

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

EL SALVADOR

SUPPORT FOR THE SOLIDARITY NETWORK PROGRAM

(ES-L1002)

LOAN PROPOSAL

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Annex I Logical framework

Proposed resolution

Electronic Links and References	
Basic socioeconomic data	http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata
Status of loans in execution and loans approved	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=594445
Tentative lending program	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=594446
Information available in the RE2/SO2 technical files	http://opsws3.reg.iadb.org/idbdocswebservices/getDocument.aspx?DOCNUM=590763
Procurement plan	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=595327
Redes Escolares Efectivas [Effective School Systems program]	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=594448
Legal access to services through expansion of the civil registry	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=594449
Economic analysis	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=594447
Economic analysis of El Salvador's Solidarity Network	http://opsws3.reg.iadb.org/idbdocswebservices/getDocument.aspx?DOCNUM=590070

ABBREVIATIONS

AIN-C	Atención Integral a la Niñez en la Comunidad [Community-based Comprehensive Child Care]
CCT	conditional cash transfer
CESI	Committee on Environment and Social Impact
DIGESTYC	Dirección General de Estadísticas y Censos [General Statistics and Census Directorate]
FISDL	Fondo de Inversión Social para el Desarrollo Local [Social Investment Fund for Local Development]
FUSADES	Fundación Salvadoreña para el Desarrollo Económico y Social [Salvadoran Foundation for Economic and Social Development]
GDP	gross domestic product
ICB	international competitive bidding
IDB	Inter-American Development Bank
IFF	Intermediate Financing Facility
IIMM	índice integrado de marginalidad municipal [integrated index of municipal marginality]
MINED	Ministry of Education
MSPAS	Ministry of Public Health and Social Welfare
NCB	national competitive bidding
NGO	nongovernmental organization
OC	Ordinary Capital
PMT	proxy means test
PTI	poverty-targeted investment
RED	Programa Red Solidaria [Solidarity Network Program]
RNP	Registro Nacional de Personas Naturales [National Registry of Natural Persons]
SEQ	social equity enhancing project
STP	Secretaría Técnica de la Presidencia [Technical Secretariat of the Office of the President]
WB	World Bank

PROJECT SUMMARY

EL SALVADOR SUPPORT FOR THE SOLIDARITY NETWORK PROGRAM (ES-L1002)

Financial Terms and Conditions ¹				
Borrower: Republic of El Salvador Executing agency: Social Investment Fund for Local Development (FISDL), along with the President's Technical Secretariat (STP), the Ministry of Public Health and Social Welfare (MSPAS), and the Ministry of Education (MINED)			Amortization period:	25 years
			Grace period:	5 years
			Disbursement period:	5 years
Source	Amount	%		
IDB (Ordinary Capital)	US\$ 21.04 million	13	Interest rate:	Libor-based
IDB (OC/IFF)	US\$ 35.96 million	22	Inspection and supervision fee:	0.00%
Local	US\$ 82.60 million	52	Credit fee:	0.25%
World Bank (WB)	US\$ 21.00 million	13	Currency:	U.S. dollars from the Single Currency Facility
Total	US\$160.60 million	100		
Project at a Glance				
<p>Project objective: The project objective is to improve living conditions for rural families in extreme poverty over the medium and long term through an integrated network intervention in municipios targeted for their poverty levels.</p> <p>Special contractual conditions: As a condition precedent to the first disbursement, agreements must be entered into between: (i) the borrower and the FISDL, setting out the execution obligations of the parties and the terms under which the loan proceeds are to be transferred (paragraph 3.1); (ii) the FISDL and the MSPAS, under the terms set out in paragraph 3.2; and (iii) the FISDL and the MINED, under the terms set out in paragraph 3.2. As a condition precedent to the first disbursement, the program operating manual must be approved and in effect (paragraph 3.4). Within 18 months of project eligibility, a global strategy for fiscal sustainability will be submitted for the investments in extending health and nutrition services (paragraph 3.11). Prior to the transfer of resources to each municipio, an agreement must be entered into between the FISDL and the municipio establishing the terms of the transfer and the obligations of the parties with regard to procurement, resource management, rates, and maintenance (paragraph 3.12).</p> <p>Exceptions to Bank policies: None.</p>				
<p>Project consistent with country strategy: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>Project qualifies as: SEQ <input checked="" type="checkbox"/> PTI <input checked="" type="checkbox"/> Sector <input checked="" type="checkbox"/> Geographic <input checked="" type="checkbox"/> Headcount <input checked="" type="checkbox"/></p> <p>Procurement: See paragraph 3.21. Goods and services will be procured in accordance with Bank procedures, with the exception of components 2 and 4, for which WB procurement procedures will be used. International competitive bidding will be mandatory for works for amounts equal to or greater than US\$5 million, goods for amounts equal to or greater than US\$250,000, and services for amounts greater than US\$200,000. The component 2 resources will be pooled with the WB resources in a joint account (see paragraphs 2.27 and 3.22).</p> <p>Verified by CESI on: 19 August 2005</p>				

¹ The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.*

* With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. FRAME OF REFERENCE

A. Socioeconomic framework

- 1.1 According to 2004 data from the General Statistics and Census Directorate (DIGESTYC), the incidence of poverty in El Salvador declined from 66% in 1991 to 42% in 2003, while the rate of extreme poverty dropped from 33% to 17% over the same period.¹ This change reflects the economic growth seen in the first half of the 1990s and the increase in public social spending—particularly on education and health—as well as reforms to the pension and education systems. Part of this decrease in poverty also stemmed from the influx of family remittances, which have come to account for 16% of the gross domestic product (US\$2,547,600,000 in 2004).
- 1.2 Toward the end of the 1990s, however, poverty reduction lost its steam, and since 2003 the percentage of the population living in extreme poverty has remained unchanged. This is explained in part by the slower pace of economic growth, but also by the failure to coordinate to take integrated action and enhance the impact of poverty interventions. Although El Salvador has increased social spending over the last 12 years (8.1% of GDP), it still has one of the lowest levels in Latin America and the Caribbean, where the average is 14%.
- 1.3 One out of every four people lives in extreme poverty, and 61% of these are concentrated in rural areas. In fact, in some departments, such as Cabañas, Ahuachapán, Chalatenango, San Vicente, and Morazán, over 30% of households are extremely poor and highly vulnerable owing to income volatility, falling prices, and crop losses, which has an adverse impact on food intake and raises the risk of undernourishment among children. In many of these families, the head of household has fewer than three years of formal schooling, and their home has neither basic sanitation nor water fit for human consumption.
- 1.4 This situation is aggravated by the fact that family members cannot identify themselves as citizens. Nearly 10% of the population, and approximately 20% in rural areas, have no Salvadoran birth certificate, preventing children from being enrolled in the school system and adults from obtaining the Universal Identity Document enabling them to exercise their rights as citizens. The Salvadoran government plans to simplify procedures at the National Registry of Natural Persons (RNPN) and resolve this problem.
- 1.5 There are three indigenous peoples in El Salvador (Nahuat-Pipil, Lenca, and Cacaopera or Kakawira). No official statistics exist as to the size of this population, and existing studies report figures that vary widely from 3% to 10% of the total population, with the Nahuat-Pipil being the largest group. Approximately 60% live

¹ Those families whose income is insufficient to purchase a basic food basket are considered to be living in extreme poverty.

in the poorest municipios, where the program will be implemented, and typically live on subsistence agriculture and day labor. Studies indicate a steady process of “deculturization” as well as a stigmatization of their ethnic identity, despite the fact that many maintain their own system of relationships, rules, and social and cultural values.

B. The sector

1. The social sector and basic infrastructure

- 1.6 **Education.** The low levels of schooling in the 100 municipios with severe and high rates of poverty where the program will be implemented reflect the poor quality of basic education in rural areas as well as barriers to access. In these municipios, children enter school very late (over 20% are eight years or older), repeat grades more in the early years, and become increasingly overaged for their grade. In the second grade, 60% of pupils are one or more years older than what is considered the appropriate age, and the situation is even more pronounced in the third grade. Enrollment rates for children ages six and seven (60% and 70%, respectively) lie about 15 percentage points below those of municipios that are not poor. The preschool enrollment rate in municipios with severe and high rates of extreme poverty is close to 35%, while it tops 70% among nonpoor municipios.
- 1.7 **Health.** The coverage of basic health services is clearly lacking, as some 1.5 million people, or over 25% of the population, have no access thereto. This shortfall disproportionately affects poor rural households, owing to economic and geographical obstacles to accessing these services. For instance, coverage of the immunization program for children under five lies below 70% in rural areas, and low service coverage is one of the causes of the marked difference between health indicators for the poor and nonpoor. While the infant mortality rate is 30 per 1,000 live births for socioeconomically poor households, it is 13 per 1,000 for more affluent ones. Maternal mortality is estimated to be 173 women per 100,000 live births—a figure associated with the fact that only 54% of deliveries are attended by professionals in rural areas, compared with 87% in urban areas. The most common reasons for primary care visits are respiratory infections and diarrhea, while hospital admissions occur primarily as a result of partum, postpartum, and perinatal complications.² In view of this situation, the Ministry of Public Health and Social Welfare (MSPAS) has assigned priority to extending coverage to serve the most vulnerable population with a prevention and health promotion approach.
- 1.8 **Childhood nutrition.** The incidence of childhood malnutrition is very high in rural areas, and it is estimated that over 50% of the under-five mortality rate is caused by this problem. Nationwide, 19% of children in this age group show delayed growth

² Source of health statistics: MSPAS, Office of Planning, Institutional Statistics and/or the 2002-2003 National Family Health Survey, conducted under the auspices of the MSPAS and the DIGESTYC.

(size/age)—a symptom of the chronic malnutrition associated with structural poverty, with a marked difference between urban (11%) and rural (25%) areas. Similarly, 23% of five-year-olds in rural areas are anemic, compared with less than 16% in urban areas. An estimated 56% of childhood health problems are associated with malnutrition, hindering their performance in school, as well as their cognitive capacity and ability to concentrate.

