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COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

FOR

THE REPUBLIC OF EL SALVADOR

June 24, 2011

Central America Country Management Unit
Latin America and Caribbean Region
International Bank for Reconstruction and Development
Latin America and Caribbean Department
International Finance Corporation

CURRENCY EQUIVALENTS

The US Dollar is the current currency in El Salvador

Fiscal Year
January 1 – December 31

SELECTED ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Services
ARENA	National Republic Alliance Party
CAPRA	Central American Probabilistic Risk Assessment
CAT-DDO	Catastrophe Deferred Drawn Option
CCT	Conditional Cash Transfer
CEPA	Salvadorian Ports Authority
COMPRASAL	Salvadorian Public Procurement System
CPS	Country Program Strategy
DPL	Development Policy Loan
DR-CAFTA	Dominican Republic-Central America Free Trade Agreement
EDUCAME	Salvadorian Secondary Education Program
ESW	Economic and Social Work
FODES	Salvadorian Decentralization Transfers Fund
FY	Fiscal Year
GDP	Gross Domestic Product
GEF	Global Environmental Fund
GoES	Government of El Salvador
IBRD	International Bank for Reconstruction and Development
IDB	Inter American Development Bank
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
INCAE	Central American Entrepreneurship Education Institute
IPSAS	International Public Sector Accounting Standards
LAC	Latin America and the Caribbean
MOH	Ministry of Health
MSME	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organization
NLTA	Non-Lending Technical Assistance
PATI	Salvadorian Temporary Income Protection Program
PEFA	Public Expenditure and Financial Accounting
PPP	Public-Private Partnership
REDD	Reducing Emissions from Deforestation and Forest Degradation
RNE	Salvadorian Firms National Registry
SIECA	Central American Economic Integration System
TAL	Technical Assistance Loan
WB	The World Bank

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REPUBLIC OF EL SALVADOR
Country Partnership Strategy Progress Report
FY2010-14

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I. INTRODUCTION

1. **The Board of Executive Directors discussed the FY10-12 Country Partnership Strategy (CPS) for El Salvador on November 24, 2009 (Report No. 50642-SV)**. This Progress Report evaluates advances made under the CPS, focusing on how the World Bank Group has responded to new realities in the country context and how it will position itself strategically for the remainder of the CPS period. The CPS was designed to cover a shortened three-year period given the risks related to the global economic crisis, inauguration of a new administration, and lack of a completed government strategy at the time of the CPS preparation. Considering advances in the government's strategy formulation, implementation progress observed during this period, as well as continued relevance of development goals supported by the current CPS; this Progress Report recommends the extension of the CPS period to the end of the current government's mandate in 2014.

2. **The CPS is aligned with the development priorities set forth by the administration of President Mauricio Funes.** President Funes heads the first center-left government in El Salvador since the end of the civil war in 1991. Although macroeconomic stability and the promotion of pro-poor social development and inclusion were key elements of the election platform, the global crisis has constrained the Government's fiscal space and made evident the need to address structural vulnerabilities in order to implement a sustainable social program. After assuming power the Government initiated an Anti-Crisis program while preparing a comprehensive Development Plan for the period 2010-2014 developed in consultation with a broad array of stakeholders. The Government also engaged with the IMF in order to establish a credible macroeconomic framework (supported by a Standby Arrangement) to anchor its Development Plan.

3. **The three broad objectives of the CPS remain consistent with the Government's pro-poor agenda and are within the Bank Group's areas of comparative advantage:** (i) Strengthening Fundamentals for Economic Recovery by Addressing Macro and Institutional Vulnerabilities; (ii) Strengthening the Delivery of Social Services; and (iii) Increasing Economic Opportunities. To date six operations for a total of US$400 million have been approved. Four additional lending operations for US$250 million have been identified for the remainder of the CPS period. This would imply no change in the original CPS lending projections of US$650 million.

4. **Yet, the crime and violence or citizen security agenda has acquired increasing significance in El Salvador (Box 1), and more generally in Central America, as both a drag on economic growth and a development issue.** Addressing it will need a concerted and multi-pronged effort on the part of Government, civil society, and the international development partners. Thus during the remainder of the CPS period the Bank will step up efforts to support the government in this area.

5. **The continuing impact of the global economic downturn and natural disasters have underscored the relevance of the CPS program objectives and enhanced the urgency of the program interventions.** Economic recovery has been slower than expected, contributing to a worsening of social indicators and an upsurge in crime and violence. The need for both short

term emergency spending and longer term reforms to strengthen revenues and improve the efficiency of public expenditures remains. The Bank has used the flexibility within the CPS to plan and prepare a more detailed program in FY11-14, fully in line with the three CPS objectives. The IFC will continue to complement IBRD activities by safeguarding post-crisis growth through the provision of countercyclical financing to key sectors. In parallel, engagement with key stakeholders in the legislature, private sector and civil society will be continued.

Box 1: Crime and Violence in El Salvador

High levels of crime and violence continue to threaten social development and economic growth in El Salvador and affect negatively the quality of life of its citizens. After a sharp and sustained increase in the levels of violent crime since 2000, the murder rate peaked at 71 homicides per 100,000 inhabitants in 2009, declining slightly to 67 in 2010. Victimization through other forms of crime has also increased in the past decade to unprecedented levels. Surveys reveal that by 2008, nearly 1 in 6 people had been victims of violent crimes —namely, armed robbery, assault with injury, kidnapping, and sexual assault.

Despite some improvement in the indicators in 2010, levels of crime and violence remain extremely high and pose a significant challenge to El Salvador's development. According to a recent World Bank study on crime and violence in Central America, crime and violence can inflict economic costs of up to 11 percent of GDP annually. The study shows that combating crime and violence more effectively can also yield considerable benefits. It estimates that a 10 percent drop in the homicide rate could boost per capita income by 1 percent annually.

The causes of the problem are manifold and highly complex. The World Development Report 2011 on Conflict, Security and Development suggests that countries like El Salvador face cycles of repeated violence as a result of a mix of internal and external stresses paired with lack of adequate institutional reforms that lead to limited institutional capacity to effectively combat the problem. For example, internal stresses that have contributed to existing levels of violence and insecurity include rampant youth unemployment, increased gang membership, widespread impunity, a culture of violence and trauma, and increasing social and economic vulnerability. New external stresses such as the recent increase in the volume of drugs that transit through El Salvador and other Central American countries and the incursion of sophisticated criminal networks underlie the upswing in violence indicators in recent years.

One of the limitations of current efforts to improve citizen security in El Salvador is the lack of adequate coordination between different actors and levels of government involved in this area. Moreover, policies have relied heavily on control approaches and have placed limited emphasis on prevention. More importantly, recent developments clearly demonstrate that crime and violence in El Salvador transcend its borders and requires coordinated national and regional response.

II. POLITICAL AND ECONOMIC DEVELOPMENTS

Political Developments

6. **The current administration continues to enjoy strong popular support even under difficult economic and social conditions.** Assuming a pro-poor position and announcing moderate changes in the handling of the economy, President Funes managed to sustain voter support after his first year in power. The Government has also demonstrated important regional leadership to improve coordination in Central America, including hosting a Presidential Summit on Regional Integration on July 20, 2010. Nevertheless conservative groups and the private

sector express concerns about the lack of clarity of government policies and the deterioration of the business environment in the country.

7. **The overall political situation has changed since the elections, becoming more uncertain.** On the one hand, the composition of Congress has changed as a result of the resignation of a number of Congressmen from the opposition party ARENA and the creation of a new party that resulted in a more fragmented opposition. This has given the Government wider room to maneuver, which in turn is reflected in more effective and successful legislative work and the passage of critical legislation including the first phase of a tax reform, the budget, and the ratification of IFI loans. On the other hand, tensions are perceived between the Executive and some groups in the ruling party and this has introduced some sense of uncertainty around future political developments. The upcoming 2012 congressional and local elections could bring additional tension and lead to a deterioration of the overall political environment.

8. **The Government is aware of the difficult political landscape and is making efforts to promote a broad country dialogue around key legislative initiatives.** Since the CPS was prepared, the Government has further developed its five year Development Plan which includes the passage of a much needed fiscal reform aimed at consolidating the existing fiscal situation. A Civil Society Consultative Council, with the participation of the private sector, unions, civil society organizations and academia, was established and started to discuss the Government's plan as well as the prospects of a *Fiscal Pact*.

Economic Developments

9. **El Salvador's economic and social performance over the CPS period largely reflects the impact of the global economic crisis.** After a long period of broad-based growth and structural reform, El Salvador was seriously hit by the global crisis. The U.S. recession and the resulting sharp fall in remittances, a collapse in consumption and investment, and reduced foreign demand caused El Salvador's real GDP to contract by 3.5 percent in 2009. The slowdown hit all sectors with manufacturing and construction being the most impacted. In addition to the effects of the crisis, agriculture output contracted following a tropical storm in late 2009. External shocks also impacted social outcomes. After falling to its lowest levels in 2006 (30.7 percent), the poverty rate increased to 40 percent in 2008 following the rise in food prices and the advance of the financial crisis. In 2009, the poverty rate remained at 37.8 percent, while remittance flows dropped 7.1 percent and the number of registered jobs fell almost 4 percent in the period. On top of these developments crime and violence continued to surge, representing a growing threat to individuals and social progress.

10. **In response, the new Government initiated an Anti-Crisis Plan involving a stimulus package of nearly US$600 million (2.8 percent of the GDP) over the period 2009-2011**. The Plan included actions to generate temporary jobs and increase the coverage of the social protection programs, as well as funds for low income housing, local investments and basic infrastructure, improved nutrition, and violence mitigation.

11. **Although offsetting austerity measures were taken, fiscal performance deteriorated and became a major source of economic concern**. Since 2008 total revenues have fallen at a faster rate than expenditures. The larger-than-expected fall in economic activity contributed to a

drop in tax revenues of approximately 9.5 percent in 2009. Consequently the overall deficit increased from 3.1 percent of GDP in 2008 to 5.6 percent in 2009 while the debt-to-GDP ratio grew from 41.1 percent to 50 percent over the same period.

12. **In order to address fiscal effects of the crisis and with a view to preserving the country's economic and social stability, El Salvador reached agreement on a Stand-by Arrangement with the IMF.** The program, approved in February 2010, envisions a gradual increase in the primary surplus that will bring the public debt to sustainable levels by 2015. Fiscal consolidation under the program is achieved by maintaining total spending while significantly increasing public revenues. Projections assume that the Government will implement a broad set of reforms to address fiscal vulnerabilities.

13. **The economy has started recovering from the impacts of the global crisis, but the speed and magnitude of the recovery are still fragile**. Recent economic indicators suggest that the economy is gaining strength, albeit at a slow pace. El Salvador's economic performance remained modest in 2010. The economy grew 0.7 percent, much below growth in neighboring countries.[1] The expansion was mainly driven by commerce and tourism (10.3 percent) and agriculture (5.7 percent), fostered by a recovery in external demand. In fact, exports expanded 17.8 in 2010, partially compensating for an increase of 17.5 percent in imports. Social outcomes also started recovering in 2010 following an increase in remittance flows and positive job creation for most of the year. Projections indicate that El Salvador will continue recovering in 2011, despite the inflation and social pressures imposed by the recent increase in international food and energy prices. Current projections foresee GDP growth rates of about 2.5 percent in 2011, 3 percent in 2012, and 4 percent in 2013-2014.

14. **Despite the deterioration of the fiscal situation during the crisis, projections suggest a sustainable medium-term fiscal outlook.** El Salvador's fiscal balance improved in 2010. Public spending increased 3.3 percent reaching 21.8 percent of the GDP, while tax revenues increased almost 10.4 percent in the same period reaching 13.3 percent of GDP. The overall non financial public sector deficit ended 2010 at 4.2 percent of GDP, well below projections. In line with the IMF program, fiscal projections indicate that net tax revenues will continue to increase gradually reaching 15.6 percent of GDP by 2013, while total public expenditures are sustained around 21.5 percent of GDP.

