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El Salvador
Country Assistance Evaluation

February 6, 2002

Operations Evaluation Department

Acronyms

CAE	Country Assistance Evaluation
CEM	Country Economic Memorandum
CG	Consultative Group
EDUCO	Educación con Participación de la Comunidad (Education with Community Participation Program)
FIAS	Foreign Investment Advisory Service
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
MIGA	Multilateral Investment Guarantee Agency
OED	Operations Evaluation Department
SAL	Structural Adjustment Loan
TAL	Technical Assistance Loan
USAID	United States Agency for International Development

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Office of the Director-General
Operations Evaluation

February 6, 2002

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: El Salvador Country Assistance Evaluation

Over the period 1989–2000 El Salvador forged a lasting peace, liberalized its economy, maintained economic stability and became a more open society. Growth and stable prices replaced economic decline and inflation. Per capita GDP grew at 2.7 per year and average inflation fell from 20 percent in 1989 to about 2 percent in 2000. Standards of living have improved and poverty has declined. Households under poverty fell from 60 percent of the total in 1991 to about 41 percent in 1999.

Bank assistance contributed to create the conditions to grow faster, to reduce poverty and gender differences, and to develop the private sector. It covered six main areas: stabilization and adjustment; education and health; agricultural reform and land titling; electricity; public sector management and modernization; and private sector development. The outcome of Bank assistance was highly satisfactory, both because of Bank and Government actions, who shared the same objectives and worked to solve problems and to anticipate challenges. The substantial institutional change supported by the Bank improved economic management, governance and financial accountability and management in selected sectors. The performance of the economy in the 1990s and the deepening of the reforms indicates that the good outcome of the assistance is likely to be sustained.

The Bank can help address the many remaining social and structural constraints to development, including high illiteracy and child malnutrition and mortality rates, violence and corruption, a weak judiciary and police, heavy reliance on remittances from Salvadorans living in the US, and vulnerability to natural disasters. To maintain the effectiveness of its assistance the Bank should align its objectives to those of the government and should keep its medium and long-term focus, even if at times it steps up its program to mitigate the problems caused by exogenous shocks such as the recent earthquakes. The Bank should focus its lending and sector work in supporting:

- education, health and social safety net programs;
- land titling programs;
- improved central and local government administrations; and
- basic infrastructure development in rural areas.

Contents

Jorge García-García was the Task Manager for this report. Dinara Seijaparova provided statistical information and Norma Namisato provided administrative support.

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Preface

This report reviews the Bank's assistance strategy for El Salvador from 1989 to 2000. It looks at the extent to which the assistance dealt with the major issues confronting the economy and how it contributed to the accomplishments of the country. The CAE assesses the relevance, efficacy and efficiency of that assistance and recommends actions for the future. The CAE is based on a review of World Bank documents and interviews with Bank staff and policymakers in El Salvador involved with the assistance. Comments from the Salvadoran authorities are attached.

1. Economic Background and Government Strategy

1.1 War, natural disasters and poor economic policies ravaged El Salvador in the 1980s. By 1989 the economy was in tatters and poverty widespread. To recover and grow the country needed peace and better economic policies.

1.2 ***The Cristiani Administration: 1989–94.*** The administration of Alfredo Cristiani changed the Government's approach to the management of internal conflict as well as the management of the economy. On the war front, it embarked on peace negotiations that culminated with a peace agreement in January 1992. On the economic front, it stabilized the economy and made sweeping policy changes that brought high growth rates. It liberalized trade, prices and interest rates, unified the exchange rate and fixed at 8.75 colones to the US$ in late 1994, introduced a value added tax, privatized state-owned banks, abolished the monopoly powers of agricultural parastatals, and sold some of their assets. For the social sectors, it created a Social Investment Fund, promoted reforms in education and increased the budget for health and education.

1.3 ***The Calderón Sol Administration: 1994–99***. President Calderón Sol continued along the same broad policy lines. The major emphasis of his policy was to integrate the Salvadoran economy into the world economy, with all Salvadorans contributing and benefiting from it through broad-based growth, accumulating physical and human capital, opening the economy, improving infrastructure and making the public sector more productive. The Calderón Sol Administration liberalized trade, reformed the pension system, privatized state owned companies (sugar mills, telephones, electricity distribution), and legalized all dollar transactions. It also introduced two laws that supported a better management of public resources and more accountability on public expenditure. For human capital development, it increased the budget for education and health.

1.4 ***The Flores Administration: 1999– .*** The Administration of Francisco Flores came to power with election commitments known as the New Alliance. His Administration intends to promote job creation and income generation, to improve public security and access to public services, and to promote the sustainable use of natural resources. While the Administration has taken steps to achieve these objectives, it has also strengthened its institutions. The Administration signed, and Congress ratified, a Free Trade agreement with Mexico, eliminated distortions created by a power subsidy and abolished exemptions on a value-added tax on agricultural and pharmaceutical products. More important, Congress approved the Monetary Integration Law.[1] Other laws passed by Congress intend to strengthen the financial system. They include the approval of a banking law and a law for non-bank financial intermediaries, aimed at increasing capital/asset ratios and provisions for non-performing loans. To simplify investment and

[1] In November 2000, President Flores announced the introduction of the US$ as legal tender and the fixing of the exchange rate at the current level of 8.75 colones per $1. The Monetary Integration Law, among other things, establishes full conversion of banking deposits to dollars; prevents the central bank from printing colones, and allows temporary bi-monetarism, until dollars replace the colones coins and bills in circulation.

improve transparency Congress approved laws submitted by the Government on investment, commercial registries and accounting.

1.5 ***El Salvador in 2000.*** The past 10 years have witnessed major changes in the country, and El Salvador now has a liberal economy, a more open society and higher levels of social welfare. Today, the country is ranked as one of the freest economies in the world and the freest in Latin America.[2] Over 1989–99 per capita GDP grew at 2.7 percent per year and inflation, about 20 percent in 1989, gave way to stable prices—in 2000 inflation was about two percent. Trade of goods and services as percent of GDP increased from 27 percent in 1989 to 65 percent in 1999. External debt reached 30 percent of GDP in 1999, down from 48 percent in 1989. External debt service took 8 percent of exports in 1999, down from 17 percent in 1989. High international reserves and a solid economy have permitted the Government to adopt the US dollar, together with the colón, as the currency for internal transactions. The Central Bank has stopped issuing colones and it is exchanging those in circulation for US dollars. Remittances from Salvadorans living abroad represent more than 10 percent of GDP. This account for a large fraction of the national savings, and makes the economy particularly vulnerable to changes in the US business cycle. The recent earthquake has shown that the country is not yet ready to deal effectively with natural disasters.

1.6 Social indicators improved during the past decade. Life expectancy at birth, 64 years in 1987, increased to about 70 years in 1998. Poverty rates declined from 60 percent in 1991 to about 41 percent in 1999 (see Table 1). Infant mortality declined from 46 per 1,000 births in 1990 to 31 per 1,000 births in 1998. Literacy improved, as school enrollment increased from 81 percent in 1990 to 97 percent in 1997. Females have equal access to primary and secondary education as men do. Environment, however, shows conflicting indicators. Carbon monoxide emissions per capita increased between 1990 and 1995, but commercial energy used per capita fell in 1998 from its peak in 1995. Although El Salvador shows marked improvements in its poverty and social indicators, serious problems still affect El Salvador.

Table 1 – Poverty, Social, and Environmental Indicators

Name	***1990***	***1995***	***1998***
Total Poverty Rate (percent of total households)	60 *	47	41 **
Urban Poverty Rate (per cent of urban households)	54 *	40	33 **
Rural Poverty Rate (per cent of rural households)	66 *	59	55 **
Infant Mortality Rate (per 1000 births)	46	35	31
Child Mortality Rate (per 1000 births)	54	43	36
Primary education, pupils (% female)		49	49 +
School enrollment, primary (% gross)	81	88	97 +
Secondary education, pupils (% female)		52	
CO2 emissions, industrial (metric tons per capita)	0.51	0.91	
Commercial energy use (kg of oil equivalent per capita)	527	730	691 +

Source: El Salvador, DIGESYC for poverty rates; World Bank, SIMA information system, March 16, 2001 for the other indicators. * 1991; ** 1999, + 1997

[2] Gerald O'Driscoll, K. Holmes and M. Kirkpatrick, *2001 Index of Economic Freedom* (Washington, Heritage Foundation/The Wall Street Journal, 2000).