- 1.9 **Drinking water and sanitation.** Water and basic sanitation coverage in rural El Salvador is among the lowest in Central America. According to the Multipurpose Household Survey and a survey conducted by the National Water and Sewer Administration (ANDA), 32% of the rural population has access to water, which is not necessarily potable. This figure includes the 21% who have a residential connection and the 11% who get their water from public sources. As for sanitation, the same sources indicate that coverage via latrines and septic tanks is 54%. Studies further indicate that the quality of water consumed is lacking, and that some 40% of the systems analyzed have contamination problems. Furthermore, it has been estimated that in the country's extremely poor households, collecting water occupies up to 14% of families' time, which could be spent on productive activities. The lack of adequate water and sanitation service has serious health impacts, particularly in the form of gastrointestinal diseases, which are the principal cause of death among children.
- 1.10 These deficiencies notwithstanding, El Salvador has managed, with the help of the donor community and national and international nongovernmental organizations (NGOs), to establish a sustainable model for management of water and sanitation services in rural areas. Today, there are communities and municipios that sustainably operate these services through their own organizations, charge their own rates, have the capacity to manage the systems, can guarantee their members adequate service, and generate savings to cover the cost of depreciation of their systems. The project will adopt the demand-based model of intervention currently in use in the country, in which the communities participate from project conception through its design, construction, and subsequent operation and maintenance.
- 1.11 **Basic infrastructure.** In addition to the problems with water and basic sanitation, physical barriers have been identified that limit or prevent families from rural areas from attending schools and health centers, or from reaching local markets. Minimal investments, such as small bridges or access roads, should enable them to overcome such barriers. Moreover, the health facilities that provide primary care in the municipios with severe rates of extreme poverty were built more than 30 years ago, and their equipment is outdated and incomplete, preventing them from providing the care required under the MSPAS's own standards. As things stand, a minimum quality of services cannot be guaranteed, particularly with the increased demand the program will generate. Finally, the lack of ambulances to transfer the seriously ill from rural areas to the health centers heightens their risk of death.

2. Institutional and municipal framework³

- 1.12 **The Social Investment Fund for Local Development (FISDL).** In 1990, the Social Investment Fund was created to address the lack of social infrastructure, focusing on funding schools and health posts. In 1996, the FISDL was created not only to be the central government's executing agency, but also to take charge of promoting local development, and thus became the most important player in development and poverty eradication. Through a competitive process, and with cofinancing from the municipios, the FISDL finances municipal projects, including rural roads and bridges. It also provides technical assistance and training to municipal authorities in areas such as municipal financial management, participatory planning, and management of the project cycle, including contracting and procurement. As a result of its involvement with the municipios, the FISDL has developed a deep understanding of local development challenges. It also administers the National Electricity and Telephone Investment Fund, which was established when the electric power sector was privatized to finance broader coverage of rural electrification. Institutional adjustments have been made recently in preparation for the Solidarity Network program (RED).
- 1.13 **The municipios.** In 1998, the Salvadoran government decided to increase the amount of the municipal transfers channeled through the Economic and Social Development Fund, and many municipios have since taken on a key role in development financing at the local level. The institutionalization of the participatory planning process has strengthened their ability to bring people to the table, and they now have municipal investment plans as a result. This planning exercise has in turn strengthened the coordinating relationships between municipal authorities and local sector representatives. Several municipios have gained experience with the management of investment monies, including accountability. In preparation for the program, all the mayors of the municipios where the interventions will take place have already joined the RED.

C. El Salvador's strategy in the sector

- 1.14 With the aim of cutting poverty and hunger in half by 2015, the Salvadoran government recently launched a social plan called "Oportunidades," which encompasses five strategic programs,⁴ indicating that investment in human capital is central to its social policy. All the programs have begun to be implemented, paving the way for the country's social indicators to improve. Since poverty reduction entails a major intersector coordination effort, a Managing Council was created to coordinate the RED-member government agencies. RED has taken an integral approach in three major strategy areas: (i) the Family Solidarity Network, which involves conditional cash transfers (CCTs); (ii) the Basic Services Network, to

³ The FISDL is the only institutional actor mentioned because it is the program executing agency.

⁴ "Fosalud," "Jóvenes," "Tu Crédito," "Conéctate," and "Red Solidaria."

enhance the availability of basic education, health, nutrition, drinking water, and sanitation services; and (iii) the Family Sustainability Network, which supports productive projects, improves access to microcredit, and promotes environmental management to help small farmers diversify their sources of income, boost their productivity, and protect the environment. The project will help to implement the first two elements of the RED, fostering an outcomes-based vision.⁵

D. Bank strategy in the sector

- 1.15 The Bank's strategy with El Salvador (currently in preparation) is aimed at reducing poverty, and, toward this end, sets two strategic objectives: (i) to foster sustainable economic growth by boosting competitiveness; and (ii) to develop human capital and expand opportunities for the poorest groups. For this segment of the population to benefit from the country's economic growth, it is considered essential to sustainably accelerate economic growth. Improving access to basic services for the most excluded and maximizing the quality of those services should build human capital and lead to sustainable increases in productivity, thus setting the stage for more dynamic growth.

E. Lessons learned

- 1.16 The Inter-American Development Bank (IDB) has financed social safety net programs that call for CCTs to poor households, most notably in Nicaragua, Mexico, Argentina, Honduras, Colombia, and Brazil. The assessed impacts have included: (i) an increase in school enrollment, attendance, and on-time grade promotion among children; (ii) greater use of preventive health services, especially in the area of mother/child care; (iii) access to different surveillance protocols and promotion of the growth and development of children under five; (iv) an improved family diet and higher spending on food; (v) a decrease in delayed growth among children; and (vi) a decline in morbidity among members of beneficiary families. The system for targeting these programs has been very effective, as the poorest 40% of the population has received between 80% and 90% of the benefits. The design of the operation has incorporated additional lessons in terms of operational management and evaluation of this type of program, as well as the effect that the level of coordination among the agencies comprising the networks has on the impact of interventions. Lastly, the experience of the first Bank loan with a sector-wide approach, for support of Brazil's social protection system (1609/OC-BR, or "Bolsa Familia"), has been taken into account.

⁵ Execution of the third element will be financed with resources from the Salvadoran government and from bilateral donors.

F. Project strategy

- 1.17 The project is in line with the strategy of the Salvadoran government and is innovative in comparison with other CCT programs in that it seeks not only to help expand coverage of education and health programs, which are critical to reducing poverty in rural areas, but also seeks explicitly to improve the coverage of drinking water and basic sanitation because of their great impact on childhood nutrition and on the health of the population.
- 1.18 The program envisages establishing a social safety net with an intersectoral approach, promoting coordination between the various public agencies and comprehensively addressing the needs of underserved families and communities. The challenge for the RED, which will initially consist of the Ministry of Education (MINED), the MSPAS, the National Water and Sewer Administration, the RNPN, and the FISDL, is to achieve the necessary level of coordination to complement and articulate existing government interventions at the national and local level, as well as to adopt transparent technical criteria for beneficiary selection and targeting. With these challenges in mind, coordinating offices have been created and a beneficiary registration system is being set up that will allow for priorities to be set for social interventions and for the design of public policy.
- 1.19 The decision was made to set up a CCT program because international experience shows that it is an effective tool for investing in human capital, particularly because it can keep children in school as well as improve their nutrition and health. In addition, the need was identified to strengthen the quality and efficiency of health and education services, the administrative capacity of the executing agency, the civil registry services, and the community participation and organization of families through specialized services. Lastly, as a strategy for improving community access to health and education services, the program aims to address physical obstacles faced by families in isolated communities.
- 1.20 To complement investments in the social sector, successful models of rural health and nutrition interventions with a community prevention and health promotion approach were analyzed to ensure that services would be relevant. The MSPAS has two programs in execution whose model brings health outreach workers to the communities by contracting NGOs to provide services: (i) the program to support modernization of the MSPAS (1092/OC-ES) has been in execution since 2003 with IDB financing; and (ii) the WB-financed hospital reconstruction and healthcare services extension program (RHESSA), which commenced execution in 2005. In education, efforts have been coordinated with the actions of a project in preparation with the title “basic education for all” (ES-0159), which will help to improve both access and service quality in the RED target municipios, expanding opportunities to complete basic education. The contents of both the health and education programs are consistent with and complement the responsiveness requirements of this project.

G. Coordination with other donors

- 1.21 The project was prepared as a joint effort with the WB, both financially and technically. The project team consists of members of both institutions, and all activities, including missions, have been coordinated between the two. During the operation's design, the criteria and procedures of the IDB health program and a WB health program were consolidated so the RED's model of intervention could be adopted (see paragraph 1.20). The European Union will provide the Salvadoran government with financing for a sector program contingent on meeting the infrastructure targets agreed upon in the context of this project.
- 1.22 **Sector-wide approach.** Owing to the technical and financial support lent by the IDB and WB to the Salvadoran government in the formulation of its social protection and poverty reduction strategy, as well as in the design of the RED's interventions, the proposed investment loan has adopted a sector-wide approach (SWAp) as described in document GN-2330-6. Project monitoring and evaluation, regardless of the source of component financing, will be a joint effort of the Salvadoran government and the Banks, based on agreed process and outcome indicators. Future social investments in rural poverty reduction should be made within this sector-wide framework, and standardizing fiduciary procedures should lighten the administrative load on the executing agency. Project management during execution will be in conjunction with the WB, so adjustments should be made by mutual agreement.

