

## II. THE ECONOMIC AND SOCIAL IMPACT

### A. The economic and social situation prior to the earthquake

Since the end of the previous decade, El Salvador has been plunged into a deep economic, political and social crisis. To a great extent, this situation has come about as a result of the confluence of two factors. The first of these concerns the virtual state of war in the country, which has existed for seven consecutive years, and which has led to the loss of many lives, the destruction of productive assets, the diversion of considerable public funds towards security and defence, as well as a permanent state of unrest and social tension. The second springs from the clearly unfavourable trend in external demand. Between 1979 and 1985, the current value of total exports fell 32%, while the terms of trade worsened by 14%. Consequently, in 1985 the purchasing power of exports was 44% lower than it had been in 1979 (see table 4).

As a result of these factors, the country's economic activity declined 20% between 1978 and 1985, thereby bringing down per capita income to a level it had surpassed more than 20 years ago. The average consumption of families has shrunk by around 25%. The level of activity is low in almost all productive sectors, and open unemployment is around 30%. All of these factors have led to a sharp deterioration in the already low living standards of the population, and to a deep cutback in capital formation. Gross fixed investment declined by 50% between 1978 and 1985, bringing down its share of gross domestic product from 24% to 13% over the same period.

The war and economic depression have led to the flight of enormous capital sums from the country - particularly during the opening years of the present decade -, as well as to the emigration of a large number of the general population, including skilled human resources, together with a domestic migration from the countryside towards the city which has rapidly raised the level of urbanization. Approximately half a million people have abandoned the countryside and nearly 350,000 of these have settled in the metropolitan area of San Salvador, where they live in precarious living conditions and with extremely limited access to public services.

Further, during the 1978-1985 period, other sectors of the economy were affected by severe imbalances:

a) The balance of payments deficit rose from barely noticeable levels to 340 million dollars, representing almost 8% of the gross domestic product.

b) The fiscal deficit (largely the result of military expenditure) rose from 130 to 970 million colones, equivalent to 2% and 7% of GDP respectively.

Table 4  
EL SALVADOR: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982	1983	1984	1985 <sup>a/</sup>
<u>Basic economic indicators</u>							
Gross domestic product at market prices (millions of 1980 dollars)	3 919	3 567	3 267	3 081	3 099	3 144	3 187
Population (thousands of inhabitants)	4 435	4 529	4 576	4 624	4 673	4 722	4 772
Per capita gross domestic product (1980 dollars)	884	786	714	666	663	666	668
<u>Growth rates</u>							
<u>Short-run economic indicators</u>							
Gross domestic product	-1.8	-8.9	-8.4	-5.7	0.6	1.4	1.4
Per capita gross domestic product	0.2	-11.1	-9.2	-6.7	-0.6	0.4	0.3
Rate of unemployment <sup>b/</sup>	6.7	16.1	25.0	30.0	30.0	30.0	30.0
Consumer prices							
December-December	14.8	18.6	11.6	13.4	14.8	9.8	30.8
Variation between annual averages	15.9	17.4	14.7	11.7	13.1	11.7	22.1
Real wages and salaries <sup>c/</sup>	12.3	-5.6	-10.4	11.8	-12.9	-8.9	-23.6
Money	21.6	7.2	-0.8	4.7	-1.5	17.3	26.9
Current income of government	18.3	-14.4	6.4	0.3	13.7	22.5	23.2
Total government expenditure	12.8	17.6	13.3	4.6	50.0	-8.0	14.4
Fiscal deficit/total government expenditure <sup>b/</sup>	7.0	32.3	36.4	39.0	53.8	38.5	33.8
Fiscal deficit/gross domestic product <sup>b/</sup>	1.1	5.6	7.3	7.9	14.6	8.5	6.9
Current value of exports of goods and services	37.2	-4.0	-24.0	-10.9	6.1	-4.7	0.3
Current value of imports of goods and services	3.9	-6.8	-0.8	-10.3	1.9	12.2	3.6
Terms of trade (goods and services)	-5.0	-7.7	-9.0	2.5	-9.8	12.7	-1.3
<u>Millions of dollars</u>							
<u>External sector</u>							
Trade balance (goods and services)	11	45	-237	-218	-187	-328	-368
Net payments of profits and interest	77	94	100	129	131	163	150
Balance on current account	15	-1	-272	-271	-256	-313	-342
Balance on capital account	-149	-74	223	242	280	320	389
Variation in international reserves (net)	-128	-69	-43	-27	39	7	47
External debt (end of year balance)	939	1 176	1 471	1 710	1 891	1 949	2 003

Source: ECLAC, on the basis of official date.

