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**REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE**  
**EXECUTIVE BOARD ON A PROPOSED LOAN TO THE**  
**REPUBLIC OF EL SALVADOR**  
**FOR THE**  
**RECONSTRUCTION AND RURAL MODERNIZATION PROGRAMME**





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## CURRENCY EQUIVALENTS

Currency Unit	=	Salvadorian Colon (SVC)
USD 1.00	=	SVC 8.75
SVC 1.00	=	USD 0.11

## WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

## ABBREVIATIONS AND ACRONYMS

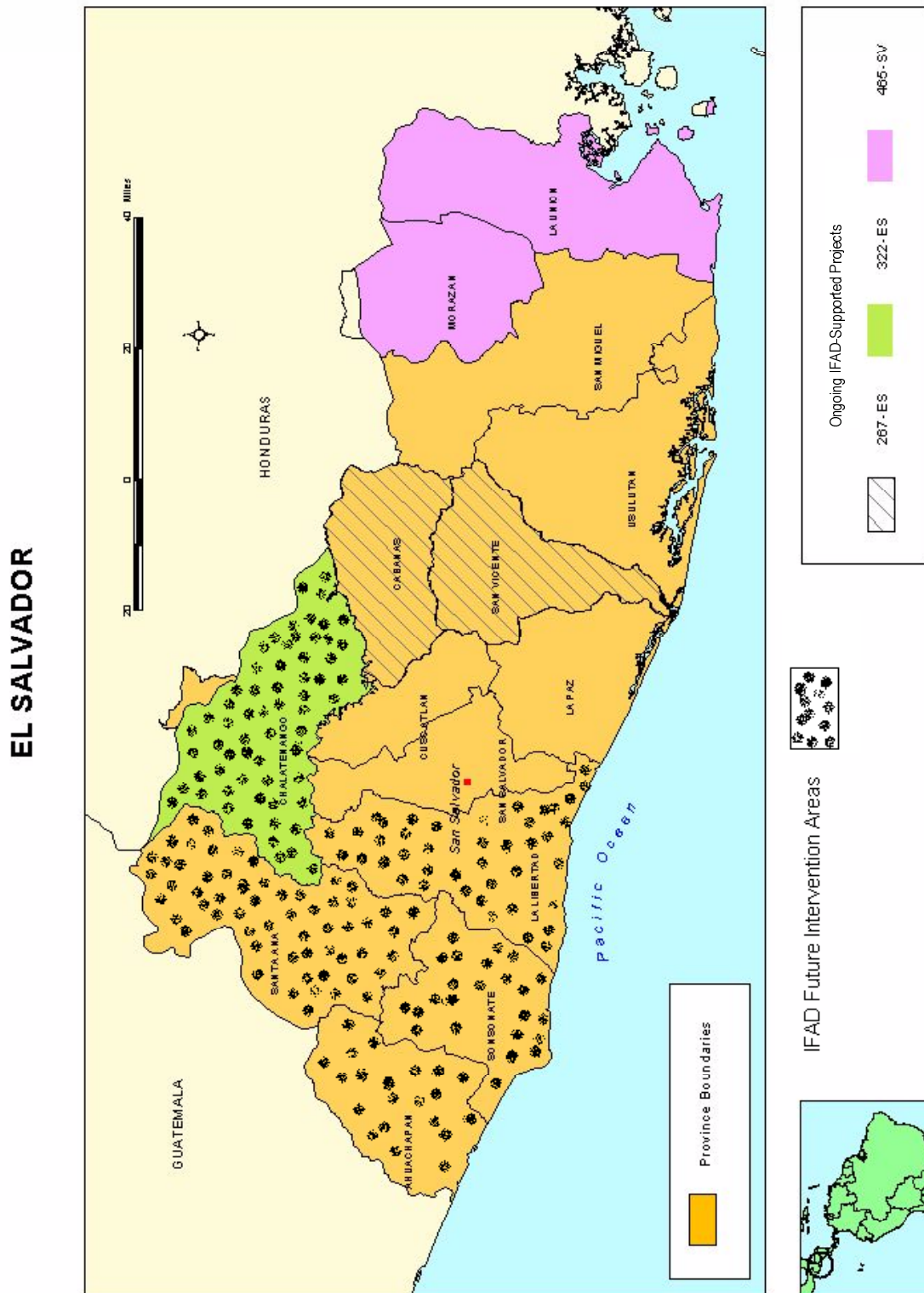
ADESCO	<i>Asociación de Desarrollo Comunitario</i> (Association for Community Development)
CBO	Community-Based Organization
CONAMYPE	<i>Comisión Nacional de la Micro y Pequeña Empresa</i> (National Council of Medium and Small Enterprises)
FISDL	<i>Fondo de Inversiones Sociales para el Desarrollo Local</i> (Social Investment Fund for Local Development)
IDB	Inter-American Development Bank
INSAFORP	<i>Instituto Salvadoreño de Formación Profesional</i> (Salvadorian Institute for Professional Formation)
ISDEMU	<i>Instituto Salvadoreño para el Desarrollo de la Mujer</i> (Salvadorian Institute for Women's Development)
MAG	<i>Ministerio de Agricultura y Ganadería</i> (Ministry of Agriculture and Livestock)
M&E	Monitoring and Evaluation
OCP	<i>Oficina de Coordinación de Proyectos del MAG</i> (MAG's Programme Coordination Office)
PROGENDER	Regional Programme to Consolidate Gender Mainstreaming Strategies in IFAD-Financed Projects of Latin America and the Caribbean
PSC	Programme Steering Committee
UNOPS	United Nations Office for Project Services

## GOVERNMENT OF THE REPUBLIC OF EL SALVADOR

### Fiscal Year

1 January- 31 December

## MAP OF THE PROGRAMME AREA



**Source:** IFAD

*The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.*



**REPUBLIC OF EL SALVADOR**  
**RECONSTRUCTION AND RURAL MODERNIZATION PROGRAMME**  
**LOAN SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>BORROWER:</b>	Republic of El Salvador
<b>EXECUTING AGENCY:</b>	Ministry of Agriculture and Livestock (MAG)
<b>TOTAL PROGRAMME COST:</b>	USD 30.5 million
<b>AMOUNT OF IFAD LOAN:</b>	SDR 15.65 million (equivalent to approximately USD 20.0 million)
<b>TERMS OF IFAD LOAN:</b>	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
<b>COFINANCIERS:</b>	The World Bank initiated the design of a programme with a possible cofinancing arrangement with IFAD. However, due to different schedules, possibilities of a parallel financing are currently being explored with the Government of the Republic of El Salvador and the World Bank
<b>CONTRIBUTION OF BORROWER:</b>	USD 4.5 million
<b>CONTRIBUTION OF BENEFICIARIES AND OTHERS:</b>	USD 6.0 million
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	United Nations Office for Project Services (UNOPS)



## PROGRAMME BRIEF

**Who are the beneficiaries?** The extreme poverty of most rural inhabitants in El Salvador reinforces the need for IFAD to continue focusing on smallholders, landless farmers and rural women as their primary targets. Of the approximately 1.8 million inhabitants in the programme area, 1.1 million live in rural areas. According to the multipurpose household survey carried out by the Government in 1996, 436 220 persons located in 47 municipalities were living in poverty. Because of *El Niño* in 1997, Hurricane Mitch in 1998 and the earthquakes of early 2001, the number of rural poor is estimated to have increased by nearly 10% over 1997 levels. By late 2001 about 72% of the country's rural population were poor. The programme's target group will comprise about 233 000 persons. Some 90 000 persons will benefit either directly or indirectly from the programme, while 40 000 adults and youths will benefit directly from access to programme's reconstruction and rural modernization activities.

**Why are they poor?** Wide social and economic inequities affecting the rural poor led to a 12-year civil war (1980-92) that further deteriorated their income and living conditions. The conflict created the enormous challenge of meeting the unsatisfied demands of the ex-combatants and fulfilling the basic needs of large segments of the population. Furthermore, an urban-oriented economic model favouring investments in 'in-bond' assembly and services widened the urban-rural poverty gap. The steady decline of the agricultural sector and its loss of competitiveness have reduced income levels and labour opportunities for rural inhabitants. From 1992 to 1997, urban wages showed a net increase of 19%, while rural wages fell by 18%. At the rural household level, and particularly among woman-headed households, poverty is caused by a lack of: (i) access to productive resources, including land; (ii) business-oriented productive organizations; (iii) literacy and technical/entrepreneurial skills; (iv) access to markets and/or market intelligence; and (v) coherence in rural development policies and technical support services. The destruction wrought by Hurricane Mitch and the two violent earthquakes that occurred in early 2001 has exacerbated the situation.

**What will the programme do for them?** It is estimated that at least 21 400 people will benefit directly from the programme's agricultural technical assistance, including 8 400 women. The reconstruction component will provide support to the target population so that they can recover and improve the social and productive infrastructure damaged by the earthquakes. It will also improve their income-generating capacities through better access to markets and demand-led technical assistance and investments. The main activity of the rural modernization component will be the systematic provision of market information and intelligence, innovative/new marketing opportunities, price forecasting and, more importantly, agricultural and non-agricultural market analysis for commodities and goods produced by farmers and small entrepreneurs. Smallholders' organizations, cooperatives, grass-roots organizations and rural communities will benefit from technical or financial assistance. A total of 15 000 landless youths (both men and women) will receive skills training, and 3 600 people will receive technical and financial support for the creation of small rural enterprises and businesses. The programme will adopt a gender-equity approach and is expected to contribute to decreasing gender inequities in rural areas. A parallel scheme financing by the World Bank will create synergies with the programme, thus enhancing the impact on poverty reduction.

**How will beneficiaries participate in the programme?** The programme will operate within a highly participatory framework. Grass-roots organizations will actively participate in programme implementation and will take part in decision-making processes. The programme will also involve beneficiaries in monitoring and evaluation processes through innovative social audit mechanisms.