II. THE PROJECT

A. Objectives and description

- 2.1 The project objective is to improve living conditions for rural families in extreme poverty over the medium and long term through an integrated network intervention in municipios targeted for their poverty levels.
- 2.2 The beneficiaries will be rural communities and families living in the municipios geographically targeted by the program (see paragraph 2.3). To achieve its objective, the project employs a model of integrated community intervention and coordinated public services that effectively meet the demand created by the program. Improvements will be made in: (i) the health and nutrition of children under five; (ii) the nutrition and health of expectant and breastfeeding mothers; (iii) access to preschool and basic education among the population aged 6 to 14, and school retention; (iv) the quality and coverage of basic public services and social programs; (v) the water and basic sanitation conditions; and (vi) access to health and education services for members of extremely poor households (Annex I).

B. Geographic targeting

- 2.3 To give priority to the poorest municipios, geographic targeting was done based on the poverty map, classifying the municipios and ranking them by their rate of extreme poverty using cluster analysis, which factored in municipal rates of poverty, income, and severely delayed growth among first graders. The municipios with severe, high, moderate, and low rates of extreme poverty (Table II-1) were then grouped together, and the integrated index of municipal marginality (IIMM) used to determine the order in which they will be incorporated into the program.⁶

Table II-1
Grouping of municipios based on the cluster analysis

Poverty level	Number of municipios	Extreme poverty rate (%)	Rate of severely underweight and undersized children in the first grade (%)
Severe	32	49.92	4.8
High	68	35.59	4.5
Moderate	82	23.91	3.6
Low	80	12.45	2.6

⁶ The IIMM combines information on: (i) the income poverty gap; (ii) educational deficiencies (truancy among children ages 7 to 14 and the illiteracy rate among those over 15); and (iii) housing deficiencies (no running water or electricity, overcrowding, dirt floor).

- 2.4 Coverage will be increased gradually based on the municipio's poverty level, with the program starting in October 2005 in the 15 poorest municipios and incorporating the next 17 in 2006. At that point, approximately 40,000 families living in severe extreme poverty would be served. The 68 remaining municipios would be incorporated as of 2007, to serve an additional 60,000 families.

C. Description⁷

- 2.5 The project has four components designed to stimulate demand and provide basic services to help overcome conditions of extreme poverty in the medium and long term in rural areas. Additionally, the WB will finance the strengthening of the civil registry (known by its Spanish-language acronym, RNPN) in the beneficiary communities (US\$4 million), so it can expand its services and register beneficiaries (see the electronic link on the "[Civil Registry](#)"). Educational services will be strengthened through program ES-0159, which will improve facilities and teaching materials by developing a strategy to meet the RED target population's needs (see the electronic link on "[Effective School Systems program](#)").

1. Conditional cash transfers (CCTs) (US\$63.6 million)⁸

- 2.6 The aim of this component is to help break the cycle of poverty by improving the educational levels and health of children living in extreme poverty. This will be achieved through the three subcomponents described below.
- 2.7 **Transfers to families** (US\$51.4 million). CCTs will be financed for selected families in the 100 extremely poor municipios who honor the commitments set by the program. This intervention is expected to benefit more than 80,000 families and to foster the consumption of nutritious food, preschool and primary school attendance among school-aged children, as well as developmental monitoring and preventive care for children under five (Annex I).
- 2.8 Table II-2 outlines shared responsibilities, family eligibility criteria, and amounts for each type of CCT, which may relate to health and nutrition and/or education, depending on the age of the children (see paragraph 3.6). In principle, CCTs will be granted for three years, but if a family still has school-aged children, it will receive scholarships so that they can finish the sixth grade. The amount is not linked to the number of children, but to family composition, and will range from 15 to 20 dollars, which is within of the range observed in similar programs in the region.⁹ It will preferably be the mothers who will receive and administer the CCTs. On average, eligible households will receive up to an estimated US\$222 per year, which represents 14% of the average annual income of poor households and 25% of the

⁷ The education program is not included as a component, as it will not be financed with project resources.

⁸ This component will be fully funded by the Salvadoran government, to ensure future sustainability.

⁹ On average, they transfer about 20% of total annual preprogram household spending.

average annual income of extremely poor households in the municipios with severe and high poverty rates. Benefits will not be adjusted for an increase in the number of children, including children in gestation, once the information on the families has been gathered.

- 2.9 Payments to families will be made every two months through the banking system, to ensure transparency and reliability. Administrative costs are estimated at 2%, inasmuch as the diagnostic study revealed the need to contract more than one institution to cover all the municipios and communities, which entails more controls and formalities. The selection criteria are set out in paragraph 3.6 and in the program Operating Manual. The amount and duration of the CCTs will be reviewed once the findings of the evaluations are available.

Table II-2
Family eligibility criteria, shared responsibilities, and CCT types and amounts

Family eligibility criteria	Shared responsibilities	CCT	Amounts (monthly)
Have children under five or expectant women at the time of registration.	Regularly attend child and prenatal health checkups, according to the basic mother/child protocol; and follow the complete immunization schedule.	Only one CCT for health	US\$15
Have children under five or expectant women at the time of registration, as well as children over 5 and under 15 who have not completed primary school.	Regularly attend child and prenatal health checkups, according to the basic mother/child protocol; and follow the complete immunization schedule.	Only one CCT for health	US\$10
	Keep children ages 6 to 14 enrolled in and regularly attending school from preschool through the sixth grade.	Only one CCT for education	US\$10
Have only children over 5 and under 15 who have not completed primary school.	Keep children ages 6 to 14 enrolled in and regularly attending school from preschool through the sixth grade.	Only one CCT for education	US\$15

- 2.10 **Strengthening of the FISDL** (US\$7 million). The following will be financed: (i) consulting services to strengthen information systems; (ii) procurement of computer equipment and peripherals to maintain beneficiary registration systems and other systems needed to monitor interventions; (iii) personnel training; (iv) logistical support materials; (v) supplemental staff; and (vi) the performance of new functions by line staff.
- 2.11 **Community and family strengthening** (US\$5.2 million). The objectives of this subcomponent are to encourage communities to actively participate in the program, to assist CCT beneficiary families in their process of development and in meeting their commitments, and to help promote the use of education and health services. To ensure that the RED's services are socially and culturally relevant, the subcomponent will finance sociocultural training workshops for the NGOs.

2. Health and nutrition (US\$20 million)¹⁰

- 2.12 **Extension of the basic health and nutrition package** (US\$19 million). This component, which complements the CCT component, seeks to ensure that the basic health and nutrition services network provides timely, coordinated care and has the capacity to scale up coverage during program execution to serve all the CCT beneficiary families. Essential health and nutrition services will be expanded by the MSPAS's contracting specialized NGOs in the targeted municipios to send a multidisciplinary team to provide the essential health and nutrition services once a month in the communities. The MSPAS determined the portfolio of interventions after reviewing and consolidating ongoing experiences, so all the interventions are governed by its regulations.
- 2.13 The package of services to promote preventive health care and good nutrition includes: (i) care for women during pregnancy and the postpartum period and referral to the health unit for attended childbirth; (ii) comprehensive care for children under five, including complete immunizations, the promotion and monitoring of childhood growth and development under the Community-based Comprehensive Child Care (AIN-C) strategy, micronutrient supplementation, and deworming; (iii) sexual and reproductive health for women of childbearing age, including family planning; (iv) assistance for community participation and organization in disease prevention and health promotion; and (v) early detection, basic care, and/or referrals for the most prevalent communicable diseases, as well as detection of and referrals for diabetes and hypertension.
- 2.14 The AIN-C strategy focuses on monitoring growth trends among children beyond simply checking weight and size, so as to prevent the onset of malnutrition. The activities under this protocol are: (i) monthly sessions for family counseling to promote and monitor childhood growth and development and adequate weight gain for pregnant women; (ii) referrals to the health unit of cases of acute malnutrition; (iii) individual counseling and child care practices; (iv) visits to households with underweight children and pregnant women; (v) talks on appropriate food use, child care, hygiene, and other topics to be coordinated with health and education; and (vi) assistance to and monitoring of families, to ensure that they eat nutritious food.
- 2.15 **Strengthening of supervision and monitoring of health and nutrition services** (US\$1 million). To monitor health and nutrition services, the MSPAS will create teams consisting of a doctor, a nurse, a nutritionist, and a driver for approximately 50,000 beneficiaries. The arrangements will be addressed in the Operating Manual.

¹⁰ This component will be financed by the WB and the IDB.

3. Basic infrastructure and equipment (US\$67 million)¹¹

- 2.16 This component, which complements the CCT and health and nutrition components, seeks to reduce social exclusion and poverty factors associated both with the lack of water and sanitation in the communities and with problems of basic infrastructure and lack of equipment that affect the quality of services and make them difficult to access. Projects will be financed that bring the coverage of services up to levels compatible with the Millennium Development Goals through three subcomponents:
- 2.17 **Drinking water and basic rural sanitation** (US\$42 million). The objective of this subcomponent is to reduce waterborne diseases, especially in children under five, by improving and increasing access to water and basic sanitation services in the municipios targeted by the RED. More than 12,000 latrines will be built or improved, benefiting some 132,000 people. The investments under this subcomponent take an integrated and demand-driven approach,¹² and fall into three categories:
- a. *Technical assistance* to enhance communities' ability to administer, operate, and maintain the systems and to leave the municipios with installed capacity so they can provide technical assistance to the communities in the operation and maintenance of the newly built or rehabilitated systems. The primary activities to be financed are: (i) meetings and seminars to promote the subcomponent in all the targeted municipios; (ii) workshops and seminars in the communities to encourage community participation; (iii) community education programs—with an intercultural and gender perspective—on the rational use and conservation of water resources, prevention of waterborne diseases, conservation of sanitation infrastructure, and rate design; (iv) training of community members and leaders in the administration, operation, and maintenance of services; (v) technical assistance to the communities in selecting which service management approach to adopt; (vi) training for the municipios so they can adapt technical assistance to the rural environment; (vii) training for the communities and municipios on the administration of water and sanitation systems; and (viii) works supervision.
 - b. *Studies and consulting assignments* for project preparation, and a baseline to measure outcomes in each beneficiary community and to rehabilitate or expand the systems. The studies needed to prepare each project are: (i) an estimate of the demand for water; (ii) project engineering designs; (iii) a determination of aquifer capacity; (iv) establishment of the rate structure and level; and (v) a cost-benefit analysis.