1.7 ***Challenges and opportunities.*** Despite the achievements of the past decade, economic and social indicators portend the magnitude of the task ahead. Claims from pensions in 2003–05 arising from the reforms in the pension system may strain the fiscal accounts. The adoption of the law of monetary integration that authorizes the free circulation of dollars eliminated "currency risks," but it heightened the need for a prudent fiscal policy to maintain good credit ratings. Moreover, this may raise competitiveness issues especially if, overtime, remittances from the US become relatively less important. Currently, remittances (about 10 percent of GDP) constitute the bulk of national savings (about 16 percent of GDP). Poverty and inequality are still high. Large health and education gaps exist. Rural areas, with the highest poverty rates, lack roads and basic social services. Violence is rampant (see Box 1) and corruption, while lower than in some other countries in the region, is still reported to affect many public services. Road, ports, water and sanitation infrastructure still require significant improvements. The country lacks a system to respond rapidly to natural disasters, as the recent earthquakes have shown (see Box 2). The country's agenda, thus, is full of challenges and opportunities.

Box 1 – Violence and its Economic Costs

After the war, violence in El Salvador has changed of nature but not its intensity. Delinquency has increased to such an extent that some Salvadorans feel less secure than during the war years. In the 1980s homicide rates ranged between 40 and 50 per 100,000 inhabitants, but in the 1990s these rates increased to about 140 per 100,000. Rates of personal injuries from intentional violence reach about 1,300 people per 100,000. Victimization surveys in the mid-1990s indicate high rates of crime against property. For example, about 30 percent of households were subject to burglary in the mid-1990s. Other reports indicate that about 20 percent of adults living in the metropolitan area of San Salvador were victims of armed-robbery, and about 30 percent of those interviewed saw an armed robbery.

Violence imposes large costs to the country. The costs cover medical attention, lower production from lost life, public and private security, justice administration, losses in investment and productivity and losses in consumption and work. The combined amount of all these costs is estimated at between 13 percent and 25 percent of GDP in the mid-1990s. Violence constitutes, perhaps, the major barrier to growth and development in El Salvador today.

Source: Based on José Miguel Cruz and others, "De la Guerra al Delito: Evolución de la Violencia en El Salvador," in *Asalto al Desarrollo: Violencia en América Latina.* Ed. Juan Luis Londoño, Alejandro Gaviria and Rodrigo Guerrero (Washington, D.C.: Banco Interamericano de Desarrollo, 2000).

Box 2 – The Recent Earthquakes

On January 13 and February 13, 2001, two earthquakes struck El Salvador, killing more than 1,000 people and severely damaging the country's infrastructure. While most of the deaths occurred in few urban areas, the physical destruction affected the entire country. The Economic Commission for Latin America has estimated the costs of the damages at about $1.6 billion, about 12 percent of GDP. The damage occurred mainly in physical infrastructure and equipment (about $0.9 billion), and the rest ($0.7 billion) comes from losses in production and income, losses which will be felt during 2001.The earthquakes affected about 18 percent of the population, destroyed 93,000 houses and affected another 130,000. The damages show how vulnerable El Salvador is to natural disasters, but they also show how much can be done to reduce the potential damages of natural disasters and mitigate the damage when disaster strikes. First, the country has to upgrade its construction standards (housing, building, roads, bridges, others) and ensure that these standards are enforced. Second, the poor have been hit badly. Lacking the income to build sturdier and better quality housing, a poverty alleviation strategy may have to include support for housing improvements. Third, the country needs to have a strategy to reduce the potential damage of disasters and mitigate their damages. Communities, the central and the local governments must build up their capacity to respond to these emergencies by creating and keeping a professional group of disaster relief workers with the training and ability to do so effectively. The damages suffered show that the benefits from preventing and mitigating disasters can be large.

Source of data: ECLA, *El Terremoto del 13 de Enero de 2001 en El Salvador: Impacto Socioeconómico y Ambiental*, LC/MEX/L457, 21 de Febrero de 2001, and *El Salvador: Evaluación del Terremoto del Martes, 13 de Febrero de 2001*, LC/MEX/L457/Add.2, 28 de Febrero de 2001.

2. The World Bank Assistance Strategy

Objectives of Bank Assistance

2.1 Over the last decade, the Bank supported the Government's efforts to rescue the country from war and economic decline, and to set the conditions for growing faster and reducing poverty. Bank assistance (lending, analytical work, technical assistance and advisory services) covered six main areas: (a) adjustment and reform, to stabilize the economy and reignite growth; (b) education and health, to alleviate poverty and build up human capital for long term growth; (c) agricultural reform and land titling, to improve welfare in rural areas and help consolidate peace; (d) electricity, to promote investment and facilitate social development; (e) public sector management and modernization, to deliver better services and divest of state-owned companies; (f) competitiveness to promote private sector development.

Bank Strategy

Lending

2.2 After being inactive for almost 10 years, the Bank resumed lending to El Salvador in 1991. The focus of Bank assistance evolved with the country's needs. Lending trends were consistent with those of two strategy papers (1993, 1997). Over the period FY91–98 the Bank approved 13 loans for $540 million (no loans were given in 1999). Adjustment lending took $125 million, and the rest went to education and health, energy, agriculture and land titling, public sector modernization and enhancing competitiveness (see Table 2).

Table 2 – World Bank Commitments, FY91–98
(US$ million)

	1991	*1992*	*1993*	*1994*	*1996*	*1997*	*1998*	*Total*
Adjustment Lending	75			50				**125**
Education					34		146	**180**
Agricultural Reform and Land Administration			40		50			**90**
Energy		11			65			**76**
Social Sector Rehabilitation	26							**26**
Public Sector Modernization						24		**24**
Competitiveness Enhancement					16			**16**
Technical Assistance Loan				3				**3**
Total	**101**	**11**	**40**	**53**	**165**	**24**	**146**	**540**

Note: Numbers have been rounded.

Sector Work

2.3 Economic and sector work was relevant to the country assistance strategy. It provided a coherent framework to establish priorities, and to guide lending and economic policy advice. Two CEMs identified the reforms needed to achieve stability, to grow, to improve competitiveness and to promote the private sector. They constituted the analytical underpinnings of the loans for adjustment, public sector reform and competitiveness enhancement. Reports on poverty alleviation and social sector issues diagnosed the causes of poverty and the constraints to having better health, nutrition and education. They helped in preparing the social sector and basic education loans. The report on gender identified problems affecting women, some of which have been tackled. Three reports on agriculture and rural credit helped to frame the policy for the sector. One discussed short-term measures for dealing with the liberalization of markets. Other framed rural credit policy as part of overall financial policy, helping to preserve the reforms in the financial sector. A third studied the competitiveness of agriculture and rural poverty and suggested policies for reducing rural poverty. Recently, the Bank completed—in collaboration with the IMF—a financial sector assessment.

2.4 The analytical work on poverty helped to identify and breakdown the obstacles to poverty reduction. To diagnose poverty and recommend measures to reduce it, the Bank prepared four reports that dealt specifically with poverty. In 1994 *The Challenge of Poverty Alleviation* identified the key areas to promote continued growth, the pre-requisite for long-term poverty reduction. The areas identified were: (a) public sector management reform; (b) agricultural policies, in particular strengthening the programs of land titling and land registration; (c) labor markets; (d) health; (e) education; (f) arresting environmental degradation—especially as it related to water, sanitation and waste management issues; and (g) improving social safety nets. Two subsequent works on rural poverty (*Rural Development Study*, 1997, and *Rural Poverty in Latin America*, mimeo, 2000) found that lack of access to land, low education levels, and distance to paved roads made rural people poorer. The study on *Rural Poverty in Latin America* also found that after controlling for education, location, and other individual and household characteristics women are paid the same wages as men. A work in progress (*Poverty Diagnostic 2000*, 2001) identifies the main characteristics of poor households in urban and rural areas, and points out at the same causes of poverty as those found in the other reports. Based on this work, the Bank lent for some programs that helped reduce poverty (education, land titling, agriculture policy, reform of government), and the Inter-American Development Bank lent for projects in roads, environment, and water and sanitation.

3. Evaluation of The World Bank's Assistance Strategy

Products and Services

3.1 Overall, the Bank produced sector work of good quality and gave sound policy advice. Lending to El Salvador stands high in terms of outcome, sustainability and institutional development compared with Bankwide averages as well as compared with other Latin American programs (Table 3, and Annex Table 6). Ratings of closed projects for 1991–99 show that projects in El Salvador had a satisfactory outcome in all cases while for the Bank and Latin America only 87 percent of net commitments had a satisfactory outcome. Ongoing projects also show high performance ratings. According to the Quality Assurance Group (QAG) El Salvador does not have projects nor commitments at risk, while in the Latin American region 14 percent of projects and 15 of the value of net commitments are at risk. These good results have been brought by excellent performance of both the Bank and the Borrower at the project level. This performance is significantly better than the corresponding averages in the LAC Region and Bankwide.