<sup>a/</sup> Preliminary figures.

<sup>b/</sup> Percentages.

<sup>c/</sup> Real minimum wages of agricultural workers.

c) The economy's liquidity ( $M_2$ /GDP) rose gradually from 30.5% to 39.4%.

d) Inflation has remained on average at around 15% in the last six years, with an accelerating trend, in 1985 and 1986.

e) The colon tended to be considerably overvalued in terms of effective parity (approximately 40% between 1980 and 1985), in spite of the partial devaluations initiated in 1982 with the creation of an official parallel market. In turn, progressive increases in foreign exchange quotations in banking and other markets have been a major source of inflation in recent years.

Within the general behaviour of the Salvadoran economy described above, two clearly distinguished periods are nevertheless apparent. The first of these covers the period 1978-1982, during which the economy contracted severely. The second covers the years 1983-1985 during which recessive trends came to a halt, thanks to donations and the various types of assistance provided by the United States, as well as to ever increasing transfers from Salvadorans residing abroad. It is estimated that between 1983 and 1985 the country received approximately 350 million dollars per year, only from official economic assistance in the form of donations and loans. On the one hand, this figure is approximately equal to the balance-of-payments current account deficit, and on the other, to the central government deficit.

Offsetting the imbalance in the balance-of-payments current account through unilateral transfers, which amounted to 370 million dollars in 1985, substantially changed the country's economic situation. To some degree, the economic situation was also changed by fiscal and credit constraints which, together with other actions, were incorporated in 1982 and 1983 into an adjustment programme agreed upon with the International Monetary Fund. Productive activity grew slightly (a yearly average of 1% between 1983 and 1985). Expanded domestic demand encouraged certain production sectors, which prevented greater deterioration in the high level of open unemployment.

This did not suffice to put an end to unrest and social tension. On the one hand, the war continued with its trail of human and material damage. Moreover, the macroeconomic imbalances which had persisted over previous years continued and in some cases tended to worsen. The current account balance recorded an average deficit of 300 million dollars per year between 1983 and 1985; although the central government deficit shrunk slightly owing to heavy cutbacks in non-military expenditure, it nevertheless still represented 7% of gross domestic product in 1985; inflation continued to rise and underwent a pronounced acceleration in 1985; both, idle installed capacity and unemployment remained high, while the colon continued to appreciate as a result of the increased domestic inflation.

In 1986, the trend followed by the economy was compounded by two new features: First of all, the expectation of a relative boom in coffee exports, arising from the increase in international prices and secondly, the application of a programme of economic stabilization designed to mitigate the macroeconomic imbalances inherited from previous years.

It was estimated that the higher prices for coffee on international markets and, consequently, the marked increase in the value of exports would assist in reactivating the economy to a certain extent. Moreover, it was hoped that the boom in exports would somewhat reverse negative trends and that public finances would receive considerable income therefrom, above all as a result of the imposition of a temporary 15% surtax on external sales.

The package of economic policy measures, due to come into force in 1986, included: Unification of the exchange rate at 5 colones to the dollar and a prohibition against operations using currency on non-banking markets; a rise in the rates of public transport and fuel prices; increases in the interest rates, particularly on long-term deposits; increases in selective consumer taxes, and an increase in both, the rural and urban minimum wages (50% for rural workers and 15% for public employees). These measures were to be complemented by price controls on some articles included in the family shopping baskets (food, rents, school fees and medical services) and the application of the new Central American tariffs. As of October, only exchange measures and partial wage adjustments had been implemented.

According to preliminary calculations, during the first ten months of 1986, economic activity maintained a growth rate below 1%, compared to an average of 1.4% for the 1984-1985 biennium. This has been caused partially by a contraction in the production of basic grains, owing to the severe drought in July and August; continued reductions in the area dedicated to cotton growing; stagnation in manufacturing production caused by the shortage in foreign exchange needed to import intermediate goods; the exchange measures adopted at the beginning of the year, and the persistence of difficulties in the Central American Common Market in view of interregional payment problems, and the slowdown in construction due to increased production costs and the consequent drop in the demand for lower-income strata.

