

El Salvador

The Development Challenge: El Salvador has made progress on all fronts--political, economic and social--despite the problems caused by Hurricane Mitch, the earthquakes of 2001, the U.S. recession and September 11th. In March 2003, El Salvador held its fifth series of free and fair national elections since the 1992 Peace Accords, electing 262 municipal mayors and 84 deputies to the National Legislature. There is every expectation that the upcoming March 2004 Presidential elections will also be free and fair, firmly consolidating democratic electoral processes in El Salvador. Over the past three years, while much of Latin America has experienced negative economic growth rates, the Salvadoran economy has maintained a positive average annual growth rate of 2%. Economic growth projections for 2004 indicate a more modest 1.5%-1.8% rate of increase due to investor uncertainty over Presidential elections and possible changes in economic policies, and a 30% increase in prices of imported oil dampening economic activity. Despite this decade of positive economic growth and a 35% decrease in levels of poverty, the country continues to be challenged by extreme income inequality. In 1991, the poorest 20% received only 3% of the nation's wealth. As of 2002, this percentage has dropped to a mere 2.8%. This declining share of national income for the poor undercuts the significant progress that El Salvador has made over this past decade and poses a serious threat to an emerging democracy. Finally, despite significant reductions in levels of crime and violence over the last five years, they are still at critical levels--a direct disincentive to direct foreign investment and economic growth.

El Salvador still suffers from poverty, with approximately 49% of the rural population living below the poverty line; almost 17% of the population is illiterate; the average educational level among the rural population is 3.4 years; and 61% of the rural population has no access to water piped into the home. Security issues in urban and rural areas and low citizen confidence in the justice system compound the poverty problem and are a strong disincentive to investment and growth. Centralization of power and decision-making has resulted in the central government being perceived as unresponsive and unaccountable to citizen concerns.

El Salvador's unique strategic location and strong historical and cultural ties to the United States make political and economic stability in El Salvador a vital U.S. interest. El Salvador's adoption of the political and economic liberalization that the United States has encouraged has made it a model for developing countries in the region. The United States is El Salvador's most important trading partner, receiving 67.3% of its exports and providing 50.1% of its imports. There is both hope and expectation that the recently concluded Central American Free Trade Agreement (CAFTA) between the United States and four Central American countries will be key to the future economic growth and prosperity for El Salvador and the region. An estimated 2 million Salvadorans live in the United States, many of them illegally. By promoting prosperity in El Salvador through USAID programming and mechanisms such as CAFTA, the United States can strengthen the Salvadoran economy, thereby reducing the flow of economic migrants to the United States and the country's vulnerability to narcotics transshipment and trafficking in persons.

The USAID Program: FY 2004 and FY 2005 are transition years as USAID concludes ongoing programs under its 1997-2004 strategy and begins programs under its new FY 2004-FY 2008 El Salvador Country Plan under the Central America and Mexico (CAM) Regional Strategy. Accordingly, in FY 2005, USAID will conclude four objectives that focus on: 1) economic opportunities for rural poor families, 2) promote democracy and good governance, 3) improve health of rural Salvadorans, and 4) increase rural household access to clean water. USAID will also finish its high-profile earthquake recovery program, having contributed to significant reconstruction of rural housing, health and education facilities, water systems, and reactivation of the most affected sectors of the rural economy. Under the CAM Regional Strategy, and consistent with the Millennium Challenge Account, USAID will initiate a new objective--Economic Freedom --in FY 2004, and will begin the new Investing in People and Ruling Justly objectives in FY 2005. Activities and funding requests under these objectives are described in the Data Sheets.

Other Program Elements: In addition to the bilateral program, the Regional Central American Program (G-CAP) also manages programs in El Salvador. G-CAP provides training to the electricity regulatory body to help it comply with the responsibilities, functions, and roles laid out in its mandate. G-CAP will

continue working with HIV/AIDS high-risk populations to control and prevent the spread of HIV/AIDS through behavioral change interventions at the community level. Another G-CAP program, the Environmental Program for Central America (PROARCA), will continue supporting environmental conservation of the Gulf of Fonseca, and will assist El Salvador in the area of clean production related to the U.S.-Central American Free Trade Agreement (CAFTA). Finally, the regional quality coffee program will continue to improve production, processing, and marketing of high quality specialty coffees grown by small and medium-scale coffee producers.

Through the Department of State's International Criminal Investigation Training and Assistance Program (ICITAP), assistance is provided to continue strengthening community policing. USAID's Economic Growth, Agriculture and Trade Bureau (EGAT/NRM), assists projects protecting migratory birds and their winter habitats in El Salvador's El Imposible National Park and works with a local NGO to provide rural water quality testing. USAID's Democracy, Conflict, and Humanitarian Assistance Bureau funds activities through the Farmer-to-Farmer program and the Private and Voluntary Cooperation program to promote economic opportunities for the rural poor.