Table 3 – OED Project Ratings, Bank and Borrower Performance: 1991–99
(percent of net value of commitments)

	El Salvador	*Bankwide*	*Latin America*
Satisfactory Outcome	100	87	87
Substantial Institutional Development Impact	83	45	57
Likely Sustainability	100	67	69
Satisfactory Bank Performance	100	84	87
Satisfactory Borrower Performance	100	79	78

Source: Annex Tables 5 and 6.
The satisfactory rating includes projects rated as highly satisfactory.

3.2 OED rates the relevance of the Bank's program as *substantial*. The Bank identified the relevant problems, diagnosed their causes well and proposed adequate solutions to them. The program was well aligned with the country's needs (see paragraph 2.1). OED rates efficacy as *substantial*. All completed and evaluated loans (5) had satisfactory outcomes and four of them had substantial institutional development impact. Eight loans are still ongoing. Supervision reports indicate that their implementation is proceeding well without any commitments at risk (see Annex Table 5b).

3.3 Operations in El Salvador rank among the Bank's most cost effective for the period 1991–99. "Doing business" (sector work and preparing and supervising closed and ongoing loans) in El Salvador cost the Bank $0.65 million per project. Among 108 countries, El Salvador ranks as the sixth lowest cost, and among 25 countries with loan size of $30–$50 million it ranks as the third lowest cost (see Annex Table 6).

3.4 SALs I and II supported policy reforms during the Cristiani administration in: (a) trade policy; (b) fiscal policy; (c) monetary policy and financial system reforms; (d) agricultural sector; and (e) social policy. As a result of the reforms, El Salvador has an open and liberal economy, a strong financial sector and better social policies. Also, SAL II together with a Technical Assistance Loan provided assistance for improving public sector management. These two loans supported government efforts at (a) laying the analytical framework for modernizing the public sector; (b) promoting actions to strengthen public expenditure, civil service and environmental management; and (c) provide the foundations for a wide range of institutional and policy changes. They helped reform customs administration, modernize parts of the public sector, improve the information systems for human resources in the public sector, and upgrade service delivery and policy making in the social sectors.

3.5 Four loans (TAL and electricity TAL, public sector modernization and competitiveness enhancement) supported action plans to modernize the public sector and some of the large state-owned companies, preparing and issuing regulations to reduce barriers to entry and to increase competition in the economy. When preparing some of these loans, the Bank played a catalytic role in helping the Salvadorans identify their needs and realize that they could compete in world markets successfully. The Calderón Sol administration, which endorsed the action plans for modernizing the public sector, emphasized privatizing telecommunications, the electricity distribution network and the pension system. The privatizations (banks, electricity, telecommunications) were carried out successfully and have improved service delivery.[3]

3.6 The Bank supported better delivery of health and education services through a Social Sector Rehabilitation Sector Loan. On *education* the project supported the Ministry of Education's successful experiment of expanding pre-school and primary education to rural areas through the EDUCO (Educación con Participación de la Comunidad) program. The communities administer the schools and the funds they receive from the Government, making this arrangement, perhaps, the most extensive devolution of power to rural communities in the world on matters of education. In evaluating the program the Bank has found that, compared with public schools, it delivers as good or better education at similar costs, and that EDUCO schools have lower dropout and repetition rates, higher community participation and higher level of teacher effort.[4] The EDUCO program is now being studied and used as a model in other countries in the region. On *health* the project helped to strengthen service in the 26 maternity hospitals of the country and to reduce maternal mortality—in a sample of the institutions assisted by the project maternal mortality rates per 10,000 births declined from 14 to 10 between 1990 and 1995.

3.7 The Technical Assistance Loan supported the preparation of a draft *environmental law*, which the Legislative Assembly has approved. The Bank supported this task with in-house technical and legal advice. The Bank has placed little emphasis on environmental aspects in El Salvador because most of it has to do with issues of water and sanitation, areas which have been well covered by the Inter-American Development Bank.

3.8 *Analytical and advisory services.* The Government valued the Bank's technical and advisory services highly, and members of the Government discussed economic and social policy issues with Bank staff frequently. The Bank offered a broad knowledge of international experiences, policy regimes and solutions that helped guide the authorities on the available policy options. The work of the Bank and its advice supported a small, over stretched, Government staff, helping them to carry out their tasks more effectively. The Bank complemented this advice by organizing study tours for Government officials to cities and countries which could offer useful experiences for policymakers and administrators in El Salvador.

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[3] Telecommunications provides an example of the very open and mutually beneficial policy dialogue that sometimes took place. The country management unit supported the Government's idea of introducing competition in the sector. In contrast, the Bank's telecommunications experts recommended a monopoly model due to the small size of the Salvadoran market.

[4] Ministry of Education of El Salvador and The World Bank, *El Salvador's EDUCO Program: A First Report on Parents' Participation in School-Based Management* (mimeo, July 1997), WPS on Impact Evaluation of Education Reforms, Paper No. 4; Emmanuel Jimenez and Y. Sawada, *Do Community Managed Schools Keep Kids in School?* (mimeo, October 2000); Y. Sawada, *Community Participation, Teacher Effort and Educational Outcome: The Case of El Salvador's EDUCO Program* (mimeo, May 2000).

3.9 *Participation and consultation.* The Bank has invested significant efforts in enhancing participation and consultation in El Salvador, along the principles of the Comprehensive Development Framework (although El Salvador is not a CDF pilot). The results have been mixed given the tension between emphasizing government ownership and participation of civil society organizations (CSOs). Some of the issues faced in this program are indicative of problems faced in other countries as well. The 1997 CAS was discussed with about 50 CSOs in a two-day seminar organized by the Bank. The consultations enriched the debate and brought out new issues, but at the cost of creating tensions in the relationships between the Bank, the CSOs, and the government. This was largely due to the lack of experience in this type of processes by the Bank and by the CSOs, and by the resulting poor organization of the consultation process. Also, the Government abstained from participating in the meetings, thereby reducing its significance. The Government agreed to the consultations but did not participate in their design and was skeptical about the value of the involvement of the CSOs in the process.

3.10 The political balance in El Salvador has changed and the Bank has to adjust to this new situation, if its assistance is going to have the same degree of ownership from the authorities and society as in the past. The Legislative Assembly has to approve all foreign loans to the Government. In the past, when ARENA controlled the Assembly, loans were approved easily, but today FMLN holds the majority of seats in the Assembly and can block the approval of the loans. The Bank has started a dialogue with the opposition and civil society, to make sure that projects take into account the suggestions and viewpoints of all members of Salvadoran society. This situation exemplifies some of the challenges the Bank now faces as it tries to work in closer partnership with governments, the legislative and civil society. As governments and their policies change, the Bank needs to find the right balance between continuity of its advice and assistance and supporting the changing requests of the new authorities.

3.11 The Bank played an indispensable role in *coordinating aid* just before the peace accords and during the first years of post-conflict reconstruction. The Government gave priority to aid coordination and endorsed the Bank's role in it. Holding a Consultative Group (CG) meeting before the signature of the peace accords and committing experience and capable Bank leadership to the process made aid coordination effective. The Bank coordinated the CG until 1995, a role taken over by the Inter-American Development Bank (IDB) since then. The CG has been a key vehicle for securing international cooperation and assistance for El Salvador, and for making it possible to implement various elements of the peace accords. In the early 1990s the Bank, together with the IMF, opened the doors to external assistance by informing the international community of the progress made in stabilizing and reforming the economy. The Bank also facilitated the communication between the Government of El Salvador and the governments of some donor countries that had been reluctant to help the country because of the war. The Government found the Bank's role invaluable and donors found it useful in establishing a forum for dialogue between them and the Government.

Development Impact

3.12 Bank assistance helped to improve economic and social welfare in El Salvador in several ways. It promoted stability and growth, a more effective public sector, competition and private sector development, better education services, and better environmental regulations. It helped the economy to recover and grow, contributing to reduce poverty. Notwithstanding these achievements and the high rates of growth in the first half of the 1990s, the rate of growth declined in the second half of the 1990s. Investment rates, although higher than in the 1980s, have been slow to pick up, perhaps as a result of the insecurity and high crime rates, and of the uncertainty associated with the fixed exchange rate regime. While the risks associated with exchange rate policy have fallen sharply after the Legislative Assembly passed the law of monetary integration, insecurity and high crime rates persist, thereby discouraging domestic and foreign investment.