¹¹ This component will be financed with resources from the IDB and the Government of El Salvador.

¹² A breakdown of the financing is given in the Operating Manual.

- c. *Investments and equipment* to execute the engineering works will be financed, as well as the procurement and installation of equipment needed for the water and sanitation system infrastructure, including technical assistance in getting the systems up and running in the first six months and supervision of the infrastructure works. If economically and financially feasible, wastewater will be collected via a sewer system or through individual solutions, though it is a condition of eligibility that all projects provide for proper wastewater disposal. Wastewater will be treated according to the dilution and recovery capacity of the receiving body. Lastly, equipment will be financed to support management by the communities and target municipalities.
- 2.18 **Strategic infrastructure** (US\$18 million). The objective of this subcomponent is to remove the barriers that hinder access to education and health services and to break people's isolation and open up access to services and markets. It will finance: (i) the construction or improvement of footbridges and bridges to link roads; (ii) rural access roads (including drainage and risk mitigation works); (iii) the installation or improvement of electric power at school and health care facilities, as well as areas of influence; (iv) technical assistance for project operation and maintenance and works supervision; and (v) technical documentation for road and electricity infrastructure projects. An expected 140,000 people in rural areas will benefit (see paragraph 3.13).
- 2.19 **Rehabilitation and outfitting of health facilities** (US\$7 million). This subcomponent aims to ensure the continuity of health care by strengthening the treatment capacity of the primary health facilities in the 32 municipios with severe rates of extreme poverty to effectively meet the increased demand that the program will generate. Because promotion and prevention interventions are being extended to cover the project's beneficiary communities, the health facilities in the chief town of the municipio will receive frequent referrals of patients who typically do not seek timely care from the MSPAS's network of services, either for professionally attended childbirth, treatment of cases of malnutrition, rehydration for children with severe cases of diarrhea, or respiratory therapy. This lack of care is reflected in the high morbidity and mortality rates in the areas targeted by the program. As the 33 frontline health facilities in these municipios do not meet MSPAS's infrastructure and equipment standards, financing will go toward rehabilitating infrastructure and supplying equipment for mother/child care, including treatment of prevalent childhood diseases.
- 2.20 The infrastructure projects to be financed include structural repairs (roofs, walls), drainage systems, water supply, waste disposal, electrical wiring, rehabilitation of sterilization areas, labor and delivery room, refurbishment of rooms for patient care (lighting and ventilation), a basic laboratory area, and construction of perimeter walls for security. The units will be outfitted with equipment, instruments, and furnishings for laboratories and institutional care: (i) attended no-risk deliveries (high-risk deliveries are referred to secondary care); (ii) the most prevalent

communicable diseases (such as respiratory therapy and rehydration); (iii) cases of acute malnutrition; and (iv) dental care. Some networked units will also be provided with ambulances to transport patients from the communities.¹³

4. Coordination, awareness, monitoring, and evaluation (US\$6 million)¹⁴

- 2.21 The objectives of this component are to ensure effective interagency coordination, strategically manage up-to-date information on the progress and impact of the project, and develop and implement an awareness strategy for the program.
- 2.22 **Monitoring and evaluation** (US\$800,000). A monitoring matrix based on the indicators in the logical framework (Annex I) will be used to monitor the program, and participatory diagnostic assessment with a gender and ethnic focus will be used to benchmark progress in meeting goals (see paragraph 3.15). Quantitative and qualitative project evaluations will gather information two years into the project and upon completion.¹⁵ Since the interventions will be scaled up gradually, the treatment and control groups can be identified and constructed by stratifying the municipios and rural communities according to their sociodemographic and economic characteristics. The design of instruments and analysis of data will incorporate a gender and ethnic/racial equity perspective, and participatory methodologies will be used to determine the cultural relevance of the services. In the medium term the net impacts of the RED will be measured on such indicators as family welfare, access to services, school enrollment, school attendance, grade promotion, and anthropometric measurements of children under five, based on the indicators in the logical framework (Annex I) as a basis. Patterns of change in the treatment and control groups will be compared, and the performance of the targeting effort assessed. The evaluation will also address issues of education and health and nutrition, as well as their interaction with improvements in access to and consumption of drinking water. The viability of evaluating different shared responsibility schemes will also be assessed, such as those related to the AIN-C protocol, so as to determine whether monitoring them is cost-effective. The final evaluation will address similar topics, but with a medium-term perspective. The evaluation will be considered ex post owing to the nature and design of the interventions, which allow for the impacts of project actions on beneficiaries to be measured throughout execution.
- 2.23 **Censuses** (US\$1.6 million). Census sweeps of each municipio will be financed to identify and register potential beneficiaries, using a survey containing indicators to measure socioeconomic, ethnic, and gender characteristics.

¹³ The MSPAS has estimated the costs of operation (human resources and inputs) and maintenance for these investments and included them in the 2006 budget proposal it submitted to the Ministry of Finance.

¹⁴ This component will be financed with IDB and WB resources.

¹⁵ Technical cooperation resources (ATN/KE-9207-ES) are financing the evaluation design and establishment of the baseline.

- 2.24 **Technical assistance and coordination** (US\$1.38 million). A team will be created to ensure that interventions are integrated and to be responsible for technical coordination of the program, as well as to provide technical assistance to participating agencies, conduct monitoring, and coordinate social awareness activities. Necessary administrative expenses, computer equipment, and transportation will be financed for interagency coordination and monitoring, as well as specific technical consulting services.
- 2.25 **Social awareness** (US\$2 million). This subcomponent seeks to publicize the poverty reduction strategy and the program's characteristics, keeping the population informed about its progress and outcomes. It will finance the cost of consulting services for the design and implementation of the information and awareness strategy, consultation and awareness-building workshops, travel, training modules for RED members, materials, publications, and equipment so that the program maintains a constant flow of communication with the public. Awareness-building activities will also be financed for national and local authorities on cultural impacts and gender issues in the delivery of the RED's services.
- 2.26 **Audits** (US\$220,000). There will be a single project audit for a project overview, internal controls, and component review, irrespective of the source of financing (see paragraph 3.19).

D. Cost and financing

- 2.27 The project will be financed with resources from the Salvadoran government, the IDB, and the WB. Components 2 and 4 will be financed jointly with the WB, and component 3 with the Salvadoran government (see Table III-1). The health and nutrition component resources will be administered in a joint account with the WB, and harmonized rules and procedures will be adopted. Resources from the Intermediate Financing Facility (IFF) may be used to defray part of the interest on US\$35.96 million of the Bank financing.

Table II-3
Support for the Solidarity Network
Costs and Financing by Component (in \$US millions)¹⁶

Investment Category	IDB	WB	Gov. of El Salv.	Total
1. Conditional cash transfers (CCTs)	-	-	63.60	63.60
1.1 Transfers to families	-	-	51.40	51.40
1.2 Strengthening of the FISDL *	-	-	7.00	7.00
1.3 Community and family strengthening	-	-	5.20	5.20
2. Health and nutrition	5.00	15.00	-	20.00
2.1 Extension of essential health and nutrition services	4.75	14.25	-	19.00
2.2 Strengthening of supervision and monitoring of essential health and nutrition services	0.25	0.75	-	1.00
3. Basic infrastructure and equipment	48.00	-	19.00	67.00
3.1 Drinking water and basic rural sanitation	28.70	-	13.30	42.00
3.2 Strategic infrastructure	12.30	-	5.70	18.00
3.3 Rehabilitation and outfitting of health facilities	7.00	-	-	7.00
4. Coordination, awareness, monitoring, and evaluation	4.00	2.00	-	6.00
4.1 Monitoring and evaluation	0.40	0.40	-	0.80
4.2 Censuses	-	1.60	-	1.60
4.3 Technical assistance and coordination	1.38	-	-	1.38
4.4 Public awareness	2.00	-	-	2.00
4.5 Audits	0.22	-	-	0.22
5. Civil registry	-	4.00	-	4.00
Total	57.00	21.00	82.60	160.60
Percentage	35%	13%	52%	100%

* US\$4 million relate to FISDL administration costs, included in the annual budget.

¹⁶ The Government of El Salvador will cover the finance charges for this operation.