Other Donors: Donor coordination in El Salvador is dynamic. The United States remains the largest bilateral donor. Multilateral lending institutions continue to provide the largest share of economic development assistance to El Salvador (76%) of the total. Major lending institutions in order of contributions include: the Inter-American Development Bank focusing on earthquake reconstruction, infrastructure, legislative and judicial strengthening, microfinance, agribusiness, local governance, education and modernization of the state; the World Bank focusing on earthquake reconstruction, education, health infrastructure; and the Central American Bank for Economic Integration focusing on rural development, markets, health, and earthquake-related infrastructure reconstruction. Active multilateral donors in order of significance include: the European Union (earthquake reconstruction), World Food Program (health), United Nations Children's Fund (health), United Nations Development Program (rule of law and local development), and the Pan American Health Organization (health). Among the bilateral donors, Japan ranks second to the U.S. and works on earthquake reconstruction, education, and the agriculture sector; Germany ranks third and works on health and local governance; Spain is next and works on earthquake reconstruction and judicial strengthening.

Data Sheet

USAID Mission:	El Salvador
Program Title:	Economic Growth, Agriculture and Education
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	519-001
Proposed FY 2004 Obligation:	\$5,410,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$0
Year of Initial Obligation:	FY 1997
Year of Final Obligation:	FY 2004

Summary: USAID's Economic Growth and Education Strategic Objective (SO) to expand access and economic opportunities for rural poor families seeks to stimulate growth by strengthening the regulatory environment for energy investments and promoting small-scale rural infrastructure, expand financial services for micro- and small-sized enterprises, increase trade and economic opportunities for small- and medium-sized enterprises, support small farmers to increase agricultural sales and production, and improve pre-school and basic education for rural residents.

Inputs, Outputs, Activities:

FY 2004 Program:

Address economic policies that will stimulate rural growth and poverty reduction (\$671,000 DA). USAID will provide technical assistance and training to improve the capacity of its key energy sector regulator and support efforts to attract new investment, to reduce energy costs, and to facilitate trade capacity building. Prime implementer is PA Consulting.

Develop sustainable microfinance institutions (MFIs) to expand financial services to rural communities (\$1,300,000 DA). USAID will provide technical assistance and training to at least six MFIs to expand credit and saving services to poor rural entrepreneurs. This action will lead to a stronger and more effective rural financial system and increased access to financial services. Prime implementer is Development Alternatives Inc.

Promote environmentally sound agricultural practices and exports (\$966,000 DA). USAID will work with 500 small farmers to increase both product sales and rural incomes by improving quality crop production, marketing, and processing of fruits and vegetables. USAID assistance will help the Ministry of Agriculture and the private sector to understand and comply with the imported food standards and regulations of the United States and facilitate Salvadoran exports under the opportunities to be created by the Central America Free Trade Agreement (CAFTA). Prime Implementers: FINTRAC, Cooperative League of the USA (CLUSA) of El Salvador, and a contractor to be determined for the sanitary and phytosanitary activity.

Improve the quality of basic education for rural poor families (\$2,473,000 DA). USAID will assist pre-school children and children up to the sixth grade improve learning skills. USAID will assist the Salvadoran Institute for Integrated Development of Children and Youth (ISNA), the Ministry of Education (MINED), and the Ministry of Health (MOH) to continue implementation of the early childhood care and education (ECCE) activity. The activity will improve rural caregivers' and educators' knowledge and skills for effective parenting and child development; introduce a new curriculum for children below six years of age; carry out an awareness campaign in rural areas to promote ECCE; and promote strategic partnerships with the Salvadoran Government, municipalities, private sector, and nongovernmental organizations to expand ECCE coverage in rural areas. To foster excellence in the classroom, USAID advisors will work with the MINED to improve academic performance of 43,500 students in 250 rural primary schools. The program will also enhance MINED policy implementation capacity, modernize

school-monitoring systems, and improve management and education skills of primary school principals. Prime implementers are: Academy for Educational Development, American Institutes for Research, CARE, Development Associates, Education Development Center, ISNA, UNICEF, Save the Children-U.S, and the Sesame Workshop.

FY 2005 Program:

Activities implemented under this SO will be completed by June 2005. A new strategic objective titled "Economic Freedom: Open, Diversified, Expanding Economies" (519-022) will be the follow-on for activities completed under this SO.

Performance and Results: With USAID support, the Government of El Salvador has generated more revenue by increasing tax collections by \$135 million (more than 12%). A USAID assessment will help the General Superintendent of Electricity and Telecommunications (SIGET) overcome constraints to implementation of new energy laws and regulations. The Salvadoran Government has increased access to education, resulting in over 97% of rural children aged seven to 10 years old now attending school. Nearly 19,000 children are receiving better childcare due to USAID-supported training to over 8,400 non-formal promoters and educators. The microfinance program expanded financial services to the rural poor, including women—who represent 63% of total borrowers. Rural loans to clients increased by over 12,400 while over 1,800 rural clients opened savings accounts. Additionally, MFIs continued to service the very poor by providing more than 2,348 new loans under \$400. USAID-assisted 1,752 individual farmers (1,531 men and 221 women) and rural organizations to increase sales by over \$1,800,000 in high-value food crops such as, sesame, tomato, sweet pepper, squash, watermelon, cucumber, and loroco (a local herb). Through decentralized grants with local communities, 12 rural infrastructure projects, benefiting over 19,000 people, are presently under construction.

By June 2005, USAID expects rural electricity access nationwide to have increased to 64%; voluntary tax compliance and additional tax revenues will have increased by .5-1.0% of GDP; at least 45,000 new rural clients will have access to financial services; a clear and practical regulatory system that facilitates the transition of Non-Bank Financial Institutions into regulated financial service entities will have been established; at least \$4.3 million in exports and local sales will have been generated and 2,475 micro-, small- and medium enterprises will have improved export capacity; assisted farmers will have increased sales by \$5 million; international and domestic sales of Salvadoran quality coffee will have increased by 10%; 250,000 rural children under age six will be receiving better ECCE services; and the academic performance of 43,500 children in 250 rural schools will have improved.

