1. We would like to endorse the Country Assistance Strategy for El Salvador and commend staff for the innovations and new emphases introduced in this first CAS for the country under the new procedures. The basic objectives of the CAS, which include poverty reduction, enhancing competitiveness, modernization of the public sector, and environmental sustainability, are in conformity with the government’s own strategic objectives. In particular, we welcome the Bank’s strategy to assist the country in achieving sustainable and evenly distributed economic growth. We are pleased to note the impressive economic growth in El Salvador since the advent of peace. As noted in the paper, at the end of the civil strife in 1992, the country was in a precarious position as a result of the social conflict which led to a diversion of public resources from the social and economic sectors to military expenditures.

2. The CAS objective of addressing poverty reduction generally, while giving the rural areas special attention, will enable the rural people of El Salvador to contribute to the country’s overall productivity. In this regard we are in agreement with the Bank’s proposal to encourage the diffusion of information on business opportunities, marketing chains and the need to reform the rural credit system to enable small farmers to have access to credit.

3. We are pleased to note the full participation of different parts of the Bank Group in the preparation of the proposed CAS. By defining their respective roles at this stage we can ensure that a coordinated approach is adopted by the Bank Group in helping the country achieve its developmental objectives, and that the Group will be fully involved in the implementation of the CAS. In addition, the role of other development banks in the strategy is recognized and the proposed division of labor between the Bank and its development partners is built on the Bank Group’s comparative advantage.

4. We welcome the focus on education and health, as an enlightened, skilled and healthy society is a necessity to lift the country out of poverty and launch it into the global economy. In this connection, the Community Managed School and the proposed Secondary School Education Modernization Projects should be accorded appropriate priority. Likewise the...
Technical Assistance Program for the health sector would enable a larger proportion of the population to have access to health services. On the gender issue, we welcome the strategy proposed in the document for raising overall educational standards, taking into account equity concerns and the elimination of negative gender stereotypes through aggressive public enlightenment.

5. This chair also supports the assistance strategy's focus on environmental management, in view of the fact that the natural resources degradation in El Salvador contributes greatly to rural poverty in the country. Soil erosion alone affects about half of the country. The Bank strategy should help to improve the country's natural resources management practices, thereby increasing productivity. This should reduce the poverty level of the rural people, as more than 60 percent of the population lives in the rural areas and over 80 percent of the rural dwellers are peasant farmers who work on less than 3 hectares each. It is not an overstatement to say that poverty is a threat to peace and political stability in El Salvador and a constraint to sustained economic growth. Improved natural resources management practices should, therefore, be a major priority for the government.

6. As the country attempts to improve its export competitiveness, the Bank should continue to offer technical assistance for macroeconomics policies to strengthen the country's fiscal base and reduce inflation. Furthermore, the Bank should maintain a dialogue with the government on issues affecting investment and trade. The necessary financial framework should be developed to improve access to credit for small and medium-scale enterprises. In an attempt to launch the country into the global economy, the government should not lose sight of the need for a broad-based approach.

7. The IFC's exposure in El Salvador appears to be significant. The Corporation's Extended Reach Initiative is focusing on the modernization of local industries to make them internationally competitive. The Corporation is also providing technical assistance to the Government on its privatization program and is involved in the development of a Stock Market for Central America. We welcome IFC's active participation in this country, and hope to see it expand further in the coming years.

8. Public sector reform is central to the implementation of other aspects of the vision, and is, therefore, necessary for the Bank to play a leadership role in this area. In this regard, we welcome the proposed Public Sector Modernization Technical Assistance Project, which is being co-financed by the IDB. The Bank should also support the government in implementing its privatization program to enable the government to concentrate its efforts on the provision of social services while the private sector plays a larger role in other areas.

9. We appreciate the staff's efforts in reaching out to NGOs in the preparation of the CAS document. However, it must be remembered that NGOs are not necessarily synonymous with civil society. In reading Annex C of the document, it would seem that the consultation process was limited to NGOs and left out other groups in civil society. It is our hope, however, that continued dialogue with interested groups would go a long way to ensure the smooth implementation of the assistance strategy. We also hope that the lessons learned from
the dialogue with NGOs in El Salvador will be useful to the staff in their continued efforts to enhance the participation of civil society in the Bank’s Country Assistance Strategies.

10. In response to the specific questions directed to the Board in paragraph 83, we consider the proposed CAS to be an appropriate response to El Salvador’s development needs. We believe it gives appropriate emphasis to the country’s poverty reduction and peace sustainability priorities. We also believe that the strategy involves a great deal of collaboration with other development partners and NGOs, although a broader spectrum of civil society will need to participate in the process. The risks associated with implementation of the CAS, which are clearly identified in the report, relate to fiscal performance, social instability, and the complexity of the program. These risks can only be mitigated through the continuation of the excellent dialogue that currently exists between the Bank and the government, and by promoting the participation of all stakeholders in the development process. We believe that the CAS’s flexibility will enable it to respond to these risks.

11. In closing, we commend staff for the high quality of their work and wish the authorities of El Salvador every success in the challenging endeavor of maintaining sustainable peace and achieving equitable development.