Moreover, repercussions of some of the economic measures adopted tended to sharpen the main imbalances affecting the economy. The devaluation of the exchange rate, the increase in the rates of interest and the wage increases contributed to intensifying inflationary pressures at an annual rate of more than 35%.

For its part, the fiscal deficit continued to deepen and surpassed that of the previous year. While the package of economic policy measures considered the adoption of a series of tax adjustments, these had still not been introduced by October; consequently, income grew less than

expenditure. Moreover, the public sector experienced a number of difficulties which delayed its receipt of the bilateral assistance from the United States forecasted for the year.

As far as the external sector is concerned, the balance of payments current account deficit attained similar levels to those of the previous year (approximately 340 million dollars). While imports declined slightly as a result of the lack of timely available currency, exports increased to a certain extent thanks to the rise in the international prices for coffee. Nevertheless, it is estimated that both, private and official transfers from abroad by October, had already attained the same level as in 1985.

Inflation considerably exceeded the average wage increase granted at the beginning of the year. Consequently, during the first ten months, the purchasing power of wage-earners continued to deteriorate, although some strata of workers, particularly rural workers, obtained a slight real increase.

#### B. Short and medium-term repercussions

Preliminary estimates of the damage caused by the earthquake reach critical proportions for the Salvadoran economy. Total losses in assets and production represent approximately 23% of the 1986 gross domestic product. More than 10% of the country's accumulated productive capital was destroyed and the domestic product dropped 2%, all of which makes the productive system, which was in a critical state before the earthquake, even worse.

Furthermore, during the recovery and reconstruction period, social deficiencies, which are already serious, particularly in health and education, are expected to become more pronounced. That is why intense reconstruction efforts cannot be postponed, if greater deterioration in the population's standard of living is to be prevented. To the years of development lost due to the international crisis and armed conflict more were lost because of the repercussions of the earthquake.

##### 1. The challenges

The circumstances indicated above (the great magnitude of destruction, the urgent need to repair damages, the weakening of the productive apparatus and increasing financial imbalances) undoubtedly present serious dilemmas in establishing priorities within the economic policy and particularly in managing the fiscal budget. The disaster occurred at a time when the basic concern of the authorities revolved around two basic economic objectives: sustained reactivation of the economy and correction of severe financial imbalances. This concern inevitably arose in a situation where the social and economic burden of the armed conflict and the presence of strong external financial aid to prevent the economy from plummeting left little leeway for action.

The earthquake, therefore, destabilized the precarious balance achieved in the three preceding years and brought about enormous complications in a task that was already extremely difficult. Meeting the unpostponable needs of the earthquake victims and carrying out reconstruction tasks will require significant additional resources and substantial changes in the allocation of public resources.

The Ministry of Economic Planning and the Central Reserve Bank are designing a National Emergency and Reconstruction Programme, which includes inter-alia, an economic, social and financial strategy. This Programme will undoubtedly contemplate action to avoid the burden of costs linked to the earthquake, from falling disproportionately on the weakest social groups and to ensure that both, the public and private sectors, make more efficient use of their resources.

Sustained recovery of economic reactivation, particularly in the sectors that generate most employment, will also be sought in order to mitigate social imbalances and stimulate development.

Simultaneously, dealing with the effects of the earthquake, working towards growth objectives and correcting acute imbalances in the economy will require a great degree of pragmatism and caution in economic policy, in order to prevent greater financial instability and delays in urgent reconstruction tasks.

Nevertheless, it is clear that the economy's response capacity and the resources available are, in fact, inadequate to meet the major challenge facing the country. Thus, the importance of mobilizing international financial and technical assistance is decisive in achieving recovery within a reasonable period of time.

## 2. Short-term repercussions

As far as the remainder of the year is concerned, it is estimated that the direct consequences of the earthquake centre on: a) an increase of more than 24% in the fiscal deficit, owing to emergency expenditures and loss of income, b) a fall of 2% in the gross domestic product, c) disturbances in productive activities and in public administration in the areas affected by the earthquake, and d) additional import needs over and above the international aid received (see table 7 below).

The social impact is even more significant. The already considerable housing shortage grew substantially and unemployment rose from 26% to 35% in the metropolitan area of San Salvador, as a result of the destruction of numerous productive units in the informal sector. There was also a drastic reduction in public health services. Furthermore, most of the families affected belong to the lowest-income strata. Finally, new inflationary pressure is expected and will aggravate imbalances in the external sector, in public finances and in income distribution.