15. **Consultation and consensus building among the key stakeholders regarding the Government's fiscal program will be critical.** On the expenditure side, the authorities have committed to reducing poorly targeted subsidies on liquefied gas and electricity, while maintaining outlays on goods and services broadly constant in real terms. On the revenue side, the pickup in economic activity and the continued effect of the 2009 tax changes are expected to help lift revenues in the short run. Nevertheless, the Government strategy envisions implementing a number of tax measures, such as administration measures aimed at improving the tax collection system, strengthening tax recovery instruments, auditing and control of large taxpayers, and fighting tax evasion. In addition, the authorities contemplate new tax measures that are going to be implemented as part of a Fiscal Pact formulated in consultation with key stakeholders.

[1] Guatemala, the second lowest growing country, grew 2.6 percent in 2010.

Table 1. El Salvador Key Economic Indicators 2006-2011

(percentage of GDP, unless otherwise indicated)

	2007	2008	2009	2010	2011 (p)	2012 (p)	2013 (p)	2014 (p)
Income and Prices								
GDP growth (% change)	4.3	2.4	-3.5	0.7	2.5	3.0	4.0	4.0
Inflation (cpi end of period % change)	4.9	5.5	0.0	2.1	4.2	2.8	2.8	2.8
Investment and savings								
Gross domestic investment	15.9	14.9	13.1	13.1	13.8	13.8	14.2	14.5
Gross domestic savings	9.9	7.3	11.3	10.9	9.9	10.5	11.0	11.1
Consolidated public sector accounts								
Total revenues and grants	17.1	16.9	16.1	17.5	18.7	18.9	19.3	19.6
Total tax revenues	13.4	13.1	12.4	13.3	14.0	14.8	15.6	16.0
Total expenditure	19.0	20.0	21.7	21.8	22.2	21.4	21.3	21.5
Current expenditure	16.3	17.0	18.6	18.6	18.8	17.9	17.8	18.0
Capital expenditure	2.8	3.0	3.0	3.1	3.4	3.5	3.5	3.5
Primary balance	0.5	-0.7	-3.0	-1.9	-0.9	-0.3	0.2	0.5
Overall balance	-1.9	-3.1	-5.6	-4.2	-3.5	-2.5	-2.0	-1.8
Public debt								
Total debt	39.0	41.1	50.0	51.5	51.3	51.0	49.8	48.4
O/w External	24.3	23.8	29.1	29.6	29.1	28.5	27.3	26.1
External public debt service (% of exports)	12.3	9.6	11.7	10.7	18.3	7.5	7.1	7.1
Balance of payments								
Current account balance	-6.0	-7.6	-1.8	-2.1	-3.8	-3.6	-3.5	-3.5
Trade balance	-20.1	-19.9	-13.5	-15.3	-16.5	-16.3	-16.2	-16.4
Exports (including maquila)	19.8	20.9	18.3	21.0	22.4	23.0	23.0	22.7
Imports (including maquila)	40.0	40.7	31.8	36.3	38.9	39.3	39.2	39.1
Foreign direct investment	6.9	3.3	2.7	0.4	1.2	1.7	2.1	2.2
Remittances	18.4	17.3	16.9	17.3	17.1	17.1	17.3	17.4
Memorandum item:								
Nominal GDP (billions of US dollars)	20.4	22.1	21.1	21.7	23.2	24.5	26.2	28.1

Source: Ministry of Finance, Central Bank and IMF and World Bank staff estimates. Note: (p) projected values

16. **On the whole, and notwithstanding the economic risks to the near-term outlook, El Salvador's macroeconomic policies are deemed adequate.** Fiscal policy supported by the IMF program remains prudent and consistent with medium-term sustainability. In addition, the dollarization regime is expected to remain strong. A recent debt sustainability analysis indicates that El Salvador's medium-term public debt position is sustainable. The debt path remains sustainable under a number of scenarios including higher real interest rates and temporary shocks in the primary balance and in economic growth, such as those potentially generated by temporary increases in international commodity prices. Nevertheless, a continued slowdown in economic growth or the absence of fiscal consolidation could affect sustainability. The recent downgrading of the country's credit rating by Fitch, S&P, and Moody's[2] reflects these concerns and poses additional challenges to the authorities.

III. CPS PROGRESS, IMPLEMENTATION AND PROPOSED ADJUSMENTS

A. Assessment of CPS progress to date

17. **Progress towards CPS outcomes has been satisfactory and notable advances have been made under each of the CPS pillars.** The focus of the CPS on addressing short-term challenges related to the evolving economic crisis appears to be fully justified as the financial and policy assistance provided by the Bank has been critical in supporting the Government's efforts to contain the domestic economic and social repercussions of the crisis.

18. **The Bank's portfolio has expanded with the approval of six operations during this CPS period.** Five of these operations have become effective and the recently approved DPL is expected to become effective shortly. This contrasts sharply with the previous CPS period when several loans had to be cancelled due to lack of congressional approval. Loan disbursements have now tripled from the 2006-2008 average. Non-lending technical assistance has continued and the Bank's program of Economic and Sector Work (ESW) continues to support the analytical basis for government policy. Donor coordination has intensified, especially among the multi-lateral financial institutions (IMF, IDB, and WB) with significantly positive benefits in terms of coherent policy advice, coordinated funding programs, and improved collaboration with government authorities. IFC operations have also played an important role in providing targeted support to the private sector with important impacts on employment and growth. Challenges remain, due to the slow pace of economic recovery, social challenges, and continued political polarization.

A.1. Strengthening Fundamentals for Economic Recovery by Addressing Macro and Institutional Vulnerabilities

19. **The first pillar of the CPS has been supported through a combination of lending, analytical work, and policy dialogue**. For example, the Sustaining Social Gains for Economic Recovery DPL and the Public Finance and Social Sector DPL have contributed to the

[2] Credit rating agencies recently downgraded El Salvador: (a) Fitch ratings affirmed El Salvador's Foreign and Local Currency Issuer Default Ratings at BB with a negative outlook basically triggered by the deterioration of fiscal solvency ratios (July 2010); (b) S&P's downgraded El Salvador rating on sovereign debt from BB to BB- adducing a deterioration of the political environment (January 2011); and (c) Moody's downgraded El Salvador from Ba1 to Ba2 based on the deterioration in Government finances and increasing debt levels (March 2011).

Government's objective of protecting social spending in the face of a significant fiscal deterioration.[3] On the analytical front, the Public Expenditure Review (prepared jointly with the IDB) illustrated the impact that a lack of fiscal consolidation would have on fiscal sustainability and discussed policy alternatives that address that challenge. Finally, policy dialogue with Government, opposition, and civil society (including the private sector) in the context of the DPLs and analytical work have helped set the stage for the planned fiscal reform. Efforts to enhance the efficiency and effectiveness of public fiscal performance have also contributed to the first pillar of the CPS.

20. **The Public Finance and Social Sector DPL has been supporting the authorities' efforts to develop a medium term fiscal framework and a multi-year budget process.** Associated with the operation, the Government piloted a methodology for results based budgeting in two government agencies, developed a multi-annual budgeting framework for the first time and established a fiscal transparency portal. To build on this progress, the Public Finance and Social Progress DPL series is supporting: (i) expanded tax revenues through improved auditing, electronic payment systems, and regulatory changes; and (ii) increased efficiency and transparency of public spending through improved control over agency bank accounts, public procurement reform, and passage of the Transparency and Access to Public Information Law. Developing public sector institutional capacity, particularly in public finance, is a necessary and long term effort and it is expected that the Public Financial Management technical assistance loan recently ratified by Congress, will play an important role in this direction, most notably in promoting transparency.

21. **Bank support for the Central American regional perspective has also contributed to results in this pillar.** Recognizing the significant opportunities created by the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) and the potential opportunities in the Association Agreement between Central America and the EU, the FY11 - Making the Best of Central American Free Trade Agreements Report discussed the need to implement an ambitious complementary agenda to benefit from these agreements. Bank support for international trade is also implicit in a number of new initiatives such as: (i) the launching of a new regional Trade Facilitation Window funding Aid for Trade Funds; (ii) a training program in collaboration with the Spanish Government, the World Trade Institute and INCAE Business School to strengthen the capacities of Central American civil services; and (iii) an institutional strengthening program of the Central American Secretariat for Economic Integration (SIECA). Similarly, recognizing the negative impact on the investment climate of the high levels of crime and violence, the Bank is working together with key donors and the Central American Integration System (SICA) in the preparation of a regional Citizen Security Initiative and the organization of a Summit on Citizen Security that will take place in Guatemala on June 23, 2011.

A.2. Strengthening the Delivery of Social Services

22. **The Government has sought to protect vulnerable groups from the crisis while advancing longer term improvements in social service delivery**. The Bank has strongly supported this effort. In the short run the Government is expanding or developing well-targeted

[3] In fact, combined health and education spending increased 30 percent in 2009 and 15 percent in 2010 compared to pre-crisis level.

safety net programs. Supported by the Sustaining Social Gains for Economic Recovery DPL, and the Public Finance and Social Sector DPL, the Government has expanded its conditional cash-transfer program *Comunidades Solidarias*[4] to fully cover the 100 poorest rural municipalities and is expanding the program to poor urban areas by targeting 40,000 families in the 548 most precarious urban settlements identified in the Urban Poverty Map. Parallel initiatives address community specific needs such as temporary income and youth training programs in urban communities that are particularly hard hit and suffering from increased crime. A transfer system to elderly individuals in the poorest rural municipalities has been initiated (providing US$50 per month to those over 70 years old that do not have access to any other pension income). The program has been successfully implemented in the 32 poorest municipalities and the Government expects to cover the 100 poorest rural municipalities by end 2011.

23. **For the longer term the Government has taken some major initiatives on education.** Supported by the Sustaining Social Gains for Economic Recovery DPL and the Public Finance and Social Sector DPL, the Government has implemented a comprehensive strategy to improve learning outcomes in the lowest performing schools (8 percent of all public primary schools), significantly expanded grants to promote higher enrollment in secondary education, promoted efforts to improve the effectiveness of education in building skills (math, science and technology) required in the labor markets, and is piloting an extended full-day school period in 22 primary schools. The Government has also created a Vice-Ministry of Science and Technology to spearhead the effort to improve the quality and relevance of the curriculum.

24. **In health, the Government has declared the extension of basic health care services to all sections of the population a policy priority.** The Government intends to build on the 2005 system of health care services and nutrition package especially for poor and isolated rural populations through NGO mobile teams comprising public personnel. It will expand coverage and seek to overcome the current fragmentation through an Integrated Health Care Model to emphasize individual and family health issues, rather than specific health intervention or illness. The Government has eliminated co-payment for services provided by public health facilities and has increased the health budget 10 percent in 2010 and an additional 8 percent for 2011 to fund these services. It intends to increase the share of public health expenditures from 1.8 percent of GDP (2008) to 3.5 percent (2015). The country's ability to sustain such spending will require the structural reforms outlined in its development plan. Finally the construction of six hospitals supported by the Bank has been completed.