III. PROJECT EXECUTION

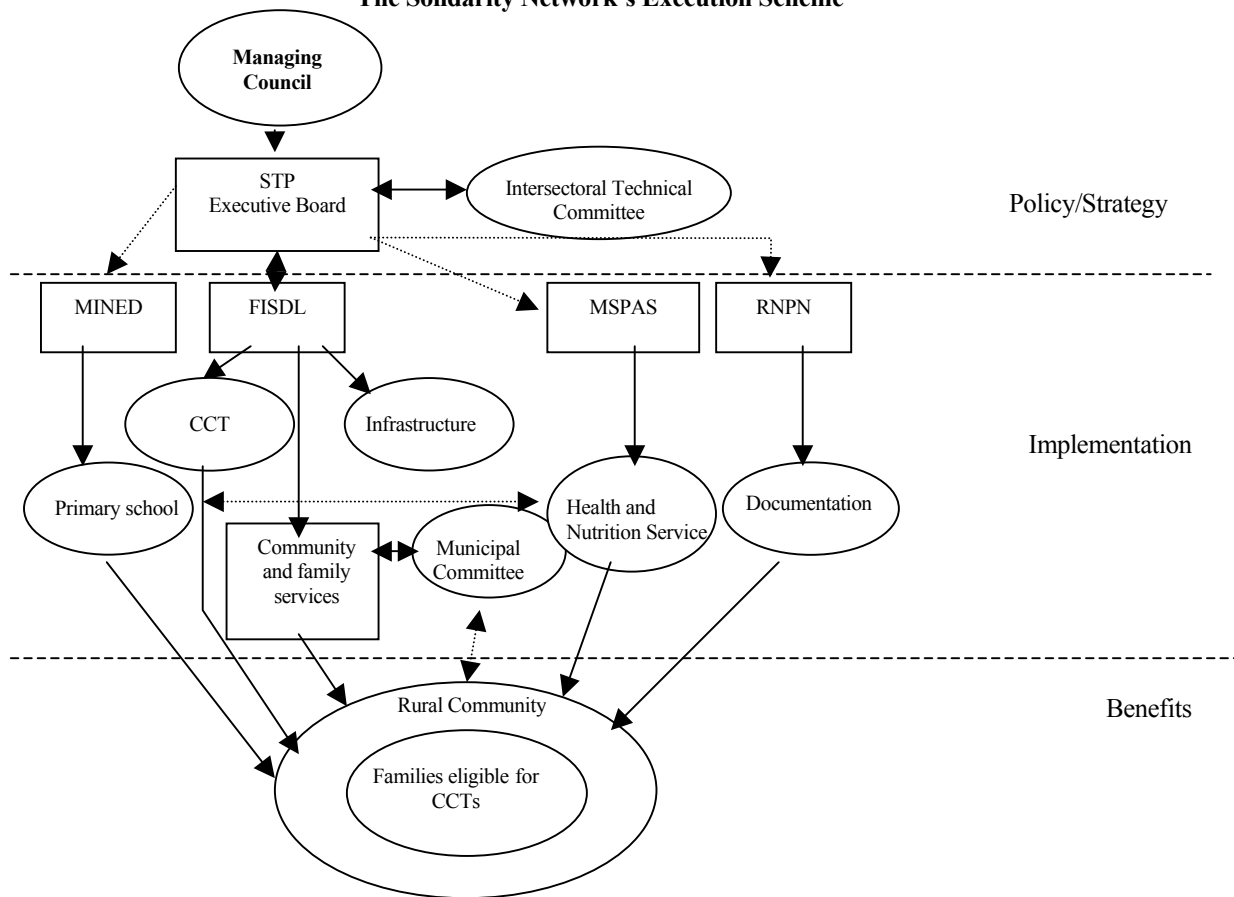
A. Borrower and executing agency

- 3.1 The borrower will be the Republic of El Salvador, and the executing agency will be the Social Investment Fund for Local Development (FISDL), with the support of the President's Technical Secretariat (STP), the Ministry of Public Health and Social Welfare (MSPAS), and the Ministry of Education (MINED). So as not to create additional organizational structures, the FISDL will be responsible for administrative and financial program management and for interacting with the Banks, in coordination with the other entities participating in the RED. Functions are specified in the operating manual. These entities will sign agreements with the FISDL that set out the obligations and functions of the participating agencies, the coordination mechanisms, and the principal processes for their implementation, as described in the operating manual. **It will be a condition precedent to the first disbursement that an agreement be entered into between the borrower and the FISDL that sets out the execution obligations of the parties and the terms under which the loan resources will be transferred.**

B. Execution

- 3.2 The project execution scheme is decentralized with respect to the provision of the various services, and encourages the active participation of beneficiary families and communities. As it calls for integrated interventions, there are coordination offices at the various levels of government administration. The relationship between these levels is illustrated in Figure III-1. **As a condition precedent to the first disbursement, an agreement must be entered into: (i) between the FISDL and the MSPAS, stipulating the mechanism for transferring resources to the MSPAS, how the joint operating account will be managed, the application of procurement policies, the obligation to cooperate with auditors, and the execution obligations of the parties, including those related to the basic infrastructure and equipment component; and (ii) between the FISDL and MINED, establishing the collaborative obligations of the parties in relation to the project.**

Figure III-1
The Solidarity Network's Execution Scheme



- 3.3 **Executive Board.** Given the multisector nature of this operation and the importance of coordination among the participating agencies, there is not only an executing agency, but also a Solidarity Network Executive Board within the STP that answers to the RED's Managing Council. Chaired by the Technical Secretary, the Executive Board members include the ministers of agriculture, environment, economy, and finance and of all the social-sector ministries. The Executive Board will provide technical support to the FISDL for execution, particularly the ongoing monitoring of activities and processes. It will also be responsible for the technical coordination, planning, monitoring, and evaluation of interventions, as well as for the dissemination of outcomes and actions to increase awareness of the RED. In addition, it will strategically manage the performance and impact of the operation and publicize its progress and outcomes. The specific functions of each authority are described in the operating manual.

C. Program operating manual

- 3.4 Project execution will be governed by the RED's operating manual, which will have been agreed to by the Salvadoran government and the WB. The operating

manual contains rules and procedures for each component and subcomponent, the obligations and functions of all participating agencies, as well as the eligibility criteria for project-financed actions. It includes the environmental procedures that must be followed in all locally financed projects, as well as the interventions to guarantee the project's gender and ethnic focus. The Banks' concurrence will be required for any changes to the operating manual. **The approval and entry into effect of the operating manual by an act of the RED's Managing Council will be a condition precedent to the first disbursement.**

D. Execution by component

1. Conditional cash transfers (CCTs)

- 3.5 The FISDL is responsible for execution of this component, including the monitoring of the CCTs. The cycle for verifying shared responsibilities is detailed in the operating manual.
- 3.6 **Transfers to families.** In the first 32 municipios, families that meet the eligibility criteria of living in a rural area and having children under age 15 will be considered for CCTs. A proxy means test (PMT) will be used to select eligible families in the 68 municipios classified as having high rates of extreme poverty. This model will make it possible to identify CCT beneficiary families using objective, homogeneous criteria for all municipios, thereby ensuring equal treatment of the population.¹⁷ The PMT will use the information in the census taken for the beneficiary registry. The operating manual includes a description of the methodology and the specifications of the PMT model, as well as the thresholds for classifying rural families according to their poverty levels.
- 3.7 The shared responsibilities of the families will be as follows: (i) regularly appearing for childhood and prenatal health checkups, according to the basic mother/child protocol; and adhering to the complete immunization schedule; and (ii) keeping children ages 5 to 14 enrolled in and regularly attending school (preschool through sixth grade). Health CCTs will be suspended if the family fails to fulfill two shared responsibilities in a row, or fails to fulfill three in a 12-month period. Education CCTs will be suspended if there are more than four unexcused absences per month. Lastly, although it is not a formal requirement, the families will agree to participate in the activities and training offered by the program at the community level.
- 3.8 **Strengthening of the FISDL.** The FISDL's capacity to maintain the beneficiary registry will be strengthened. The beneficiary registry contains the information on

¹⁷ The model was estimated during the program preparation course (see "Instrumento de Focalización Intramunicipal, Metodología de Proxy Means Test [Intramunicipal Targeting Tool, Proxy Means Test Methodology]," Department of Economic and Social Studies, FUSADES, 2005).

the beneficiary families identified through the census sweep and will become part of the program's monitoring and tracking system.

- 3.9 **Community and family strengthening.** The FISDL will hire NGOs and/or firms specializing in community development to implement the planned interventions having to do with social advancement and support for beneficiary families. These NGOs will form teams consisting of at least three coordinators per area and one community outreach worker for every 20 families. At minimum, the NGOs will serve 6,000 families, will receive payment per family served, and must use the program's participatory methodologies and training modules. Their functions are spelled out in the operating manual, but in the main, they must: (i) verify that all the families they are supposed to serve have been surveyed; (ii) help the families to enroll in the program; (iii) inform beneficiaries of their shared responsibilities; (iv) facilitate the process of gathering information on and registering families (in the civil registry, known by its Spanish-language acronym, RNPN); (v) give scheduled training; (vi) support the process of program monitoring; (vii) monitor cases of nonfulfillment of commitments; (viii) support the creation and operation of the community committees; (ix) accompany beneficiaries through the CCT process; (x) participate in the municipal committees; and (xi) attend the training offered by the RED on how to effectively apply participatory methodologies and training modules to beneficiaries, and on how to make services culturally relevant.

2. Health and nutrition

- 3.10 The MSPAS will execute this component by hiring specialized NGOs to provide services to the communities via mobile multidisciplinary teams. Each team will cover no more than 10,000 residents, and will comprise a minimum of one doctor, one nurse, one nurse's assistant, outreach workers who will cover between 750 and 1,000 residents, and volunteer counselors who will promote nutrition (one per 250 residents). Visits to each community will be monthly. As the link between the community and the mobile multidisciplinary team, the health outreach worker will identify health risks and problems in the community and provide this information to the MSPAS and the NGO so they can take action in terms of health promotion and epidemiological surveillance. Outreach workers will also provide preventive health services and basic care between team visits.
- 3.11 To promote nutrition, according to the Community-based Comprehensive Child Care (AIN-C) model, the volunteer counselors should be organized and prepared to assist and visit the families in their homes, especially when cases of inadequate growth are detected; this will not only foster the sustainability of changes to mothers' behavior, but will also enhance cultural relevance. In addition, the NGOs will sponsor monthly coordination meetings with health personnel and bimonthly meetings with the community and local authorities to discuss problems and find solutions. The NGOs will report both epidemiological and coverage-of-care statistics to the MSPAS every month following MSPAS formats and guidelines

(e.g. the AIN-C credential). Services will be provided free of charge by the NGO team through visits scheduled according to the age and vulnerability of the family member. The NGOs will verify that the RED's beneficiaries are engaging in the following minimum preventive activities: (i) following the complete immunization schedule for children under five; (ii) having childhood growth, nutrition, and development monitored as agreed; and (iii) seeking prenatal checkups, timely referrals for attended childbirth, postpartum care, and family planning. The MSPAS, with support from the FISDL, will be responsible for supervising services and enforcing existing standards and guidelines. The information supplied by the monitoring team and the NGO will be consolidated into the Basic Comprehensive Health System and conveyed to the MSPAS. The operating manual includes the breakdown of responsibilities amongst the various levels of the MSPAS. **Within 18 months after project eligibility, a global strategy for the fiscal sustainability of investments in extending health and nutrition services will be submitted.**

3. Basic infrastructure and equipment¹⁸

- 3.12 **Drinking water and basic rural sanitation.** Execution will follow the operational, technical, economic, and financial requirements and the rules and procedures set out in the operating manual. The planned studies will be conducted in each eligible community, in keeping with the methodology chosen by the FISDL and agreed to by the Bank. Only comprehensive interventions with a demand approach will be financed, i.e. those that provide for proper wastewater disposal and the solution of identified environmental problems. Funds will be allocated directly in the 32 municipios with severe rates of extreme poverty and through a competitive process in the remaining 68. Any technologies to be financed should be validated and approved by the beneficiary communities at assemblies held to explain how they work. Only those projects that are economically viable (based on cost-benefit criteria, measured using an ability-to-pay analysis), financially viable (based on positive cash flow of the systems once built), and technically viable¹⁹ will be financed. Works should also be environmentally sustainable, i.e. they should not produce negative environmental effects. **Prior to the transfer of resources to each municipio, an agreement will be entered into between the FISDL and the municipio setting out the terms of the transfer and the obligations of the parties with regard to procurement, resource management, rates, and maintenance.**

¹⁸ The FISDL will be responsible for executing this component.