### 3. Medium-term consequences

The medium-term consequences of reconstruction on the economy will depend on the pace determined by the government, on the response capacity of the productive sector and on the amount of external resources available. It will also be influenced by the scope of the reallocation of public resources, in accordance with changes in priorities on the part of society and authorities.

As an illustration, an attempt has been made to draw up a hypothetical timetable for reconstruction, spread out over the remainder of 1986 and the five coming years (see table 5).

In general terms, it is believed that the productive and financial system could experience significant tension, at least during the next three years, particularly in reference to the concentration of activities in the construction sector and to equilibrium in public finances and in the balance of payments.

#### a) The construction sector

First of all, delays are expected in the construction industry which could exceed this sector's response capacity, particularly in 1987 and 1988, years in which the greatest efforts will be concentrated (see table 6). There will not only be a shortage of skilled labour, but also a limited supply elasticity of the industrial sector linked to this activity. A related problem should also be noted: reconstruction would tend to concentrate economic activity in the city of San Salvador, to the detriment of efforts aimed at attaining development that is better balanced geographically. According to the estimates mentioned, the San Salvador rehabilitation programme will occupy more than twice the number of workers employed by the construction industry throughout the country in 1985.

#### b) Other productive sectors

Additionally, and still within the hypothetical timetable, construction would have a significant indirect impact upon other productive sectors, particularly industry and transport. Overall calculations indicate that the total (direct and indirect) impact on the economy could represent between 3% and 4% of the annual gross domestic product in 1987 and 1988. However, consideration should be given to the possibility that the production of industrial inputs, such as iron and lumber, may not meet the demand, in which case, imports may rise.

Table 5  
POSSIBLE RECONSTRUCTION TIMETABLE  
(Millions of 1986 colones)

	Total	1986	1987	1988	1989	1990	1991
<u>Total</u>	<u>3 720</u>	<u>541</u>	<u>1 241</u>	<u>919</u>	<u>490</u>	<u>322</u>	<u>207</u>
Construction and repair	3 197	445	1 050	785	444	281	192
Equipment	387	70	122	93	46	41	15
Inventories	136	26	69	41	-	-	-
Public sector	1 198	147	471	240	145	115	80
Construction and repair	1 054	142	422	200	125	100	65
Equipment	144	5	49	40	20	15	15
Private sector	2 522	394	770	679	345	207	127
Construction and repair	2 143	303	628	585	319	181	127
Equipment	243	65	73	53	26	26	-
Inventories	136	26	69	41	-	-	-

Source: ECLAC estimates.



Table 6  
ECONOMIC IMPACT OF THE DISASTER AND RECONSTRUCTION  
(Millions of 1986 colones)

	1986	1987	1988	1989	1990	1991
<u>Immediate consequences</u>						
Public sector						
Loss of income	65					
Increased expenditure	71					
Gross total	136					
Percentages in relation to 1986 deficit	24.3					
Productive sector <sup>a/</sup>						
Loss of income	250					
Loss of stocks	129					
Increase in operating costs	20					
Total production losses	408					
Percentages in relation to GDP (1986)	2.1					
<u>Medium term consequences</u>						
Construction sector						
Gross production	445	1 050	785	444	281	192
Value added	194	457	341	193	122	83
Percentages in relation to the sector's value added in 1986	38.8	91.4	68.2	38.6	24.4	16.6
Indirect impact on value added of other sectors	148	349	261	148	94	64
Total impact on value added	342	806	602	341	216	147
Percentages in relation to 1986 GDP	1.8	4.3	3.2	1.8	1.1	0.8
Direct generation of employment (thousands of persons)	18	42	31	18	11	7
Percentages in relation to number employed in construction in 1985	45.0	105.1	77.6	45.0	27.5	20.0
Total generation of employment (thousands of persons)	11	26	19	11	7	5
Indirect generation of employment (thousands of persons)	29	68	50	29	18	12
Percentages in relation to national employment in 1985	2.7	6.3	4.6	2.7	1.6	1.1
Investment						
Investment in construction, equipment and stocks	541	1 241	919	490	322	207
Percentages in relation to total 1986 investment	22.7	52.0	38.5	20.5	13.5	8.7
Private investment	394	770	679	345	207	127
Percentages in relation to private investment in 1986	22.0	42.9	37.8	19.2	11.5	7.1
Public sector						
Expenditure on reconstruction and replacement of equipment	147	471	240	145	115	80
Percentages in relation to 1986 public investment	24.8	79.6	40.5	24.5	19.4	13.5
Immediate impact	136					
Increase in expenditure	283	471	240	145	115	79