25. **In response to the priority public health concerns for adolescent fertility and maternal mortality, the new Strengthening Public Health Care System Project will expand the coverage and quality of priority health services for target populations, with improvements in equity for utilization.** The project aims to strengthen the delivery of selected priority public health programs, including those addressing maternal health, reproductive and sexual health, and teenage pregnancy. In particular, the project will support the Government's Safe Motherhood Strategy through the provision of family planning programs, prenatal

[4] The *Comunidades Solidarias* goes beyond the CCT program and has four areas of intervention to strengthen local development: (i) human capital development; (ii) provision o f basic public services; (iii) income generation and productive development; and (iv) local governance.

checkups, safe and clean practices in delivery, and essential obstetric care. Recognizing the multi-sector nature of adolescent fertility, the project also will support the preparation of a multi-sector global policy framework to address the issue, a review of the judicial and ethical framework of teenage pregnancy, health education programs for behavioral change, capacity building for staff working in health and education, and family planning programs. Specific adolescent reproductive health interventions to be implemented under the project will result from a pilot initiative for including human rights approaches into the design of social policies, being piloted in El Salvador with support from the Nordic Trust Fund. Results of this pilot will serve as the basis for a regional multi-sector policy dialogue on reproductive health rights for youth in Central America.

A.3. Increasing Economic Opportunities

26. **As a critical complement to the improvements in social services delivery, the Government sees the expansion of economic opportunities for the poor as critical for their welfare and longer term economic and social development.** In addition to government efforts to accelerate growth under the first pillar of the CPS, the Government also wants to ensure that the poor and excluded groups can more fully participate in the growth process, and thus has initiated a series of discrete programs to enhance their economic opportunities. With the support of the Bank the Government developed an innovative Income Support and Employability project and has started its implementation through pilot interventions. These initiatives include targeted income-protection programs in poor urban areas accompanied by occupational training and labor qualification activities to facilitate access to labor markets. Public investment in poor communities, especially in rural areas, has been increased under the Local Government Strengthening operation, which is providing additional investment funding through an existing progressive transfer system while at the same time develop institutional capacities in municipal governments. Similarly, the GEF funded Land Administration and Protected Areas project is supporting environmentally sustainable activities that will help develop employment opportunities in protected areas through the provision of participatory environmental services.

27. **During this CPS period, IFC committed four projects in El Salvador for $67 million and a regional operation for US$14 million.** Three of these projects were in the financial sector in El Salvador benefiting MSME's finance lending and remittances. The first operation was a follow-up commitment that is helping a leading MSME lender (*ProCredit)* to strengthen its capital base to be able to increase its MSME loans from 120,000 in 2010 to 175,000 by 2013. A second operation was a loan in the first remittance-backed transaction for IFC to the largest cooperative (*Fedecredito*) and a third transaction was with a microfinance institution (*Apoyo Integral*) to help provide financial services for micro and small entrepreneurs expecting to benefit 5,000 businesses employing approximately 25,000 people. Finally, the fourth transaction consisted of trade finance operation (*Banco Agrícola)* that during this CPS period supported $24 million trade guarantees. During FY10, IFC also supported the regional company *Hospiteum* owned by Salvadorian and Guatemalan groups to expand its regional hotel business into the budget class segment.

28. **The Government is also committed to a social inclusion and gender equity agenda.** In order to address the prevailing social inequities and gaps (See Annex 2 on Gender), the Government created a Social Inclusion Secretary to coordinate and articulate from the highest

level both existing and new initiatives gearing to mainstreaming the inclusion agenda. The Bank has proactively supported Government's efforts in this area through activities in the three pillars of the CPS: (i) designing and piloting of a methodology to include a gender perspective in the budgeting process (see paragraph 19); (ii) using a youth and women inclusive approach for the income support and employability program, which includes targeted income-protection programs (see paragraph 23); and (iii) piloting a crime prevention initiative for youth at risk that includes cultural and music learning activities.

29. **As are other Central American countries, El Salvador is increasingly embracing the climate change agenda—both on the adaptation and mitigation side.** Further to the on-going dialogue and support to the national disaster risk mitigation and reduction agenda, the Bank will provide support to the REDD agenda (Reducing Emissions from Deforestation and Forest Degradation) which is widely recognized as a key strategy for climate change mitigation at the global level. El Salvador will participate in activities financed by the Bank-led Forest Carbon Partnership Fund, which will help El Salvador develop a vision for managing and monitoring its forest resources and prepare for forest carbon transactions.

B. Adjustments to the CPS Program

30. **Going forward El Salvador faces significant challenges to overcome the current stagnation in the economy.** Prospects for growth are modest in the near term and the Government faces a long list of public expectations regarding social sector improvements, reduced crime, increased job opportunities, etc. The political polarization of the country lingers and requires adept governance to continue the democratic process and maintain business confidence. While recovery is largely dependent on external factors such as the reactivation of the US economy, it will be more modest when it does come unless the Government undertakes internal measures to improve public sector efficiency, increase private sector confidence and investment, effect significant fiscal reform in both revenue generation and spending, and reverse the rise in crime and violence.

31. **The Bank's engagement will remain focused on the core issues**. The Bank will continue to provide support through FY14 under the corresponding three priority CPS areas of economic and institutional fundamentals, improved social services, and opportunity. It will also prepare necessary analytical background for an engagement focused on a longer term perspective in the next CPS period. The expectation, to be confirmed by evidence on the ground, is that by the end of the current CPS period the intensity of economic crisis and stabilization response will have passed. This could permit the Government, supported by the Bank, to focus on efforts to consolidate ongoing social policy initiatives, improve competitiveness and productivity, and address vulnerabilities emerging from climate change.

32. **Given the continued relevance of the CPS, this Progress Report proposes to extend the CPS period to cover the full mandate of the current administration.** At the time the CPS was prepared, a shorter timeframe was proposed given that, among other factors, the government's longer-term development plan was not complete. However the Government's medium-term priorities as defined in its Development Plan for the period 2010-2014 (*2010-2014 Plan Quinquenal de Desarrollo*) are now established. At the time of this Progress Report, the CPS program remains consistent with the proposed strategic objectives of the government

strategy and areas of support continue to be relevant. As such, the Progress Report proposes to extend the coverage of the CPS to FY14. This would have the advantage of aligning the time period of the strategy with El Salvador's political cycle.

33. **The Progress Report also outlines a more detailed plan of activities for the outer years of the CPS.** The Bank has provided timely, well targeted, and critically needed financial and policy support to the Government's stabilization and growth programs during a difficult period. The FY10 lending program was delivered as outlined at the time of the CPS for a total of US$250 million, with a further US$150 million approved in FY11. Moving forward, the Bank program would continue to support the three objectives and selected areas for support identified in the CPS. This would include support to underpin the fiscal reform effort and the growth agenda, provide valuable policy advice and global experience in the social sectors, and increase economic opportunities, particularly for the poor.

Table 2 - Indicative CPS Lending Program FY10-14

CPS Progress Report Lending Program (Est. Amt, US$ Millions)		**CPS Strategic Objectives**
FY 10 Actual		
Sustaining Social Gains for Econ. Recovery DPL	$100	Strengthening delivery of social services
Fiscal Mgmt. & Public Sector Development	$20	Strengthening the fundamentals for economic recovery by addressing macro and institutional vulnerabilities
Income Support & Employability	$50	
Local Government Strengthening Project	$80	Increase economic opportunities particularly for the poor
Total FY 10	**$250**	
FY 11 Actual		
Public Finance and Social Progress DPL I	$100	Strengthening the fundamentals for economic recovery by addressing macro and institutional vulnerabilities
DPL with a CAT-DDO	$50	
Total FY11	**$150**	
FY 12 Indicative		
Health Sector Project	$80	Strengthening delivery of social services
Education Project	$50	
Innovation, Science and Technology Project	$20	Increasing economic opportunities, particularly for the poor
Total FY12	**$150**	
FY 13 Indicative		
Public Finance and Social Progress DPL II	$100	Strengthening the fundamentals for economic recovery by addressing macro and institutional vulnerabilities
Total FY13	**$100**	
Total Lending FY10-FY14	**$650**	

34. **An indicative lending program has been discussed with the authorities for FY12 and 13.** While the CPS period would be extended to include FY14, no lending in FY14 is envisaged as it would be the last year of the current administration and decisions on new operations would require commitment by the incoming government. Country demand for the FY12-13 period is estimated at US$250 million. The indicative lending program of US$150 million for FY12 would include three investment operations in selected priority areas. The authorities have also requested one last DPL operation of US$100 million that might be accommodated in FY13. Actual delivery of IBRD resources is dependent on how government demand and performance evolves in the course of the CPS period, and on IBRD's lending capacity and demand from other borrowers.

35. **The Bank will continue to complement its lending program through targeted analytical work and technical assistance.** An Assessment of Land Tenure Issues is currently exploring constraints and opportunities to reactivate the agricultural sector and will be linked with the potential innovation and competitiveness operation. The Bank will also continue to provide support in areas related to fiscal management and to use its convening ability to further support policy dialogue and consensus building activities in this same area. In response to Government requests, the Bank might also provide support to the growth agenda through technical assistance for the identification and analysis of large public investment and PPP opportunities, particularly in infrastructure, in line with the Government's five-year Plan. AAA work might also support other infrastructure related initiatives including: (i) further improvements and reductions in energy and transportation subsides; (ii) better road safety as an element of public health; (iii) the use of microenterprises for routine road maintenance as a complement to existing income support and cash transfer programs; and (iv) opportunities for supporting infrastructure development in poor urban areas which could have positive effects on employment and incomes and also contribute to a reduction in crime and violence. Finally, a Public Expenditure and Institutional Review for the Justice Sector will be carried out as part of efforts to strengthen responses to crime and violence and citizens' insecurity issues.

36. **Given the disruptive effects of crime and violence on development in El Salvador, it is imperative to address this issue more effectively.** Within the confines of its mandate, the Bank will assist the Government of El Salvador in its efforts to address this problem supporting a National Citizen Security Plan that would strengthen policy and programming at the local level in order to combat this problem more effectively.[5] The preparation of this Plan would draw on experiences and lessons learned from three ongoing World Bank investment and technical assistance programs in El Salvador with strong linkages to citizen security related issues such as the Local Government Strengthening Project, Addressing Youth Violence through Cultural and Music Learning and the Income Support and Employability project in urban areas. In addition, the Bank could also assist in improving policy making in this area by conducting impact evaluations of violence prevention programs and helping incorporate monitoring and evaluation mechanisms in this area.

37. **Although some adjustments are needed, the Results Monitoring Matrix remains fundamentally on track.** At the time the CPS was presented the results matrix reflected primarily the small portfolio under implementation. The portfolio has expanded in line with the CPS and the thrust of the strategy going forward is proposed to be maintained. Consequently, the original Results Monitoring matrix is valid and has only been refined and updated to better reflect expected outcomes throughout the extended CPS period.

38. **The principles of selectivity and flexibility, as well as efforts to ensure broad support remain important.** The CPS proposes to maintain a flexible approach to selecting instruments to support the strategic objectives of the CPS. Although the Government to date has been successful in terms of obtaining approval for loans in Congress, it remains important to ensure broad consultations with relevant stakeholders and the private sector. As discussed in the CPS, if the prospect for new lending approvals becomes less favorable, the Bank would accordingly

[5] The Bank will provide support in the context of ongoing efforts at a regional level under the IDF Grant for the Strengthening SICA's Capacity Project.

focus its efforts on achieving results through dialogue, analytical work, technical assistance and implementation support.

39. **The IFC continues to explore opportunities to support the Salvadorian private sector, despite deterioration in the investment climate**. IFC's strategy is to support regional integration by supporting local corporations with regional expansion plans, focusing on the most competitive companies from the main economic sectors and supplying financial solutions not available in the market. As of end-May 2011, IFC's committed and outstanding portfolio balances stood at US$93.4 million is at US$75.4 million respectively. IFC focus remains in sectors with a strong focus on employment, MSME promotion and climate change. These include opportunities in agribusiness (sugar, coffee and flour mills), financial markets, energy (geothermal and cogeneration opportunities) and in manufacturing and services (tourism, retail, property and consumer services, and health and education).

