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ANNEX

To the Commission Implementing Decision amending the Commission Decision C(2016)8379 of 13.12.2016 on the Annual Action Programme 2016 in favour of El Salvador for support to the country's Social Plan to be financed from general budget of the Union

Action Document for "Apoyo al Plan Social 2014-2019 de El Salvador"

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 110(2) of the Financial Regulation and action plan in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1. Title /basic act/ CRIS/OPSYS business reference Basic Act number	Apoyo al Plan Social 2014-2019 de El Salvador OPSYS number: 2015/39034 financed under the Development Cooperation Instrument
2. Team Europe Initiative	Part of the funds are allocated to a component of the Action representing the first step in the implementation of the TEI "Digital Jobs".
3. Zone benefiting from the action	The action shall be carried out in El Salvador
4. Programming document	Multiannual Indicative Programme– El Salvador 2014-2020
5. Link with relevant MIP(s) objectives/expected results	This Action is contributing to Sectors 1 (Youth and Social Inclusion) and 2 (Private Sector Development) of the MIP 2014-2020 and the following objectives: Sector 1: Youth and social Inclusion To support the implementation of inclusive and public policies mainly those targeting the youth and other vulnerable population groups. Sector 2: Private Sector Development To strengthen productivity, income generation, business climate and competitiveness for SMEs, rural entrepreneurs and cooperatives as a means of enhancing inclusive sustainable growth, job creation, the transition to a green economy, and improving production systems in key areas of the country.
PRIORITY AREAS AND SECTOR INFORMATION	

6. Priority Area(s), sectors	Vocational education Business Development Services Gender equality			
7. Sustainable Development Goals (SDGs)	Main: SDG (1 only): SDG 8 : Create Decent Work and Economic growth Other significant SDGs (up to 9) and where appropriate, targets: SDG1: Eliminate (poverty) SDG 4: Quality Education SDG 5: Enforce Gender Equality SDG 9: Increase Industry, Innovation and Infrastructure SDG 10: Reduced Inequalities SDG 16: Guarantee Peace, Justice and Strong Institutions			
8. Targets Sector of concentration/ thematic area	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Sector 1: Youth and Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance Inclusion			
9. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
	Connectivity Tags: transport people2people energy digital connectivity	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>
	Migration (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities (methodology for marker and tagging under development)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	BUDGET INFORMATION			
11. Amounts concerned	<p>Budget line(s) (article, item): BGUE-B2021-14.020140</p> <p>Total estimated cost: EUR 126 933 000</p> <p>Total amount of EU budget contribution: EUR 83 000 000 of which: This action is expected to be co-financed in parallel co-financing by:</p> <ol style="list-style-type: none"> 1. Selected IFI : for an amount of EUR 30M 2. Implementing Partner: for an amount of EUR 0.6 M for the Public Finance component 3. AECID for an amount of EUR 0.2 M 4. Government of El Salvador or other donors for an amount of USD 14 M 5. SMEs Grant recipients: USD 1 M 			
MANAGEMENT AND IMPLEMENTATION				
12. Method of Implementation Aid modality	<p>Indirect management with the entities to be selected in accordance with the criteria set out in section 4.3.</p> <p>Direct management</p>			

Summary of the Action**SUMMARY**

Proposed Action in the framework of the new approach to remaining MIP 2014-2020 development cooperation funds (EUR 33 M) in El Salvador to be implemented through indirect and direct management.

The Commission Implementing Decision C(2020) 7429 of 22 October 2020 foresaw a €31 million budget support component added to the 2016 Decision C(2016)8379 of 13.12.2016 in order to support the Government with the immediate socioeconomic needs arising from the Covid-19 pandemic. The complementary measures package rose to €16.025 million, including the €4 million from the original decision C(2016)8379 of 13.12.2016; €10.025 million for a Women's Economic Empowerment component through Indirect Management with AECID and finally an additional €2 million for technical assistance to the Ministry of Finance, the Court of Auditors and to further the definition of a new Social Policy (Decision C(2020) 7429 of 22 October 2020).