**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD  
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE  
REPUBLIC OF EL SALVADOR  
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RECONSTRUCTION AND RURAL MODERNIZATION PROGRAMME**

I submit the following Report and Recommendation on a proposed loan to the Republic of El Salvador for SDR 15.65 million (equivalent to approximately USD 20.0 million) on highly concessional terms<sup>1</sup> to help finance the Reconstruction and Rural Modernization Programme. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

**PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY<sup>2</sup>**

**A. The Economy and the Agricultural Sector**

1. El Salvador is situated in the Central American Isthmus and borders with Honduras to the north and east, Guatemala to the west, and the Pacific Ocean to the south. It has a limited land resource base and no remaining agricultural frontier. Its total population in 1999 was 6.2 million inhabitants, and its average annual population growth rate in 1980-98 was 1.5%. Over 1.3 million Salvadorians live in the United States as legal or illegal residents. About 40% of the population is settled in rural areas, and over half of the inhabitants are under the age of 20 years.

2. A 12-year civil war, beginning in the 1980s, plunged the country into economic decline. Since the war's end in 1992, successive administrations have pursued economic policies facilitating high rates of economic growth and a reduction in inflation and poverty through a process of structural reform. Macroeconomic and structural policies aimed at liberalizing trade and progressively reforming the public sector reduced macroeconomic imbalances and encouraged economic growth. Gross domestic product (GDP) grew at an average of 3.2% from 1990 to 1998. From 1996 to date, the economy has shown high vulnerability to world economic fluctuations and natural disasters. In 1997, *El Niño* caused substantial crop losses, while in 1998 Hurricane Mitch devastated parts of the country. The negative impact of these two disasters is expected to be felt well into the present decade.

3. In early 2001 two earthquakes left the country with estimated losses of over USD 1.4 billion, placing a still heavier burden on economic development. Around 1 200 people lost their lives, more than 6 500 were injured and 1.5 million were left homeless. Losses caused by the earthquakes represent about 12% of the country's GDP in 2000, equalling 43.5% of its exports or 29.3% of its imports in the same year, while direct losses amount to 42.3% of the country's gross capital formation. Total reconstruction expenditures equal USD 1.94 billion (about 14% of GDP), and it is estimated that the country will require new investments for over USD 390 million over the next five years. GDP growth for 2001 is forecasted at 0.9%, down from a pre-earthquake estimate of 3.5%.

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<sup>1</sup> See Appendix III for a detailed justification of the proposed loan, exceptionally on highly concessional terms.

<sup>2</sup> See Appendix I for additional information.



4. Although the agricultural sector contributes increasing less to GDP and has the lowest labour productivity of all economic sectors, it remains important in terms of employment and value added. The sector still employs nearly 26% of the labour force, provides 30% of export earnings, meets around 70% of domestic food needs and provides direct food sustenance to more than 80% of rural families. While average salaries grew by 19% in real terms, agricultural wages declined 19% over the period 1991-98, making agriculture the worst-paid economic activity and increasing the urban-rural income gap. The country has a highly traditional agricultural productive structure with 39% of the planted area devoted to basic grains (maize, beans, rice and sorghum), 37% to pastures, 12% to coffee and 4% to sugar plantations. The situation of the agricultural sector has worsened due to low world sugar and coffee prices.

5. The effects of the recent earthquakes have seriously complicated the already troubled situation of the agricultural sector. Damage to rural and agricultural infrastructure, including rural and feeder roads, housing, irrigation infrastructure and processing plants, was estimated at USD 145.5 million. El Salvador's free market structure represents both a threat to and an opportunity for the agricultural sector. Modernization and substitution of traditional crops are needed to improve competitiveness of this sector. Diversifying market-oriented agriculture will also provide opportunities for employment and income-generation in both commercial operations and smallholders' agricultural production.

6. Rural inhabitants of El Salvador are among the poorest in the Latin America and the Caribbean region. Since 1991 the expansion of activities related to in-bond assembly for re-export and commerce has brought a nationwide reduction in poverty levels but has also widened the urban-rural poverty gap. From 1991 to 1998, the incidence of urban poverty was reduced by 14.7%, while rural poverty was reduced by only 4.0%. Absolute poverty showed a similar pattern, falling by 10.1% in urban areas and only by 3.6% in rural ones. While 62.7% of the rural population were poor in 1997, the combined effects of *El Niño*, Hurricane Mitch and the recent earthquakes have resulted in a 10 to 12% increase in rural poverty levels. By late 2001, it was estimated that between 72 and 77% of the rural population live in poverty.

7. Poverty has historical roots in El Salvador, related to the inequities that fuelled the conflict of the 1980s. Over the last decade, the urban-oriented economic model, while improving the conditions of the urban poor, has failed to solve the social and economic problems faced by rural populations. The rural poor depend on agriculture for a significant proportion of their income, either as producers or labourers. The inefficiencies and low performance of the agricultural sector over the last decade has therefore further limited their opportunities for improving their living conditions.

## **B. Lessons Learned from Previous IFAD Experience**

8. Since 1985 five IFAD projects<sup>3</sup> for a total of USD 58.0 million have been approved and implemented in three very different social and political situations: internal warfare; pacification; and reconstruction. IFAD has actively participated in the country's rural development and poverty alleviation efforts, supporting the Government in the reconstruction of sectors most affected by the war. The success of IFAD's ongoing operations in El Salvador can be attributed to both the Fund's timely intervention to ensure local participation and its ability to adjust its strategies to the political, economic, social and institutional changes that have taken place in the country over the last decade. The general lesson learned is that to ensure sustainable impact, projects and programmes need to be flexible, capable of adapting to changing conditions.

9. Specific lessons learned include: (i) success in the reconstruction of war-torn communities is directly related to the willingness and commitment of local actors to collaborate in rural development and poverty alleviation efforts; (ii) a balance needs to be struck in programme design between

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<sup>3</sup> See Appendix II for detailed information.



productive and social/community investments; (iii) an integrated approach to private technical assistance delivery, encompassing the simultaneous provision of education, training, productive technologies, marketing tools and small-scale management techniques, has been successful in meeting beneficiaries' needs; (iv) rural microenterprises are effective only when highly experienced service providers support small skills-based beneficiary groups; (v) credit programmes can only be successfully implemented once beneficiaries have received training and technical assistance and mastered crop innovation techniques; and (vi) the post-conflict context provided opportunities to acknowledge and highlight the productive, organizational and subsistence capacity of rural women. IFAD's cross-cutting approach to gender issues has proved to be a winning strategy for promoting the equal participation of women and men in rural development activities.

### C. IFAD's Strategy for Collaboration with El Salvador

10. The Fund's past projects in El Salvador were aimed at the post-conflict reconstruction of war-affected sectors. Now, in a more democratic political context, IFAD is directing its efforts towards a programmatic nationwide approach to rural poverty alleviation and agricultural development. While post-earthquake reconstruction efforts require investment over the short term, IFAD's poverty eradication and rural development strategy will require a longer-term commitment. IFAD will place particular emphasis on institution-building in order to strengthen the Government's capacity to implement a sustainable and efficient rural modernization programme. Since rural women are among the poorest people in the country, it will make continuous and systematic efforts to consolidate and further advance the gains already achieved by IFAD projects in gender equity and poverty alleviation.

11. **El Salvador's policy for poverty eradication.** The Government's national plan aims at integrated social and economic development, involving all segments of the population in decision-making processes and in the benefits of development. It places high priority on addressing the underlying causes of poverty. The strategy is to target programmes to areas and communities with high levels of rural poverty and improve the participation of small producers' organizations in decision-making processes at the local level. Several public institutions share responsibilities for poverty alleviation and rural social and economic development, including the Ministry of Agriculture and Livestock (MAG), the Ministry of Economy, the Social Investment Fund for Local Development (FISDL), the National Council of Medium and Small Enterprises (CONAMYPE) and the Salvadorian Institute for Professional Formation (INSAFORP). Lack of overall coordination and joint planning mechanisms, however, have resulted in wasted and, in some cases, duplicated efforts.

12. **Poverty eradication activities of other major donors.** The International Monetary Fund (IMF) is providing financial support to the country's structural adjustment agenda and currency conversion to United States dollars through a stand-by agreement. The World Bank has an active portfolio of ten projects for a total of over USD 200.0 million, including investments in basic and secondary education, rural health and electrification. The Inter-American Development Bank (IDB) portfolio includes 34 ongoing projects for over USD 500.0 million, focused on education, health, roads, public utilities and housing. After the earthquakes, IDB approved a grant of USD 25.0 million for the construction of provisional housing, emergency road repairs and the implementation of an early warning system in hill areas affected by the earthquake.

13. **Programme rationale.** The programme has as a priority providing support to the Government by cofinancing the reconstruction of social and productive rural infrastructure affected by the earthquakes. A community, demand-led reconstruction component will provide the financial resources needed to reconstruct or repair damaged infrastructure in isolated communities of the worst-hit departments. At the same time, the programme will promote the social and economic development of less-affected departments. The combined actions of reconstruction and rural modernization will



create interconnected, economically areas, so-called corridors, involving affected and non-affected departments. A flexible schedule will be established for reconstruction works.

14. The programme will operate within a highly participatory framework in which grass-roots organizations will take responsibility for local steering committees and monitoring and evaluation (M&E) processes. Public and private service providers, selected on a competitive basis, will be contracted for all programme services required. Gender issues and environmental concerns will be an explicit part of these contractual arrangements.

## **PART II - THE PROGRAMME**

### **A. Programme Area and Target Group**

15. The programme area covers approximately 6 500 km<sup>2</sup>, or 25% of the country's territory, and encompasses 28% of the rural population. It comprises five departments (Ahuachapan, Chalatenango, La Libertad, Santa Ana and Sonsonate) located in the western and central regions of El Salvador. The departments of Santa Ana, Sonsonate and La Libertad were the hardest hit by the earthquakes, suffering significant losses in terms of lives, housing, highways, rural roads, and social and productive infrastructure.

16. Agricultural production among the rural poor provides livelihoods to landless workers, tenants, sharecroppers, coffee producers and small subsistence crop and livestock farmers. Small producers' organizations in the area provide services to their members in the small-scale marketing of agricultural supplies and products. Although these organizations are financially weak and have only limited managerial capacity and support programmes, the enthusiasm of their leaders and members make them viable options for increasing productivity if adequate technical and financial support is provided. Traditional commercial crops (rice, sugar cane, coffee) and subsistence crops (maize, sorghum and beans) cover more than 90% of the cultivated area, while non-traditional fruits trees (coconuts, cashews, pineapples and citrus) and vegetables are planted in less than 5% of the total cultivated land.