Data Sheet

USAID Mission:	El Salvador
Program Title:	Democratic Consolidation and Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	519-002
Proposed FY 2004 Obligation:	\$5,469,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$0
Year of Initial Obligation:	FY 1997
Year of Final Obligation:	FY 2004

Summary: USAID's program is aimed at strengthening democratic processes and encouraging good governance by providing technical assistance and training to: (1) promote increased access to justice and improved court case preparation; (2) strengthen local governments to provide basic public services; (3) increase public access to legislative processes; and (4) encourage active civil society advocacy and promotion of transparency.

Inputs, Outputs, Activities:

FY 2004 Program:

Increase access to justice and improve court case preparation (\$2,000,000 DA). One of the key focus areas will be consolidation of criminal code reforms. This includes training of key justice sector operators in appropriate use of rules of evidence to assure fairer and more equitable treatment of court evidence. Technical assistance will further develop modern rules of evidence. Other training areas will include evidence collection and management, case preparation, criminal investigation techniques and use of oral arguments. This training will be available to a wide range of judges, prosecutors and public defenders. Selected law schools will receive additional training and technical assistance to consolidate curriculum and teaching reforms as well as broaden and deepen the use of recently established legal clinics and moot courts (mock trials) as hands-on learning tools for law students. Expanding the use of mediation and other alternative dispute resolution mechanisms such as arbitration will increase access to justice. At least five additional mediation centers will be established by the Public Defender's Office and training in the appropriate use and application of mediation will be provided to all justice sector institutions. Technical assistance will be provided to the Judicial Training School to develop training plans in the civil/commercial law area. Principal contractors and agencies are: DPK Consulting, Department of State, Public Defender's Office, Attorney General's Office, Judicial Training School, and National Judiciary Council.

Strengthen local governments (\$1,700,000 DA). Technical assistance and training will be provided to 22 target municipalities to continue to improve coverage of basic public services, especially potable water provision and solid waste collection and disposal. Training and assistance in the transparent administration of public funds will also be provided, accompanied by a deepening of citizen oversight and participation in local decision-making. Medium-term community development and multi-year investment plans will be developed with USAID assistance. Policy dialogue will be supported between local government authorities, the Legislative Assembly, and Executive Branch to further define decentralized roles and responsibilities for public service delivery and for revenue generation authority. Principal contractor and grantees: Research Triangle Institute; the Salvadoran National Mayors Association (COMURES).

Citizen participation in legislative process, civil society advocacy and transparency (\$1,769,000 DA). Approximately eight to ten small grants to selected civil society organizations will support targeted advocacy or oversight activities to strengthen democratic processes. Complementary training in internal administrative and financial management will also be provided. The Legislative Assembly will receive

assistance in development and adoption of internal regulations to institutionalize public hearings in the legislative process. In addition, technical assistance will be provided to improve awareness and use of the legislative hotline for consultations, to establish a centralized Office of Citizen Attention and to promote of civic education programs for students concerning the role of the legislature. Additional technical assistance and limited training will be provided to help the Government of El Salvador implement a code of ethics for government employees. Principal contractor/grantees: Creative Associates Inc., prime; the University of Texas (sub); the Legislative Assembly; and the Court of Accounts.

FY 2005 Program:

Activities implemented above will be completed in FY 2005. The follow-on program will begin under a new Strategic Objective "More Responsive, Transparent Governance" (519-021).

Performance and Results: USAID programs have assisted in increasing access to justice in El Salvador. Four additional mediation centers were opened during the past year, raising the total to six. These centers have provided free legal advice and mediation services to 4,252 mostly rural people who have limited access to the formal justice system. The Public Defender's Office has decided to replicate and finance this successful initiative on a national scale over the next three years, starting with the establishment of five new mediation centers during 2004. Based on the positive results of the first modern legal education clinic, four more major law schools opened clinics this past year. Now, five of the eight largest law schools in the country are using legal clinics as a teaching methodology and providing hands-on, practical experience for law students. USAID's programs helped nine legislative committees hold twelve public hearings and reach 13,573 young people through the Assembly's civic education initiative. USAID technical assistance and training in electoral preparation and management significantly contributed to holding internationally recognized free and fair elections for legislative and local government authorities. A code of ethics for government employees was submitted to the Legislative Assembly for approval. Local governments, assisted by USAID, continued to increase delivery of public services. Given the increased responsiveness of these municipalities, residents have answered by paying a higher percentage of their taxes and fees, resulting in a 15% increase in local revenue generation. ESF funding was made available in late FY 2003, under special authority to carry out community policing activities in El Salvador. Within this authority and funding, USAID will assist the community policing program to improve its operations through the purchase of portable radios and accessories, 911 emergency call consoles, and other necessary equipment.

It is expected that by June 2005, El Salvador will have improved its criminal justice system and people should have increased access to justice. More transparent and effective public management of services at the local level will have been established and Salvadorans will be more active in policy dialogue. Legislative decision-making should be more transparent, with more citizen participation. The community policing model will be working nationwide and assisting in lowering the levels of crime and violence.

