Recommended Threshold Decision | : | Categorical Exclusion |
| Mission Threshold Decision | : | Concur with Recommendation |
| Date Prepared | : | April 17, 1991 |
| Comments | : | The Grant Agreement will contain a condition indicating that no pesticides will be procured without first completing an Environmental Assessment and having it approved by AID/W. |

Henry H. Bassford
Director

4/18/91
Date

0743B

Description:

This Program consists of a cash transfer of $90,000,000 to provide balance of payments assistance to support economic stabilization and recovery in El Salvador during FY 91. This assistance supports the Government of El Salvador's (GOES) policies and programs designed to (i) reattain economic growth and financial equilibrium; (ii) promote diversification of the economy; and (iii) consolidate the agrarian reform. The assistance will support the balance of payments situation by providing urgently needed foreign exchange to the Salvadoran private sector for the purchase of raw materials, intermediate and capital goods, spare parts, and other imports as may be agreed to between the GOES and A.I.D. The Salvadoran private sector will use the imports for the manufacturing, agricultural, agroindustrial, commercial, construction, transportation, communications, and energy subsectors of the economy. Availability of funds under this Program is contingent upon GOES progress in meeting economic objectives.

Determination

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

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

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

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

0743B

5C(1) - COUNTRY CHECKLIST -- EL SALVADOR

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY FLIGIBILITY

1. FY 1990 Appropriations Act Sec. 569(b). Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully? — No.

2. FAA Sec. 481(h); FY 1990 Appropriations Act Sec. 569(b). (These provisions apply to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government): (a) Does the country have in place a bilateral narcotics agreement with the — N/A

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United States, or a multilateral narcotics agreement? and (b) Has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (1) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (2) the vital national interests of the United States require the provision of such assistance?

3. <u>1986 Drug Act Sec. 2013.</u> (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug-transit country" (as defined for the purpose of FAA Sec. 481(h)), has the President submitted a report to Congress listing such country as one: (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or — N/A

distribution of illegal drugs; (c) in which a member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

| | | |
|---|---|---|
| 4. | <u>FAA Sec. 620(c)</u>. If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity? | No. |
| 5. | <u>FAA Sec. 620(e)(1)</u>. If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? | No. (The GOES has made demonstrable progess toward compensation in the CAESS case.) |
| 6. | <u>FAA Secs. 620(a), 620(f), 620D; FY 1990 Appropriations Act Secs. 512, 548</u>. Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is no controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international | No. |

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communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

| | | |
|---|---|---|
| 7. | FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? | No. |
| 8. | FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? | No. |
| 9. | FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? | No. |
| 10. | FAA Sec. 620(q); FY 1990 Appropriations Act Sec. 518 (Brooke Amendment). (a) Has the government been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriates funds? | From time to time, the GOES been in default under both provisions, which has resulted in prohibition of obligation of new funds; however, such periods have been of very short duration. Currently (as of January 9), the GOES is not in default under either provision. |

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| | | |
|---|---|---|
| 11. | FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? | Yes, this issue was addressed in the "Taking into Consideration" memo for FY 1991. |
| 12. | FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? | No. |
| 13. | FAA Sec. 620(u). What is the payment status of the country's U.N. obliga-ions? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? | This issue was addressed in the "Taking into Consideration" memo for FY 1991. |
| 14. | FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism? | No. |
| 15. | FY 1990 Appropriations Act Sec. 564. Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons? | No. |
| 16. | ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of | No. |

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Transportation has determined, pursuant to Section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

| | | |
|---|---|---|
| 17. | FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? | No. |
| 18. | FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? | No. |
| 19. | FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? | No. |
| 20. | ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36the General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? | No, it was not represented; El Salvador is not a member of the Non-Aligned Movement. |

Ab

21. FY 1990 Appropriations Act Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup of decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? — No.

22. FY 1990 Appropriations Act Sec. 539. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? — Yes.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? — No.

b. FY 1990 Appropriations Act Sec. 535. Has the President certified that use of DA funds by the country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any — No.

biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

No.

b. FY 1990 Appropriations Act Sec. 569(d). Has this country met its drug eradication targets or otherwise taken significant steps to half drug production or trafficking?

While the country does not have drug eradication targets, it has taken steps to halt illicit drug trafficking and fully cooperates with relevant international authorities.

c. FY 1991 Appropriations Act Title II. Has the President reported to the Congress on the extent to which the Government of El Salvador has made demonstrable progress in settling outstanding claims of American citizens in compliance with the judgement of the Salvadoran Supreme Court?

Yes.

Country Checklist for El Salvador

LAC/CEN:LJSimard:1/10/91

Clearance:

| | |
|---|---|
| LAC/DR,MSilverman | (draft) |
| LAC/SAM,BBlackman | (draft) |
| ARA/CEN,MRondon | (draft) |
| State/IOSB,THobgood | (draft) |
| GC/LAC,TGeiger | (draft) |