3.13 Bank assistance helped reshape economic institutions and organizations and supported good policy management and better use of private and public resources. The benefits of good and consistent policies have created a constituency for maintaining the policies and for deepening the reforms. The private sector has delivered better services at lower costs in areas where the government was the only supplier, such as education in rural areas, telephones and distribution of electricity. Freer markets and fewer regulations have increased transparency, have reduced opportunities for graft and have increased competition. Low import tariffs and the absence of non-tariff barriers reduced graft and eased the reforms in customs administration. A good legal and regulatory framework for the electricity and telecommunications sector contributed to the successful privatization of the electricity distribution system and to competitive markets in telecommunications.

3.14 *Did the Bank make a difference?* Bank assistance helped to make El Salvador better off than it would have been otherwise. The assistance brought more money, broke some resistance to reform, and sped the implementation of reforms. First, Bank support to the adjustment and reform program was crucial for the country to regain credibility with the international community and to raise resources for the post-war National Reconstruction Plan. The Bank's support helped the Government in getting international support for its Plan. The Bank's presence gave credibility to the Plan's technical and financial aspects. Second, Bank assistance helped speed trade liberalization. Third, the Bank's sector work and technical advice helped the Government to prioritize actions and sequencing of reforms. Fourth, the Bank's technical support filled a skills gap that helped the Government accelerate the reforms, bringing forward the benefits from it.

Attribution: Bank, Borrower and Partners' Performance

3.15 The successes of the Bank assistance in El Salvador were brought about through the successful performance and good synergies among all development partners. **Bank performance** was grounded in four pillars: ownership, selectivity, a holistic approach to development issues and partnerships with donors and stakeholders. Over the period the Bank and the Government shared a similar, holistic vision of the problems that affected the country and of their solutions, and of the type of assistance that the Bank could offer. Shared vision about solutions to the country's problems and stability of the Bank and Government teams made trustworthy partners, eased communication and helped the Bank to deliver a consistent and effective message. Having a competent counterpart, who knew what it wanted and who demanded the aid that it needed, made the Bank assistance more effective. Focusing on few selected areas made Bank assistance more effective. In the same way, selectivity in the assistance from donors increased the effectiveness of their assistance.

3.16 Bank assistance to El Salvador exemplifies well what makes a good performance. First, the Bank grounded its country assistance strategy in its economic and sector work findings, maintained a good quality at entry for new projects, explained and trained the Borrower in Bank policies and procedures, and assigned staff with the skills needed for its lending program and policy advice. Second, the Bank promoted participation with aid providers, maintained an effective policy dialogue with the authorities and, over time, improved its dialogue with civil society. For example, the Bank helped to bring about an extensive policy dialogue on education in El Salvador. By organizing a seminar with all stakeholders-some of them at opposing ends of the political spectrum-it was possible to define and agree on a long-term vision for the education sector. Third, the Bank was a good source of technical and policy advice, which the Government valued highly and used intensively, to such extent that it offered to pay part of the costs of a Bank office in San Salvador. Fourth, good quality at entry of projects and good sector work helped to bring about better results from the assistance.

3.17 The Bank managed its risks well. The reputational risk of supporting a failed program was the most important. The Bank dealt with this risk by engaging gradually, first with economic and sector work, and later, when the peace process had advanced, with lending for adjustment and social programs. Gradual engagement allowed the Bank to gauge the Government's commitment to peace and reform. When it judged that the chances of success were good, the Bank supported the National Reconstruction Program and worked hard with all parties—domestic and international—to produce a consensus program that represented the interests of all. A second, smaller, risk was to support an untested education program which, initially, other donors did not want to support. Taking the risk paid off.

3.18 The **Borrower** had clear objectives, effective implementation capacity and a good management team. President Cristiani entered with a clear economic plan, and a strong commitment to implement it. The Calderón Sol administration shared that vision and brought about important changes in regulatory and economic institutions. Both administrations had serious economic authorities and a team that worked, thus contributing to the coherence of the Bank's program. Both administrations saw broad based growth, human capital development and integration into the international economy as necessary for social development and poverty reduction.

3.19 A solid macroeconomic management, with competent staff in key positions, brought economic stability and strengthened the notion that the new economic model would continue, despite the opposition of powerful groups. The country made the best possible use of the highly skilled technocrats it had at the moment. It entrusted them with positions of responsibility and gave them authority to carry out the reforms necessary for the economy and the institutions to work better. The Borrower knew what the Bank could provide best: professional advice and lending for operations with substantial impact. Because it knew what it wanted and what donors could offer, the Government could extract large benefits from the international assistance offered.

3.20 The Bank worked closely with the **IMF**, especially in the preparation of the two adjustment operations. The IMF has supported the country's adjustment efforts and its economic policy with six Stand-By Arrangements, the last two of which (since 1997) have been on a precautionary basis and no purchases were made. The IMF has also provided technical assistance to the Government on reforming the tax system, especially tax administration, and on implementing the new Government Accounting System. More recently, the IMF and the Bank have prepared a Financial Sector Assessment Program (FSAP) analyzing the financial sector in depth.

3.21 **IDB** is the main multilateral lending agency in El Salvador. Over the period 1990–2000 IDB has lent $1.45 billion in 27 loans from its operating capital fund. IDB has a large involvement in sanitation, energy and transportation (about 50 percent of its lending) and the Bank complements it with technical and policy advice on privatization and regulatory framework. Education, health and social investment take 25 percent of total lending, followed by reform of the state with 17 percent. The Bank and IDB have cofinanced three operations—Basic Education Modernization, Power Technical Assistance Loan, and Public Sector Modernization TAL. While IDB treaded on familiar grounds in the joint TALs, deciding to finance the Basic Education project jointly with the Bank indicated that IDB recognized the success of the EDUCO program, which the Bank had been initially supporting through the Social Sector Rehabilitation Loan.

3.22 **USAID** support helped to prepare the economic reforms of the Cristiani administration. USAID financed a group of Salvadorans and foreigners that helped the Fundación Salvadoreña para el Desarrollo Económico y Social (FUSADE), a Salvadoran think tank, to prepare an economic program for the future administration. Many of those who worked in the program later implemented it. USAID also supported a small group (Grupo Asesor Económico y Social) in the Ministry of Planning that coordinated the policy for each sector, and the relations between the Ministry and other Ministries and international agencies. The group became the counterpart of donors, making it easier to supervise and keep the assistance consistent. USAID also financed other studies that helped to diagnose problems and suggest solutions to the country's challenges. Finally, USAID contributed a significant amount of the external assistance granted to El Salvador. Between 1985 and 1990 USAID provided $285 million per year to El Salvador (about 80 percent of the official development assistance [ODA]), a sum that has dropped to about $200 million per year (about 40 percent of ODA) during the 1990s.

3.23 **IFC** and **MIGA** have had few operations in El Salvador. During the 1990s MIGA guaranteed two operations in the manufacturing and financial sectors for $22 million, while IFC has invested in six companies for a total of $54.8 million. **FIAS** helped in the preparation of the competitiveness project and in advisory work on legislation on foreign investment, design of strategies to promote investment and helping set up an investors facilitation office.

3.24 *Exogenous factors*. Thanks to the country's good economic management external shocks tend to affect the Salvadoran economy less than they used to. Diversified exports have cushioned the fall in coffee prices in the 1990s. As the share of coffee in exports of goods and services (including maquila) fell from 36 percent in 1991 to about 16 percent in 2000, the economy has become less vulnerable to changes in the external price of coffee. On the import side, El Salvador remains vulnerable to oil price increases, but less than in the past. Recent increases have dented economic growth in 2000—the growth rate was 1.7 percent—and have increased the import bill, but without undue strain on the balance of payments. The impact on domestic prices has also been limited, as inflation increased to about 2 percent in 2000. While economic management has cushioned the country from external shocks, it has been more difficult to deal with the effects of natural disasters (earthquakes in 1987 and 2001 and hurricane in 1998). Natural disasters have taken a heavy toll requiring the rebuilding of infrastructure and diverting resources from new investment. Still, even in this regard the country's higher income helps it to cushion the blow better than 10 years ago.