Data Sheet

USAID Mission:	El Salvador
Program Title:	Health of Women and Children
Pillar:	Global Health
Strategic Objective:	519-003
Proposed FY 2004 Obligation:	\$6,234,000 CSH
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$0
Year of Initial Obligation:	FY 1997
Year of Final Obligation:	FY 2004

Summary: USAID's health program is improving child survival through activities that provide water supply and sanitation services to rural communities that reduce diarrheal disease; prevention and control of sexually transmitted diseases including HIV/AIDS, support for Ministry of Health (MOH) efforts to decentralize the planning and management of health services at the local levels, and support to the MOH and nongovernmental organizations' (NGOs') efforts to improve quality of and access to reproductive health services and practices--especially for rural women and adolescents.

Inputs, Outputs, Activities:

FY 2004 Program:

Ministry of health decentralization (\$300,000 CSH). USAID-financed technical assistance to the MOH will help make community-level health services more efficient. Assistance to the MOH will support a legal framework for the SIBASI (basic integrated health system) structure. USAID will continue to provide technical assistance targeted to strengthen administration of human resources, supply management, program monitoring, maintenance and budgeting at both the central and the SIBASI levels. The principal contractor is: Abt Associates, Inc.

Maternal and reproductive health (\$3,600,000 CSH). USAID will fund MOH monitoring, training and technical assistance in: a) prenatal, delivery and postpartum care, including training 325 nurses, to improve emergency obstetrical care in the seven USAID supported SIBASIs; b) family planning counseling and services for mothers and families, including training 500 health promoters, 118 nurses and 336 doctors; c) community education to increase knowledge of family planning and reproductive health care; d) prevention of pregnancies and sexually transmitted diseases among adolescents; and e) contraceptive logistics system improvements. In addition, USAID support to the Salvadoran Demographic Association (SDA) will enable it to generate income to cover 85% of operating costs while providing family planning services to 38,250 rural women and extending family planning services to approximately 10,100 new users. SDA will also provide maternal health care services to 118,600 women and health care services to 14,000 children. The final results of the 2003 National Family Health Survey (FESAL) will be disseminated. Family planning agreements will incorporate clauses that implement the President's directive restoring the Mexico City policy. Principal contractors and grantees are: the Salvadoran Demographic Association, the U.S. Centers for Disease Control and Prevention (CDC), the University of North Carolina, and John Snow, Inc.

Child survival (\$1,834,000 CSH). USAID will provide technical assistance, monitoring, training, and select commodities to the MOH to help: a) improve referrals between rural health promoters and health facilities; b) continue support for the Integrated Management of Childhood Illnesses (IMCI) strategy, emphasizing five danger signs and five basic practices related to newborn care; c) monitor births in 28 maternity hospitals and increase the number of health units under this program from 50 to 300 nationwide; d) expand nutrition interventions to 300 high-risk rural communities to prevent malnutrition in young children and pregnant women; and e) expand breastfeeding counseling at the local level in 100 health facilities. The expected impact is a decrease in infant morbidity and mortality due to timelier, higher quality care

received by newborns. Four rural water systems will be constructed for at least 15,000 rural beneficiaries along with the provision of latrines and intensive community health education. The expected impact is a 26% decrease in diarrhea-incidence in young children at project sites. USAID will continue to address and control dengue fever with community-based interventions that include municipal offices, schools, and other nonhealth personnel. The expected impact of these interventions is an increase in behaviors related to mosquito vector control and a subsequent decrease in larval infestation and dengue cases. Principal contractors and grantees are CARE, Management Sciences for Health (BASICS II), and the Academy for Educational Development (CHANGE).

HIV/AIDS (\$500,000 CSH). USAID will continue to play a lead role as a member of El Salvador's country Coordinating Mechanism for the Global Fund to Fight AIDS, Tuberculosis and Malaria coordinating committee. USAID-financed technical assistance to the MOH will expand voluntary HIV counseling and testing (VCT) to target members of specific high-prevalence groups, as well as pregnant women. In addition, technical assistance to NGOs will help prevent and control HIV/AIDS among these high-risk groups. Principal contractors are Population Services International (PASMO) and the Academy for Educational Development (CHANGE).

FY 2005 Program:

Activities implemented under this SO will be completed by June 2005. This SO will be followed by a new SO titled "Investing in People: Healthier, Better Educated People" (519-023).

Performance and Results: The National Family Health Survey (FESAL), carried out by the Salvadoran Demographic Association with substantial USAID-financed technical assistance was completed in late 2003. Close coordination and support was provided by public institutions and other donors such as the Pan American Health Organization, UNICEF and the U.N. Population Fund. Results, released to the public in October 2003, showed impressive improvements in El Salvador during 1998-2003, the period of the current USAID health strategy. FESAL results show an increase in the contraceptive prevalence rate from 60% in 1998 to 67% in 2003; a drop in the infant mortality rate from 35 in 1998 to 25 in 2003; an increase in the percentage of births attended by trained personnel from 58% in 1998 to 69% in 2003; and an increase in the percentage of respondents with access to potable water from 57% in 1998 to 63% in 2003.

With USAID support, the MOH initiated decentralization in four specific administrative areas: supply management, human resources, maintenance and financing. USAID technical assistance assisted the MOH by detecting deficiencies in the decentralization process and providing tools to correct them.