40. **The IFC is also providing advisory services in the ports sector.** The IFC Infrastructure Advisory group has been engaged by the Salvadoran Executive Commission for Ports (CEPA) on the structuring and implementation of a private participation project for the ports of *Acajutla* and *La Union*. CEPA's goal is to increase the efficiency of their ports by attracting private operators as well as to develop La Union into a major container terminal which would serve as a transportation hub for northern Central America.

C. Portfolio Performance and Implementation

41. **The portfolio has grown in size with the approval of new loans during the CPS period**. After a long period of limited activity and a legacy of a non-performing portfolio due to cancellation of most of approved loans in the last CPS period, the country program was reactivated with the approval and disbursement of a US$450 million DPL right before this CPS period and with the swift preparation of a set of four new operations in the amount of US$250 million. Of the two pre-existing investment operations, the Judicial Modernization project closed with a moderately satisfactory outcome in November 2010, and the Hospitals Reconstruction project was extended until the end of FY11.

42. **Although slower than desired, the renewed portfolio started implementation upon Congress ratification.** All three approved investment operations have become effective and started disbursements 7 and 18 months after approval. Challenges related to portfolio performance now revolve around institutional capacities for more effective and timely implementation. The Bank is currently providing targeted training to all incumbent implementing agencies to help strengthening implementation capacities. It is also expected that the Fiscal Management and Public Sector Performance TAL will help enhance Government's capacities. In the meantime the disbursement ratio was significantly improved from 6.2 percent in FY09 to 32.1 percent as of January 2011. This improvement was largely driven by a large first disbursement under the Local Government Strengthening project, so the challenge remains to improve disbursements across the portfolio.

IV. RISKS AND MITIGATION

43. **Risks presented in the CPS have been reasonably managed, but continue to be relevant for the remainder of the CPS period.** On the macroeconomic front, slow economic recovery could undermine timely implementation of the Government's program. The Government has sought to mitigate the risk through the pursuit of sound policies supported by an IMF Stand-by Arrangement. The Bank has contributed as well through its macroeconomic policy dialogue and DPL series. Nevertheless, should expected measures to increase tax collection not materialize in a timely manner, a deterioration in fiscal performance would affect the overall implementation of the Government's program. The Bank will continue to provide support through a combination of investment lending to address critical needed interventions and with budget support to accompany the reform process.

44. **High commodity prices are also a possible risk for El Salvador.** Even though higher prices of certain Salvadorian traditional export products (e.g., coffee) are having a positive effect on the macroeconomic front, higher fuel prices can generate inflationary, as well as external and fiscal pressures. On the social front, high fuel and food prices affect the poor disproportionally. In fact, the 2008 rise in food prices was associated with a significant increase in poverty rates even though the country had positive per capita GDP growth that year. While some of the effects observed during the 2008 price rise are starting to resurge, the Government now counts on a set of policy tools that could help to provide timely and targeted responses, with lower fiscal impacts than previously observed.

45. **Political risks remain substantial.** The upcoming mid-term congressional elections in early 2012 could further polarize the political environment, undermining the ability of the Government to secure legislative support for policy initiatives in general and external loans in particular. The Bank is continuing its intensified program of stakeholder consultations with the aim of building understanding and support for the operations as critical and non-partisan efforts to promote social and economic development.

46. **Natural disasters continue to be a concern given the country's vulnerability to such events.** The recently approved DPL with a CAT-DDO could partially mitigate the effects of any disaster on the economy but, of course, cannot eliminate the risk. Given its regional nature, the climate change and the risk and disaster management agenda was selected as one of the core elements to be collectively addressed among all Central American countries in the context of a reinvigorated integration process. The Bank is actively supporting these efforts by providing technical support and helping mobilize existing global programs in this area. The support to the Central America Probabilistic Risk Assessment initiative (CAPRA) is one of the instruments that will help managing and mitigating risks in this area.

47. **Program performance risks have fallen since FY10 thanks to portfolio improvement measures taken by the Bank and Government.** The approval and effectiveness of several operations and their implementation is an obvious improvement over the delays and cancellations of the previous period. The implementation capacity of the new Government has improved over the first 18 months as well. But the challenges ahead will continue to put pressure on the relatively weak institutional capability of the public administration.

ANNEX 1

El Salvador
Revised CPS FY10-14 Results Framework

Original CPS Outcome	Revised CPS Outcome *(If applicable)*	Baseline	Progress Towards CPS Outcomes *(FY10-11)*	End of Program Target (FY14)	Bank Activity
Objective 1. Strengthen fundamentals for economic recovery by addressing macro and institutional vulnerabilities					
Broaden Tax Base • Tax reform legislation aimed at closing tax loopholes approved and strengthened tax administration systems	• Tax reform legislation aimed at increasing tax revenues and closing tax loopholes is approved, and tax administration systems strengthened.	• Tax collection was 12.4 percent of GDP in 2009	• Tax reform legislation aimed at increasing revenues and closing tax loopholes was passed in December 2009. • The integration of procedures and databases between internal revenue and customs agencies is in early stages of implementation. Full data integration is envisaged as action for the Public Finance and Social Progress DPL Series. Other measures to improve administration initiated.	• Tax collection is 15.8 percent of GDP by the end of 2014.	• Public Finance and Social Progress DPL series (approved FY11) • Fiscal Mgmt. and Public Sector Performance TAL (approved FY09)
Improve targeting of subsidies • Electricity subsidy for large firms eliminated	• Electricity subsidy for large firms eliminated and overall costs substantially reduced.	• Electricity subsidy in 2008: US$210.9 M	• In March of 2009, the government eliminated the generalized component of the electricity subsidy for households and firms, leaving only a subsidy targeted on the poorest households. Between April and October 2010, given the substantial increase in international petroleum prices, a	• Projected spending on the electricity subsidy in the 2012 budget is less than US$100M (0.35% of the GDP) and only for targeted poor households.	• Public Finance and Social Progress DPL series (approved FY11) • Sustaining Social Gains for Economic

Original CPS Outcome	Revised CPS Outcome *(If applicable)*	Baseline	Progress Towards CPS Outcomes *(FY10-11)*	End of Program Target (FY14)	Bank Activity
			temporary subsidy was reinstated for all residential consumers. After October the subsidy reverted only to the targeted poorest households.		Recovery DPL (approved FY09) • PER (FY10)
• Transport subsidy is reduced by 38% in 2010	• Transport subsidy is reduced by over 50%.	• Public Transport subsidy in 2008: US$84 M	• In July 2009, the government reduced the transport subsidy by 38% and has not increased the subsidy since.	• Projected spending on the transport subsidy is less than US$42M (0.16% of the GDP).	
Implement results-based budgeting • Improvements in the ratings in PEFA indicator #12: "Multi-year perspective in fiscal planning, expenditure policy and budgeting" and PEFA indicator #5: "Classification of the budget"		• Baseline (2009): PEFA#12 C+; PEFA#5 C	• The government has defined a medium-term budget framework that was incorporated into the 2011 budget. • The government has defined a result-based budgeting methodology piloted in the Ministry of Agriculture and the Ministry of Health. Both agencies have incorporated the result-based budgeting methodology in the budget submitted to Congress for 2011.	• PEFA #12 B • PEFA #5 B	• Public Finance and Social Progress DPL series (approved FY11) • Fiscal Mgmt. and Public Sector Performance TAL (approved FY09)
Enhance quality of judicial services • Increase in user satisfaction and improved judicial services as measured by citizen confidence in system	• User satisfaction and quality of judicial services is improved with the introduction of Integrated Judicial	• A new Integrated Judicial Services Center was designed for the Soyapango	• The Supreme Court (*Corte Suprema de Justicia*) has completed the development of the new IT workflow application to support the	• Satisfaction of users of the new Judicial Services Center has increased by 50% and the Government has extended the model to	• Judicial Modernization Project (Closed FY10) • Public

Original CPS Outcome	Revised CPS Outcome *(If applicable)*	Baseline	Progress Towards CPS Outcomes *(FY10-11)*	End of Program Target (FY14)	Bank Activity
	Services Centers.	district.	operation of the judicial integrated model. The system is under implementation. • A pilot integrated center for judicial services in *Soyapango* is operational.	other two judicial centers.	Expenditure and Institutional Review of the Justice Sector (FY12)
Enhance access to information • Regulations to enhance public access to fiscal information have been issued • Number of public sector procurement transactions recorded in COMPRASAL has been increased to 80 percent.	• Legal and regulatory framework in place to enhance public access to fiscal information	• No regulations exist on enhanced public access to fiscal information. • 44 percent of public procurement transactions recorded in COMPRASAL:	• An Access to Information Law was approved by the Congress and its detailed implementation is under preparation within the Executive. The law is expected to come into force in 2011. • In mid 2010 the Ministry of Finance launched the Fiscal Transparency Portal that provides easy access to a broader set of fiscal data, incorporating elements from international best practices. • A Bill of Law to amend the existing legal framework to regulate public procurement was submitted to Congress. Proposed amendments would enhance the system's transparency and further promote greater competition.	• Legal and regulatory framework in place to enhance public access to fiscal information • The Fiscal Transparency Portal has been re-designed and launched • 80 percent of public sector procurement transactions recorded in COMPRASAL.	• Public Finance and Social Progress DPL series (approved FY11) • Fiscal Mgmt. and Public Sector Performance TAL (approved FY09) • Fiscal transparency IDF (Will close FY12)

Original CPS Outcome	Revised CPS Outcome *(If applicable)*	Baseline	Progress Towards CPS Outcomes *(FY10-11)*	End of Program Target (FY14)	Bank Activity
Improved fiscal transparency • Government financial statements show tangible progress towards being consistent with IPSAS and Government Financial Statistics (GFS) standards.[6]		• Government financial statements are not consistent with IPSAS and GFS standards.	• Despite the delays in the approval of the Fiscal Management and Public Sector Performance TAL the Government has updated the action plan for the upgrading of SAFI (the public sector financial management system) in line with international standards.	• Government Financial Statements are consistent with IPSAS and GFS Standards and are automatically produced by an upgraded SAFI.	
Disaster management • Implement emergency plans for the most vulnerable populations and local jurisdictions	• Review, finalize and implement emergency plans for the most vulnerable populations and local jurisdictions	• The Civil Protection and Disaster Prevention and Mitigation National Plan were updated in July 2009.	• The Civil Protection and Disaster Prevention and Mitigation National Plan are in full implementation.	• The Civil Protection and Disaster Prevention and Mitigation National Plan are under revision as prescribed by law.	• DPL with a CAT-DDO (approved FY11)
		• The sectoral emergency plans are presented to Civil Protection National Commission.	• The sectoral emergency plans were approved by the Civil Protection National Commission.	• Sectoral Emergency Response Plans and other Plans are implemented in relevant situations.	
	• Establish a contingent line of credit as part of the country's disaster risk strategy.		• A DPL with a CAT-DDO in the amount of $50 million has been processed and approved by the Board.	• The Government has established contingency mechanisms and developed institutional capacities to respond in	

[6] Consistent with the International Public Sector Accounting Standards (IPSAS) and the IMF 2001 Manual on Government Financial Statistics (GFS) standards

