

# El Salvador

Although during 2005, El Salvador's economic activity was not very dynamic, mainly in construction and industry sectors, the results obtained throughout the year suggest that the economy will grow by 2.8%, a record figure in the last 5 years.

The country showed evidence of an important growth in non traditional exports, particularly towards the Central American area, however the agriculture sector leads the contribution to national economic growth, followed by transportation, storage and manufacturing services.

In 2005, CABEI's strategy in El Salvador, through its Regional Country Office, was focused on medium and long-term financing, prioritizing private sector initiatives aimed at supporting projects seeking to improve competitiveness through its industrial reconversion.

## Loan Approval

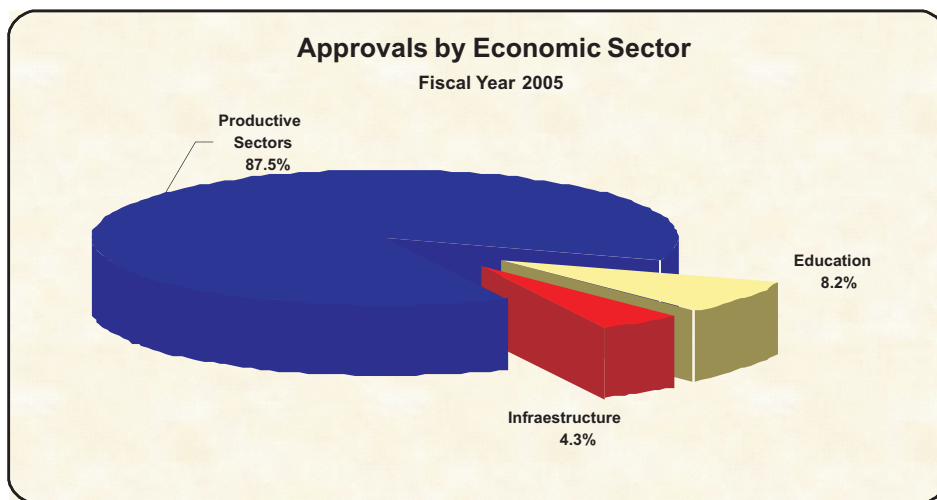
Loan Approvals during the 2005 exercise attained US\$232.9 million, integrated through an important credit facility to the Central Bank of Reserves of El Salvador, support to productive sectors, through financial intermediation, focused particularly on credit to micro, small and medium-sized enterprises.

Approvals by economic sector are:

### Approvals by Economic Sector Fiscal Year 2005 In US\$ million

| Economic Sector    | Amount       |
|--------------------|--------------|
| Education          | 19.0         |
| Infrastructure     | 10.0         |
| Productive Sectors | 203.9        |
| <b>Total</b>       | <b>232.9</b> |

The percentage distribution of new credits approved is the following:



In 2005, a total amount of US\$19.0 million was approved for the 2021 National Education Plan “Conéctate” Program, which is one of the strategic themes of the government to update the Salvadoran society in terms of technology competences required by the labour market and global environment.

**Approved Projects**  
**Fiscal Year 2005**  
**In US\$ million**

| Borrower / Project  | Amount      |
|---|-------------|
| Gov. National Plan for Education 2021 – “Conectate” Program | 19.0        |
| <b>Total</b>  | <b>19.0</b> |

## Loan Disbursements

The Regional Country Office in El Salvador granted disbursements in the amount of US\$406.2 million, in 2005, to support popular housing government investment programs, sustainable rural development of poor zones, and to promote the MSMEs sector. The amount financed includes a disbursement to the Central Bank of Reserve of El Salvador, and the rest was oriented to road infrastructure projects and community services activities.

**Disbursements by Economic Sector**  
**Fiscal Year 2005**  
**In US\$ million**

| Economic Sector    | Amount       |
|--------------------|--------------|
| Infrastructure     | 26.8         |
| Social Services    | 2.5          |
| Productive Sectors | 376.9        |
| <b>Total</b>       | <b>406.2</b> |

The most relevant projects that received disbursements during the 2005 exercise are the following:

San Salvador Peripheral Ring - I Stage that initiated disbursements during this exercise in the amount of US\$13.1 million, and with which an important reduction in fuel consumption, as well as in the levels of traffic congestion in the city, is expected.

The Low Cost Housing Program-FONAVIPO, US\$7.9 million, will continue providing housing solutions for low income Salvadoran families. This year the program generated 2,250 rural houses and 1,120 urban houses, benefiting an estimated population of approximately 14,000 persons.

The National Road and Rehabilitation of Paved Road Program required disbursements in the amount of US\$4.8 million, building 155.4 kilometers and generating just about 13,000 direct employments and 20,000 indirect employments throughout the exercise.

The Sustainable Rural Development in Ecologically Fragile Zones of the Trifinio Region obtained disbursements by US\$2.5 million. During this year, 20 kilometers of paved roads with their respective protection works were built. Due to its location zone, the advances in this works benefits a population of farmers that live in the area, since now they have better facilities to transport their crops to adjacent markets. Tourism has also been favoured in this region, because now that it has better access roads, the hotel business in the zone has been reactivated. Total beneficiary population is almost 25,000 people in the departments of Santa Ana and Chalatenango.

Following is a summary of disbursements:

**Projects and Amounts Disbursed**  
**Fiscal Year 2005**  
**In US\$ million**

| Borrower / Project  | Amount       |
|---|--------------|
| Gov. San Salvador Peripheral Ring - I Stage   | 13.1         |
| Gov. Sustainable Rural Development in Ecologically Fragile Zones Of the Trifinio Region | 2.5          |
| Gov. Central Market reactivation and Modernization Project                              | 1.0          |
| Gov. National Roads Program   | 4.8          |
| FONAVIPO. Low Cost Housing Program  | 7.9          |
| Productive Sectors  | 376.9        |
| <b>TOTAL</b>  | <b>406.2</b> |

### Potential Project Impact

Additional information on the estimated potential impact of some projects that received disbursements during 2005 can be summarized as follows:

By granting a credit to the Central Bank of Reserves of El Salvador, CABELI is again supporting an adequate management of liquidity.

The Modernization and Reactivation Project for the Central Market of the Metropolitan Area of San Salvador proposes reordering of street vendors in the city of San Salvador. The project will improve facilities of the “*Central de Abastos*” with the construction of 24,000 squares metres and the reconstruction of 55,130 squared metres, in facilities, with which a capacity for 5,716 market stands will be achieved. Approximately 15,010 people will work in the market. This project will have an impact on all the population of the great San Salvador and its surrounding cities.

The funding of the Peripheral Ring Road Project of San Salvador expects to build 21.5 kilometers of urban road network and to generate about 4,000 new jobs during the construction stage, as well as 11,000 new employments in a collateral manner. It is expected that this project will contribute to saving approximately 50,000 litres of fuel a day.