4. Lessons and Recommendations

4.1 Several lessons stand out from the Bank's assistance to El Salvador. El Salvador's experience confirms, once more, that borrower ownership and policy continuity are fundamental to the effective use of Bank assistance. In those circumstances, small amounts of lending can have substantial leverage in increasing economic efficiency and in promoting institutional change. Countries committed to reform usually value the Bank's technical and advisory services highly. Open dialogue and working as a team with the Borrower can generate knowledge and improve the quality of Bank assistance. Often, this type of relationship enables clients to learn from the international experience that the Bank brings to the dialogue. Sometimes, it enables the Bank to better understand the situation on the ground and to adapt its views accordingly. For example, in the telecommunications sector, after some discussions the Bank supported the Government's position in favor of competition among several telecommunications companies, which initially Bank experts opposed in view of the small size of the market in El Salvador. Last, the success of the two structural adjustment loans suggests that adjustment lending and conditionality may sometimes play a positive role even in post-conflict situations, as long as governments are committed to stabilization, adjustment and to reform the economy. But even in those cases, the Bank needs to be careful to design conditionality in ways that would assist in achieving the government's objectives.

4.2 The Bank should keep the medium and long-term focus of its assistance, even if at times it steps up its program to mitigate the problems caused by exogenous shocks such as the recent earthquakes. To continue being as effective as it has been over the past decade, Bank assistance should remain aligned with the government objectives and should be coordinated with other external donors. An important challenge will be to develop an open dialogue with the opposition and civil society, especially on those issues where they disagree with the Bank's (and the government's) positions. In El Salvador, as elsewhere, it is most difficult to achieve this without creating tensions with Government.

4.3 Boosting growth, reducing poverty and improving social welfare require high public and private investment rates in physical and human capital, continued prudent fiscal policy and increased private domestic savings. Delivering more and better services in education and health should have priority, and local communities could play a central role in their delivery. Reducing violence and strengthening the rule of law are important to increase investment rates. The Bank could assist in solving some of these problems.

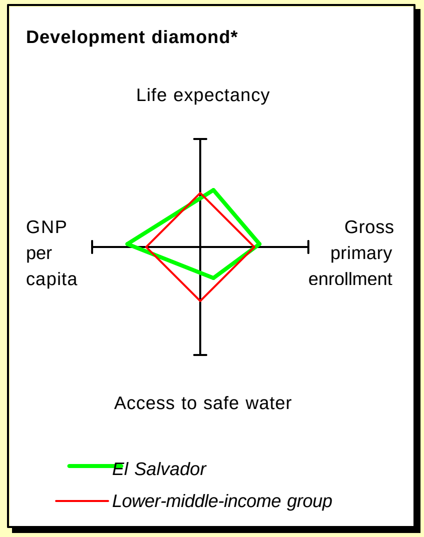
The lessons from past assistance and the needs of El Salvador suggest that the Bank could focus its lending and sector work in:

- supporting education, health and social safety net programs;
- support for land titling programs;
- improving central and local government administrations; and
- improving basic infrastructure in rural areas.

Annex Table 1: El Salvador at a glance

9/6/2000

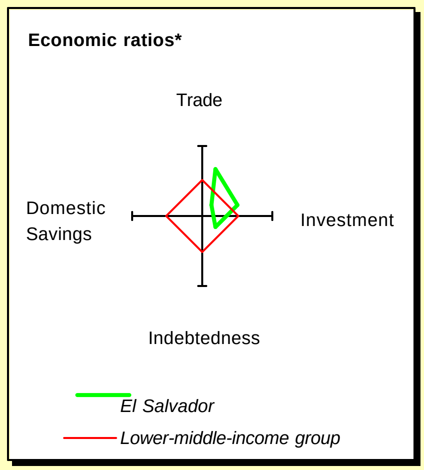
POVERTY and SOCIAL	El Salvador	Latin America & Carib.	Lower-middle-income
1999			
Population, mid-year *(millions)*	6.2	509	2,094
GNP per capita *(Atlas method, US$)*	1,900	3,840	1,200
GNP *(Atlas method, US$ billions)*	11.7	1,955	2,513
Average annual growth, 1993-99			
Population *(%)*	2.2	1.6	1.1
Labor force *(%)*	3.8	2.5	1.2
Most recent estimate (latest year available, 1993-99)			
Poverty *(% of population below national poverty line)*	..	..	..
Urban population *(% of total population)*	46	75	43
Life expectancy at birth *(years)*	69	70	69
Infant mortality *(per 1,000 live births)*	31	31	33
Child malnutrition *(% of children under 5)*	11	8	15
Access to improved water source *(% of population)*	55	75	86
Illiteracy *(% of population age 15+)*	22	12	16
Gross primary enrollment *(% of school-age population)*	97	113	114
Male	98	..	114
Female	96	..	116



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

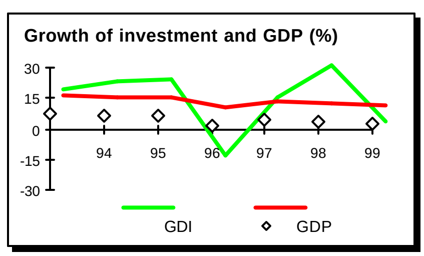
	1979	1989	1998	1999
GDP *(US$ billions)*	3.5	4.4	12.0	12.4
Gross domestic investment/GDP	18.1	15.3	17.4	16.2
Exports of goods and services/GDP	37.0	13.2	22.6	24.9
Gross domestic savings/GDP	17.9	4.9	4.4	4.0
Gross national savings/GDP	18.0	7.5	16.2	14.6
Current account balance/GDP	0.6	-10.7	-0.7	-1.7
Interest payments/GDP	1.2	1.4	1.0	1.2
Total debt/GDP	25.6	47.6	30.3	29.9
Total debt service/exports	7.4	16.7	8.8	7.7
Present value of debt/GDP	..	..	27.0	..
Present value of debt/exports	..	..	73.1	..

	1979-89	1989-99	1998	1999	1999-03
(average annual growth)					
GDP	-1.2	5.0	3.5	2.6	3.6
GNP per capita	-2.3	2.9	1.4	-0.8	1.6
Exports of goods and services	-5.4	12.7	5.2	14.9	8.0

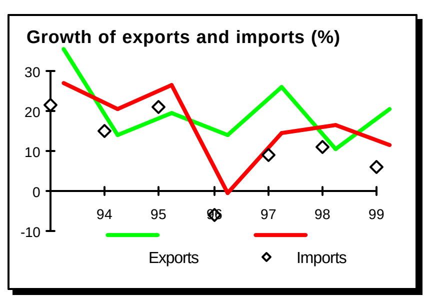


STRUCTURE of the ECONOMY

	1979	1989	1998	1999
(% of GDP)				
Agriculture	38.9	18.3	11.9	10.4
Industry	23.7	26.5	27.7	29.6
Manufacturing	17.8	20.8	21.4	22.6
Services	37.4	55.2	60.4	60.0
Private consumption	68.9	82.9	85.9	85.9
General government consumption	13.2	12.2	9.7	10.1
Imports of goods and services	37.1	23.7	35.6	37.1



	1979-89	1989-99	1998	1999
(average annual growth)				
Agriculture	-2.1	1.4	-1.8	6.6
Industry	-2.0	5.2	6.7	3.5
Manufacturing	-2.4	5.3	6.6	3.7
Services	-0.5	5.9	3.2	1.4
Private consumption	-1.5	6.5	3.3	2.4
General government consumption	1.9	0.7	2.5	2.0
Gross domestic investment	-1.0	7.3	21.9	-5.9
Imports of goods and services	-3.6	12.8	10.9	5.8
Gross national product	-1.3	5.1	3.6	1.3

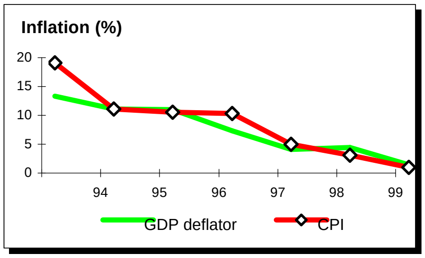


Note: 1999 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

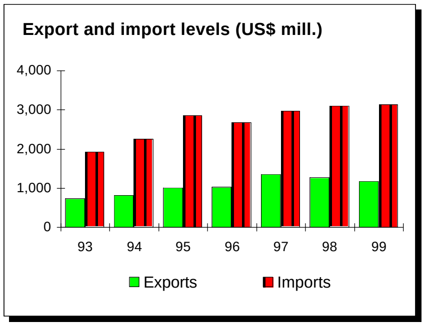
PRICES and GOVERNMENT FINANCE

	1979	1989	1998	1999
Domestic prices				
(% change)				
Consumer prices	14.6	17.5	2.5	0.5
Implicit GDP deflator	15.6	15.0	3.9	0.8
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	..	11.0	11.5
Current budget balance	..	..	0.3	0.1
Overall surplus/deficit	..	..	-2.6	-2.4