Original CPS Outcome	Revised CPS Outcome *(If applicable)*	Baseline	Progress Towards CPS Outcomes *(FY10-11)*	End of Program Target (FY14)	Bank Activity
	• Improve local capacities to assess risk.	• Central America Probabilistic Risk Assessment (CAPRA) preparatory workshops took place to strengthen local capacity to carry out risk analysis to natural disasters.	• A Central America Probabilistic Risk Assessment (CAPRA) is in full implementation in partnership with the IDB.	case of natural disaster events. • Strengthened local capacity to carry out risk analysis supports GoES's policy decision to reduce risk to disasters.	
Objective 2. Strengthen delivery of social services					
Improve access to basic health services • 80 percent of the individuals of the 80 poorest municipalities are formally registered and receiving prevention, promotion and health care services through the model of Integrated Health Care Services.	• Prevention and promotion of health care services through the Integrated Health Care Services model is expanded in the 82 poorest municipalities.	• 70 percent of the individuals of the 82 poorest municipalities are receiving health care services in 2008	• Co-payments were eliminated in the public health system. Supplemental funds were provided to the MOH to cover loss of revenues. • The Government has increased non-personnel recurrent expenditures in the health sector. In 2008, non-personnel recurrent expenditures were reported to be US$220.5 million. In the 2010 approved Budget, the health sector had designated US$275.2 million to non-personnel recurrent expenditures.	• 85 percent of the individuals of the 92 eligible municipalities are receiving health care services. • Nominal amount for non-personnel recurrent expenditures in health in the proposed 2010-2014 Budgets are on average at least the same level as in 2008.	• Health Sector Project (Proposed for FY12) • Hospital Reconstruction and Health Extension Project (Closed FY11)

Original CPS Outcome	Revised CPS Outcome *(If applicable)*	Baseline	Progress Towards CPS Outcomes *(FY10-11)*	End of Program Target (FY14)	Bank Activity
• The number of hospital discharges in public sector has increased by 10 percent over 2008.	• The number of hospital discharges in public sector has increased by 10 percent over 2009.	• 364,915 hospital discharges from MOH Hospitals in 2009 according to *Boleting Integrado de Indicadores en Salud.*	• Four hospitals have been completed (*San Rafael, San Miguel, Cojutepeque* and *San Vicente*). The last two remaining hospitals will be completed before May 2011.	• Hospital discharges in from MOH hospitals is over 480,000 in 2014. • Family community teams (ECOS)equipped and functioning according to norms established by MOH: 500 ECOS in 2014	
	• Coverage, equity and quality of priority health services is been expanded for targeted population.	• Percentage of pregnant women receiving at least four pre-natal check-ups in selected 82 Municipalities. • 50 percent of poor people with access to public health services in eligible municipalities.	• The Government has developed and started implementation of a comprehensive Health Sector Strategy *Construyendo la Esperanza* (Sector strategy for years 2009-2014).	• 85 percent of pregnant women receiving at least four pre-natal check-ups. • 65 percent of poor population with access to health services in eligible municipalities.	
	• Eligible Public hospitals have implemented a drug supply management system.	• Drug supply management systems are inexistent in public hospitals.		• 20 public hospitals have implemented a drug supply management system.	

Original CPS Outcome	Revised CPS Outcome *(If applicable)*	Baseline	Progress Towards CPS Outcomes *(FY10-11)*	End of Program Target (FY14)	Bank Activity
Improve coverage and quality of secondary education • New curriculum for teaching of science and technology in upper secondary elaborated, taking into account labor market needs for skills. • Increase of secondary education enrollment		• Outdated curriculum for science and technology related subjects. • 55,000 students in 2008.	• Vice-Ministry of Science and Technology was created as of July 2009. • Under the new strategy, EDÚCAME expansion was limited to only 1,400 grants in 2009[7]. • 381 operating classrooms (*secciones*) have been added to the regular public secondary system since the end of 2008. • The Government has increased non-personnel recurrent expenditures in the education and health sectors.	• New curriculum of science and technology has been implemented for secondary education. • Secondary education enrollment increased by about 38,000 students • Number of operating classrooms in secondary education in public schools increased by 200. • Nominal amount for non-personnel recurrent expenditures in education and health in the proposed 2010 Budget are at least the same level as in 2008	• Sustaining Social Gains for Economic Recovery DPL (approved FY09) • Science & Technology NLTA (FY10)

[7] The total number of students under EDÚCAME significantly increased since its creation reaching about 55,000 in 2008. However, in 2009 the Ministry of Education detected a number of structural problems with the quality of some of the offered modalities. As a result, the government decided to focus on consolidating the program before continue its expansion. The modest increase of EDÚCAME grants was partially compensated by a larger expansion than anticipated in the regular secondary system. Enrollment has expanded by approximately 15,400 students: the 1,400 EDÚCAME grants created in 2009 and approximately 14,000 new students enrolled in the regular system in the same period.

Original CPS Outcome	Revised CPS Outcome *(If applicable)*	Baseline	Progress Towards CPS Outcomes *(FY10-11)*	End of Program Target (FY14)	Bank Activity
Objective 3. Increase economic opportunities for the poor					
Protect the income of the urban poor, through the implementation of targeted programs					
• 40,000 families in targeted urban settlements receive income support		• No individuals receiving income support conditional on participating in community work.	• 10,000 individuals receiving income support conditional on participating in community work.	• 40,000 individuals in targeted urban settlements receive income support conditional on participating in community work	• Sustaining Social Gains for Economic Recovery DPL (approved FY09) • Income Support and Employability Project (approved FY09)
Support design of components of a universal social protection system (SPSU)					
• A Unified Registration system of participants is designed and standardized	• A Unified Registration system of participants is designed and standardized	• 77 muncipalities in *Comunidades Solidarias* in 2008	• A pilot to establish *Comunidades Solidarias* in urban muncipalities, one of the components of the Universal System of SPSU, is functioning in 2 municipalities	• A Unified Registration system of participants is designed and standardized.	
• Further expansion of the *Comunidades Solidarias Rurales* (Government will revise poverty map and add new municipalities)	• *Comunidades Solidarias* expanded to cover 100 poorest municipalities.			• *Comunidades Solidarias* expanded to cover 125 poorest municipalities.	

Original CPS Outcome	Revised CPS Outcome *(If applicable)*	Baseline	Progress Towards CPS Outcomes *(FY10-11)*	End of Program Target (FY14)	Bank Activity
Coverage of training programs extended • The Temporary Income Support Program is fully operational in 11 municipalities • 66 *Bolsas de Empleo* are operational and connected to the National Employment Network (RNE)	• Participants in Temporary Income Support Program in 11 municipalities receive job skill training • 46 Bolsas de Empleo are operational and connected to the National Employment Network (RNE)	• 0 municipalities implementing Temporary Income Support Program • 28 Bolsas de Empleo are operational and connected to the National Employment Network (RNE)	• The Temporary Income Support Program (PATI) coverage was expanded to 25 municipalities, responding to the revised urban poverty map.	• Participants in Temporary Income Support Program in 25 municipalities receive job skill training • 66 *Bolsas de Empleo* are operational and connected to the National Employment Network (RNE)	• Sustaining Social Gains for Economic Recovery DPL (approved FY09) • Income Support and Employability Project (approved FY09)
Increase investment and employment in rural areas TBD	• The Government has established a system to finance municipal projects and has increased transfers to municipalities by 2% during the crisis period. • Municipal Governments have produced their 5-year Municipal Development Plan with ample civil society engagement.	• No additions to regular Government transfers via FODES (Municipal Economic and Social Development Fund) • 25% of the Municipalities have produced plans	• The Government has set up a system to finance local investment complementary to FODES. • Citizen consultation has been implemented to incorporate priority project into Municipal 5-year plans.	• There is a program in place and the government has transferred $x to the municipalities (additional to FODES) • 45% of the Municipalities have produced their 5-year Municipal Development Plans with ample civil society engagement.	• Local Government Strengthening Project (approved FY09)

ANNEX 2

El Salvador
Gender at a glance

Education: El Salvador has reached gender parity across all levels of the education system from early childhood education to higher education. In fact, girls advantage over boys increases with the level of education: in 2009, the female to male gross enrollment ratios were 87 at the primary level, 102 at the secondary level and 109 at the tertiary level.[8] These indicators are better than the averages for Latin America, which reveal a much larger gap benefitting girls at the secondary and tertiary level, and those for other lower middle income countries. The gender gap points to a gender issues for boys, who are either not entering or dropping out of secondary and tertiary education.

Health: Not all of El Salvador's health indicators are as positive. While the fertility rate of 2.3 births per woman in 2009 was quite close to the LAC average of 2.2 and better than the 2.5 average for low-income countries, the adolescent fertility rate of 81 (births per 1,000 women ages 15-19) in 2009 was still much higher than the 71 average for LAC and 45 average for lower middle income countries. The maternal mortality ratio of 110 (per 100,000 live births) in 2009 was also much higher than the average of 86 for LAC countries. Both indicators point to a significant health issue for young women. On the other hand, at 96%, the proportion of births attended by skilled health staff in 2009 was higher than the 89% average for LAC countries and much higher than the 66% average for lower middle income countries. The contraceptive prevalence rate of 73% (of women ages 15-49) in 2009 was quite close to the LAC average of 75% and much better than the 63% average for lower middle income countries.

Employment: While female labor force participation (FLFP) in Latin America reached an average of 56 percent in 2007, in Central America, less than 50 percent of working age women was in the labor force.[9] As a result Central America's gender gaps in labor force participation (LFP) remain extremely high, with men being on average 70 percent more likely to be in the labor force than women, a gap that is 10 percentage points larger than the average for Latin America. El Salvador had the smallest labor force participation gap, with a female to male LFP ratio of 60 in 2007n and in 2009, the LFP rate for men was 81% compared to 50% for women. LFP trends vary across countries: in Costa Rica, El Salvador and Panama, women in the poorest households increased their FLFP rates much faster than those of men; while in Guatemala, Honduras and Nicaragua, women in the top income percentiles entered the labor force faster than men or poorer women.

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[8] The source for data on health and education is the WDI as reported in the World Bank GenderStats.

[9] The data on employment, earnings, youth employment and female-headed households are drawn primarily from *A Gender (R)Evolution in the Making? Expanding Women's Economic Opportunities in Central America: A Decade In Review*, by Renos Vakis , Ana Maria Munoz Boudet and Barbara Coello, 2011.

The Central American labor market continues to be highly concentrated and segregated by sex across sectors and industries. In 2007, almost 80 percent of Central American women worked in four sectors: commerce, health and education, domestic service and low-skill industry, while half of working men were employed in agriculture and commerce, and the other half was spread over other sectors. Almost half of employed women in El Salvador worked in commerce in 2007. In 2009, 75% of women and 45% of men worked in services; 22% of women and 25% of men worked in industry, and 30% of men and only 3% of women worked in agriculture.[10] The textile and clothing industries, the *maquila*, also employed primarily women: it is estimated that 80% of *maquila* workers in El Salvador were women, and earnings were, on average, higher than in other comparable employment. However, the size of the *maquila* sector continues to be small: less than 2 percent of the employed worked there in 2007. Almost 60 percent of jobs in El Salvador were in the informal sector in 2007, and women were somewhat more likely to work in the informal sector. In the case of poor women, self-employment and microenterprise employment are the most important sources of remunerated work in most Central American countries. Female self-employment levels have increased in the last decade and are higher than male self-employment rates. Close to 40 percent of employed women were self-employed in El Salvador, Guatemala, Honduras and Nicaragua, compared to only 23% of employed men in 2006.