17. According to CONAMYPE, there are 170 000 microenterprises in the target departments, half of them located in rural areas. Over 55% are small retailers and from 20 to 26% are small-scale industries, including dress-making (24%), bakeries (23%) and food processing (17%). Also included are small-scale processors of timber, cork and straw, and artisanal furniture manufacturers. CONAMYPE classified over 95% of small industries in the programme area as subsistence enterprises, that is small businesses generating only enough income to keep their owners from falling into abject poverty. The small industries sector creates permanent (as opposed to seasonal) jobs for 35 700 owners/partners, 5 030 paid labourers, 230 paid trainees and 7 000 unpaid family members.

18. Marketing of agricultural and non-agricultural products in the programme area is characterized by irregular supply and lack of product classification, packing and quality control. Intermediaries, small traders and truck drivers do most of the local purchasing due to the dearth of marketing (or producers') organizations. Farm gate or small local fairs are the most common selling points for basic grains, rice, milk, feeder calves and cheese. Only in the case of a few organized horticultural producers are the end selling points wholesale markets or retail dealers (supermarkets and stores) in San Salvador. Thus, with high transaction costs, reduced volumes and lack of classification, packing or storage infrastructure, smallholders obtain the lowest gains in the marketing chain.

19. Direct programme beneficiaries will number about 40 000 persons, of whom 25 000 adults (over 21 years) and 15 000 young men and women (14-21 years of age). Beneficiaries will have direct access to reconstruction funds and to rural modernization funds in support of small crop/livestock



production, small businesses, microenterprises and skills training. An estimated 50 000 people will benefit indirectly from the programme through their access to new or repaired and maintained rural access roads, bridges, schools and health posts. Some will have indirect access to production support services and/or rural productive infrastructure in rural communities.

20. **Gender.** Although the Government has approved gender-equity policies and enacted several laws aimed at improving the legal status of Salvadorian women, wide disparities in access to education and basic and productive services still prevail in rural areas. The Salvadorian Institute for Women's Development (ISDEMU) is collaborating with MAG in an effort to improve current legislation in order to facilitate rural women's access to land and financial and productive services. Again in collaboration with the Government, it is also seeking to modify current sector statistical databases, which still do not adequately capture women's work and their economic contributions to the agricultural sector. In rural areas, poverty affects households headed by women in different ways than it does those headed by men. Gender-specific strategies therefore need to be adopted to overcome the specific limitations each household faces.

## B. Objectives and Scope

21. The programme has been designed using a matrix analysis<sup>4</sup> of poverty determinants and rural development issues affecting the target population and the programme area. Low levels of social and human capital, low income-generating capacity and the devastating effects of the earthquakes are the main poverty determinants affecting landless farmers and rural youth. Due to limitations posed by the country's agricultural frontier, the most feasible economic development path for landless young rural men and women is skills training leading to entry into the workforce. Consequently, the programme will seek to achieve two goals: (i) permanent off-farm employment for rural youth; and (ii) lower population and environmental pressure on the country's scarce agricultural land. Landless workers will be encouraged to develop market and profit-oriented small rural enterprises and businesses. Poverty determinants affecting smallholders include low level of productive assets, low productivity, degraded natural resources and the effects of the earthquake. For these groups, the programme will address smallholders constraints by providing support for market/income-oriented crop/livestock production.

22. To increase beneficiaries' income levels in a sustainable manner the programme will be *demand-led and organization-, market- and management-oriented*. It will evaluate the market competitiveness of all productive activities (agricultural and non-agricultural) in an effort to bring about a shift from subsistence production to income-oriented market production. The programme's central marketing support service will be the axis of its productive activities. In an interactive learning-by-doing process, farmers' and microentrepreneurs' organizations will evaluate the marketing potential of selected products with programme market analysts prior to receiving financial or technical support. To reduce transaction costs and promote more efficient management of productive and marketing processes, the programme will promote and strengthen smallholder and microenterprise economic organizations. Organized groups will have access to the programme's support services and investment funds.

23. The overall programme goal is to improve the economic and social conditions of rural families in the western and central departments of El Salvador. The programme's general objective is to achieve, in a sustainable and gender-equitable manner, the effective economic integration of the target population in the regional and national economic context, by improving their access to business opportunities, to technical and financial resources, and to local and national labour markets. Specific objectives include: (i) strengthening market linkages and income opportunities of the target population, by improving on-farm and microenterprise productivity; (ii) improving young rural inhabitants' labour skills into the rural/urban labour markets; (iii) strengthening human and social

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<sup>4</sup> See Appendix VI Matrix of Poverty Determinants and Required Programme Actions.



capital, consolidating economically oriented farmers' and microentrepreneurs' organizations; (iv) promoting a gender-balanced approach by ensuring that rural women have equal opportunities and participate fully in all programme activities; and (v) strengthening and improving the Government's institutional framework for poverty alleviation and agricultural and rural development.

### C. Components

24. The proposed programme will have four components: (i) reconstruction; (ii) rural modernization; (iii) institutional strengthening of the Ministry of Agriculture and Livestock; and (iv) programme coordination.

25. **Reconstruction.** The general objective of the reconstruction component is to support the beneficiary population in their efforts to rehabilitate or improve the social and productive infrastructure. The repair of damaged infrastructure and/or the construction of new infrastructure will be carried out as part of social and economic programmes at local or municipal levels. Activities will be cofinanced by FISDL and other central government programmes and/or municipal resources. The programme will give priority to the reconstruction of rural infrastructure, such as education and rural health facilities, potable water supply, sewage and electricity. Investments are likely to include repair/construction of small irrigation systems, warehouses and rural marketing facilities, reconstruction and/or improvement of existing roads, road maintenance and construction of small bridges.

26. Local organizations – including formal and informal economic organizations such as cooperatives, producers' associations and irrigation associations and social organizations such as associations for community development (ADESCOs) and interest groups – that meet eligibility criteria (at least 75% of their members earning incomes at or below the poverty line) will participate actively in the identification and selection of reconstruction activities. The programme will provide pre-investment support, if required, for selected proposals in order to enable organizations to meet the technical requirements specified in municipal or environmental regulations and to obtain construction permits. It will evaluate requests the basis of their social and/or economic impact on the community, their conformity with local or municipal reconstruction and/or development/environmental plans, the level of cofinancing by beneficiaries and/or municipalities, and community commitment to provide proper maintenance of the proposed investment.

27. **Rural modernization.** The general aim of the rural modernization component is to support the income-generating capacities of the target population through a demand-led technical assistance and investment fund. A core activity of this component will be market development and intelligence. Under a sub-contracted scheme, the programme will provide systematic market information and intelligence on innovative or new market opportunities, price forecasting and, above all, market analysis for commodities and goods produced by farmers and small entrepreneurs.

28. Under a demand-led scheme, smallholders' organizations, cooperatives, interest groups and ADESCOs will request technical or financial assistance. Once organizations meet eligibility criteria (at least 75% of their members earning incomes at or below the poverty line), their proposals will be analysed and evaluated in terms of marketability and profitability. If the proposal complies with the criteria of market feasibility, income-generation, productive/market innovation, job creation and internal/external cofinancing, the organization will obtain financial support for training, organizational strengthening, technical assistance and/or productive investment resources.

29. The programme will provide support to 'mature' organizations with bankable proposals for accessing existing financial services. In the second programme year (PY), it will conduct a study to determine the most appropriate financial institutions and instruments to be accessed by local organizations. To facilitate market-oriented decisions, the programme will provide systematic market



information on local, national, Central American and other markets. It will develop and strengthen existing food processing capabilities in order to provide appropriate processes adjusted to the size and investment capacity of the target population. Groups with weak productive initiatives will either undergo a training/support process to reformulate their proposals or receive skills training to access local and national labour markets.

30. **Institutional strengthening of the Ministry of Agriculture and Livestock.** In compliance with IFAD's strategy for El Salvador defined in its country strategic opportunities paper (COSOP), the programme will support MAG in the design of a programmatic and nationwide approach to poverty alleviation and rural development. The general objective of the institutional strengthening component is therefore to assist MAG in designing and developing an institutional framework capable of strengthening community-based organizations (CBOs) and encouraging smallholders and rural microentrepreneurs to develop a competitive edge by adopting a business approach to production. Rural economic organizations will be systematically trained and helped to operate with a market and management vision guiding the production of innovative agricultural and non-agricultural commodities and goods. Thus, under the proposed programme, rural poverty will be dealt with using a sustainable income-generation approach. The component will provide resources for institutional analysis and in collaboration with other donors such as the World Bank and IDB, will design and implement an institutional framework capable of effective coordination with the Government's current rural/agricultural development and investment programmes.

31. **Programme coordination.** The main role of programme coordination will be to ensure that programme activities are an effective response to beneficiaries' demands within a highly participatory operational framework. The programme coordination staff will be responsible for day-to-day management and will also play a role in institutional-strengthening processes for MAG. All promotion, training, agricultural and microenterprise support services will be contracted through competitive bidding to qualified private or government institutions. INSAFORP will be responsible for beneficiaries' skills training and CONAMYPE for the improvement of small rural business and microenterprises. All technical and supporting staff positions will be filled through a competitive process. Women will fill at least 30% of all professional programme positions.

#### **D. Costs and Financing**

32. Total programme costs, including physical and price contingencies, are estimated at USD 30.5 million, as summarized in Table 1. The programme's proposed financing plan, presented in Table 2, provides for an IFAD loan of USD 20.0 million (about 65% of total programme costs). The Government's contribution will be USD 4.5 million (15%); and beneficiaries and other institutions<sup>5</sup> will contribute USD 6.0 million (20%) in cash or in kind. Total costs, including physical and price contingencies, for the reconstruction component will be USD 4.7 million (15%); for rural modernization, USD 20.8 million (68%); for institutional strengthening of MAG, 0.5 million (2%), and for programme coordination, including M&E costs, USD 4.4 million (15%). The implementation period is estimated at six years.

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<sup>5</sup> INSAFORP has pledged a counterpart contribution of USD 4.4 million to support skills training, and CONAMYPE will commit USD 0.9 million for strengthening small rural business and enterprises. Beneficiaries will contribute USD 0.6 million.