/(Continues)

Cuadro 6 (Conclusion)

	1986	1987	1988	1989	1990	1991
Less:						
Increase in tax revenue	37	89	66	37	23	16
Net increase in deficit	246	382	174	108	92	63
Percentages in relation to 1986 deficit	44.1	68.5	31.2	19.4	16.5	11.3
Percentages in relation to 1986 gross total	6.6	10.3	4.6	2.9	2.5	1.7
Percentages in relation to 1985 GDP	1.3	2.0	0.9	0.6	0.5	0.3
External sector (millions of dollars)						
Direct imports of production	23	56	41	22	14	10
Imports of equipment	10	18	14	7	6	2
Indirect imports of production	13	31	22	10	6	4
Indirect imports by the system	18	44	35	18	12	8
Total impact	64	149	112	57	38	24
Percentages in relation to 1986						
cif imports	6.7	15.5	11.6	5.9	4.0	2.5
Percentages in relation to 1986 deficit	43.8	102.1	76.7	39.0	26.0	16.4

a/ Including public enterprises.

c) Employment

Reconstruction may raise employment levels, which dropped significantly as a result of the earthquake. A few days after the disaster, the government took concrete steps to use intensive labour, in so far as possible, for cleaning, demolition and removal of rubble. Consideration should be given to the fact that more specialized construction work may not be able to absorb the unemployed who have different skills. If the demand is met, reconstruction could, directly and indirectly, create approximately 70,000 jobs in 1987, which would alleviate the critical unemployment problem.

d) Private investment

The reconstruction effort that would be carried out by the private sector, within the hypothetical timetable, would also reach levels that contrast with the low capital formation of recent years. In the remainder of this year alone, private investment in reconstruction and in certain recovery of stock and equipment will amount to 394 million colones, which represents 22% of estimated national investment for the year. In 1987 and 1988, the value of private investment for recovery would amount to 770 and 679 million colones, respectively, which would be equivalent to approximately 40% of investment in 1986. Such an effort seems disproportionate in view of the saving capacity that the private sector has been demonstrating and particularly in view of the weak trend to invest, observed in the sector.

e) The public sector

The public sector will also feel considerable consequences over the medium term. On the one hand, it has to face the reconstruction of the economic and social infrastructure and the replacement of equipment, which will require great efforts. During the period of greatest activity (1987-1988), reconstruction is likely to represent almost 70% of forecast public investment for 1986. On the other hand, tax income may increase the inflow of economic reactivation. Even so, all factors indicate that tension in public finances will grow, even taking into account the transfers received from abroad. In this regard, there is obvious incompatibility between the objectives of budgetary equilibrium and the goals of reconstruction, which can only be solved, as has been indicated, by extending the period of adjustment and by making significant changes in the manner in which public resources are allocated.

f) The external sector

In the hypothetical timetable, it is assumed that reconstruction activities will have a major impact on the external sector, especially during the 1987-1988 biennium, when the new demand for products imported

by the construction sector and other industrial branches could increase cif imports by 15%, which would mean doubling the 1986 current account deficit. This elastic demand for imports contrasts with the difficulties the country is encountering in fomenting new sales in markets abroad. This would further accentuate that already pronounced imbalance in the external sector, which is being covered by official transfers and by external transfers from Salvadorans residing abroad.

g) Prices

Over the medium term, with the implementation of reconstruction programmes, the possibility of certain intensification in inflationary pressure, particularly as a result of an increase in the liquidity and of limitation in the response capacity of the productive apparatus, cannot be ruled out. Confronting this situation will require the greatest discipline in managing monetary, tax and public spending policies, and success in obtaining complementary external financing.

### III. REQUIREMENTS IN TERMS OF EXTERNAL ASSISTANCE

The estimates given in previous chapters, make it possible to grasp the magnitude of the damage caused in El Salvador, the seriousness of the situation now facing the country and the impossibility of its being overcome with the country's own resources. Thus, the only viable alternative in order to overcome the crisis is for the international community to manifest its solidarity in the near future through aid in the form of both technical assistance and donations.