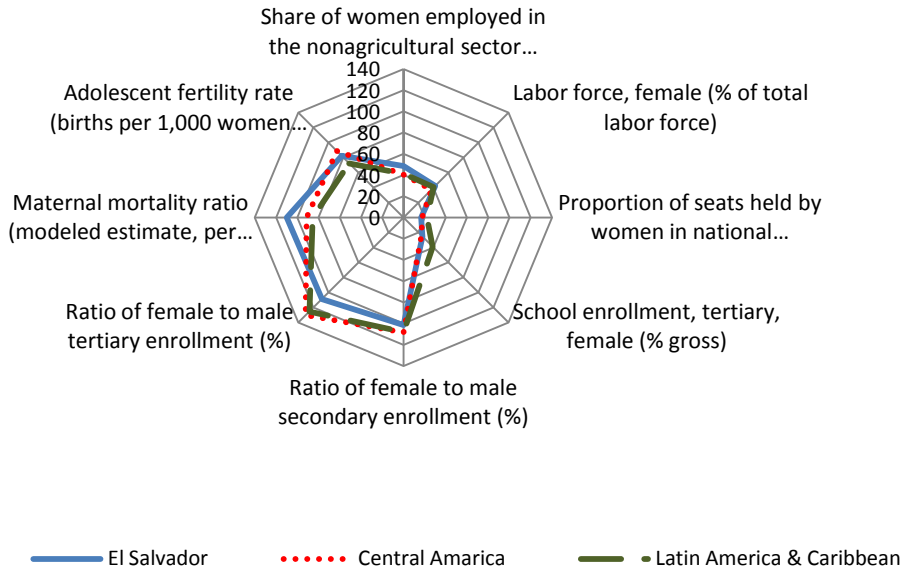
Earnings: Despite the limited changes in female labor force participation, Central America has dramatically decreased earnings gaps, surpassing the rest of Latin America. In fact, by 2007 women earned 3 percent more than men. El Salvador, Guatemala, Honduras and Panama were the best performers. At the same time, women earned about a third of the total income in Central America, ranging from 20 percent in Nicaragua to 40 percent in El Salvador in 2007. Over the last decade, this contribution has been on the rise, growing at an annual rate ranging from one to three percent.

Youth Employment: In spite of the improvements in educational attainment, particularly for women, young adults (15-25 year olds) in Central American countries are only half as likely as adults to participate in the labor force across the region. Youth employment increased slightly over the last decade in Costa Rica, Nicaragua and Panama, but the trend declined in El Salvador and Honduras. In 2009, unemployment for young men in El Salvador was 13% compared to 7% for all men, and unemployment for young women was 8% compared to 4% for all women.[11] Low youth labor force participation rates may be partly explained by schooling and related delays in labor market entry, but they also may point to higher entry costs for youth to find jobs and benefit from their educational attainment.

Female-headed Households: The proportion of households headed by women in Central American countries increased rapidly over the last decade and in 2006, about one-third of all Central American households were headed by a woman. Female-headed households are particularly prevalent in El Salvador, Honduras and Costa Rica, driven by a

[10] Source: WDI as reported in the World Bank GenderStats.
[11] Source: WDI as reported in the World Bank GenderStats.

combination of male migration, divorce and spousal abandonment or death. The proportion of female-headed households in El Salvador was around 28% (circa 2006). This increase may have contributed to the rise in FLFP rates. Male and female household heads have some important differences. Male heads of households are much more likely to be married (88% vs. 16% for female heads), employed (84% vs. 50%), and have children in the household (45% vs. 35%). Female household heads are more likely to be employed in the informal sector (65% vs. 56%) and work part-time (31% vs. 23%), live in urban areas (68% vs. 61%), have other wage earners in the household (38% vs. 30%), and be more educated (7.1 vs. 5.7 years on average).



Source :WDI

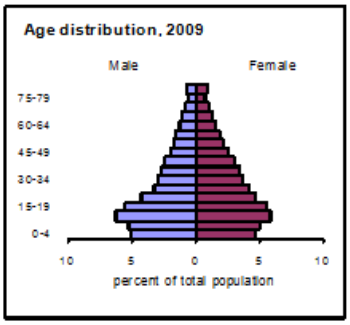
Coello, Munoz and Valkis (2011). Gender, Income Generation and Poverty Reduction in Central America: A Decade in Review, World Bank Forthcoming.

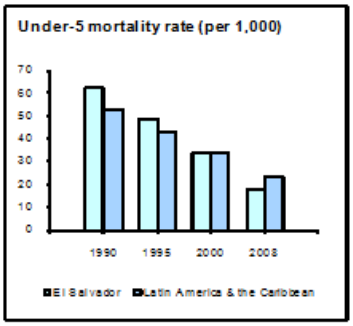
Annex 3

El Salvador at a glance

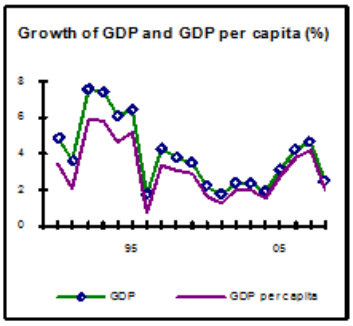
2/25/11

Key Development Indicators	El Salvador	Latin America & Carib.	Lower middle income
(2009)			
Population, mid-year (millions)	6.2	566	3,767
Surface area (thousand sq. km)	*21*	20,422	31,923
Population growth (%)	0.5	1.1	1.2
Urban population (% of total population)	61	79	40
GNI (Atlas method, US$ billions)	20.8	3,882	7,682
GNI per capita (Atlas method, US$)	3,370	6,856	2,039
GNI per capita (PPP, international $)	6,420	10,525	4,502
GDP growth (%)	-3.5	4.3	7.5
GDP per capita growth (%)	-4.0	3.2	6.3
(most recent estimate, 2003–2008)			
Poverty headcount ratio at $1.25 a day (PPP, %)	6	8	..
Poverty headcount ratio at $2.00 a day (PPP, %)	13	17	..
Life expectancy at birth (years)	71	73	68
Infant mortality (per 1,000 live births)	15	20	44
Child malnutrition (% of children under 5)	6	4	25
Adult literacy, male (% of ages 15 and older)	87	92	87
Adult literacy, female (% of ages 15 and older)	81	90	73
Gross primary enrollment, male (% of age group)	117	118	109
Gross primary enrollment, female (% of age group)	113	114	105
Access to an improved water source (% of population)	87	93	86
Access to improved sanitation facilities (% of population)	87	79	50





Net Aid Flows	1980	1990	2000	2009 [a]
(US$ millions)				
Net ODA and official aid	96	347	180	233
Top 3 donors (in 2007):				
Spain	0	3	22	84
United States	43	247	37	42
Japan	0	8	67	31
Aid (% of GNI)	2.8	7.4	1.4	1.1
Aid per capita (US$)	21	65	30	38
Long-Term Economic Trends				
Consumer prices (annual % change)	17.4	24.0	2.3	-0.1
GDP implicit deflator (annual % change)	17.0	4.7	3.2	-1.0
Exchange rate (annual average, local per US$)	1.0	1.0	1.0	1.0
Terms of trade index (2000 = 100)	..	100	100	94



	1980	1990	2000	2009	1980–90	1990–2000	2000–09
					(average annual growth %)		
Population, mid-year (millions)	4.7	5.3	5.9	6.2	1.3	1.1	0.4
GDP (US$ millions)	3,574	4,801	13,134	21,101	0.2	4.8	2.6
		(% of GDP)					
Agriculture	..	17.4	10.5	12.5	-1.1	1.2	3.6
Industry	..	27.2	31.6	27.5	0.2	5.1	1.7
Manufacturing	..	22.1	24.7	21.4	-0.1	5.2	2.1
Services	..	55.3	57.9	60.1	0.7	4.0	3.2
Household final consumption expenditure	71.8	88.9	87.9	91.9	0.8	5.3	3.3
General gov't final consumption expenditure	14.0	9.9	10.2	10.5	0.1	2.8	1.5
Gross capital formation	13.3	13.9	16.9	13.1	2.2	7.1	0.7
Exports of goods and services	34.2	18.6	27.4	22.3	-3.4	13.4	2.9
Imports of goods and services	33.2	31.2	42.4	37.8	0.4	11.6	3.3
Gross savings	12.3	6.3	13.7	14.6			

Note: Figures in italics are for years other than those specified. 2009 data are preliminary. .. indicates data are not available.
a. Aid data are for 2008.

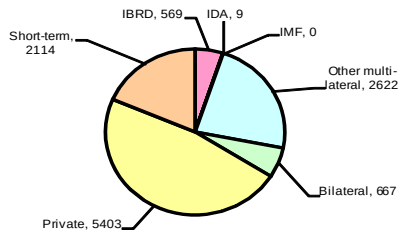
Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	**2000**	**2009**
(US$ millions)		
Total merchandise exports (fob)	2,963	3,707
Total merchandise imports (cif)	4,948	7,233
Net trade in goods and services	-1,975	-3,270
Current account balance	10,653	585
as a % of GDP	81.1	2.8
Workers' remittances and compensation of employees (receipts)	1,765	3,482
Reserves, including gold	2,033	2,416

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	25.1	17.2
Tax revenue	17.6	15.2
Current expenditure	16.3	19.7
Overall surplus/deficit	-3.0	-5.6
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	4,467	11,384
Total debt service	369	1,223
Debt relief (HIPC, MDRI)	–	–
Total debt (% of GDP)	34.0	54.0
Total debt service (% of exports)	6.6	12.1
Foreign direct investment (net inflows)	173	431
Portfolio equity (net inflows)	0	0

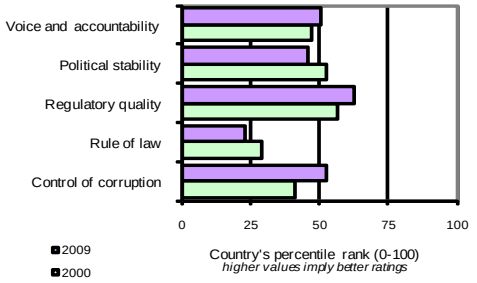
Composition of total external debt, 2009



US$ millions

Private Sector Development	**2000**	**2009**
Time required to start a business (days)	–	17
Cost to start a business (% of GNI per capita)	–	38.7
Time required to register property (days)	–	31
Ranked as a major constraint to business (% of managers surveyed who agreed)	**2000**	**2009**
Crime	..	*49.0*
Anticompetitive or informal practices	..	*44.5*
Stock market capitalization (% of GDP)	15.5	21.0
Bank capital to asset ratio (%)	8.8	*12.7*

Governance indicators, 2000 and 2009



Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure	**2000**	**2008**
Paved roads (% of total)	19.8	..
Fixed line and mobile phone subscribers (per 100 people)	23	131
High technology exports (% of manufactured exports)	3.4	4.4

Environment		
Agricultural land (% of land area)	72	*75*
Forest area (% of land area)	15.6	*13.9*
Terrestrial protected areas (% of surface area)	..	1.3
Freshwater resources per capita (cu. meters)	*2,960*	2,894
Freshwater withdrawal (billion cubic meters)	1.3	..
CO2 emissions per capita (mt)	0.97	*1.1*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	7.8	*7.7*
Energy use per capita (kg of oil equivalent)	667	*800*

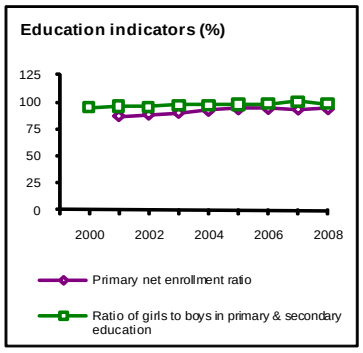
World Bank Group portfolio	**2000**	**2009**
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	309	569
Disbursements	34	228
Principal repayments	17	59
Interest payments	24	16
IDA		
Total debt outstanding and disbursed	16	9
Disbursements	0	0
Total debt service	1	1
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	73	86
of which IFC own account	45	86
Disbursements for IFC own account	12	10
Portfolio sales, prepayments and repayments for IFC own account	4	22
MIGA		
Gross exposure	0	0
New guarantees	0	0

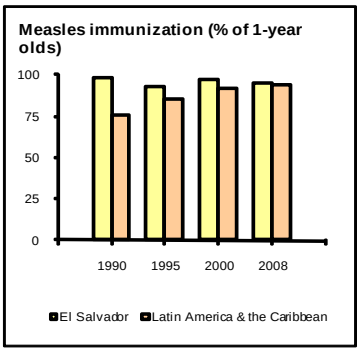
Note: Figures in italics are for years other than those specified. 2009 data are preliminary. 2/25/11
.. indicates data are not available. – indicates observation is not applicable.