USAID has strengthened the MOH contraceptive logistics system by training 1,919 personnel. Also as a result of USAID's intervention, MOH rural health promoters have increased community-based contraceptive distribution by 29%. SDA clinics provided 100,185 maternal health care consultations and 12,673 child health care consultations. SDA's network of over 700 rural promoters referred 43,876 women for family planning, prenatal, and delivery services.

USAID funded training of 780 volunteer nutrition counselors in Integrated Nutrition Care to serve approximately 5,845 young children and 766 pregnant women living in rural areas. A total of 373 doctors and nurses were trained in the IMCI strategy, and 360 registered and auxiliary nurses were trained at the hospital level on Monitoring and Direct Support for Breastfeeding. Over 1,588 health promoters, 250 nutritional volunteers, and 1,218 nurses were trained nationwide in the prevention of anemia while 645 doctors were trained in neonatal resuscitation.

It is expected that by June 2005, the decentralization of health services in rural areas will have improved the efficiency and quality of service delivery in the seven local health districts assisted by USAID. Improved health services will reduce malnutrition among rural children; increase the quality of newborn care; increase access to contraceptives; increase the quality and use of antenatal, delivery and postpartum care; decrease diarrhea among young children; and increase knowledge and practices related to HIV/AIDS prevention.

Data Sheet

USAID Mission:	El Salvador
Program Title:	Clean Water Access
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	519-004
Proposed FY 2004 Obligation:	\$4,500,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$0
Year of Initial Obligation:	FY 1998
Year of Final Obligation:	FY 2004

Summary: USAID's Water and Environment program is promoting sustainable, replicable, and integrated water resource management for rural Salvadorans living throughout 14 subwatersheds in three regions of the country. Human capacity development and technical interventions are funded to: improve water source quality and quantity through improved watershed practices that increase water infiltration and decrease soil erosion; improve performance of water delivery systems and local management capacity; increase citizen actions and advocacy to address water issues through education and training; and improve municipal management of water resources through increased local technical and administrative capacity. Investment partners included the Salvadoran Social Investment Fund for Local Development (FISDL), 14 municipal governments within the targeted watersheds, international donors such as the Canadian Development Agency and the World Conservation Union (IUCN), and partner nongovernmental organizations (NGOs).

Inputs, Outputs, Activities:

FY 2004 Program:

Improved quality of water sources (\$2,300,000 DA). USAID will continue efforts to promote water source protection and the physical improvement of watersheds. More than 9,400 small farmers participating in the watershed improvement component will implement conservation practices on 31,000 hectares (77,000 acres) to improve water-table recharge and decrease soil erosion. Natural springs will be protected and their water conserved for human consumption. The promotion of recycling and treatment of residential waste should lead to significant leveraging of counterpart funding (at least 80%) for additional demonstration projects, building on a successful program. The water storage reservoir activity will be significantly expanded, demonstrating surface water management for increased agricultural yields during the dry season and serving as a mitigation measure for farmers against the risks of drought. Principal grantees and government agencies are the CARE Consortium and Project Concern International, the Ministry of Environment, the National Administration for Aqueducts and Sewage, and FISDL.

Improved performance of water delivery systems (\$400,000 DA). Water delivery systems will be implemented by leveraging increased counterpart and international donor resources to pay for construction materials, while USAID provides necessary technical and managerial services including design, construction management, and local administrative training. This will increase clean water access in focus areas to more than 185,000 rural Salvadorans by expanding the number of water systems to 118, at the same time that USAID is able to reduce funding levels. USAID will promote private sector financing of water systems by encouraging local banks to lend money for these activities and evaluate use of Development Credit Authority (DCA) to support this program. Each water system's tariff structure will include a line item for environmental services payment destined for the conservation of the water source. Implementing grantees and government agencies are the same as the above activity.

More effective citizen actions to address water issues (\$1,000,000 DA). USAID will continue to develop local management capacity and the promotion of community participation in clean water access and

water resources improvement initiatives. The number of technicians trained will surpass 12,000 leading to more than 500 water-related improvements such as water systems, pollution prevention, and conflict resolution. Watershed organizations will continue to be promoted as the most effective means of locally managing water and water related issues. Six of the twelve microwatersheds selected to serve as demonstration models will have established watershed organizations supported by payment for environmental services tariffs collected from water users, such as potable water systems. Assistance will continue to promote passage of effective national watershed policy to further this objective. Implementing grantees and government agencies are the same as the above activities.

Increased municipal participation in water resources management (\$800,000 DA) Assistance will strengthen municipal capacity in managing water resources. Support will continue for the operation of fourteen municipal water resource management plans. Impact areas include decentralization of water management and service, the use of municipal ordinances to ensure the prevention of solid- and liquid-waste pollution, and municipal financial support of water systems and waste treatment. A rural water systems technical services model will be formed in Usulután to support an association of local water systems under development. This will be similar to the association developed in Ahuachapán, which is now working to overcome the primary cause of rural water system failure--a lack of technical expertise in diagnosing and repairing system defects and problems. Implementing grantees and government agencies are the same as the above activities.

FY 2005 Program:

This program is scheduled to end in March 2005. Please see data sheet for the new watershed management program under the Strategic Objective "Economic Freedom: Open, Diversified, Expanding Economies" (519-022).