**TABLE 1: SUMMARY OF PROGRAMME COSTS<sup>a</sup>**  
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Reconstruction	3 274	1 381	4 655	30	16
Rural modernization	17 084	2 802	19 885	14	68
Institutional strengthening of MAG	400	100	500	20	2
Programme coordination	3 511	523	4 034	13	14
<b>Total base costs</b>	<b>24 269</b>	<b>4 806</b>	<b>29 075</b>	<b>17</b>	<b>100</b>
Physical contingencies	246	36	282	13	1
Price contingencies	989	155	1143	14	4
<b>Total programme costs</b>	<b>25 504</b>	<b>4 997</b>	<b>30 500</b>	<b>16</b>	<b>105</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

**TABLE 2: FINANCING PLAN<sup>a</sup>**  
(USD '000)

Components	IFAD		Beneficiaries and Other Institutions <sup>b</sup>		Government		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
<b>Reconstruction</b>											
Reconstruction Investment Fund	2 291	49	212	4.5	2 166	46	4 669	15	1 384	3 263	22
<b>Rural modernization</b>											
1. Promotion and demand survey <sup>c</sup>	1 434	88	-	-	195	12	1 630	5	313	1 121	195
2. Skills training	2 465	36	4 439	64	-	-	6 903	23	690	6 213	-
3. Agricultural support services <sup>d</sup>	4 680	87	-	-	699	13	5 379	18	1 076	3 604	699
4. Microenterprise support services	3 697	80	949	20	0	-	4 647	15	465	4 182	-
5. Investments	1 150	50	400	17	750	33	2 300	8	400	1 900	-
<b>Subtotal</b>	<b>13 426</b>	<b>64</b>	<b>5 788</b>	<b>28</b>	<b>1 645</b>	<b>8</b>	<b>20 859</b>	<b>68</b>	<b>2 944</b>	<b>17 021</b>	<b>895</b>
<b>Institutional strengthening of MAG</b>											
1. Support to MAG institutional building	469	87	-	-	70	13	539	2	108	361	70
<b>Programme coordination</b>											
1. Programme coordination unit	2 887	86	-	-	464	14	3 351	11	420	2 736	195
2. Monitoring and evaluation	584	86	-	-	92	14	676	2	99	526	50
3. Gender unit IFAD-MAG-ISDEMU	344	84	-	-	64	16	407	1	42	349	16
<b>Subtotal</b>	<b>3 814</b>	<b>86</b>	<b>-</b>	<b>-</b>	<b>620</b>	<b>14</b>	<b>4 434</b>	<b>15</b>	<b>561</b>	<b>3 611</b>	<b>261</b>
<b>Total disbursements</b>	<b>20 000</b>	<b>65</b>	<b>6 000</b>	<b>20</b>	<b>4 500</b>	<b>15</b>	<b>30 500</b>	<b>100</b>	<b>4 997</b>	<b>24 256</b>	<b>1 248</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

<sup>b</sup> Includes contribution of beneficiaries of USD 0.6 million in the investment fund for reconstruction and for modernization; the contribution of INSAFORP of USD 4.4 million and of CONAMYPE for USD 0.9 million under institutional agreements.

<sup>c</sup> Includes costs of gender training to beneficiaries and co-executing agencies and literacy programmes.

<sup>d</sup> Includes costs of strengthening grass-roots organizations.







### **E. Procurement, Disbursement, Accounts and Audit**

33. **Procurement.** Goods and services financed by IFAD will be procured in accordance with the Fund's procurement guidelines and the provisions contained in the loan agreement. Private civil engineering contractors, private rural development agencies and technical assistance will be contracted in accordance with the procedures of the cooperating institution, and in accordance with the provisions of the loan agreement.

34. **Disbursements.** All disbursements will be made against certified statements of expenditure as determined in consultation with the Fund, the cooperating institution and the Government. A special account will be opened at El Salvador's Central Bank. Programme funds will be allocated annually on the basis of an annual workplan approved by the programmes' steering committee. MAG will submit documentation on programme expenses to the cooperating institution, which will verify eligible expenses and request disbursements from IFAD.

35. **Accounts and audits.** After loan effectiveness, the programme will set up its accounting and internal control system to be designed and installed by a specialized accounting firm. Accounting will be by component, categories and by the Government's expense classification procedures. An external auditing firm acceptable to IFAD will be hired to undertake annual financial and management audits, to be financed by the programme. Other contracted agencies will keep separate accounts for programme-related expenditures.

### **F. Organization and Management**

36. Overall responsibility for programme implementation will rest with MAG. IFAD and the World Bank will support the design and implementation of a new and permanent institutional structure within MAG, responsible for promoting rural and agricultural development and poverty alleviation. Initially, like the ongoing IFAD projects in El Salvador, the programme will be managed by the Office of Programme Coordination (OCP) under MAG. Once legally created, the new institution will assume responsibility for programme implementation and administration.

37. As a first step in the design of the institutional framework, the programme will create a broad-based programme steering committee (PSC) with the participation of government institutions responsible for rural development and poverty alleviation, and well-known private foundations with wide experience in rural and agricultural development. The PSC, to be chaired by the Minister for Economy, will have as its members the Minister for Agriculture and Livestock; the Chairman of the Multisectoral Bank; the Directors of the National Development Council and of FISDL; and representatives from two private foundations – the Salvadorian Foundation for Development (FUSADES) and the National Foundation for Development (FUNDE). The PSC will meet at least twice a year and will be responsible for reviewing and approving the programme's annual report and audited accounts and for overall programme guidance.

38. A decentralized programme coordinating unit (PCU) with financial and administrative autonomy will be established, with responsibilities and authority delegated by MAG. The PCU, to respond directly to the PSC, will be responsible for management and supervision of day-to-day operations. Through a competitive process, the PSC will select a programme director who will need to be acceptable to IFAD. This position requires a professional trained in business administration with knowledge of agronomy, economy or social sciences and at least ten years experience in agricultural marketing and/or rural development.

39. The programme director, a programme technical deputy director and a gender specialist will staff the PCU. An administrative and an M&E unit will provide managerial support to the programme director. The PCU will contract external services for market development and intelligence, rural



infrastructure, and agricultural and microenterprises technological innovation. Two mobile technical units, each composed by two project analysts, will conduct the programme's field operations. Departmental committees will be created, with the participation of CBOs, producer and commodity associations, and local authorities, to provide links and coordinating mechanisms between the programme and local (municipal and/or departmental) reconstruction and productive investments and rural development plans.

40. To promote the equitable participation of rural men and women in the country's economic and social development, the programme will have both a national and programme-level gender strategy. The national strategy will: (i) support MAG and ISDEMU in designing and promoting gender equitable legislation for the agricultural sector; (ii) promote, improve and standardize gender-oriented field methodologies of all ongoing IFAD projects in the country; and (iii) make the Salvadorian gender experience the focal point for the Central American region. To this effect, the programme will establish a gender strengthening and support unit within MAG, under the responsibility of a senior gender specialist who, in collaboration with IFAD's Regional Programme to Consolidate Gender Mainstreaming Strategies in IFAD-Financed Projects of Latin America and the Caribbean (PROGENDER), will implement and monitor gender strategies and actions in all IFAD-financed projects.

41. All actors involved in the programme's activities will participate in M&E. The coordination of M&E activities will be the responsibility of the PCU, with the participation of co-executing agencies and CBOs using a participatory social audit methodology. The system will focus on measuring programme impact and will pay particular attention to gender equity, not just by disaggregating data by sex but also by measuring each programme component's progress in and impact on reducing existing gender inequities in the programme area.

### G. Economic Justification

42. The programme will promote measures seeking to bring the rural areas of the five targeted departments into the country's economic mainstream. Its training and economic development activities will also contribute to strengthening the self-esteem of the target population, particularly rural women and young people, which in turn will contribute to the empowerment of their local social and economic organizations.

43. The programme will also strengthen the productive and infrastructure resource base of 40 000 poor smallholders (both men and women), microentrepreneurs and wage workers' families. It will enhance human resource capacities in the programme area, through systematic skills training and employment support for 15 000 rural youth. An estimated 21 400 people will benefit directly from agricultural technical assistance programmes, of whom at least 8 400 women. The rural poor will directly benefit from non-reimbursable reconstruction funds that will improve education and health facilities and productive infrastructure. Some 50 000 persons will benefit indirectly from rural roads, paths and small bridges (which will significantly improve access to basic services and to an improved transportation and communication network in the programme area).

44. **Gender.** Given the historical, social and economic inequities associated with rural women in El Salvador, all programme activities will have a gender-equity focus and approach. The programme will proactively encourage the participation of women's groups in all its activities, including its reconstruction, training, investment, and small rural businesses and microenterprises activities. Through its support to the MAG-ISDEMU gender strengthening and support unit, the programme will promote new gender-balanced legislation (e.g. relating to land rights, irrigation rights, and access to technical support services). It will carry out these activities in close collaboration with the IFAD-financed PROGENDER.



45. Full implementation programme will yield on an increase of nearly 7 000 ha of fruit plantations, which will have a significant impact on smallholders' income and also improve water and soil conservation in degraded areas. Farm models will generate over one million additional labour days; reconstruction works over 7 000 new permanent jobs, and microenterprises a total of 4 200 new permanent jobs. The programme's aggregated economic analysis indicates an economic internal rate of return (EIRR) of about 25 with a net present value of USD 85.1 million and a benefit/cost ratio of 1:1.3.

### **H. Risks**

46. Programme risks are related to political and institutional changes that may cause delays in the design of a new institutional framework. This could affect rural development and poverty alleviation policies and actions. The programme's steering committee, chaired by the Ministry of Economy, will provide appropriate intersectoral and institutional coordination mechanisms to ensure effective support of the programme's rural development activities and compliance to the implementation schedule. Risks could also arise from political differences between municipal and central government authorities affecting the stability of programme activities. Local committees consisting of CBOs, civil-society organizations, non-governmental organizations and local authorities, will provide adequate fora for participatory and transparent programme operations and M&E activities.

### **I. Environmental Impact**

47. Based on an environmental screening and scoping note prepared at appraisal, the programme has been classified as Category B. Agricultural technical assistance will be consistent with safe practices in terms of soil, water and vegetation conservation, and pesticide and chemical use. Caution will be exercised when providing assistance in the cultivation of permanent and annual crops in order to avoid deforestation and soil erosion. The programme will promote tropical and semi-tropical landscape conservation and management through extension services and technologies. Technical advice provided to small-scale enterprises will seek to correct and/or avoid environmental pollution caused by discharges. The programme will coordinate closely with ongoing governmental environmental programmes and funds operating in the programme area.