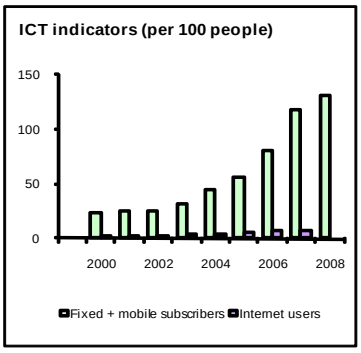
Development Economics, Development Data Group (DECDG).

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	El Salvador			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2008**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	*15.9*	*13.1*	12.8	*6.4*
Poverty headcount ratio at national poverty line (% of population)	..	50.6	38.8	*30.7*
Share of income or consumption to the poorest quintile (%)	*2.4*	3.7	2.8	*4.3*
Prevalence of malnutrition (% of children under 5)	*11.1*	*7.2*	..	*6.1*
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	*87*	94
Primary completion rate (% of relevant age group)	*65*	70	88	89
Secondary school enrollment (gross, %)	*38*	*44*	57	64
Youth literacy rate (% of people ages 15-24)	..	..	..	96
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	*101*	*100*	95	98
Women employed in the nonagricultural sector (% of nonagricultural employment)	46	46	49	*49*
Proportion of seats held by women in national parliament (%)	12	*11*	17	17
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	62	49	33	18
Infant mortality rate (per 1,000 live births)	48	39	28	16
Measles immunization (proportion of one-year olds immunized, %)	98	93	97	95
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	200	170	140	110
Births attended by skilled health staff (% of total)	*52*	*51*	..	96
Contraceptive prevalence (% of women ages 15-49)	*47*	*53*	*60*	73
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.1	0.4	0.7	*0.8*
Incidence of tuberculosis (per 100,000 people)	63	45	37	32
Tuberculosis case detection rate (%, all forms)	70	95	68	88
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	74	78	82	87
Access to improved sanitation facilities (% of population)	75	79	83	87
Forest area (% of total land area)	18.1	16.9	15.6	*13.9*
Terrestrial protected areas (% of surface area)	..	..	..	1.3
CO2 emissions (metric tons per capita)	0.5	0.9	1.0	*1.1*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	8.0	7.9	7.8	*7.7*
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	2.3	5.0	10.5	17.6
Mobile phone subscribers (per 100 people)	0.0	0.2	12.5	113.3
Internet users (per 100 people)	0.0	*0.1*	1.2	10.6
Personal computers (per 100 people)	..	..	2.0	*5.8*







Note: Figures in italics are for years other than those specified. .. indicates data are not available. 2/25/11

Development Economics, Development Data Group (DECDG).

Annex 4 - El Salvador
Selected Indicators* of Bank Portfolio Performance and Management
As Of Date 5/31/2011

Indicator	2008	2009	2010	2011
Portfolio Assessment				
Number of Projects Under Implementation [a]	3	4	8	6
Average Implementation Period (years) [b]	6.1	5.6	3.7	4.2
Percent of Problem Projects by Number [a, c]	0.0	25.0	12.5	33.3
Percent of Problem Projects by Amount [a, c]	0.0	2.9	0.6	46.1
Percent of Projects at Risk by Number [a, d]	0.0	25.0	12.5	33.3
Percent of Projects at Risk by Amount [a, d]	0.0	2.9	0.6	46.1
Disbursement Ratio (%) [e]	34.2	56.9	41.5	35.0
Portfolio Management				
CPPR during the year (yes/no)	no	no	no	no
Supervision Resources (total US$)	413	277	472	597
Average Supervision (US$/project)	59	55.3	59	66.4

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	26	5
Proj Eval by OED by Amt (US$ millions)	793.7	22.2
% of OED Projects Rated U or HU by Number	9.1	0.0
% of OED Projects Rated U or HU by Amt	3.5	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 5
IBRD/IDA Program Summary - El Salvador
As Of Date 06/21/2011

Proposed IBRD/IDA Base-Case Lending Program [a]

Fiscal year	*Proj ID*	*US$(M)*	*Strategic Rewards b (H/M/L)*	*Implementation b Risks (H/M/L)*
2012	SV Strengthening Public Health Care Syst	80.0	H	H
	SV-Education Governance Improvement	50.0	H	M
	SV-Innovation, Science and Techn. Proj.	20.0	H	H
2013	SV Public Finance and Social Progress DPL II	100.0	H	M
Overall Result		**250.0**		

Annex 6

El Salvador: IFC Investment Operations Program

	2008	2009	2010	2011*
Original Commitments (US$m)				
IFC and Participants		10.1	16.8	49.8
IFC's Own Accounts only		10.1	16.8	49.8
Original Commitments by Sector (%)- IFC Accounts only				
FINANCE & INSURANCE		100.0	100.0	100.0
Total	0	100.0	100.0	100.0
Original Commitments by Investment Instrument (%) - IFC Accounts only				
Guarantee		50.3	100.0	13.6
Loan		49.7		74.3
Quasi loan				12.1
Total	0	100.0	100.0	100.0

* Data as of May 31,2011

Annex 7
Summary of Nonlending Services - El Salvador
As Of Date 5/31/2011

Product	*Completion FY*	*Cost (US$000)*	*Audience* [a]	*Objective* [b]
Recent completions				
Country Procurement Assessment Review	FY07		G,B	KG,PS
ROSC (A+A module)	FY07		G, PD, B	KG,PS
Study on HIV/AIDS Situation and Response	FY07		PD,B	KG,PD
Regional Study on C. America Health Reforms	FY07		G, B	KG, PD,PS
Country Financial Accountability Assessment Review	FY08		G, B	KG, PS
Regional ICA Update	FY08	172.7	G, PD,D	KG, PD
Public Debt Management Technical Assistance Program	FY08		G	KG, PS
Strengthening Poverty Reduction	FY09			
C. America Social Services Delivery	FY09	74.2	G, PD, B	KG, PD
Policy Dialogue and Consensus Building	FY10		G, PD,B	KG, PD,PS
Human Development for Poverty Reduction	FY10		G, PD,B	KG, PD,PS
Regional Energy Study	FY10		G, PD,B	KG, PD,PS
Regional Crime and Violence Policy Options Study	FY11		G, PD,B	KG, PD,PS
Public Expenditure Review	FY11		G, PD,B	KG, PD,PS
Regional AW on Human Capital Policies to Support Good Quality Job creation	FY11		G, PD,B	KG, PD,PS
Underway				
NTLA on Science and Techonolgy	FY11		G	KG, PS
NTLA Land Adm. And Agriculture	FY11		G	KG, PS

_____
a. Government, donor, Bank, public dissemination.
b. Knowledge generation, public debate, problem-solving.

Annex 8
Key Economic Indicators - El Salvador
As Of Date 1/28/2011

Indicator	Actual 2006	2007	2008	Estimate 2009	2010	2011	Projected 2012	2013	2014
National accounts (as % GDP at current market prices)									
Gross domestic product	100%	100%	100%	100%	100%	100%	100%	100%	100%
Agriculture[a]	10.9%	11.6%	12.6%	12.5%	12.6%	13.1%	13.5%	13.9%	14.3%
Industry[a]	29.4%	28.1%	27.8%	27.5%	28.7%	29.7%	30.7%	31.6%	32.6%
Services[a]	59.7%	60.3%	59.6%	60.1%	58.7%	57.3%	55.9%	54.5%	53.1%
Total Consumption	103.3%	105.6%	107.6%	102.4%	106.1%	106.0%	105.1%	105.1%	104.6%
Gross domestic fixed investment	16.1%	15.9%	14.9%	13.1%	12.8%	13.3%	13.7%	14.1%	14.5%
Government investment	2.2%	2.1%	2.4%	2.5%	2.4%	2.7%	2.6%	2.5%	2.4%
Private investment (includes increase in stocks)	13.9%	13.8%	12.5%	10.6%	10.3%	10.6%	11.1%	11.6%	12.1%
Exports (GNFS)[b]	27.8%	25.4%	25.6%	22.3%	22.6%	23.6%	24.2%	24.4%	24.6%
Imports (GNFS)	47.2%	46.9%	48.1%	37.8%	41.4%	42.9%	43.0%	43.6%	43.7%
Gross domestic savings	-3.3%	-5.6%	-7.6%	-2.4%	-6.1%	-6.0%	-5.1%	-5.1%	-4.6%
Gross national savings[c]	12.5%	9.9%	7.3%	11.3%	10.1%	10.2%	10.6%	10.7%	11.1%
Memorandum items									
Gross domestic product (US$ million at current prices)	18,653.6	20,376.7	22,106.8	21,100.5	21,795.7	22,950.9	24,279.5	25,974.4	27,804.5
Gross national product per capita (US$, Atlas method)	2665.1	2890.6	3126.2	2940.5	2973.5	3080.0	3227.3	3445.8	3654.1
Real annual growth rates (%, calculated from 1990 prices)									
Gross domestic product at market prices	4.2%	4.6%	2.4%	-3.5%	1.0%	2.5%	3.0%	4.0%	4.0%
Gross Domestic Income	3.6%	4.2%	1.3%	-2.4%	17.9%	2.6%	2.5%	4.1%	3.9%
Real annual per capita growth rates (%, calculated from 1990 prices)									
Gross domestic product at market prices	2743.2	2974.7	3203.9	3036.0	3113.7	3255.5	3419.6	3632.8	3861.7
Total consumption	2833.7	3142.5	3447.7	3108.3	3303.1	3450.6	3593.1	3818.3	4038.1
Private consumption	2571.6	2872.4	3158.0	2790.8	2914.0	3041.4	3181.9	3373.7	3533.6

(Continued)

COUNTRY – Key Economic Indicators
(Continued)

Indicator	Actual			Estimate			Projected		
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Balance of Payments (US$m)									
Exports (GNFS)[b]	5,184.9	5,168.8	5,651.6	4,696.0	4,920.7	5,421.5	5,867.6	6,333.2	6,851.4
Merchandise FOB	3,758.6	4,039.1	4,610.6	3,860.9	4,083.1	4,528.2	4,911.0	5,312.7	5,763.6
Imports (GNFS)[b]	8,796.9	9,564.1	10,629.4	7,966.4	9,029.0	9,851.4	10,433.1	11,318.8	12,159.9
Merchandise FOB	7,291.4	8,143.8	9,004.3	6,706.1	7,650.3	8,380.8	8,867.2	9,638.4	10,403.3
Resource balance	-2,117.5	-2,505.2	-2,589.1	-1,721.1	-2,570.2	-2,731.2	-2,765.0	-2,964.8	-3,113.6
Net current transfers (including official current transfers)	3,472.2	3,750.0	3,831.7	3,560.7	NA	NA	NA	NA	NA
Current account balance (after official capital grants)	-670.7	-1,221.3	-1,682.1	-373.5	-578.7	-708.7	-751.9	-880.4	-954.8
Net private foreign direct investment	267.5	1,408.0	718.9	561.7	378.0	402.0	462.0	526.0	595.0
Long-term loans (net)	971.8	-299.1	554.0	532.3	NA	NA	NA	NA	NA
Other capital (net, including errors and omissions)	-47.5	-961.9	443.7	-926.9	-305.0	-212.0	145.0	186.0	24.0
Change in reserves	-71.6	-280.2	-333.7	-429.0	195	-85.4	-213.7	-244.7	-348.7
Memorandum items									
Resource balance (% of GDP at current market prices)	24.1%	27.3%	27.5%	19.0%	28.1%	29.1%	28.6%	29.5%	29.8%
Real annual growth rates (1990 prices)									
Merchandise exports (FOB)	9.1%	7.5%	14.1%	-16.3%	5.8%	10.9%	8.5%	8.2%	8.5%
Primary	12.8%	-1.0%	12.8%	-4.7%	12.8%	-0.8%	12.8%	7.6%	9.0%
Manufactures	8.8%	8.1%	13.1%	-17.2%	5.6%	12.0%	8.7%	8.2%	8.4%
Merchandise imports (CIF)	14.2%	11.7%	10.6%	-25.5%	14.1%	9.5%	5.8%	8.7%	7.9%
Public finance (as % of GDP at current market prices)[e]									
Current revenues	17.6%	17.9%	17.8%	17.2%	18.2%	19.4%	20.0%	20.5%	20.7%
Current expenditures	17.7%	17.0%	17.9%	19.7%	19.9%	19.4%	19.0%	19.2%	19.3%