Performance and Results: Access to clean water within the 18 target subwatersheds reached 64% this year, up nearly 5% over last year's measurement. This represents over 150,000 people with access to clean water and is double the national average for rural municipalities. This year's efforts intensified development of local technical and management capacity, resulting in the formation of 14 watershed committees. This was an important step towards effective local water management and is the cornerstone of the program's exit strategy that defines measures for successful completion of local water system development. Over 10,500 farms are participating in water conservation practices over an area exceeding 27,000 hectares, (roughly 69,000 acres), producing increased quality and quantity of water resources. The number of project supported water systems now exceeds 100, providing services to 185,000 rural Salvadorans. These projects continue efforts to decentralize control of local water delivery systems and raise awareness of need for effective national policy. As originally planned, potable water systems are now being built with reduced USAID funding by leveraging other donor financing for purchase of construction materials and services. Payment for environmental protection services is being promoted by including a service fee in the water bill paid by users. A high level of environmental and environmental health awareness (94%) was maintained and more than 11,500 local organization members have been trained. All 14 participating municipalities have developed water resource management plans linked to local watershed management through municipal development committees.

By the end of the program in March 2005, integrated water resources interventions will result in the provision of sustainable access to clean water for more than 200,000 rural Salvadorans. Farmers will be applying water conservation practices to 33,000 hectares (82,500 acres) of land. Four sewage and six solid waste treatment facilities demonstrating appropriate technologies for local communities will be operational and self-sustainable. The Ahuachapán and Usulután support services model for rural water systems will be operational and financed by user tariffs, offering technical services to 30 water systems and serving as models for other rural areas. The program's exit strategy will be successfully implemented in the 14 target subwatersheds. A successful model may be the basis for clean water access initiatives in the future.

Data Sheet

USAID Mission:	El Salvador
Program Title:	Ruling Justly
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	519-021
Proposed FY 2004 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$5,000,000 DA
Year of Initial Obligation:	FY 2005
Year of Final Obligation:	FY 2008

Summary: The new USAID democracy and governance program will focus on strengthening rule of law and achieving greater transparency and more responsive governance through technical assistance and training to: (1) increase accountability in public management and decision-making; (2) improve access to justice and alternative dispute resolution; and (3) promote devolution of responsibilities and resources to local governments.

USAID is requesting FY 2005 resources for this program within its new country plan (2005-2008). USAID is designing a new democracy and governance program to help address concerns of citizens who are beginning to question democratic principles, despite recent consolidation of democratic institutions, because of a perceived failure of Salvadoran democracy to deliver economic or social benefits. Confidence in key democratic institutions is fragile and citizens are skeptical of responsiveness and transparency in the public sector. Building more responsive and accountable governance, open to public scrutiny, is key to creating credible democratic systems. Likewise, a level legal playing field and clear work rules are essential to ensuring equity in access to justice and fair treatment in the justice system. Dealing with the challenges of corruption and a weak rule of law, which undercut faith in democracy, will be priorities under the program.

Inputs, Outputs, Activities:

FY 2004 Program:

This program will begin in FY 2005.

FY 2005 Program:

Improved access to justice and consolidated rule of law (\$2,500,000 DA). USAID plans to focus rule of law initiatives on increasing judicial access and equity by providing technical assistance to improve the transparency, efficiency and promptness of the judicial system, including monitoring and investigating corruption. Guidance will be given to assist in the design and implementation of selected reforms in both criminal and civil/commercial codes and related legal and regulatory environment. Technical assistance and training will be provided to deepen understanding and use of alternative dispute resolution mechanisms, especially mediation and arbitration, for both criminal and civil cases. Building upon the successful community policing initiative, innovative approaches to community-based public security initiatives may be explored, pending special authorization and funding. Implementers to be determined through a competitive process.

Good governance and transparency (\$2,500,000 DA). With a newly elected government in El Salvador taking office in mid 2004, USAID will seek to further promote anticorruption measures and encourage more transparent and honest management of public resources and decision-making. Areas such as establishing more modern financial management systems, introducing stronger procurement reforms, and encouraging civil society oversight will be considered. Technical assistance and training will be provided to promote a dialogue on the devolution of power to local governments, to review revenue generation authorities, and to help decentralize selected public services. Assistance will also be provided to promote

greater transparency and accountability of political parties. Implementers to be determined through a competitive process.

Performance and Results: This new strategic objective is scheduled to begin in mid FY 2005 and therefore has no results to report at this time.

Successful implementation of this strategic objective will result in: increased governmental transparency and reducing corruption; decentralized resources and decision-making to local levels; improved access to civil and criminal justice through both the formal justice system and particularly through alternative dispute resolution mechanisms; creation of sustainable, alternative models to enhance public security; and deepened citizen oversight and participation in government.

Data Sheet

USAID Mission:	El Salvador
Program Title:	Economic Freedom
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	519-022
Proposed FY 2004 Obligation:	\$13,333,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$14,500,000 DA
Year of Initial Obligation:	FY 2004
Year of Final Obligation:	FY 2008

Summary: USAID is promoting trade, investment and economic diversification initiatives that will contribute to a more open, diversified and expanding economy. USAID will support trade promotion and job creation through policy and legal reforms, more efficient functioning of markets and increased access to external markets for micro, small and medium enterprises (MSMEs). Expected results will be increased trade, enhanced development of value-added products--leading to increased and more equitably distributed incomes--and improved management of critical watersheds and natural resources.