¹⁹ Criteria: (i) that there is a source capable of supplying the necessary amount of liquid, at least in the design period (20 years), and that it is feasible to treat the water using low-cost purification systems that are easy to maintain and operate; (ii) that there are no conflicts over the use of the desired source; (iii) that the distance between the population and the source are relatively close, so the supply line is economically feasible and special requirements for the works are minimal; (iv) that the population density is such that the lengths of pipe in the distribution network and the energy losses do not substantially increase the cost of the works; and (v) that the community is not settled in places that have been classified as potential risk areas.

- 3.13 **Strategic infrastructure.** The FISDL will hire the services of an NGO or private firm, depending on the characteristics of the proposed project, in accordance with the operating manual. The FISDL will administer the funds and contracts throughout the project cycle and will inspect processes and works. The communities to benefit will be those where barriers of access to services have been identified, provided that the infrastructure works are eligible. The operating manual lists average costs for each type of work to help set project budget ceilings.
- 3.14 **Rehabilitation and outfitting of health facilities.**²⁰ For the purposes of rehabilitating the infrastructure of primary health facilities, the MSPAS, with support from the FISDL, identified the specific projects meeting its technical and environmental standards; the FISDL will put these projects out for bid to private contractors. The needs survey indicates that the average per-unit cost of infrastructure rehabilitation will be about US\$100,000. The MSPAS identified the equipment needs of the 32 poorest municipios and will furnish the list of supplies and technical specifications to the FISDL so that it can conduct centralized bidding for the needed equipment. The execution mechanisms for the subcomponent and the list, by type of works and equipment, including the plan for allocating ambulances to geographic areas, are in the operating manual.

4. Coordination, awareness, monitoring, and evaluation

- 3.15 **Monitoring and evaluation.** The FISDL will be responsible for monitoring CCT-related activities, including service delivery, as well as the activities under component 3 and the RNPN activities. The RED's Executive Board will be responsible for updating project information in the tracking system and systematically and periodically monitoring project execution, especially in relation to service delivery, execution mechanisms, targeting, accessibility of services, cost structure, and efficiency and effectiveness of the work plan. Semiannual reports will include findings and recommendations as a result of this process. The FISDL, with support from the Executive Board, will be responsible for contracting the outside, independent firm or temporary consortium of firms to evaluate the project using on the baseline. The Executive Board will be responsible for coordinating and monitoring activities, facilitating the process, providing information, and reviewing the reports with support from the FISDL's Evaluation Department. The midterm evaluation will be performed approximately 24 months after the effective date of the loan, and the final evaluation two years later, or once 90% of the resources have been committed.
- 3.16 **Censuses.** Sociodemographic and ethnic information on the families will be gathered in each municipio using the agreed-upon registration card.²¹ The FISDL

²⁰ The execution of this subcomponent is governed by the agreement to be entered into by the FISDL and the MSPAS referred to in paragraph 3.2.

²¹ The census card for the beneficiary registry was developed and validated during program preparation.

will contract the services, and the RED's Executive Board will be responsible for general coordination and technical monitoring of the census activities.

- 3.17 **Technical assistance and coordination.** The Executive Board will be responsible for technical assistance, coordination and monitoring activities, as well as for updating the monitoring system. It will review program performance on an ongoing basis, using the monitoring matrix agreed on with the Banks, which contains process, coverage, output, outcome, and quality-of-service indicators at the component and subcomponent levels. A sample-based data validation system will be established for quality control.
- 3.18 **Public awareness.** The FISDL will procure consulting services and technical assistance for the design and implementation of the RED's awareness strategy. The Executive Board will supervise performance of the consulting assignments, as well as the planning and implementation of training for health and nutrition, education, and community/family services staff. The purpose of this training is to deliver a consistent message as to the objectives of the RED, and to raise awareness of gender and social inclusion issues, so that cultural diversity is respected and taken into account, thus ensuring the impact of the services.

E. Audits and financial statements

- 3.19 There will be a single project audit, conducted by a firm of independent auditors acceptable to the Banks, in accordance with IDB policies and guidelines (AF-100 and AF-300). IDB procedures will be used to select the external audit services (AF-200), and the terms of reference will be set by mutual agreement of the two Banks and the Salvadoran government. The FISDL will deliver the following reports: (i) audited annual financial statements for the project and executing agency; and (ii) financial monitoring reports every four months with content to be agreed upon by the two Banks and the Salvadoran government. The financial monitoring reports will be delivered within 45 days after the four-month period, to provide information on the CCTs, which are on a bimonthly payment cycle.
- 3.20 The project audit will also address operational considerations, such as: (i) initial review and report on how the agreed-upon targeting and selection criteria were used to put together the beneficiary registry; (ii) security of the information system supporting project execution, especially the beneficiary registry module, the payments module, and the module for monitoring shared responsibilities; (iii) enforcement of rules for updating the beneficiary registry (additions and removals); (iv) review, via sampling, of payments to beneficiaries; (v) field review, via sampling, of the coverage of care reported by the health and nutrition service providers; and (vi) field review, via sampling, of fulfillment of shared responsibilities.

F. Procurement

- 3.21 The single procurement plan was formulated jointly with the Salvadoran government and the WB. Goods and services will be procured in accordance with IDB procedures, with the exception of the health and nutrition component and the coordination, awareness, monitoring and evaluation component, which will follow WB procedures. For the other components, international competitive bidding will be mandatory for works for amounts equal to or greater than US\$5 million, goods for amounts equal to or greater than US\$250,000, and services for amounts greater than US\$200,000.

G. Execution period and disbursement timetable

- 3.22 The project disbursement period is estimated to be up to five years, with three additional months for the last audit payment. Table III-1 shows the tentative disbursement schedule. In the case of the joint IDB-WB account, disbursements will be made by replenishing a revolving fund, with ex post review and applying the agreed proportion of 25% IDB resources and 75% WB resources to each reported expenditure. Funds will be transferred from special IDB and WB accounts to the joint account for payment of contracts. Control of the financing sources of payments made from this account will be done at the accounting level. Disbursements will be made through the revolving fund, and accounts rendered through expense reports will be subject to ex post review.

Table III-1
Disbursement timeline (US\$ millions)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total	%
IDB	14.5	18.6	13.2	9.5	1.2	57.0	35.5
WB	0.4	4.6	6.3	6.0	3.7	21.0	13.1
Govt. of El Salvador	21.0	22.8	20.3	18.5	0.0	82.6	51.4
Total	35.9	46.0	39.8	34.0	4.9	160.6	100.0
%	22.3	28.7	24.8	21.2	3.0	100.0	

Note: Loan finance charges are not included.

H. Revolving fund

- 3.23 For the IDB loan, the revolving fund limit will be set at 10% of the financing amount. This level is necessary to provide sufficient liquidity and to allow for timely project execution, considering that large disbursements are expected over short periods with a long accountability cycle, since these disbursements will correspond to multiple contracts handled by several coexecuting agencies or by third parties (contractors, payment entities, health care NGOs, and community support NGOs) throughout the program's 100 target municipios. The executing agency will submit annual updates of its disbursement projections, based on the

annual work plan, so the specific amount of the revolving fund can be set within the aforementioned limit.

IV. VIABILITY AND RISKS

A. Institutional viability

- 4.1 The project execution structure and scheme take into account the FISDL's execution experience with the IDB and WB and with many other donors, as well as the broad political and technical support granted this initiative. The fact that the FISDL is the Salvadoran government's executing arm for social programs and has a legal mandate to execute the RED and that the creation of parallel structures can thus be avoided has also been considered. To ensure project execution at the local level, the FISDL launched a training and technical assistance plan for its staff and entered into agreements with the 32 priority municipios to appoint municipal liaisons and create the respective municipal committees under the RED.
- 4.2 During design of the operation, an institutional analysis was commissioned that resulted in specific recommendations as to the organizational changes needed so that the FISDL would be in a position to execute the RED. The FISDL's internal administrative structure and production line were modified in accordance with these recommendations so it would have the operational capacity to administer the CCTs in coordination with the STP, the MSPAS, and the MINED. The Intersectoral Technical Committee, the Solidarity Network Local Coordination Office, and the Registry and Transfers Department, which will administer the beneficiary registry and the monitoring and evaluation system, were created, and the Operations and Research and Development Offices and the regional offices were strengthened to guarantee project coordination at the local level. The Ministry of Finance has already approved financing using counterpart resources for the positions needed to perform new functions, many of which will be filled by FISDL personnel through transfers. Lastly, the FISDL has launched a training and technical assistance plan through 2009 for its internal staff. The FISDL will receive technical support from the Executive Board in the areas of interagency coordination and monitoring of technical aspects of the RED.
- 4.3 An internal control assessment recently commissioned by the Bank concluded that the controls established by the FISDL provide a reasonable level of security with regard to information systems, operating processes at the various stages, and the technical capacity to exercise timely supervision of the municipalities. It indicates that the FISDL has an effective system for monitoring projects, as well as policies and procedures that enable it to conduct the administrative activities under its purview. The WB, for its part, prepared a financial and procurement report that concludes that the FISDL has experience in these areas. As a result of this report, an additional procurement specialist is going to be hired.