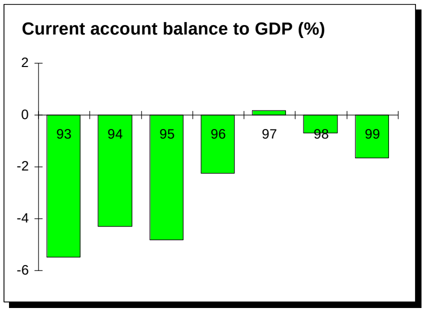
TRADE

	1979	1989	1998	1999
(US$ millions)				
Total exports (fob)	1,133	498	1,271	1,167
Coffee	675	229	325	247
Cotton	27	14	67	47
Manufactures	..	142	513	538
Total imports (cif)	..	1,152	3,110	3,130
Food	..	258	788	844
Fuel and energy	..	87	87	115
Capital goods	..	280	827	817
Export price index *(1995=100)*	..	48	55	48
Import price index *(1995=100)*	..	95	79	79
Terms of trade *(1995=100)*	..	51	69	61



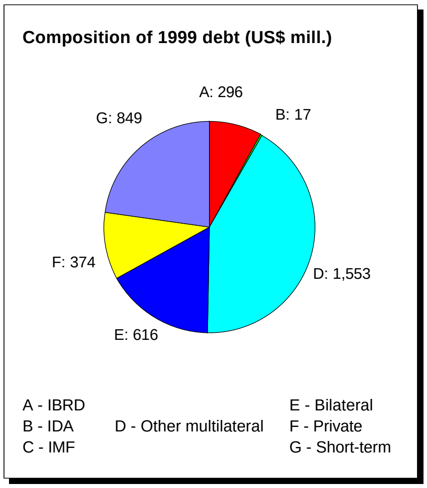
BALANCE of PAYMENTS

	1979	1989	1998	1999
(US$ millions)				
Exports of goods and services	1,266	785	2,953	3,007
Imports of goods and services	1,255	1,367	4,479	4,517
Resource balance	10	-581	-1,526	-1,509
Net income	-40	-121	-66	-247
Net current transfers	51	237	1,508	1,552
Current account balance	21	-466	-84	-205
Financing items (net)	-155	438	387	409
Changes in net reserves	134	28	-303	-204
Memo:				
Reserves including gold *(US$ millions)*	..	454	1,765	1,970
Conversion rate *(DEC, local/US$)*	2.5	6.5	8.8	8.8



EXTERNAL DEBT and RESOURCE FLOWS

	1979	1989	1998	1999
(US$ millions)				
Total debt outstanding and disbursed	886	2,082	3,633	3,705
IBRD	80	142	287	296
IDA	24	24	18	17
Total debt service	104	171	390	345
IBRD	9	20	47	45
IDA	0	0	1	1
Composition of net resource flows				
Official grants	11	199	119	50
Official creditors	77	99	67	107
Private creditors	-50	41	230	-27
Foreign direct investment	-10	13	12	20
Portfolio equity	0	0	0	0
World Bank program				
Commitments	24	0	88	0
Disbursements	21	1	34	31
Principal repayments	3	10	29	23
Net flows	18	-9	6	8
Interest payments	6	10	20	23
Net transfers	11	-19	-14	-15



Annex Table 2: El Salvador: Key Economic and Social Indicators, 1979-00

Indicator	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*	*1985*	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*El Salvador average 1979-99*	*Bolivia average 1979-99*	*Dominican Rep average 1979-99*	*Ecuador average 1979-99*	*Guatemala average 1979-99*
GDP growth (annual %)	-4.2	-11.8	-10.5	-6.3	1.5	1.3	0.6	0.2	2.5	1.9	1.0	4.8	3.6	7.5	7.4	6.0	6.4	1.8	4.1	3.2	2.0	2.0	1.1	1.8	4.2	2.3	1.1
GNP per capita growth (annual %)	-5.5	-14.1	-11.8	-7.5	0.8	0.8	0.4	-1.6	0.8	1.9	-0.5	3.6	1.8	6.5	5.5	3.2	4.1	-0.3	2.0	1.1	-0.1	…	-0.4	-0.4	1.8	-0.4	-0.4
GNP per capita, Atlas method (current US$)	780	760	730	690	690	720	750	780	840	900	890	930	980	1,110	1,240	1,370	1,570	1,690	1,800	1,850	1,900	…	1,094	708	1,234	1,315	1,094
GNP per capita, PPP (current international $)	2,260	2,162	2,023	1,890	1,919	2,024	2,144	2,282	2,506	2,705	2,694	2,825	2,959	3,291	3,551	3,740	4,000	4,018	4,052	3,998	4,048	…	2,909	1,657	3,008	2,359	2,909
Agriculture, value added (% of GDP)	38.9	38.0	34.4	32.6	31.2	28.9	26.9	27.4	20.8	21.0	18.3	17.1	17.1	14.2	14.0	14.0	13.4	12.9	13.3	12.1	10.4	9.6	21.8	18.0	14.8	13.0	21.8
Manufacturing, value added (% of GDP)	17.8	16.5	17.1	16.6	16.6	17.1	17.8	17.5	19.8	19.9	20.8	21.7	22.1	23.8	22.4	21.9	21.3	20.8	21.0	21.8	21.9	26.4	19.8	17.6	16.4	20.2	19.8
Services, etc., value added (% of GDP)	37.4	40.1	43.1	45.2	46.5	48.5	49.7	49.9	53.7	53.6	55.2	56.6	56.2	56.2	57.8	58.0	59.2	59.8	59.5	59.9	61.2	63.3	52.7	50.4	56.0	49.8	52.7
Exports of goods and services (% of GDP)	37.0	34.2	26.7	22.8	24.5	21.8	22.3	24.7	19.0	15.8	13.2	18.6	17.2	16.1	19.4	20.0	21.6	21.0	23.9	23.1	24.5	22.3	22.2	22.2	27.1	28.4	22.2
Imports of goods and services (% of GDP)	37.1	33.2	33.6	28.5	29.9	28.5	29.9	29.0	26.1	22.3	23.7	31.2	30.5	32.4	34.1	35.2	37.8	33.8	34.8	35.7	38.5	37.4	31.7	26.2	34.5	27.1	31.7
Resource balance (% of GDP)	-0.2	0.9	-6.9	-5.7	-5.4	-6.8	-7.6	-4.4	-7.1	-6.5	-10.5	-12.7	-13.3	-16.3	-14.8	-15.2	-16.1	-12.8	-10.9	-12.7	-13.9	…	-9.5	-4.0	-7.5	1.3	-9.5
Current account balance (% of GDP)	0.9	0.9	-7.3	-3.5	-0.8	-1.5	-0.8	3.1	3.4	0.6	-4.4	-3.2	-3.2	-1.8	-1.2	-0.2	-2.8	-1.6	0.9	-0.7	…	-3.2	-1.2	-7.2	-4.0	-4.9	-1.2
Total debt service (% of exports of goods and services)	7.4	7.5	9.2	13.7	19.7	22.2	24.0	24.0	23.3	17.5	14.7	15.3	17.7	13.8	13.4	12.8	9.0	9.5	7.0	10.4	…	…	14.6	39.0	15.3	35.0	14.6
Gross international reserves in months of imports	3.5	3.6	2.6	3.5	3.3	2.8	3.0	3.2	3.7	3.0	3.1	4.0	3.1	3.4	3.4	3.3	3.0	3.6	4.3	4.7	5.2	…	3.5	5.3	1.3	3.1	3.5
Gross domestic investment (% of GDP)	18.1	13.3	14.2	13.2	12.1	12.0	10.8	13.3	12.4	12.8	15.3	13.9	15.4	18.5	18.6	19.8	20.3	15.3	14.9	16.6	16.0	…	15.1	16.3	23.2	20.7	15.1
Gross domestic savings (% of GDP)	17.9	14.2	7.3	7.5	6.6	5.2	3.3	8.9	5.3	6.3	4.9	1.2	2.1	2.2	3.8	4.6	4.2	2.5	4.1	4.0	2.1	…	5.6	12.3	15.8	22.0	5.6
Inflation, consumer prices (annual %)	14.6	17.4	14.8	11.7	13.3	11.5	22.3	31.9	24.9	19.8	17.6	24.0	14.4	11.2	18.5	10.6	10.0	9.8	4.5	2.5	0.5	…	14.6	664.5	17.6	35.3	14.6
Central Government Consolidated operations																											
Current revenue, excluding grants (% of GDP)	…	…	…	…	…	16.8	16.8	19.9	13.7	12.6	8.1	8.6	9.9	10.8	10.8	11.6	12.2	12.7	11.5	11.0	11.2	11.3		14.6	13.7	13.9	…
Official Grants	…	…	…	…	…	…	…	…	…	…	1.6	2.1	2.0	1.9	2.0	1.4	0.8	0.2	0.2	0.1	0.2	…					
Expenditure, total (% of GDP)	…	…	…	…	…	22.6	20.2	20.4	16.5	15.4	12.8	11.9	14.7	15.7	14.4	14.1	14.1	15.5	13.5	…	…	14.4		18.7	14.8	14.5	…
Overall (balance) budget deficit, including grants (% of GDP)	…	…	…	…	…	-0.5	-2.2	-2.7	0.3	-1.2	-3.1	-1.1	-3.5	-3.3	-1.3	-0.8	-0.5	-2.0	-1.1	-2.4	-2.0	-2.3		-1.6	-0.9	-0.6	…
Population, total (m)	4.5	4.6	4.6	4.7	4.7	4.7	4.8	4.8	4.9	4.9	5.0	5.1	5.2	5.3	5.4	5.5	5.7	5.8	5.9	6.1	6.2	6.3	5.2	6.5	7.0	10.0	5.2
Population growth (annual %)	2.0	1.5	1.2	0.8	0.6	0.6	0.8	1.6	1.8	0.2	1.6	1.8	1.9	2.0	2.1	2.2	2.3	2.3	2.2	2.2	2.1	2.0	1.6	2.2	2.1	2.4	1.6
Urban population (% of total)	41.4	41.6	41.8	42.0	42.3	42.5	42.7	42.9	43.2	43.4	43.7	43.9	44.1	44.3	44.6	44.8	45.0	45.3	45.6	46.0	46.3	3.7	41.9	54.0	57.4	54.8	43.7
Illiteracy rate, adult total (% of people 15+)	34.6	34.0	33.3	32.7	32.1	31.5	30.9	30.3	29.7	29.0	28.2	27.5	26.8	26.0	25.3	24.6	24.0	23.3	22.7	22.2	21.7	…	28.1	22.9	21.3	13.4	28.1
School enrollment, primary (% gross)	…	74.8	62.6	70.4	73.0	74.7	…	…	81.4	83.4	81.8	81.1	80.5	83.3	85.0	86.6	87.5	92.9	97.3	…	…	…	81.0	92.7	107.1	120.5	81.0
Immunization, DPT (% of children under 12 months)	…	43.0	42.0	42.0	21.0	21.0	54.0	66.0	53.0	61.0	64.0	80.0	61.0	60.0	79.0	89.0	99.0	98.0	97.0	…	…	…	62.8	44.8	49.1	56.2	62.8
Sanitation (% of population with access)	…	…	…	…	…	…	62.0	…	…	…	…	…	…	…	68.0	…	…	…	…	…	…	…	65.0	38.0	72.0	60.5	65.0
Life expectancy at birth, total (years)	…	57.1	…	57.1	…	…	…	…	63.4	…	…	65.6	…	67.1	…	…	…	…	69.4	69.5	…	…	64.2	57.7	68.4	67.5	64.2
Mortality rate, infant (per 1,000 live births)	…	84.2	…	77.0	…	…	…	…	54.0	…	…	45.6	…	40.0	…	…	35.0	…	32.0	31.0	…	…	49.9	82.7	54.4	49.3	49.9