### **J. Innovative Features**

48. The programme has four main innovative features: (i) the use of precise targeting mechanisms that match the limitations and requirements of each beneficiary sub-group to a specific menu of programme actions and activities; (ii) the use of information on market opportunities and prices and other market intelligence as the entry point for the programme's technical support services and investment resources; (iii) the systematic training of young men and women in skills tailored to meet labour-market demands; and (iv) the introduction of new and better-adapted food processing techniques in rural industries. Three innovative operational thrusts underlie these four features: (i) improving the quality of human resources, with particular attention to gender mainstreaming; (ii) promoting a small-business approach to productive activities; and (iii) supporting the reconstruction of damaged social and productive infrastructure with a view to long-term development.

## **PART III - LEGAL INSTRUMENTS AND AUTHORITY**

49. A loan agreement between the Republic of El Salvador and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

50. The Republic of El Salvador is empowered under its laws to borrow from IFAD.



51. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

#### **PART IV - RECOMMENDATION**

52. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of El Salvador in various currencies in an amount equivalent to fifteen million six hundred and fifty thousand Special Drawing Rights (SDR 15 650 000) to mature on and prior to 15 November 2041 and to bear a service charge of three fourths of one percent (0.75%) per annum, and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge  
President



## **SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Negotiations concluded on 30 November 2001)

1. The Government of the Republic of El Salvador (hereinafter called “the Government”) will sign a contract for provision of services with an international organization with a view to securing an adequate flow of loan proceeds. The said agreement will be signed subject to IFAD’s prior authorization.
2. As soon as possible after the effectiveness date of the loan agreement and in any case at the latest 30 days after its entry into force, the programme coordination unit (PCU) will open and maintain, in a bank selected by the Government and approved by IFAD, a USD programme account for programme operations. The programme director and the administrative head of the programme management unit (PMU) will be fully and jointly authorized to administer and use this account.
3. In order to execute the programme, the Government will place the loan proceeds at the disposal of the PMU in accordance with the annual work plans and budgets (AWP/Bs) and the customary procedures of the Government relating to the management of external funds.
4. In addition to the loan proceeds, the Government will place at the disposal of the PMU as soon as necessary, the funds, installations, services and other resources which may be required from time to time to execute the programme.
5.
  - (a) The Government will ensure that the programme contributes to gradually reducing gender disparities in the programme area. To this end, the programme will support the creation of a gender strengthening and support unit under the responsibility of a high-level gender specialist. This gender specialist will be responsible for supporting gender policies and shall propose proven, standardized and uniform working methodologies, as well as act as a link with the Regional Programme to Consolidate Gender-Mainstreaming Strategies in IFAD-Financed Projects of Latin America and the Caribbean (PROGENDER). The Government will also be responsible for supervision of the activities of the gender specialist working for the programme.
  - (b) The Government will ensure that operational gender activities of the programme are carried out and that gender parity will be achieved on all the opportunities under the programme. The gender specialist will supervise the gender training and/or awareness building extended to community organizations and beneficiary families, as well as all Programme activities wherein the maintenance of clear gender equity is required. At least 20% of staff of institutions hired for technical support must be women.
6. The Government will ensure that all posts in the PMU will be selected and contracted by means of public bidding and will reflect a high level of professional qualification and experience. In accordance with the programme’s gender strategy, at least 30% of the programme’s professional posts will be held by women.



7. IFAD may suspend, wholly or in part, the right of the Government to request withdrawal of funds from the loan account if any of the following circumstances arise:

- (a) the programme manual of operations or any of its provisions have been suspended, revoked, denied in their application, amended or modified in any way without the prior consent of IFAD and the latter shall have determined that such a suspension, revocation, denial, amendment or modification has had, or may probably have substantial adverse consequences for the programme; and
- (b) that the Operational Regulation for Reconstruction Investments or the Operational Regulation of the Rural Modernization Investment Fund or any of their provisions have been suspended, revoked, denied in their application, amended or modified in any way without the prior consent of IFAD and that the latter shall have determined that such a suspension, revocation, denial, amendment or modification has had, or may probably have substantial adverse consequences for the programme.

8. The following are prior conditions for the entry into effect of the loan agreement:

- (a) the Ministry of Agriculture and Livestock shall have selected the programme director to IFAD's satisfaction;
- (b) the PMU shall have been duly established to IFAD's satisfaction;
- (c) the loan agreement shall have been duly signed, and the signature thereof and its fulfilment by the Government shall have been duly authorized and ratified by means of all necessary administrative and governmental actions;
- (d) the Government shall have submitted to IFAD a favourable opinion as regards the matters addressed in the loan agreement, issued by a legal adviser designated by the Government to IFAD's satisfaction, in form and substance acceptable to IFAD.

9. The following are conditions for the disbursement of the loan:

- (a) No withdrawals shall be made from the loan until the contract with an international organization referred to in paragraph 1 *supra* shall have been duly signed;
- (b) no withdrawals of funds shall be made with respect to expenditures under Reconstruction Investments, until its Operational Regulation of the Reconstruction Investment Fund shall have been approved by IFAD; nor from the Rural Modernization Investment Fund until the Operational Regulation for Rural Modernization Investment Fund shall have been approved by IFAD;
- (c) no withdrawals shall be made with respect to expenditures relating to institutional agreements, until the agreements between the PMU and INSAFORP, the PMU and CONAMYPE and the PMU and the Ministry of Education shall be signed with the prior approval of IFAD.

## COUNTRY DATA

### EL SALVADOR

<b>Land area (km<sup>2</sup> thousand) 1997 1/</b>	21	<b>GNI per capita (USD) 1999 4/</b>	1 920
<b>Total population (million) 1999 4/</b>	6.2	<b>Average annual real rate of growth of GNP per capita, 1990-98 2/</b>	3.2
<b>Population density (people per km<sup>2</sup>) 1998 1/</b>	292	<b>Average annual rate of inflation, 1990-98 2/</b>	8.9
<b>Local currency</b>	El Salvador Colon (SVC)	<b>Exchange rate: USD 1 =</b>	SVC 8.75
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1980-98 1/	1.5	GDP (USD million) 1999 4/	12 467
Crude birth rate (per thousand people) 1998 1/	27	Average annual rate of growth of GDP 1/ 1980-90	0.2
Crude death rate (per thousand people) 1998 1/	6	1990-98	5.2
Infant mortality rate (per thousand live births) 1998 1/	31	Sectoral distribution of GDP, 1998 1/	
Life expectancy at birth (years) 1998 1/	69	% agriculture	12
Number of rural poor (million) (approximate) 1/	1.8	% industry	28
Poor as % of total rural population 1/	56	% manufacturing	22
Total labour force (million) 1998 1/	2.5	% services	60
Female labour force as % of total, 1998 1/	36	Consumption, 1998 1/	
<b>Education</b>		General government consumption (as % of GDP)	9
Primary school gross enrolment (% of relevant age group) 1997 1/	97	Private consumption (as % of GDP)	87
Adult literacy rate (% age 15 and above) 1998 3/	78	Gross domestic savings (as % of GDP)	4
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita, 1997 3/	2 562	Merchandise exports, 1998 1/	2 451
Prevalence of child malnutrition (height for age % of children under 5) 1992-98 1/	23	Merchandise imports, 1998 1/	3 718
Prevalence of child malnutrition (weight for age % of children under 5) 1992-98 1/	11	Balance of merchandise trade	-1 267
<b>Health</b>		Current account balances (USD million) before official transfers, 1998 1/	-1 592
Health expenditure, total (as % of GDP) 1990-98 1/	7.0	after official transfers, 1998 1/	-84
Physicians (per thousand people) 1990-98 1/	1.0	Foreign direct investment, 1998 1/	12
Percentage population without access to safe water 1990-98 3/	34		
Percentage population without access to health services 1981-93 3/	n.a.	<b>Government Finance</b>	
Percentage population without access to sanitation 1990-98 3/	10	Overall budget surplus/deficit (including grants) (as % of GDP) 1997 1/	n.a.
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 1997 1/	n.a.
Food imports as percentage of total merchandise imports 1998 1/	16	Total external debt (USD million) 1998 1/	3 633
Fertilizer consumption (hundreds of grams per ha of arable land) 1995-97 1/	1 450	Present value of debt (as % of GNP) 1998 1/	27
Food production index (1989-91=100) 1996-98 1/	111.3	Total debt service (% of exports of goods and services) 1998 1/	10.4
<b>Land Use</b>		Nominal lending rate of banks, 1998 1/	15.0
Arable land as % of land area, 1997 1/	27.3	Nominal deposit rate of banks, 1998 1/	10.3
Forest area (km <sup>2</sup> thousand) 1995 1/	1		
Forest area as % of total land area, 1995 1/	5.1		
Irrigated land as % of cropland, 1995-97 1/	14.5		

n.a. not available.

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 2000

2/ World Bank, *Atlas*, 2000

3/ UNDP, *Human Development Report*, 2000

4/ World Bank, *World Development Indicators database*, 2001

## PREVIOUS IFAD LOANS TO EL SALVADOR

Programme Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)
Agricultural Credit Project for Phase III of a Programme	IDB	IDB	I	12 Dec 84	26 Sep 85	30 Jun 90	L - I - 163 - ES	SDR	5 050 000	100
Smallholders' Agricultural Development Project in the Paracentral Region	IFAD	BCIE	I	02 Oct 90	30 Nov 92	30 Jun 01	G - I - 502 - SV	USD	14 000	58
Smallholders' Agricultural Development Project in the Paracentral Region	IFAD	BCIE	I	02 Oct 90	30 Nov 92	30 Jun 01	L - I - 267 - ES	SDR	6 500 000	97
Rehabilitation and Development Project for War-Torn Areas in the Department of Chalatenango	IFAD	UNOPS	I	03 Dec 92	08 Mar 94	31 Dec 02	L - I - 322 - ES	SDR	9 250 000	94
Rural Development Project for the North-Eastern Region	IFAD	UNOPS	I	04 Dec 97	21 May 99	30 Jun 05	L - I - 465 - SV	SDR	13 050 000	20
Rural Development Project for the Central Region (PRODAP-II)	IFAD	UNOPS	I	29 Apr 99	05 Apr 01	31 Dec 07	L - I - 508 - SV	SDR	9 550 000	

Note: BCIE = Central American Bank of Economic Integration  
I = Intermediate





## JUSTIFICATION AND RATIONALE FOR HIGHLY CONCESSIONAL TERMS

1. Two earthquakes of catastrophic proportions hit the Republic of El Salvador in January and February 2001. According to the National Emergency Committee (COEN), the combined effect of both phenomena caused the death of over 1 200 people and injuries to 6 500. More than 1.6 million people were affected; and a total of 252 000 houses were damaged, of which 164 000 were uninhabitable. An evaluation by the General Directorate of Statistics and Census indicated that 144 public health facilities and 1 566 schools were damaged.