Inputs, Outputs, Activities:

FY 2004 Program:

Policy reform, investment, and trade capacity (\$3,000,000 DA): USAID will place greater emphasis on policy and regulatory reform to enhance the competitiveness of El Salvador's private sector to take advantage of free trade agreements. USAID will assist the Government of El Salvador to reduce trade barriers, address issues related to the commercial code, strengthen environmental enforcement, and consolidate regulatory reforms in the fiscal, financial and energy sectors. USAID will explore formation of strategic alliances with the private sector and International Financial Institutions to leverage financing and complement USAID technical assistance and training. Implementers to be determined through a competitive process.

More competitive, market-oriented private enterprises, agriculture, economic diversification, and rural enterprise expansion (\$7,833,000 DA): Assistance and training will be provided to 1,100 small and medium-sized enterprises (SMEs), agribusinesses, and agriculture enterprises. USAID will: a) help private enterprises diversify products, generate approximately 2,000 jobs and better compete in local, regional and world markets; b) expand current efforts to assist SMEs and farmers to operate under demand-based market linkages; c) link over 1,500 producers to agribusiness, traders, buyers and international investors; d) address international export requirements which may include sanitary and phytosanitary (SPS) practices, pesticide residues, and U.S. bio-terrorism regulations; e) increase access to modern technologies; and address obstacles to increased trade and economic activity by promoting small-scale infrastructure projects. Implementers to be determined through a competitive process.

Broader access to financial markets and services (\$2,500,000 DA): USAID will work with finance institutions to promote increased lending to MSMEs. USAID will a) assist 4-6 local microfinance institutions (MFIs) to become regulated, nonbank financial institutions that capture savings, attract private capital, and expand their lending programs; and b) work with the regulator to ensure that policies and systems are in place to promote investment in these areas. USAID's focus on policy reforms would lead to increased lending to MSMEs, assist in the diversification of financial instruments, and modernize collateral requirements. The primary counterparts may be modernizing banks and MFIs that can expand into small and medium enterprise lending. To facilitate lending to SMEs, USAID will explore the use of the Development Credit Authority (DCA) to leverage resources and may look for ways to link remittances to this entire effort. Implementers to be determined through a competitive process.

FY 2005 Program:

In the economic growth program, USAID plans to expand FY 2004 efforts on trade and job creation, working with MSMEs and farmers in both domestic and export operations; and to start up a watershed management program. Implementers to be determined through a competitive process.

Policy reform, investment and trade capacity (\$1,600,000 DA): USAID will continue technical assistance to the Salvadoran government on legal, policy and regulatory reforms to improve market access and expand trade with U.S. and other trading partners. Depending on progress in FY 2004, USAID intends to complete several reforms responsive to a new Central America Free Trade Agreement (CAFTA) environment and to initiate work on some of the more complex and challenging ones, for example: changes to the commercial code, strengthening commercial contract enforcement, promoting enterprise development, and strengthening the fiscal, financial and energy regulatory systems. Implementers to be determined through a competitive process.

More competitive, market-oriented private enterprises, agriculture, economic diversification, and rural enterprise expansion (\$6,800,000 DA). USAID will continue assisting and training SMEs, agribusinesses, and agriculture enterprises to: a) diversify products and reduce production and transaction costs to better compete in local, regional and world markets; b) expand current efforts to establish demand-based market linkages; c) link producers to agribusinesses, traders, buyers and international investors; d) address international import requirements, including SPS restrictions, pesticide residues, and new U.S. bio-terrorism regulations; e) increase access to modern technologies; and f) address local obstacles to increased economic activity by promoting small-scale infrastructure activities. Implementers to be determined through a competitive process.

Broader access to financial markets and services (\$2,500,000 DA): USAID plans to continue progress in expanding bank and regulated, nonbank financial institution reforms with the intent of increasing lending to micro, small and medium-sized companies. USAID will consider establishing DCA guarantees with selected local banks and other financial institutions to leverage lending in priority sectors. Implementers to be determined through a competitive process.

Promotion of watershed management (\$3,600,000): This activity, designed to improve clean water availability in rural areas, will promote alliances with both public and private sectors to leverage financing for capital improvements such as potable and surface water systems. This approach would allow USAID's limited financial resources to be focused on developing local rural water sector technical and management capacity. Fee-for-service technical support mechanisms developed under USAID's existing water program will be assessed for adoption by enterprises engaged in sustainable economic activities that conserve or maintain the natural resource base. User groups such as watershed organizations and potable-water system associations will be strengthened to assume responsibility for managing sustainable clean water access. Incentives may be developed to promote sustainable management and use of natural resources within a given watershed. Implementers to be determined through a competitive process.

Performance and Results: This new strategic objective is scheduled to begin in late FY 2004; therefore, the Mission has no results to report.

With successful completion of this strategic objective, USAID will: introduce further trade capacity development reforms that will lead to increased private trade, investment, and job creation; expand SME access to private financing; and increase sustainable management and use of watershed natural resources in support of sound growth. USAID expects to graduate several MFIs by the time FY 2005 funding is fully expended.