This chapter sets out the technical assistance and investment projects which it has so far been possible to identify. These projects take into account the pressing needs of reconstruction, but also broader objectives. It is hoped that the action deriving therefrom will, first of all, make it possible to tackle the aftermath of the seism and simultaneously generate employment and increase the income of the poorest sectors, by training the labour force and making use thereof in a more productive and better-paid manner.

#### A. Technical assistance required

Co-operation could be provided by international and regional bodies, industrialized countries, and horizontal co-operation from a number of Latin American countries, which possess valuable experience in areas of interest to El Salvador.

The projects are set out succinctly, but they should subsequently be expanded and formulated in greater detail. Moreover, they are also complementary to various investment projects suggested in section B of this chapter.

#### Geological and seismic-risk assessment

The support of countries with experience in the field, such as Chile, Japan, Mexico, Peru and the United States, could complement studies existing in the country on the geological, geodynamic, geovolcanic and geomorphological state of the soil in San Salvador. Such studies provide fundamental background information for carrying out various specific activities involved in the process of rehabilitation, reconstruction and resettlement which will have to be rapidly initiated. Obviously, this will also prove useful in updating the construction codes (see the following project).

#### Evaluation of structures

Frequently, following a seism, the population's reaction takes two extreme forms: they either "patch-up" cracks in walls, pillars and beams, or rapidly demolish those structures which seem to be seriously damaged.

Consequently, it is advisable that the process of structural examination begin as rapidly as possible. This could well be carried out with support from Mexico, and other countries with recent experience in the field.

#### Revision of the code of antiseismic design and construction standards

The period following the disaster is an opportune moment to update some criteria, so that the new code of design and construction standards will give due weight to structural and financial considerations.

Major structures - in particular high buildings, dams, silos, industrial plants - must observe the standard antiseismic norms. On the other hand, the criteria for light dwellings should merely aim at improving the structural resistance of light elements which, should they collapse, will cause the least possible injury to the inhabitants trapped within.

#### The training of labour for construction

At the present time there is a shortage of skilled workers in the country, and in particular of plumbers, carpenters, constructional steel erectors, painters, electricians and bricklayers in general, partially as a result of the heavy emigration in recent years.

Consequently, there is an urgent need to direct efforts towards training the unemployed in these skills, a task which may be carried out simultaneously to the reconstruction process. Training of labour may contribute to such labour being used intensively.

#### Management training for small industrial and craft entrepreneurs

Since reconstruction will require a great amount of manufactured products, which may well be supplied by the activities performed by small craft enterprises, and since the Salvadoran people have revealed a clear vocation for productive activity, albeit on a small scale, it is essential to train this sector of the population in simple entrepreneurial management techniques.

#### Optimization of urban transport

The destruction caused by the earthquake together with the demolition to be carried out later and the excavation which will be necessary in order to repair the underground public service mains, will considerably worsen the problems of traffic congestion which had already begun to emerge as a result of the vigorous growth of San Salvador's population. This is an opportune moment for carrying out studies into

urban transport with the aim of minimizing costs in the short term, and endowing San Salvador with the urban road network it will require in the medium term.

In this context, it is necessary to carry out traffic engineering studies to provide the necessary background data for appropriate solutions to be adopted.

#### Promotion and development of non-traditional agricultural and agroindustrial exports

Any steps to develop agricultural and agroindustrial export would seem to be unconnected with the direct impact of the seism, since the sectors in question were not affected by the earthquake. However, if the available alternatives are weighed up, it is apparent that only this type of project is capable of partially absorbing some of the seism's harmful consequences.

The project is designed to stimulate and promote the cultivation of agricultural export crops, so as to: i) create employment at the various stages of the overall production process (soil preparation, sowing, irrigation, harvesting, selection, packaging, transport, handling, institutional and banking activities, insurance and external trade); ii) obtain the greatest possible productivity from the available resources - some of which are idle - in particular from the soil, the climate, water, individuals, the infrastructure and resources in general, and iii) earn foreign currency by exporting products with high value added and whose prices are high on international markets.

#### Training of personnel in preinvestment

It would be desirable to strengthen public-sector capacity in the complex field of project identification, assessment and formulation so that optimum investment programmes may be formulated in the near future.