2. The earthquakes in October 1988, torrential rains brought by Hurricane Mitch flooded 65 200 hectares (ha) causing losses in 20% of planted crops. Human losses were 374 persons, and 60 000 people were left homeless. The country had not recovered from these effects when the earthquakes of 2001 hit most of the country in two consecutive months.

3. According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), total earthquake-related losses amounted to USD 1.6 billion (Table 1). This was equivalent to 12% of the country's gross domestic product (GDP), 43.5% of its exports, 29.3% of its imports or 42.3% of its gross capital formation in 2000. A GDP growth of 0.9% has been forecast for 2001, down from a pre-earthquake estimate of 3.5% and causing a reduction of 13% in per capita GDP. These figures underline the challenges faced by the country's fiscal and external accounts and the risk of reducing public expenditures devoted to poverty alleviation programmes. The World Bank and the International Monetary Fund (IMF) have estimated higher economic losses, totalling USD 1.9 billion.

**Table 1: Summary of Earthquake Related Economic Damages**  
(USD'000)

Sector	13 January	13 February	Total
<b>Social</b>	471.7	145	616.7
Education	153.2	57.3	210.5
Health	61.3	11.1	72.4
Housing	257.2	76.6	333.8
<b>Infrastructure</b>	398	74.3	472.3
Electricity	6.4	10	16.4
Water and sewage	16.3	6.8	23.1
Transport	375.3	57.5	432.8
<b>Productive</b>	275.2	64.1	339.3
Agriculture and fisheries	85.5	7.6	93.1
Industry, commerce and tourism	189.7	56.5	246.2
<b>Environment</b>	67.5	35	102.5
<b>Other losses</b>	42.9	30.1	73
<b>Total</b>	<b>1 255.3</b>	<b>348.5</b>	<b>1 603.8</b>

Source: ECLAC, 2001

4. The rural and semi-urban sectors, together with agricultural areas (especially small coffee plantations) were severely affected; small and microentrepreneurs were also affected, with a total loss of 19 900 small business and partial damage to 23 000. Infrastructure, processing capacity and commercial activities were lost.

5. According to the United Nations Development Programme (UNDP), over 225 000 non-poor Salvadorians (3.6% of the country's population) are now poor, while 200 000 poor have become extremely poor. Total poverty has increased by 5.2 % (Table 2).

**Table 2: Effects of the Earthquakes on Poverty and Extreme Poverty**  
(in % of total population)

Location	Pre-Earthquake		Post-Earthquake		Variation in %	
	Extreme	Total	Extreme	Total	Extreme	Total
Rural	30.9	61.2	35.8	66.4	4.9	5.2
Urban	12.2	37.6	14.5	40.2	2.2	2.6
Total	20.1	47.5	23.4	51.2	3.3	3.7

Source: UNDP, 2001.

6. Total reconstruction expenditures equal USD 1.94 billion (about 14% of GDP), and it is estimated that the country will require new investments of over USD 390 million over the next five years. Meeting reconstruction costs will be possible only if external resources are obtained through grants and/or loans under preferential conditions.

7. During 2000, remittances from Salvadorians living abroad totalled USD 1 750.7 million, equivalent to 13% of GDP. Because of declines in the United States economy, worsened by the effects of the terrorist attacks of 11 September 2001, remittances are expected to fall sharply. This situation will reduce the income of 2.3 million Salvadorians who depend on relatives living in the United States. By end September 2001, a reduction of 6.1% in the total amount of remittances had already occurred. Thus, not only will the country be facing a significant reduction in an important source of foreign currency, but families will also have their household income greatly reduced.

8. Obtaining resources to fund a national reconstruction plan will need to be coupled with prudent fiscal policies. At the same time, to mitigate risks of macroeconomic instability, financial reserves must remain at an adequate level and the long-term sustainability of the country's external debt assured.

9. The IMF concluded that the Government of El Salvador could afford to borrow a significant share of the reconstruction expenses, provided the new loans are at sufficiently long maturity. Nonetheless, it is estimated that the Government will face a sizeable debt-service burden of about 30% of government current revenues.

10. Taking into account the above elements, assistance in the form of grants or highly concessional loans will be essential to help the Government of El Salvador to channel more resources to the reconstruction effort and other social spending, while keeping its debt-servicing costs under control.

## LOGICAL FRAMEWORK

OBJECTIVES	TARGETS <sup>1</sup>	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p style="text-align: center;"><b>DEVELOPMENT OBJECTIVE</b></p> <p>To improve in a sustainable manner the social and economic conditions of the rural poor population in the programme area.</p>				<ul style="list-style-type: none"> <li>The national policy for poverty mitigation will be implemented, and there are no conflicting economical policies.</li> </ul>
<p style="text-align: center;"><b>PROGRAMME OBJECTIVE</b></p> <p>Effective economic integration of the target population in regional and national context, through improvement of their capacities to access markets and business opportunities.</p>	<p>The programme will benefit 40 000 adult and young poor rural men and women directly, and 50 000 indirectly; in five departments, covering 47 municipalities.</p>	<ul style="list-style-type: none"> <li>Income of men and women increased.</li> <li>No. of new producers' associations increased.</li> <li>Family income sources diversified and improved.</li> <li>No. of municipalities reached.</li> <li>No. of municipalities with development plans in relation to the total number of municipalities reached by the programme.</li> </ul>	<ul style="list-style-type: none"> <li>Baseline study.</li> <li>Biannual evaluations (subcontracted).</li> <li>Mid-term and final evaluation reports.</li> <li>IFAD and cooperating institution's supervision mission reports.</li> <li>National statistics.</li> </ul>	<ul style="list-style-type: none"> <li>There will be synergy between activities of the World Bank and IFAD, which will each reach different target groups but with a coherent joint strategy.</li> <li>The vision and strategies of projects in the area are coherent with the principles of the programme.</li> <li>The passive and expectant attitude of the target group can be changed.</li> <li>Producers and microenterprises will be competitive enough to enter the market.</li> <li>Credit funds will be accessible to the target population.</li> </ul>

<sup>1</sup> The targets mentioned in the logical framework are general indications referring to programme beneficiaries. Final and detailed targets, measuring the programme's progress by established indicators, will be defined on the basis of the findings of the baseline study to be carried out in PY1.





<b>Component 1: Reconstruction</b>				
<b>Objective: Reconstruction of roads and social infrastructure damaged and destroyed by the earthquakes.</b>				
	<p><b>Expected Result 1:</b> Local organizations<sup>2</sup> and local authorities with capacity to elaborate and negotiate proposals for reconstruction and other programme components.</p>	<ul style="list-style-type: none"> <li>Increased participation of women in decision-making within the local organizations, by type of local organization.</li> <li>Increased access of women to paid labour in reconstruction activities.</li> <li>Level of cofinancing of local organizations' activities, by type of activity.</li> <li>Increased cofinancing sources.</li> <li>Increased quality of proposals presented by local organizations.</li> <li>Increased percentage of approved proposals in relation to the total number of requests, by type of activity.</li> </ul>	<ul style="list-style-type: none"> <li>Baseline study.</li> <li>Biannual evaluations (subcontracted).</li> <li>Operational plan and three-monthly reports from co-executing agencies.</li> <li>Cross evaluation.</li> <li>Operational plan of local organizations and self-evaluation.</li> <li>Social audit.</li> </ul>	
9	<p><b>Expected Result 2:</b> Road and social infrastructure works subcontracted, implemented, evaluated and maintained with the participation of the beneficiaries.</p>	<ul style="list-style-type: none"> <li>Increased accessibility to municipalities and communities where roads have been damaged by the earthquakes.</li> <li>Social infrastructure<sup>3</sup> in communities damaged by the earthquakes rehabilitated.</li> <li>New social infrastructure cofinanced and constructed, in response to local demand.</li> </ul>	<ul style="list-style-type: none"> <li>Baseline study.</li> <li>Biannual evaluations (subcontracted).</li> <li>Operational plan and three-monthly reports from co-executing agencies.</li> <li>FISDL reports.</li> <li>Reports from participatory workshops.</li> <li>Local development plans.</li> </ul>	<ul style="list-style-type: none"> <li>Agreements with FISDL and other cofinancing institutions will be implemented for activities outside the reach of the programme (because of amount or type of activity).</li> </ul>
	<p><b>Expected Result 3:</b> Local organizations assisted in negotiating funds for the improvement of rural housing with, for instance, the housing ministry or the <i>Fondo Nacional de Vivienda Popular</i> (FONAVIPO).</p>	<ul style="list-style-type: none"> <li>Annual increasing of the percentage of feasibility studies resulting in investments.</li> </ul>	<ul style="list-style-type: none"> <li>FONAVIPO and housing ministry reports.</li> <li>Operational plan and three-monthly reports from co-executing agencies.</li> <li>FISDL reports.</li> </ul>	<ul style="list-style-type: none"> <li>The mechanism for decision-making of the reconstruction fund will allow for transparent, decentralized and a-political decisions.</li> </ul>

<sup>2</sup> CBOs, ADESCOs, cooperatives, producers' associations, irrigation associations, interest groups, etc.

<sup>3</sup> Schools, health posts, communal centres, drinking water, drainage, day-care centres, etc.