Source: World Bank SIMA database as of December 20, 2000.

Annex Table 3: International Aid Flows for 1980-98 (US$ million)

A. Net Receipts from all Donors 1980-98, (US$ million)

	80-90	*91-98*	*1996*	*1997*	*1998*
Bilateral	2,543	2,723	266	263	783
Multilateral	571	1,147	254	146	133
of which IBRD	11	151	-1	12	7
of which IDA	0	-6	-1	-1	-1
of which IDB	116	464	186	93	84
Other	327	0	0	0	0
Total	**3,441**	**3,870**	**520**	**408**	**916**

Source: Geographical Distribution of Financial Flows to Aid Recipients 1994-1998, OECD.

B. World Bank Commitments by Sectors for FY91-98 (US$ million)

Sector Group	*1991*	*1992*	*1993*	*1994*	*1996*	*1997*	*1998*	*Total*
Multisector	75			50				125
Agriculture			40.0					40
Economic Policy					16.0			16
Education					34.0		146.0	180
Electric Power and Energy		11.0			65.0			76
Environment (Land Administration)					50.0			50
Health, Nutrition and Population	26.0							26
Public Sector Management				2.5		24.0		27
Urban Development								
Total	101	11	40	53	165	24	146	540

Source: World Bank Business Warehouse, as of 12/22/2000.

Annex Table 4: ESW and CAS List for El Salvador: 1989-01

Report Title	*Report Date*	*Report Number*
Country Assistance Strategy Document		
El Salvador - Country Assistance Strategy 1997	02/19/97	16307
El Salvador - Country Strategy Paper 1993	05/28/93	
Economic Report		
El Salvador - Country Economic Memorandum	08/14/89	7818
El Salvador - The Challenge of Poverty Alleviation	06/09/94	12315
El Salvador - Meeting the challenges of globalization: Country Economic Memorandum and Private Sector Assessment (Vol.1)	10/13/95	14109
Sector Report		
Policy Responses to the Collapse of World Coffee Prices: The Cases of Costa Rica, Mexico and El Salvador	02/22/90	8311
El Salvador - Population, Health and Nutrition: Issues and Opportunities	05/22/90	8715
Social Investment in Guatemala, El Salvador and Honduras: Workshop on poverty alleviation, basic social services and social investment funds within the Consultative Group framework (Vol.1)	06/30/90	8922
El Salvador-Alternativa para una Nueva Politica de Granos Basicos	05/21/91	8309
El Salvador-Natural Resources Management Study	01/21/94	12355
El Salvador - Community Education Strategy: Decentralized School Management	12/08/94	13502
El Salvador - Moving to a Gender Approach: Issues and Recommendations	06/12/96	14407
El Salvador - Rural Development Study, 2 Vols.	08/07/97	16253
El Salvador - Rural Finance: Performance, Issues, and Options (Vol. 1)	04/10/98	17689

Source: Imagebank.

Annex Table 5: OED and QAG Ratings for El Salvador and Comparator Countries

Table 5a: OED Ratings 1991-99

Country	*Evaluated Loans (million dollars of net commitment)*		*Satisfactory Outcome (percent of net commitments)*		*Institutional Development Impact (percent of net commitments)*		*Likely Sustainability (percent of net commitments)*	
	Total	*Adjustment*	*Total*	*Adjustment*	*Total*	*Adjustment*	*Total*	*Adjustment*
Bankwide	62,042	37,559	87	88	45	45	67	71
LAC	17,528	10,986	87	87	57	62	69	74
El Salvador	***165***	***125***	***100***	***100***	***83***	***76***	***100***	***76***
Bolivia	306	145	87	100	83	100	83	100
Dominican Rep.	94	0	100	0	84	0	100	0
Ecuador	285	180	65	44	37	0	0	0
Guatemala	149	120	100	80	20	0	6	0

1) The Institutional Development Impact and Sustainability ratings have been in use only since FY89. Hence, the data for these two ratings for the period before FY91 apply for smaller levels of total net commitment than shown in columns 2 and 3 of the table.
2) *Source:* OED rating database as of 07/20/2000.