B. Financial viability

- 4.4 The program's financial viability was based on the FISDL's solid financial performance in 2004, and on the fact that the Government of El Salvador covers the CCT expenses, which are the largest investment under the project, through the public budget. To ensure financial sustainability, moreover, the government will also cover the recurrent incremental costs required for the project. As regards investments in health, the MSPAS has projected the cost of operating and maintaining the works for the primary health care facilities and has obtained approval from the executive to gradually include these requirements in its budget. The recurrent incremental costs generated by the investments are estimated at US\$2.6 million per year, which represents less than 1% of the MSPAS budget from the Treasury for 2006. The creation of the Health Solidarity Fund, which is financed with taxes on liquor, tobacco, and firearms, should also increase the resources available to finance rural coverage of basic health services, especially to the extent that its impact and cost-effectiveness are documented with the example of the RED.²² In 2007 the Government of El Salvador will have a fiscal sustainability strategy for delivering basic health services throughout the country.²³

C. Socioeconomic viability

- 4.5 The economic viability of the Solidarity Network was evaluated through economic analysis of the benefits of greater access to health, nutrition, and education services, as well as from improved service quality. Based on the findings of impact assessments done in other countries (Brazil, Colombia, Mexico, Nicaragua, and Honduras) and the analysis performed, the benefits should far exceed costs, indicating that this is a sound economic investment for the Salvadoran government, the WB, and the IDB. The analysis indicates that, at a 10% discount rate, project benefits exceed the net present value of the costs by US\$7 million to US\$46 million, and the estimated internal rate of return is 11% to 15%. A second analysis that also considered the costs and benefits of basic infrastructure improvements estimated the economic return at 12% to 22%. That study considered the immediate impact on the municipio's poverty level and concluded that, on average, the Solidarity Network would reduce poverty in municipios with severe and high rates of poverty by 12.8 points on the integrated index of municipal marginality (IIMM).²⁴

²² The MSPAS and National Social Coordination Office are represented in this fund.

²³ The Salvadoran government has reiterated its commitment to continue in 2007, using its own resources, the expansion of coverage when financing from the program to support modernization of the MSPAS runs out at the end of 2006.

²⁴ The IIMM was calculated for the country's 262 municipios and ranges from 0 to 50 points. The values increase along with the level of poverty in the municipio.

D. Benefits

- 4.6 The project is expected to help overcome the conditions of extreme poverty for families in the program areas. Specifically, it should improve preschool and primary school attendance among children ages 6 to 14, lower grade repetition rates, reduce the incidence of diarrheic and stomach diseases, reduce the rates of child morbidity and malnutrition, and improve social, gender, and ethnic equity. Encouraging the participation of local governments and increasing service availability and coordination at the subnational level, while raising service quality, should enhance the impact of the interventions. In addition, the percentage of people within the program areas registered in the RNPN will be raised to 100%.
- 4.7 It has also been shown that in the Central American region, investments in water and basic sanitation (measured as water connections) for extremely poor families who are not connected raise their income by at least 20%. This is due, among other factors, to the high cost of self-supply from alternative sources (tanks, distance traveled to obtain water, boiling unsafe water, etc.). Given that the project targets families who have no access to drinking water via a residential connection, its benefits are expected to include an increase in their incomes. In addition, the new instruments available to the Salvadoran government, such as the targeting system, will enable it to set priorities and to respond more equitably to the needs of the population. Moreover, setting up the beneficiary registration system will help to streamline the identification process and avoid redundancies or irregularities in granting benefits.
- 4.8 Lastly, part of the project strategy has been to align activities so that positive steps can be made toward achieving the relevant Millennium Development Goals, which will be tracked by the monitoring system: (i) eradicating extreme poverty and hunger in rural areas, as well as bettering global malnutrition rates among children under five (CCTs and extending the AIN-C to 100,000 households); (ii) promoting universal primary education (grades one through six) and age-appropriate enrollment (enrollment, school attendance, and grade promotion conditions for receiving CCTs); (iii) promoting equality between the sexes and autonomy of women (recipients of the CCTs); (iv) reducing mortality among children under five (preventive health protocol condition, access to the AIN-C strategy, access to water and basic sanitation, and rehabilitation of the primary network in the poorest municipios); (v) reducing maternal mortality (medical checkup condition for the mother/child health package and rehabilitation of the primary network as a condition for expanding attended deliveries); and (vi) guaranteeing water supply and proper basic sanitation, in addition to environmental sustainability.

E. Environmental viability

- 4.9 The CCT and health and nutrition components have no environmental effects. The project's basic infrastructure and equipment component will avert negative effects

on the environment. The planned works are small-scale, so the environmental impacts associated with construction of the water and sanitation systems and lesser infrastructure works in the communities are minimal. The infrastructure works will meet the minimum environmental and antiseismic standards. The operating manual contains a list of Salvadoran technical standards for preparing projects involving water supply and collection, treatment, and final disposal of wastewater. Technical specifications for construction and project criteria to minimize environmental impacts have been included in the bidding documents and works contracts, as appropriate. The project also calls for strengthening community organization for the purpose of administering the water and sanitation services, as well as for solving other community problems. The basic infrastructure projects to be financed will include an environmental analysis and mitigation measures to avoid potentially adverse consequences for the environment. The FISDL, as the entity in charge of financing infrastructure at the rural level, has environmental specialists to supervise the works.

F. Gender and indigenous issues

- 4.10 As women will be the recipients of the CCTs, and will therefore have resources in addition to the family income, they should become more empowered and increase their capacity to make decisions related to family welfare. The project will encourage women to participate at the community and family level, in order to benefit their own development as well as that of their family and community. The community support NGOs will provide gender-equitable training on various subjects to improve family conditions and relations, and will train community outreach workers so they can help monitor family situations. The program will promote support and leadership groups, enabling women to play an active role within organizations and act as liaisons between the project and their community. For their part, the men will have the opportunity to get involved in the education and development of their children.
- 4.11 To ensure community participation in areas with indigenous populations, a sociocultural diagnostic study was done in municipios and cantons with a higher concentration of indigenous people. The study analyzed, from an ethnic and gender perspective: (i) indigenous people's perceptions as to available public services and their level of use of those services; and (ii) the view held by service providers in those communities or municipios as to the characteristics of the indigenous population they serve. Thanks to the recommendations arising from this study, awareness-building and training were incorporated so that health, education, and community development services would include culturally relevant interventions. To the extent that social services and the community strengthening interventions recognize and respect the culture of the beneficiaries, they will foster a relationship of trust, encourage the participation of families in the planned activities, and heighten the impact of the interventions.

G. Social equity and poverty classification (PTI/SEQ)

- 4.12 The project automatically qualifies as a poverty-targeted investment (PTI) by meeting the sector criterion, as it invests in health and education for socially excluded children; the geographic targeting criterion; and the headcount criterion, since an expected 80% of the beneficiaries will be below the poverty line. This operation also qualifies as a social equity enhancing (SEQ) project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).

H. Sustainability

- 4.13 The Solidarity Network program constitutes the Salvadoran government's most important social policy intervention, and the vision of the outcomes to be achieved through social policy are shared by the line ministries and the government agencies involved. All these agencies have participated actively during the formulation of this initiative, and the coordination mechanisms that are already being implemented at the political/strategic and technical levels are designed to sustain this cooperation. Similarly, the President is highly committed to the execution of this program, reflected in part by the fact that 100% of the CCTs and associated administrative expenses are being financed with Salvadoran government resources, which reduces the risk of a lack of fiscal sustainability when financing from the Banks runs out. Nevertheless, the agreements with the Banks will incorporate clauses to ensure that the fiscal accounts and the annual budget include the committed resources.
- 4.14 To avoid the risk seen in other CCT programs of services ceasing to be available or the participation of families waning once the transfers end, the MINED and MSPAS have devised intervention strategies to improve quality and continue services over the long term. The MINED is also looking at offering scholarships to children that fulfill the shared responsibilities of regular school attendance and is creating a "rural bonus" to encourage teachers to teach in and remain in rural areas. The participatory, community-based strategy that brings services to families will keep demand for these services alive. Lastly, the Salvadoran government has taken steps to strengthen the capacities of its executing arm, and has the tools to measure progress and correct interventions over the course of the project.

I. Risks

- 4.15 One risk has to do with the country's fiscal constraints, since a shortage of government funding could delay project execution. In view of the importance that the Salvadoran government has attached to the project and the commitment it has made to its citizens, however, it is expected to ensure adequate budget financing. It is already a good sign that it is not willing to incur debt to finance the CCTs. In this type of program, interagency coordination at all levels is vital to producing the

- desired impact, and there is a risk that sufficient coordination among the participating agencies will not be achieved. This risk is mitigated because the Salvadoran government has begun to set up all the coordinating offices, and the local governments support implementing the project in their municipios, thereby contributing to coordination at the local level.
- 4.16 A third risk lies in the fact that this model of intervention has no precedents in the country, and the FISDL, as executing agency, therefore also lacks experience executing this type of program. This risk is mitigated because the Salvadoran government, following the recommendations of institutional experts, has adapted its organizational structure to meet this new challenge. Moreover, its experience in managing local development and executing social investments in the country has brought the FISDL closer to, and given it a good understanding of, the local governments, irrespective of their party position.