<b>Component 2: Rural Modernization</b>				
<b>Objective: To develop, improve and strengthen economically competitive local organizations and entrepreneurial capacities, so that they can take advantage of labour market and business opportunities.</b>				
<p><b>Expected Result 1:</b> Existing local organizations<sup>4</sup> consolidated and new ones identified.</p>		<ul style="list-style-type: none"> <li>• Annual increase in the number of local organizations reached by the programme.</li> <li>• Increased number of organized beneficiaries.</li> <li>• Increased active participation (presence, opinion, decision-making) in local organizations, by sex.</li> <li>• Increased self-esteem of rural men and women.</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study.</li> <li>• Biannual evaluations.</li> <li>• Operational plan and three-monthly reports from co-executing agencies and PCU.</li> <li>• Operational plan of local organizations and self-evaluation.</li> </ul>	
<p><b>Expected Result 2:</b> Local organizations with the capacity to elaborate and negotiate sound proposals<sup>5</sup> to the modernization and other funds.</p>		<ul style="list-style-type: none"> <li>• Increased percentage of proposals approved and successfully implemented in relation to the total number of requests, by type of activity.</li> </ul>	<ul style="list-style-type: none"> <li>• Operational plan and three-monthly reports from co-executing agencies and PCU.</li> <li>• Reports from participatory workshops.</li> <li>• Local development plans.</li> <li>• Cross-evaluation.</li> <li>• Operational plan of local organizations and self-evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>• The passive and expectant attitude of the target group can be changed.</li> </ul>
<p><b>Expected Result 3:</b> Productive infrastructure subcontracted, implemented, evaluated with the participation of the beneficiaries.</p>		<ul style="list-style-type: none"> <li>• Increased level of cofinancing of local organizations activities, by type of activity.</li> <li>• Funding sources for cofinancing diversified.</li> <li>• Productive infrastructure, by type (irrigation, soil conservation, constructions, others) rehabilitated or constructed, responding to local demand.</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study.</li> <li>• Biannual evaluations.</li> <li>• Operational plan and three-monthly reports from co-executing agencies and PCU.</li> <li>• Reports from participatory workshops.</li> <li>• Local development plans and operational plans of local organizations.</li> <li>• Social audit.</li> </ul>	<ul style="list-style-type: none"> <li>• There is access to other sources for (co)financing.</li> </ul>

<sup>4</sup> Economically, technically, ecologically and socially sound.

<b>Cont. Component 2: Rural Modernization</b>				
<b>Objective: To develop, improve and strengthen economically competitive local organizations and entrepreneurial capacities, so that they can take advantage of labour market and businesses opportunities.</b>				
<b>Expected Result 4:</b> Business opportunities and marketing of agricultural and non-agricultural products improved or identified, disseminated, validated and used, through an improved system of marketing intelligence.		<ul style="list-style-type: none"> <li>• New products introduced in the market.</li> <li>• Innovative processing techniques identified.</li> <li>• Innovative processing opportunities made use of and implemented.</li> <li>• New market opportunities identified.</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study.</li> <li>• Biannual evaluations.</li> <li>• Operational plan and reports from marketing unit/PCU.</li> </ul>	<ul style="list-style-type: none"> <li>• Credit funds will be accessible to the target population.</li> <li>• The feedback mechanism from the marketing intelligence unit will allow and increase access of the target population to the information.</li> </ul>
<b>Expected Result 5:</b> Local existing production and processing techniques and existing marketing of agricultural and non-agricultural products, improved and integrated in the market.	18 000 producers (40% women and 60% men) and 2 500 existing businesses and microenterprises <sup>5</sup> benefited.	<ul style="list-style-type: none"> <li>• Increased number of producers receiving higher prices for their marketed agricultural and non-agricultural products, by sex.</li> <li>• Marketing channels for the marketing of agricultural and non-agricultural products increased.</li> <li>• Increased number of existing businesses that enter the formal marketing circuit, by sex of the owner.</li> <li>• Increased number of producers leasing land who organize themselves in order to buy agricultural inputs and sell their products together.</li> <li>• Increased capacity of the Ministry of Agriculture (for instance <i>Escuela Nacional de Agricultura</i> (ENA) and Centro Nacional de Tecnología Agropecuaria y Forestal (CENTA)) to provide technical assistance to entrepreneurs.</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study.</li> <li>• Biannual evaluations.</li> <li>• Operational plan and three-monthly reports from co-executing agencies.</li> <li>• Operational plan and reports from marketing unit/PCU.</li> <li>• Cross-Evaluation.</li> <li>• Reports from MAG, CENTA, etc.</li> </ul>	
<b>Expected Result 6:</b> Innovative agricultural and non-agricultural production, processing and marketing processes identified, evaluated and implemented, resulting in new businesses.	1 700 new businesses established (30% managed by men and 70% by women).	<ul style="list-style-type: none"> <li>• Increased amount of raw material processed, by type of raw material.</li> <li>• Increased number of value-added microenterprises, by type of product<sup>6</sup>, by sex of the owner.</li> <li>• Increased number of microenterprises that diversify the final processed products, by sex of the owner.</li> <li>• Annual increase of 15% in sales of businesses and microenterprises, by sex of the owner.</li> <li>• 60% of new businesses enter the formal market circuit, by sex of the owner.</li> <li>• Increased number of co-executing agencies providing technical assistance in processing techniques.</li> <li>• Increased capacity of CONAMYPE to provide information regarding rural enterprises to co-executing agencies.</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study.</li> <li>• Biannual evaluations.</li> <li>• Operational plan and three-monthly reports from co-executing agencies.</li> <li>• Operational plan and reports from marketing unit/PCU.</li> <li>• Cross-evaluation.</li> <li>• Reports from CONAMYPE, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Security problems and crime rates will not further increase and negatively influence the climate for investments in rural areas.</li> <li>• The institutional and legal context with regard to the development and formalization of rural enterprises will be strengthened.</li> </ul>

<sup>5</sup> Food processing, handicrafts, and others.

<sup>6</sup> Vegetables, fruits, dairy products, coffee and fish.



<b>Cont. Component 2: Rural Modernization</b>				
<b>Objective: To develop, improve and strengthen economically competitive local organizations and entrepreneurial capacities, in order to take advantage of labour market and businesses opportunities.</b>				
<b>Expected Result 7:</b> Young men and women integrated in the labour market, through specific skills training and work placement.	15 000 young people trained in specific skills (50% men and 50% women).	<ul style="list-style-type: none"> <li>Increased number of young people received skills training, by type and sex.</li> <li>Increased percentage of young people trained and inserted in the labour market, in relation to the total number of young people trained, by sex.</li> <li>Increased number of jobs created, by type, by sex.</li> </ul>	<ul style="list-style-type: none"> <li>Baseline study.</li> <li>Biannual evaluations.</li> <li>Operational plan and three-monthly reports from co-executing agencies and PCU.</li> <li>INSAFORP reports.</li> </ul>	<ul style="list-style-type: none"> <li>Labour market for specific skills is not saturated.</li> </ul>
<b>Component 3: Institutional Strengthening of the Ministry of Agriculture and Livestock</b>				
<b>Objective: To improve the institutional framework for rural development programmes and modernization of agricultural and livestock development, and rural poverty reduction.</b>				
<b>Expected Result 1:</b> Long-term rural development programme cofinanced by the World Bank, IFAD and MAG.		Development Programme operational.	<ul style="list-style-type: none"> <li>Reports from MAG.</li> <li>IFAD and World Bank reports and documents.</li> </ul>	<ul style="list-style-type: none"> <li>IFAD and World Bank work together towards institutional strengthening of MAG, through cofinancing and the use of coherent development strategies.</li> </ul>
<b>Expected Result 2:</b> New institutional structures in the private and public sector contribute to the planning and implementation of flexible and efficient rural development programmes.		<ul style="list-style-type: none"> <li>Institutional structure designed.</li> </ul>	<ul style="list-style-type: none"> <li>Three-monthly reports from PCU.</li> <li>Reports from MAG.</li> </ul>	
<b>Expected Result 3:</b> Flexible and efficient rural development programmes are being executed through the new operational institutional structure.		<ul style="list-style-type: none"> <li>Increased coordination between MAG and other ministries relevant to rural development.</li> <li>Increased rural development actions created by MAG.</li> </ul>	<ul style="list-style-type: none"> <li>Three-monthly reports from PCU.</li> <li>Reports from MAG.</li> </ul>	
<b>Expected Result 4:</b> Gender equity unit in MAG strengthened and consolidated in order to integrate gender equity in the Ministry's policies and instruments (operational and legal), and to strengthen from within MAG, the ISDEMU and provide technical assistance to IFAD projects.		<ul style="list-style-type: none"> <li>Experiences from IFAD projects are systematized and exchanged on an annual basis.</li> <li>Increased methodological and strategical coherency among IFAD projects.</li> <li>Increase in the number of policies and instruments where gender equity has been integrated.</li> <li>Gender equity integrated in the next agricultural census and in a MAG statistics.</li> <li>Increased acceptance in MAG departments of the importance of gender equity.</li> <li>Increase in the number of times/year ISDEMU provides assistance to MAG.</li> </ul>	<ul style="list-style-type: none"> <li>Three-monthly reports from PCU.</li> <li>Reports from ISDEMU, MAG.</li> <li>Interviews with personnel from IFAD projects and departments within MAG.</li> <li>Operational plan of the gender unit strengthening and support.</li> </ul>	

<b>Programme Coordination</b>				
<b>Objective: Provide operational, administrative, monitoring and evaluation support to programme activities and ensure the implementation of general programme strategy and interconnected issues, such as gender equity and environment.</b>				
<b>Expected Result 1:</b> The selection, approval and evaluation of proposals to the reconstruction and modernization funds will be implemented through participatory processes and instruments.		<ul style="list-style-type: none"> <li>• 10% of the organizations presenting proposals enter the ‘fast-track mode’ (improvement of current economic activities).</li> <li>• 30% of the organizations presenting proposals enter the ‘technical assistance mode’ (development of innovative ideas).</li> <li>• 60% of the organizations enter the ‘consolidation and formation of organization mode’ (do not yet present proposals).</li> <li>• 40% of organizations come out of the ‘consolidation and formation mode’ and present proposals to the Fund.</li> <li>• Increased number of Development Plans.</li> <li>• Increased capacity of the PCU and local organization to negotiate with other funding sources.</li> <li>• Participatory workshops and local selection committees function better each year.</li> <li>• Increased capacity of local organization to carry out self-evaluations and cross-evaluations.</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study.</li> <li>• Biannual evaluations.</li> <li>• Operational plan and three-monthly reports from co-executing agencies.</li> <li>• Consolidated reports from the M&amp;E unit.</li> <li>• Financial reports.</li> <li>• Social audit.</li> </ul>	<ul style="list-style-type: none"> <li>• The mechanisms used by the funds will promote flexible, transparent, participatory and gender equitable processes.</li> <li>• The PCU has a proactive attitude.</li> </ul>
<b>Expected Result 2:</b> Communication strategy designed and implemented.		<ul style="list-style-type: none"> <li>• Increased number of authorities (municipal, parliament, MAG, other ministries) well informed about the programme.</li> <li>• Increased number of men and women beneficiaries of the programme’s target group with knowledge about the programme strategy and benefits, and about how to access the funds.</li> </ul>	<ul style="list-style-type: none"> <li>• Biannual evaluations.</li> <li>• Operational plan and PCU reports.</li> <li>• Interviews.</li> </ul>	<ul style="list-style-type: none"> <li>• There is coherency between the communication strategies and other IFAD projects in El Salvador.</li> </ul>
<b>Expected Result 3:</b> Economic gender-related inequities existing in the programme area decreased.		<ul style="list-style-type: none"> <li>• Decrease in the existing gender differences regarding:               <ol style="list-style-type: none"> <li>a) number of businesses managed by men and women in formal marketing circuits.</li> <li>b) profitability of men and women managed businesses.</li> <li>c) levels of men and women participation in productive organizations.</li> <li>d) access to technical assistance provided to men and women producers.</li> <li>e) access by men and women to productive resources.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study.</li> <li>• Biannual evaluations.</li> <li>• Operational plan and three-monthly reports from co-executing agencies and PCU.</li> <li>• Case studies.</li> <li>• Self-evaluations local organizations.</li> </ul>	