COUNTRY – Key Economic Indicators
(Continued)

Indicator	Actual			Estimate			Projected		
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Current account surplus (+) or deficit (-)	-670.70	-1,221.30	-1,682.10	-373.50	-578.71	-708.71	-751.91	-880.44	-954.76
Capital expenditure	578.8	567.6	661.2	642.3	673.9	816.6	825.1	857.0	889.4
Monetary indicators									
M2/GDP (at current market prices)	42.2%	45.5%	42.4%	45.0%	44.0%	43.7%	43.1%	42.6%	42.2%
Growth of M2 (%)	13.0%	17.7%	1.2%	1.1%	1.0%	4.6%	4.4%	5.6%	6.1%
Private sector credit / total credit (%)	84.9%	85.4%	86.4%	82.2%	78.7%	78.9%	79.3%	79.9%	80.5%
Price indices(1990 =100)									
Merchandise export price index	154.2	170.0	199.8	197.7	217.8	199.1	191.2	188.8	191.4
Merchandise import price index	172.2	190.0	235.1	217.2	230.2	215.4	213.7	213.5	215.4
Merchandise terms of trade index	89.6	89.5	85.0	91.0	9465.4	92.4	89.5	88.4	88.8
Real exchange rate (US$/LCU)f	64.7	64.4	64.7	64.4	63.4	NA	NA	NA	NA
Real interest rates	-0.1	0.5	-1.4	5.7	4.6	NA	NA	NA	NA
Consumer price index (% growth rate)	4.0%	4.6%	7.3%	0.5%	-1.1%	2.6%	3.0%	3.3%	3.4%
GDP deflator (% growth rate)	4.9%	4.4%	5.9%	-1.0%	2.3%	2.7%	2.7%	2.9%	2.9%

a. If GDP components are estimated at factor cost, a footnoote indicating this fact should be added.
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Should indicate the level of the government to which the data refer.
f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Annex 9

Key Social Indicators - El Salvador

	Latest single year						Same region/income group	
	1980-85	1986-90	1991-95	1996-2000	2001-05	2006-09	Latin America and Caribbean	Lower-middle-income
POPULATION								
Total population, mid-year (millions)	5.0	5.3	5.7	5.9	6.1	6.2	550.8	2,474.6
Growth rate (% annual average for period)	1.3	1.4	1.2	0.5	0.4	0.5	1.4	1.0
Urban population (% of population)	46.6	49.2	54.0	58.4	59.8	61.0	77.2	49.5
Total fertility rate (births per woman)	4.5	4.0	3.5	2.9	2.4	2.3	2.4	2.1
POVERTY								
(% of population)								
National headcount index	..	..	50.6	38.8	35.2	37.8	..	..
Urban headcount index	..	..	38.9	29.9	30.9	33.3	..	..
Rural headcount index	..	..	64.8	53.7	42.4	46.5	..	..
INCOME								
GNI per capita (US$)	710	890	1,550	2,110	2,790	3,370	4,045	1,923
Consumer price index (end of year, 1995=100)	..	..	100.0	117.7	138.2	160.0	..	..
Food price index (end of year, 1995=100)	..	..	100.0	115.5	139.7	157.3	..	..
INCOME/CONSUMPTION DISTRIBUTION								
Gini index	..	49.0	49.9	51.9	49.7	46.9	..	..
Lowest quintile (% of income or consumption)	..	2.4	3.7	2.8	3.3	4.3	..	..
Highest quintile (% of income or consumption)	..	51.8	54.1	55.2	53.4	52.0	..	..
SOCIAL INDICATORS								
Public expenditure								
Health (% of GDP)	..	..	..	..	3.7	3.6	3.7	2.6
Education (% of GDP)	..	..	..	2.5	2.7	3.6	4.3	4.3
Net primary school enrollment rate								
(% of age group)								
Total	..	..	..	78.4	93.9	94.0	95	93
Male	..	..	..	72.1	93.2	93.4	96	94
Female	..	..	..	84.9	94.6	94.7	94	93
Access to an improved water source								
(% of population)								
Total	..	74.0	78.0	82.0	86.0	87.0	91	82
Urban	..	90.0	91.0	92.0	94.0	94.0	96	94
Rural	..	58.0	63.0	68.0	73.0	76.0	73	71
Immunization rate								
(% of children ages 12-23 months)								
Measles	71.0	98.0	93.0	97.0	99.0	95.0	92	86
DPT	55.0	80.0	99.0	99.0	89.0	91.0	91	86
Child malnutrition (% under 5 years)	..	11.1	7.2	..	6.1	..	..	12
Life expectancy at birth								
(years)								
Total	59.9	66.0	68.9	69.7	70.7	71.3	72	71
Male	53.5	60.8	64.2	65.0	66.0	66.6	69	68
Female	66.6	71.4	73.8	74.6	75.5	76.1	76	73
Mortality								
Infant (per 1,000 live births)	60.2	48.2	39.0	27.8	19.5	14.6	26	31
Under 5 (per 1,000)	81.1	62.3	48.7	33.4	22.7	16.6	31	39
Adult (15-59)								
Male (per 1,000 population)	410.3	283.9	..	306.8	296.2	288.4	208	176
Female (per 1,000 population)	178.4	164.7	..	136.1	128.6	123.5	118	111
Maternal (modeled, per 100,000 live births)	..	200.0	170.0	140.0	120.0	110.0	194	163
Births attended by skilled health staff (%)	85.4	52.0	51.0	..	92.4	95.5	87	86

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

Data: World Development Indicators database, World Bank - 1 February 2011. Poverty figures 2000-2009: DIGESTyC. Price indexes: Banco Central de Reserva.

Annex 10
Key Exposure Indicators - El Salvador
As Of Date 1/28/2011

Indicator	Actual 2006	2007	2008	2009	Estimate 2010	2011	Projected 2012	2013	2014
Total debt outstanding and disbursed (TDO) (US$m)[a]	9,842.4	9,515.6	10,110.7	11,383.7	11,777.5	12,191.5	11,640.1	5,951.4	6,873.9
Net disbursements (US$m)[a]	1,642.8	250.6	1,042.2	1,217.1	1,644.3	1,688.3	242.7	523.7	1,464.8
Total debt service (TDS) (US$m)[a]	1,190.4	1,054.6	1,002.8	1,223.5	1,684.5	1,632.2	1,058.2	908.4	805.0
Debt and debt service indicators (%)									
TDO/XGS[b]	189.8%	184.1%	178.9%	242.4%	239.3%	224.9%	198.4%	94.0%	100.3%
TDO/GDP	52.8%	46.7%	45.7%	54.0%	54.0%	53.1%	47.9%	22.9%	24.7%
TDS/XGS	23.0%	20.4%	17.7%	26.1%	34.2%	30.1%	18.0%	14.3%	11.8%
IBRD exposure indicators (%)									
IBRD DS/public DS	5.5%	7.1%	7.2%	6.1%	4.4%	4.3%	5.9%	5.8%	7.4%
Preferred creditor DS/public DS (%)[c]	42.3%	39.4%	32.9%	25.6%	31.4%	46.2%	27.2%	29.7%	30.1%
IBRD DS/XGS	1.3%	1.5%	1.3%	1.6%	1.5%	1.3%	1.1%	0.8%	0.9%
IBRD TDO (US$m)[d]	417.0	400.7	399.7	569.0	915.0	1,030.0	1,019.0	1,012.0	1,006.0
IDA TDO (US$m)[d]	11.1	10.3	9.4	8.6	7.9	7.4	6.3	5.7	5.2
IFC (US$m)									
Loans						42			
Equity and quasi-equity /[c]		0.7	0.7	5.05	16.8	12.76			
MIGA									
MIGA guarantees (US$m)									

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.
b. "XGS" denotes exports of goods and services, including workers' remittances.
c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.
d. Includes present value of guarantees.
e. Includes equity and quasi-equity types of both loan and equity instruments.

Annex 11

El Salvador

Operations Portfolio (IBRD/IDA and Grants)

As Of Date 5/31/2011

Closed Projects **43**

IBRD/IDA *	
Total Disbursed (Active)	186.02
of which has been repaid	32.16
Total Disbursed (Closed)	782.40
of which has been repaid	395.18
Total Disbursed (Active + Closed)	968.43
of which has been repaid	427.35
Total Undisbursed (Active)	156.53
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	156.53

Active Projects

		Last PSR Supervision Rating			Original Amount in US$ Millions					Difference Between Expected and Actual Disbursements [a]	
Project ID	**Project Name**	**Development Objectives**	**Implementation Progress**	**Fiscal Year**	**IBRD**	**IDA**	**GRANT**	**Cancel.**	**Undisb.**	**Orig.**	**Frm Rev'd**
P092202	Protected Areas Consolidation and Admi	MS	MS	2006			5		2.8	2.8	
P122640	SV CAT DDO	S	S	2011	50				50.0		
P095314	SV Fiscal Mgmt and Public Sector Perf T	MU	MU	2010	20				20.0	1.9	
P118026	SV Local Government Strengthening	S	S	2010	80				38.8	-41.2	
P067986	SV-Earthquake Emergency Rec. & Healt	MU	MS	2002	142.6				0.0	0.0	
P117440	SV-Income Support and Employability	MS	S	2010	50				47.8	-2.2	
Overall Result					**342.6**		**5**		**159.3**	**-38.8**	

Annex 12

International Finance Corporation
Statement of IFC's Committed and Outstanding Portfolio
Amounts in US Dollar Millions
Accounting Date as of: 05/31/2011

Region: Latin America & Caribbean
Country: El Salvador

		Committed Portfolio							Outstanding Portfolio						
Commitment Fiscal Year	**Institution Name**	**Loan**	**Equity**	**Quasi-Loan + Quasi-Equity**	**Guarantees**	**Risk Mgmt**	**Total IFC**	**Participations**	**Loan**	**Equity**	**Quasi-Loan + Quasi-Equity**	**Guarantees**	**Risk Mgmt**	**Total IFC**	**Participations**
2011	**Apoyo Integral**	7.0	-	1.0	-	-	8.0	-	-	-	-	-	-	-	-
2004/ 2009/ 2010/ 2011	**Banco Agricola**	20.6	-	-	5.4	-	26.0	-	20.6	-	-	5.4	-	26.0	-
2011	**Fedecredito**	30.0	-	-	-	-	30.0	-	20.0	-	-	-	-	20.0	-
2004/ 2005/ 2010	**La Hipotecaria**	10.0	-	-	-	-	10.0	-	10.0	-	-	-	-	10.0	-
2004	**Metrocentro**	12.5	-	-	-	-	12.5	-	12.5	-	-	-	-	12.5	-
2003/ 2004/ 2009/ 2011	**ProCredit El Salvador**	-	-	6.9	-	-	6.9	-	-	-	6.9	-	-	6.9	-
Total Portfolio		**80.1**	**-**	**7.9**	**5.4**	**-**	**93.4**	**-**	**63.1**	**-**	**6.9**	**5.4**	**-**	**75.4**	**-**

EL SALVADOR

- SELECTED CITIES AND TOWNS
- DEPARTMENT CAPITALS
- NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- PAN AMERICAN HIGHWAY
- RAILROADS
- DEPARTMENT BOUNDARIES
- INTERNATIONAL BOUNDARIES

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