**SUPPORT FOR THE SOLIDARITY NETWORK PROGRAM
(ES-L1002)
LOGICAL FRAMEWORK**

Narrative summary	Indicators	Means of verification	Assumptions
Goal			
To reduce intergenerational transmission of poverty among the Salvadoran population.	The Millennium Development Goals are achieved by 2015 for the target population.	Multipurpose household surveys	The macroeconomic environment and tax receipts remain stable, at the least.
Purpose			
To improve living conditions for rural families in extreme poverty over the medium and long term through an integrated network intervention in 100 municipios targeted for their poverty levels.	<p>In at least 32 municipios, net preschool enrollment among six-year-olds increases by 4 percentage points after 24 months and by 7 percentage points after 60 months with respect to the baseline.</p> <p>In at least 32 municipios, net primary school enrollment increases by 4 percentage points after 24 months and by 6 percentage points after 60 months with respect to the baseline.</p> <p>Average schooling (cumulative years of education) increases by 0.4 grades over the baseline among boys and girls ages 6 to 14 in the 100 participating municipios after 60 months.</p> <p>The prevalence of malnutrition (weight/age) among boys and girls under five declines by 3 percentage points after 24 months and by 5 percentage points after 60 months with respect to the baseline.</p> <p>By project end, the incidence of diarrheic diseases among children under five is reduced by 26% with respect to the baseline in the 32 municipios with severe rates of extreme poverty where water and sanitation services were made available.</p> <p>Coverage of MMR (measles/mumps/rubella) immunizations for one-year-olds increases by 2 percentage points after 24 months, and by 5 percentage points after 60 months with respect to the baseline.</p>	<p>Project impact assessment surveys</p> <p>Project impact assessment surveys</p> <p>Project impact assessment surveys</p> <p>Project impact assessment surveys</p> <p>Project impact assessment surveys</p> <p>Project impact assessment surveys</p>	<p>All the sector agencies constituting the social safety net continue to be committed to acting in a coordinated fashion.</p> <p>The executing agency enjoys full political and technical support in performing its tasks.</p>

Narrative summary	Indicators	Means of verification	Assumptions
Components			
<p>Component 1. Conditional cash transfers. A step is taken toward breaking the cycle of poverty by improving the educational levels and health of children living in extreme poverty.</p>	<p>In year 1 of execution, 20,000 beneficiary families receive the transfers on time, every two months; 50,000 families do in year 2 of execution, and 80,000 do as of year 3.</p> <p>In 80% of the families with children eligible for the education transfers, all the children meet the shared responsibility of enrollment and attendance in year 1 of execution; they do in 85% of families as of year 2.</p> <p>80% of families eligible to receive the health transfers comply with the shared-responsibility protocol in year 1 of execution; 85% do as of year 2.</p> <p>As of project year 2, 100% of beneficiary families receive assistance, counseling, and training from specialized NGOs regarding the project's objectives and compliance with shared responsibilities.</p> <p>Statistically significant increase in project beneficiaries' level of satisfaction with health services after 48 months of execution, with respect to the baseline, and after 60 months, with respect to the previous measurement.</p> <p>Statistically significant increase in project beneficiaries' level of satisfaction with education services after 48 months of execution, with respect to the baseline, and after 60 months, with respect to the previous measurement.</p>	<p>Project monitoring and tracking system</p> <p>Project monitoring and tracking system</p> <p>Project monitoring and tracking system</p> <p>Project monitoring and tracking system</p> <p>Qualitative project evaluation surveys</p> <p>Qualitative project evaluation surveys</p>	<p>The communities participate actively in the RED's activities, supporting families in fulfilling their shared responsibilities.</p>
<p>Component 2. Health and nutrition. The Basic Services Network provides timely, coordinated health and nutrition services to families living in the municipios benefiting from the Solidarity Network program.</p>	<p>100% of the cantons in the 100 municipios are served with the essential health and nutrition package by the end of project year 3, in keeping with the coverage plan agreed with the Banks.</p> <p>By the end of year 2, coverage of prenatal care (protocol of 5 complete checkups) increases by 25% of all pregnancies in the participating municipios. Over the same period, coverage of postpartum care increases by 25% of all births in each municipio. Coverage increases by 10% in subsequent years.</p>	<p>Project monitoring and tracking system</p> <p>Project monitoring and tracking system</p>	

Narrative summary	Indicators	Means of verification	Assumptions
<p><i>Component 3. Basic infrastructure and equipment.</i></p> <p>Cost-effective rural water systems work according to standards.</p> <p>Water and sanitation systems are operated and administered effectively and sustainably by administrative boards or legally established organizations with an entrepreneurial approach.</p> <p>Constructed latrines meet quality standards.</p> <p>Physical barriers to access to health and education services are removed.</p>	<p>In the 32 municipios with severe rates of extreme poverty, 70% of schools and primary health care facilities have water safe for human consumption and sanitation services by the end of year 2, and 100% do by the end of year 4.</p> <p>In the 32 municipios with severe rates of extreme poverty, coverage of drinking water and basic sanitation increases by 20% after 24 months and by 50% after 48 months with respect to the baseline.</p> <p>132,000 people are served by new or improved water and sanitation systems by project end.</p> <p>At least 90% of water samples from installed systems meet national quality standards by project end.</p> <p>85% of beneficiaries of water and sanitation services say they are satisfied with the operation, and maintain the system after the program ends.</p> <p>User fees cover 100% of operating costs 1 month after system implementation; and 10% of capital costs after 1 year, to be used for rehabilitation.</p> <p>By project end, 95% of beneficiaries of the latrines say they are satisfied with the quality of construction.</p> <p>By project end, coverage of rural electrification in the service areas of schools and health centers in the 32 municipios with severe rates of extreme poverty has increased to 100%.</p> <p>By project end, the schools and health centers are connected with the communities they serve through an adequate road infrastructure.</p> <p>By project end, school attendance among children ages 6 to 14 in the 32 municipios with severe rates of extreme poverty has increased by 25% as a result of the works.</p> <p>By project end, monitoring of health and nutrition for children under five in the 32 municipios with severe rates of extreme poverty has increased by 25% as a result of the works.</p>	<p>Project monitoring and tracking system</p> <p>Project impact assessment surveys</p> <p>Quarterly, semiannual, and annual reports</p> <p>Quarterly, semiannual, and annual reports</p> <p>Project impact assessment surveys</p> <p>Project monitoring and tracking system</p> <p>Qualitative project evaluation surveys</p> <p>Project impact assessment surveys</p> <p>Project monitoring and tracking system</p> <p>Project monitoring and tracking system</p> <p>Project monitoring and tracking system</p>	<p>There are sources of water that can be tapped.</p> <p>The population accepts construction of the latrines as a prerequisite for benefiting from potable water.</p>

Narrative summary	Indicators	Means of verification	Assumptions
Basic infrastructure and health equipment is upgraded in the 32 municipios with severe rates of extreme poverty.	<p>By project end, 100% of primary health centers are rehabilitated and equipped in the first 32 municipios with severe rates of extreme poverty.</p> <p>By project end, the health centers in 12 of the 32 municipios with severe rates of extreme poverty cover 100% of the population in terms of clinical laboratory services, especially under the maternal/child program.</p> <p>By project end, the health centers in 14 of the 32 municipios with severe rates of extreme poverty cover 100% of the population in terms of dental care services, especially in support of the maternal/child program.</p> <p>By project end, 100% of the population of 19 of the 32 municipios with severe rates of extreme poverty has access to equipped ambulance service.</p>	<p>Project monitoring and tracking system.</p> <p>Project monitoring and tracking system</p> <p>Project monitoring and tracking system</p> <p>Project monitoring and tracking system</p>	
<p>Component 4. Coordination, awareness, monitoring, and evaluation. Management capacities are built for administering the network of services and local capacities are strengthened through social promotion and training at the community and family levels.</p>	<p>All RED members coordinate their interventions in the targeted municipios by 12 months after project start.</p> <p>80,000 families have been registered as potential beneficiaries in project years 3 and 5.</p> <p>32 municipios have adequate education and health services in year 1, 66 do in year 2, and 100 do in and after year 3.</p> <p>Municipal committees are operating in the 32 municipios after 24 months and in the 100 municipios after 60 months.</p> <p>By project end, the participatory methodologies designed under the project are applied in 100% of the municipios.</p> <p>100% of education, health, and community and family support staff who work in communities with a high concentration of indigenous people have received training on gender, ethnic, and cultural issues by project end.</p> <p>By project end, 85% of the communities have community committees that channel applications and claims filed by CCT beneficiaries, and have officials in charge of the duties assumed by the community (social audits, monitoring of works, maintenance, etc.).</p>	<p>Administrative management and monitoring system</p> <p>Administrative management and monitoring system</p> <p>Administrative management and monitoring system</p> <p>Administrative management and monitoring system</p> <p>Administrative management and monitoring system</p> <p>Administrative management and monitoring system</p> <p>Administrative management and monitoring system</p>	<p>A high level of interagency coordination (at the central and local level) is maintained, allowing the components to be executed in an integrated fashion.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/05

El Salvador. Loan ____/OC-ES to the Republic of El Salvador
Support for the Solidarity Network Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of El Salvador, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a support for the solidarity network program. Such financing will be for the amount of up to US\$57,000,000, which is part of the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on __ _____ 2005)

LEG/OPR/RGII/IDBDOCS#590349
ES-L1002

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/05

El Salvador. Partial Payment of Interest on Loan ____/OC- to the Republic of El Salvador
Support for the Solidarity Network Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as administrator of the Intermediate Financing Facility Account, hereinafter referred to as the "Account", to enter into such contract or contracts as may be necessary with the Republic of El Salvador, as Borrower, and to adopt such other measures as may be necessary to utilize the resources of the Account to pay a part of the interest owed by the Borrower on outstanding balances of up to US\$35,960,000 of the loan authorized by Resolution DE-___/05, in accordance with applicable Bank policy.

(Adopted on ____ 2005)

LEG/OPR/RGII/IDBDOCS#590339
ES-L1002