Data Sheet

USAID Mission:	El Salvador
Program Title:	Investing in People
Pillar:	Global Health
Strategic Objective:	519-023
Proposed FY 2004 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$8,500,000 CSH; \$4,029,000 DA
Year of Initial Obligation:	FY 2005
Year of Final Obligation:	FY 2008

Summary: USAID plans to promote policies and programs that will produce improvements in maternal, child, and infant mortality; help Salvadorans achieve more educationally; and strengthen responses to HIV/AIDS and other infectious diseases under its new strategy. These activities will help El Salvador participate more fully and actively in a free trade agreement and work to ensure that benefits are shared broadly among its citizens.

Inputs, Outputs, Activities:

FY 2004 Program:

This program will begin in FY 2005.

FY 2005 Program:

Increased and improved social sector investments and transparency (\$1,500,000 CSH, \$350,000 DA): El Salvador has among the lowest per capita educational expenditures in Central America. USAID will assist the Government of El Salvador to: (1) increase per capita investments in basic education and health; (2) better manage public investment; and (3) adopt improved management strategies to achieve greater effectiveness, efficiency, and coverage of basic education and health services, including water and sanitation services and contraceptive methods. USAID will provide assistance to improve Salvadoran government capability to identify cost effective interventions in education and health that demonstrate the long-term benefits of increasing investments; improve the efficiency and equity of health and education expenditures, and increase decentralized decision-making and control over budgets. USAID also will promote alliances with the private sector, and increase accountability by assisting the Government of El Salvador to institutionalize policies that broaden participation of local groups and private sector entities. Implementers to be determined through a competitive process.

Increased and improved basic educational opportunities (\$3,679,000 DA): El Salvador needs greater and more effective per capita expenditures in education combined with educational reforms focused on improving student performance by the end of the third and sixth grades. The approach to improving student performance during the first six years of school includes: a) in-service training to upgrade teaching skills; b) modernizing curricula to focus on reading, writing, and math; c) providing more appropriate classroom teaching materials; d) improving skills of school principals to better guide teachers; e) increasing the role of local community associations and parents in student learning; f) establishing better monitoring and testing systems; and g) supporting applied policy reform research. USAID will seek alliances with the private sector and international financial institutions to leverage assistance for materials and infrastructure as a complement to USAID's technical assistance and training. Implementers to be determined through a competitive process.

Improved child and reproductive health (\$6,500,000 CSH): USAID will provide technical assistance and training to improve essential child and reproductive health services, promote decentralized decision-making and institutionalize quality assurance systems to sustain results. This assistance would likely be provided to the Ministry of Health and NGOs that are part of a national network, with a focus on the

SIBASI (basic integrated health system) level. Efforts may promote increasing coverage of health services for women, youth and children, concentrating on the poor and those with the highest incidence of malnutrition, the highest rates of infant and maternal mortality, and the highest total fertility rates. USAID-supported strategies to improve child and reproductive health would likely include the successful Integrated Management of Childhood Illnesses and Integrated Nutrition Care strategies, while incorporating field-tested strategies to improve: a) practices and services related to water and sanitation; b) birthing practices; c) antenatal and postpartum care; d) maternal mortality surveillance; e) communication campaigns; f) service provision; g) contraceptive security; and h) supervisory and management systems. Family planning agreements will incorporate clauses that implement the President's directive restoring the Mexico City policy. Implementers to be determined through a competitive process.

Reduced transmission of HIV/AIDS (\$500,000 CSH): Seroprevalence levels among general population groups indicate that the HIV/AIDS epidemic in El Salvador is concentrated in high prevalence, at-risk groups. The demographic group with the fastest growing transmission rate is adolescent girls. USAID will likely focus HIV/AIDS prevention activities on these most vulnerable groups to prevent HIV transmission from "bridging" into the general population. Through proven strategies—including media campaigns, training, mentoring, and the ABC approach to HIV/AIDS prevention (abstinence, be faithful and condoms)—USAID will support the expansion of voluntary counseling and testing services (VCT) and behavioral change interventions. USAID will coordinate both bilateral and regional activities to maximize impact. Implementers to be determined through a competitive process.

Performance and Results: This new strategic objective is scheduled to begin in FY 2005. Therefore the Mission has no results to report.

Successful completion of this strategic objective will result in increased primary education completion rates, increased immunization rates, reduced total fertility rates, a decrease in infant mortality, and increased knowledge and practices in HIV/AIDS prevention.

El Salvador PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	15,653	9,800	7,150	8,871
Development Assistance	45,640	26,334	28,605	17,342
Economic Support Fund	25,200	0	0	0
PL 480 Title II	0	1,809	0	0
Total Program Funds	86,493	37,943	35,755	26,213

STRATEGIC OBJECTIVE SUMMARY

519-001 Economic Growth, Agriculture and Education				
DA	6,555	17,285	5,730	0
519-002 Democratic Consolidation and Governance				
DA	3,225	4,950	5,362	0
ESF	200	0	0	0
519-003 Health of Women and Children				
CSH	9,353	9,800	7,150	0
519-004 Clean Water Access				
DA	3,200	4,099	4,500	0
519-008 Earthquake Response				
CSH	6,300	0	0	0
DA	32,660	0	0	0
ESF	25,000	0	0	0
519-021 Ruling Justly				
DA	0	0	0	2,347
519-022 Economic Freedom				
DA	0	0	13,013	11,316
519-023 Investing in People				
CSH	0	0	0	8,871
DA	0	0	0	3,679

Mission Director,
Mark Silverman