Consequently, it is essential to set up a Programme for Technical Assistance in Training in Methods of Preinvestment and Financing. This project could fall within the area of the Ministry of Planning and would concern the development of already identified projects as well as those which emerge from the sectoral and regional analyses.

The Programme would be designed to train personnel in:

- i) techniques for identifying ideas, assessing investments and carrying out feasibility studies; ii) setting up systems of sectoral information to provide the necessary data regarding quantity, quality, reliability and opportunity which the projects may require; iii) strengthening the Project Bank, in which projects are arranged in order of priority and broken down by sector and region; iv) establish schemes for the

administration, follow-up and supervision of the development of the projects and investments made, and v) design schemes for providing financial support for the private sector, on terms which are both soft and appropriate.

### Summary and costs

The proposed technical assistance projects are for the most part short-term ones.

The forms of assistance proposed are horizontal co-operation with Latin American countries, bilateral co-operation and technical assistance from international or regional bodies. Consequently, it is neither easy nor necessary to specify the cost and duration of each of the activities to be carried out within each project. Nevertheless, in view of the need to have an idea of the amount of aid required, table 7 provides a number of preliminary figures.

### B. Investment projects

As a result of the proposal to carry out profitable investment projects and develop productive employment, some 150 investment projects have been identified.

These proposals were not developed beyond the outline stage; they are presented under separate cover in an annex, which also includes sectoral summaries regarding investment and employment generated. Proposed investments amount to more than one billion dollars. The national component, including inputs and labour, would represent 70% of the overall investment; the labour directly employed in executing the projects, could reach 227,900 man-years. The tasks could well be spread out over a five-year programme, as a result of which the proposed projects would provide employment for some 45,000 people over this period. (See table 8.)



Table 7  
DURATION AND COST OF TECHNICAL ASSISTANCE

Projects	Duration (months)	Cost (thousands of dollars)
<b>Total</b>		<b><u>1 370</u></b>
Geological and seismic risk assessment	6	120
Assessment of structures	3	250
Code of standards on anti-seismic design and construction	12	100
Training labour for construction	24	300
Management training for small industrial and craft entrepreneurs	24	150
Optimization of urban transport	6	50
Promotion and development of non-traditional agricultural and agro-industrial exports	36	300
Training of personnel in pre-investment	24	200

Source: ECLAC estimates.

Table 8  
**SECTORIAL SUMMARY OF IDENTIFIED PROJECTS: FINANCING  
 AND EMPLOYMENT**

	Total	Investments <sup>a/</sup> Breakdown		Financing <sup>a/</sup>		Labour employed	
		National	Imported	Local	External	Thousands of man-year	Percentages
Total	<u>1 069.5</u>	<u>730.4</u>	<u>339.1</u>	<u>461.7</u>	<u>607.8</u>	<u>227.9</u>	<u>100.0</u>
Percentages	<u>100.0</u>	<u>68.3</u>	<u>31.7</u>	<u>43.2</u>	<u>56.8</u>		
Emergency	102.5	73.0	29.5	24.1	78.4	31.3	13.7
Health	120.6	63.4	57.2	13.9	106.7	24.1	10.6
Sanitation	21.7	11.6	10.1	4.3	17.4	4.7	2.1
Housing	264.9	245.3	19.6	47.6	217.3	84.5	37.1
Transport	8.4	5.0	3.4	1.7	6.7	2.4	1.1
Education	95.5	89.7	5.8	13.5	82.0	25.7	11.3
Energy	6.0	2.0	4.0	1.3	4.7	0.4	0.2
Communications	42.1	8.8	33.3	8.1	34.0	1.9	0.8
Public buildings	39.4	36.6	2.8	7.8	31.6	12.1	5.3
Agricultural	-8.1	5.2	2.9	7.4	0.7	1.2	0.5
Industry	45.2	37.1 <sup>b/</sup>	8.1	21.0	24.2	4.7	2.0
Buildings and trade	310.0	148.0	162.0	310.0	-	33.3	14.6
Monuments	5.1	4.7	0.4	1.0	4.1	1.6	0.7

Source: Annex and ECLAC estimates.

a/ Millions of dollars.

b/ Includes 25.0 million dollars to provide funding for small commercial or informal sector enterprises, and for the small and medium size industrial enterprises or handicrafts.