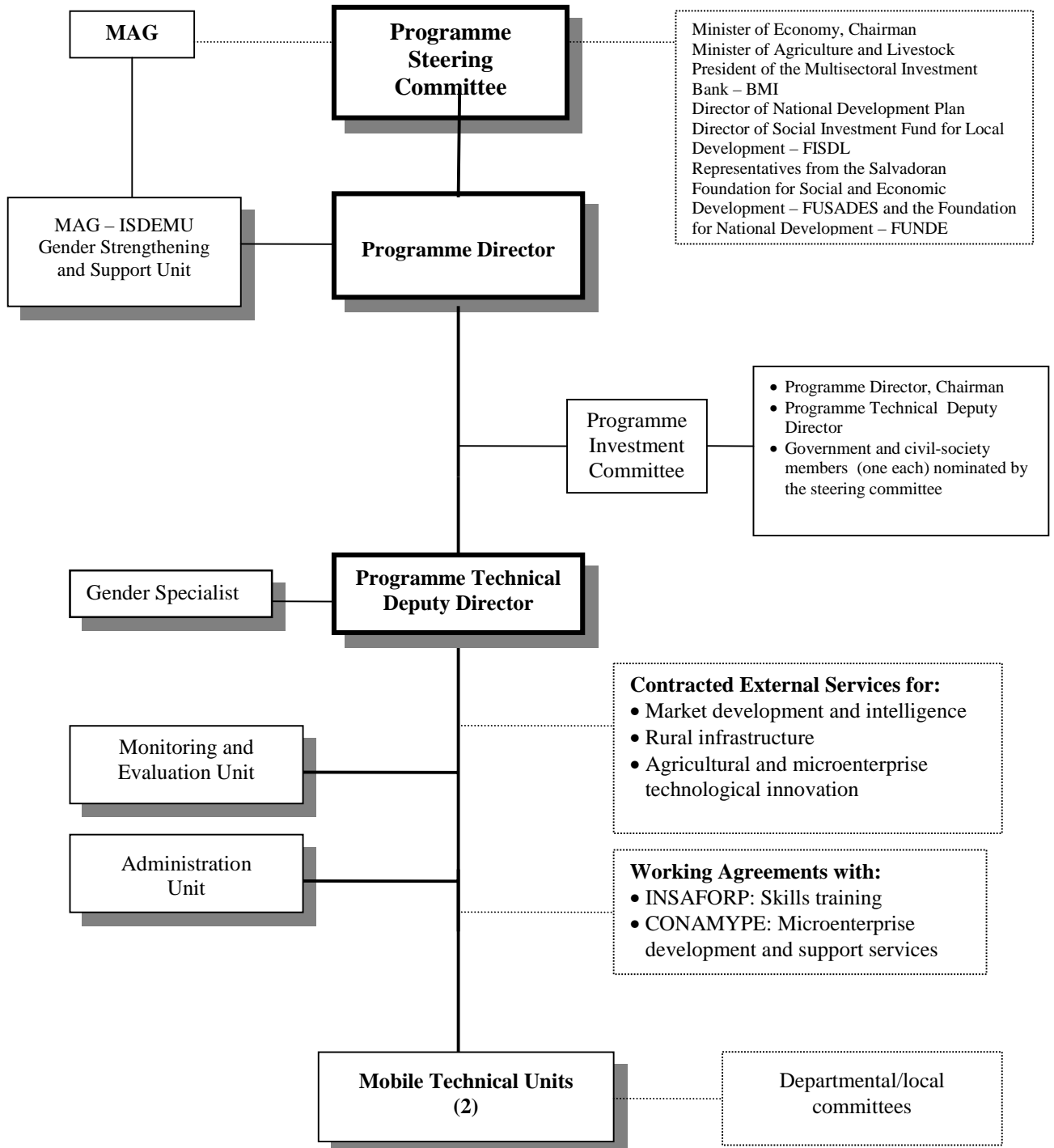


<b>Cont. Programme Coordination</b>				
<b>Objective: Provide operational, administrative, monitoring and evaluation support to programme activities and ensure the implementation of general programme strategy and interconnected issues, such as gender equity and environment.</b>				
<b>Expected Result 4:</b> M&E system functioning as management instrument to redirect programme strategies and measure progress and impact of programme actions.		<ul style="list-style-type: none"> <li>Co-executing agencies, PCU and local organizations use the recommendations offered by the M&amp;E Unit.</li> </ul>	<ul style="list-style-type: none"> <li>Biannual evaluations.</li> <li>Operational plan and three-monthly reports from co-executing agencies and PCU.</li> <li>Reports from and interviews with OCP/MAG.</li> <li>Self-evaluation local organizations.</li> </ul>	
<b>Expected Result 5:</b> Selected and contracted co-executing agencies offer high-quality services with a gender-equity perspective to local organizations.		<ul style="list-style-type: none"> <li>Increased diversification of co-executing agencies.</li> <li>Increased number of local organizations wishing to renew contracts with co-executing agencies.</li> </ul>	<ul style="list-style-type: none"> <li>Three-monthly reports from co-executing agencies.</li> <li>Reports from Zonal Offices and PCU.</li> <li>Self-evaluation co-executing agencies.</li> <li>Cross-evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>The Co-executing Agencies have the operational capacity to comply with their contracts.</li> <li>There will be no concentration in only a few co-executing agencies.</li> </ul>
<b>Expected Result 6:</b> Agreements with projects and institutions in the programme area established.		<ul style="list-style-type: none"> <li>Increased coordination activities and co-financing of development plans.</li> <li>Active participation in the inter-programme committee.</li> </ul>	<ul style="list-style-type: none"> <li>Three-monthly reports from PCU.</li> <li>Biannual evaluations.</li> <li>Agreements.</li> </ul>	
<b>Expected Result 7:</b> Programme steering committee established and functioning.		<ul style="list-style-type: none"> <li>Increased coordination of activities between IFAD projects and MAG.</li> <li>Increased strategical coherency of IFAD projects.</li> </ul>	<ul style="list-style-type: none"> <li>Meeting minutes.</li> <li>Biannual evaluations.</li> </ul>	





### ORGANIZATION AND MANAGEMENT





**MATRIX OF POVERTY DETERMINANTS AND REQUIRED PROGRAMME ACTIONS**

<b>IFAD Target Group</b>	<b>Poverty Determinant</b>	<b>Effects</b>	<b>Required Programme Actions</b>
<b>Landless farmers and rural youth</b>	Low level of human capital	Low self-esteem	<ul style="list-style-type: none"> <li>• Education and training*</li> <li>• Empowerment*</li> </ul>
		Illiteracy	<ul style="list-style-type: none"> <li>• Basic education*</li> </ul>
	Low level of social capital	Low organizational capacity	<ul style="list-style-type: none"> <li>• Training in organization and management</li> </ul>
		Social and political exclusion	<ul style="list-style-type: none"> <li>• Training in participatory rural development*</li> <li>• Strengthening grass-roots social organizations*</li> </ul>
	Low labour skills	Low income-generating capacity	<ul style="list-style-type: none"> <li>• Skills training</li> </ul>
		Low productive and marketing skills	<ul style="list-style-type: none"> <li>• Training*</li> <li>• Microenterprise production and marketing support services*</li> </ul>
		High transaction costs	<ul style="list-style-type: none"> <li>• Promotion of microenterprise productive and marketing economic organizations*</li> </ul>
	Earthquake effects	Destruction/damage to houses	<ul style="list-style-type: none"> <li>• Support to access the Government's housing construction programmes</li> </ul>
		Destruction/damage to social, transportation and rural infrastructure	<ul style="list-style-type: none"> <li>• Reconstruction component</li> </ul>
	<b>Subsistence and small poor farmers</b>	Low level of productive assets	Low income-generating capacity
High transaction costs			<ul style="list-style-type: none"> <li>• Promotion of productive and marketing economic organizations*</li> </ul>
Low level of access to financial resources			<ul style="list-style-type: none"> <li>• Rural modernization component*</li> <li>• Support to access current and new** rural financial services</li> </ul>
Degraded natural resources		Low productivity and limited sustainability	<ul style="list-style-type: none"> <li>• Support to access government's natural resource management programmes</li> <li>• Environmentally sensitive productive technologies</li> </ul>
Earthquake effects		Destruction/damage to social, transportation and rural infrastructure	<ul style="list-style-type: none"> <li>• Reconstruction component</li> </ul>
<b>WORLD BANK Target Group</b>			
<b>Medium-size commercial farmers***</b>	- Low levels of productive/innovative production - Destruction/damage to transportation and rural infrastructure	Low profit-generating capacity	<ul style="list-style-type: none"> <li>• Marketing support services</li> <li>• Market oriented agricultural and non-agricultural demand-led supporting services</li> <li>• Adapted technology</li> </ul>
		High transaction costs	<ul style="list-style-type: none"> <li>• Strengthening productive and marketing local economic organizations</li> </ul>
	Level of financial resources	<ul style="list-style-type: none"> <li>• Rural productive investment</li> </ul>	

\* With particular emphasis on rural women.

\*\* To be established after a study on beneficiary access to rural financial services in PY3.

\*\*\* To be supported by parallel financing by a World Bank operation in El Salvador.