Table 5b: QAG Ratings

Region	*Net Commitments (US$M)*	*Projects at Risk (percent)*	*Commitments at Risk (percent)*
Bankwide	111,687	14	16
LCR	24,316	14	15
El Salvador	***352***	***0***	***0***
Bolivia	591	13	12
Dominican Rep	305	22	34
Ecuador	620	19	25
Guatemala	324	0	0

Annex Table 5c: Project Ratings, 1991-99

Project ID	*Project Description*	*Sector*	*Orig effectiveness date*	*Commitments*	*Cancella-tions*	*Disbursements*	*Outcome*	*Sustainability*	*Institutional dev impact*
P007166	SAL 1	Multisector	06/10/91	75.0	0.0	75.0	Highly Satisfactory	Likely	Substantial
P007168	Social Sector Rehabilitation	Population, Health & Nutrition	12/09/91	26.0	0.3	25.7	Marginally Satisfactory	Likely	Modest
P007170	Power Technical Assistance	Electric Power & Other Energy	12/09/91	11.0	0.9	10.1	Satisfactory	Likely	Substantial
P007165	SAL 2	Multisector	01/20/94	50.0	0.0	50.0	Highly Satisfactory	Likely	Substantial
P007175	Technical Assistance	Public Sector Management	01/20/94	2.5	0.1	2.4	Satisfactory	Likely	Modest

Annex Table 6: Costs of Bank Programs for El Salvador and Comparator Countries, FY91-99

Regions and Countries	*Operating Costs ($ million)*				*Distribution of Operating Costs (percent)*			
	Total	*Lending completion*	*Supervision*	*ESW completion*	*Total*	*Lending completion*	*Supervision*	*ESW completion*
Bankwide	2,292.0	979.0	898.0	415.0	100%	43%	39%	18%
LCR	381.0	163.0	152.0	66.0	100%	43%	40%	17%
El Salvador	***8.4***	***3.6***	***3.7***	***1.1***	***100%***	***43%***	***44%***	***13%***
Guatemala	10.4	5.7	3.6	1.1	100%	55%	35%	11%
Dominican Rep.	5.8	3.3	1.6	0.9	100%	57%	28%	16%
Bolivia	25.6	9.0	14.1	2.5	100%	35%	55%	10%
Ecuador	17.6	7.8	7.5	2.3	100%	44%	43%	13%

Efficiency Table

Regions and Countries	*Total costs (million dollars)*	*Number of projects*	*Net commitment (million dollars)*	*Net commitment for satisfactory and non-risky projects (million dollars)*	*Average costs per project (thousand dollars)*	*Average costs $ per $1000 of net commitment (dollars)*	*Average costs per $1000 of net commitment for satisf. & nonrisky projects (dollars)*	***Memo*** *Average project size (million dollars)*
Bankwide	2,292.0	2,229	197,102.7	144,119.6	1,028.0	11.6	16.0	88.4
LCR	381.0	465	46,956.6	38,072.9	819.0	8.1	10.0	101.0
El Salvador	***8.4***	***13***	***516.1***	***516.1***	***646.2***	***16.3***	***16.3***	***39.7***
Guatemala	10.4	13	473.4	423.0	800.0	22.0	24.6	36.4
Dominican Republic	5.8	8	378.0	350.0	725.0	15.3	16.6	47.3
Bolivia	25.6	30	1,047.0	838.0	853.0	24.5	30.5	35.0
Ecuador	17.6	22	1,038.0	470.0	800.0	17.0	37.5	47.0

Source: World Bank CRM database as of July 6, 2000.
* The amount of total costs includes lending completion costs, supervision, scheduled and unscheduled ESW, and dropped project costs.
** The amount of lending completion costs includes lending completion costs and dropped project costs.
*** The amount of ESW preparation costs includes unscheduled and scheduled ESW preparation costs.

Annex Table 7: Bank's Senior Management, CY89-00

Year	*Vice President*	*Country Director*	*Resident Representative*
1989	S. Shahid Husain	Rainer Steckhan	-
1990	S. Shahid Husain	Rainer Steckhan	-
1991	S. Shahid Husain	Rainer Steckhan	-
1992	S. Shahid Husain	Rainer Steckhan	-
1993	S. Shahid Husain	Edilberto Segura	-
1994	Shahid Javed Burki	Edilberto Segura	-
1995	Shahid Javed Burki	Edilberto Segura	-
1996	Shahid Javed Burki	Donna Dowsett-Coirolo	-
1997	Shahid Javed Burki	Donna Dowsett-Coirolo	-
1998	Shahid Javed Burki	Donna Dowsett-Coirolo	-
1999	Shahid Javed Burki	Donna Dowsett-Coirolo	-
2000	David de Ferranti	Donna Dowsett-Coirolo	-

Annex Table 8: El Salvador - Indicators of Progress Towards the International Development Goals: 1990-99

Name	*1980*	*1985*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*
CO2 emissions, industrial (metric tons per capita)	0.46	0.42	0.51	0.62	0.64	0.77	0.84	0.91	0.70	n.a.	n.a.	n.a.
Commercial energy use (kg of oil equivalent per capita)	553	598	527	600	613	629	637	730	699	691	n.a.	n.a.
Infant mortality rate (per 1,000 live births)	84	n.a.	46	n.a.	40	n.a.	n.a.	35	n.a.	32	31	n.a.
Child mortality rate -children under 5- (per 1,000 live births)	120	n.a.	54	n.a.	..	n.a.	n.a.	43	n.a.	39	36	n.a.
Primary education, pupils (% female)	49	n.a.	..	50	50	49	..	49	49	49	n.a.	n.a.
School enrollment, primary (% gross)	75	n.a.	81	81	83	85	87	88	93	97	n.a.	n.a.
Secondary education, pupils (% female)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	52	n.a.	n.a.	n.a.	n.a.
Maternal mortality rate (per 1,000)	n.a.	n.a.	127	n.a.	140	n.a.	n.a.	53	n.a.	n.a.	n.a.	n.a.

Source: World Bank, SIMA information system, March 16, 2001.

Attachment

PRESIDENCIA DE LA REPÚBLICA
DE EL SALVADOR
SECRETARÍA TÉCNICA

San Salvador, 15 de junio del 2001

ST/CRA/0126/2001

Señor
Jorge García-García
Evaluation Officer
Divisi6n OEDCR
TheWorld Bank Group
Washington, D.C.

Ref.: EL SALVADOR Country Assistance Evaluation

Estimado Señor García:

Adjunto se permitirá encontrar las observaciones del Documento "EL SALVADOR, Country Assistance Evaluation", enviado originalmente el día 21 de mayo del corriente año, las cuales se detallan a continuación:

1. En forma General, y quizá lo más importante, es que habrá que actualizar el documento al año 2,000; con parte de la Gestión del presente Gobierno, ya que el informe llega hasta el 2000; y en las consideraciones y datos que llegan hasta el 99.

2. Párrafo 1.3 entre la participación privada, se debe incluir también la reforma de Pensiones. En lo relativo a la modernización del Estado, se introdujo una nueva Ley de Administración Financiera Integrada, y una nueva Ley de Corte de Cuentas, las cuales ayudan tanto a la transparencia como al mejor uso del Gasto Público. Un aspecto importante de la Administración Calderón Sol, fue la consolidación de las instituciones creadas por los Acuerdos de Paz.

3. Debería haber un nuevo párrafo 1.4 que se refiriera a la Administración Flores, aunque sea sobre el enfoque que la misma había planteado a la fecha, para concluir después en el Documento, la congruencia o no con el enfoque del Banco.

4. En el párrafo 1.6; agradeceríamos hacer referencia al proceso de "integración monetaria", y no a un proceso de "dolarización", pues la connotación legal y formal de los mismos es diferente. Asimismo, hay aseveraciones sobre el futuro que pueden generar expectativas negativas, por lo cual si se desean plantear, deben sustentarse las afirmaciones", como es el caso de que "se puede disminuir la calificación de riesgo del país" y que "las remesas, que constituyen la masa del ahorro nacional, pueden disminuir en el tiempo". Asimismo, hay que ser puntual sobre los señalamientos de corrupción, pues la misma ha sido identificada, se está combatiendo en ésas áreas, pero no se puede generalizar a todo el Gobierno.

5. Párrafo 2.1 en el literal (d) electricidad; habría que señalar más concretamente la estrategia y mecanismos del Banco, en el entendido que es un sector privatizado en gran medida, y en proceso de concesionamiento lo demás. Es decir, que si el apoyo va a ser dirigido al Gobierno, el mismo sería para acompañar este proceso.

6. Párrafo 3.6. No es una ley de dolarización, sino una ley de integración monetaria, que permite la libre circulación del dólar.

7. Párrafo 3.8. Habría que actualizar productos, y agregar resultados (como pensiones) que ya estaban para el 99 inclusive.

8. Párrafo 3.18 Creo que es una afirmación un poco comprometida por parte del Banco, que asegure que los países donantes no han requerido ayudar al país por las "atrocidades cometidas durante la guerra".

9. Párrafo 3.21. Creo que no es necesario señalar que el país carece de funcionarios bien calificados, para justificar el apoyo del Banco.

10. Párrafo 3.24. Habría que consultar con AID sobre su apoyo, el cual ha sido de un mayor espéctro que el señalado

Sin más por el momento, aprovecho la oportunidad para reiterarle las muestras de mi consideración y estima.

Atentamente,

Secretaría Técnica
Presidencia de la República

Carmen Regina de Arévalo
Coordinadora Técnica de Modernización

ST/CRA/0126/2001