The circumstances in El Salvador however deteriorated progressively since the adoption of the Decision in 2020 leading to a negative assessment on all budget support eligibility criteria. The assessment remains that it is highly unlikely that eligibility criteria will be fulfilled in the course of 2021. The allocation of additional funds toward a budget support component can therefore not be justified in light of this assessment, rendering the signature of a Financing Agreement impossible in the configuration proposed in 2020.

In recognition that the viability to make use of the budget support instrument is currently not assured, while also maintaining the importance to safeguard the commitment of funds for El Salvador in light of the escalating needs in the country, this addendum consequently proposes to move the entire budget support package (€31million) and the additional €2 million for Technical Assistance under complementary measures from Decision C(2020) 7429 of 22 October 2020 to other implementation modalities through eight initiatives that are summarized as follows:

Component 1: Digital Economy

- **Digital Connectivity - Indirect management- Contribution Agreement with international organization, Member State organization/financial institution or, possibly, blending/guarantee implementation modality (EUR 6 M)**

The objective is to increase the access of the citizens of El Salvador to broadband and increase its potential to provide the continuity of public services, in particular as regards educational, social and tourism facilities. Investment in digital infrastructure will focus also on fair and competitive procurement procedures and safeguards against corruption.

It contributes to addressing one of the critical issues hampering the country's economic and social growth, which has become more evident as the pandemic evolved. The action will be a part of the "Digital Jobs" TEI. The potential contribution to increasing productivity, job creation, diminish educational gaps, and enhanced economic opportunities fits the MIP 2014-2020 sector 2 criteria and, at the same time, creates a bridge to the new MIP. We would team up with our partners in a programme fully aligned with the MIP 2021-2027 priority area 1: digital transformation.

- **Supporting the development of an innovative MICRO, SMALL AND MEDIUM SIZED ENTERPRISES (MSME) sector – Direct Management grant (EUR 3M)**

The objective is to expand support services for Micro and Small Enterprises fostering digital transformation, strengthen industrial innovation, technological development, collaboration in competitive production chains and quality certification. The creative and artistic sector will be specifically targeted. This will complement existing services to MSMEs as foreseen in the government's Digital Agenda component on competitiveness. It will also form part of the TEI on digital jobs, as it will promote youth entrepreneurship to exploit digital opportunities.

Component 2: Good Financial Governance

- **Good Financial Governance- Indirect Management- Contribution Agreement with a Member State Organisation (EUR 6 M)**

Provision of technical assistance (TA) to the Ministry of Finance (MoF) and Court of Auditors aiming at a well-planned, transparent, accountable and sound Public Financial Management (PFM). The action will complement the work our TA has provided over the last years, as well as that of the many actors active in this area. In particular, the implementing partner will take into account the general lack of checks and balances at democratic level and challenges in ensuring financial accountability and transparency. The right to information will also be promoted as part of financial transparency and the linkages between budget allocation, public policies and budget executions.

➤ **Good Financial Governance -- Indirect management- Contribution Agreement with international organisation (EUR 4 M)**

Provision of Technical Assistance (TA) to the Ministry of Finance to strengthening medium-term frameworks, expenditure efficiency, fiscal risk management and the collection, production, storage and provision of macroeconomic and fiscal information, guaranteeing the maximum complementarity and synergies with the activities implemented by other actors.

Component 3: Gender Equality

➤ **Economic empowerment of women - Indirect management- Contribution Agreement with AECID (EUR 10 M)**

This programme was part of the top-up of EUR 33 million to the BS programme in support of the Social Plan and it remains highly relevant, not only for the implementation of the programme, but also to empower women and strengthen their economic autonomy in the context of the post-COVID-19 pandemic. It would be implemented by AECID, hand in hand with the Government.

➤ **Supporting the implementation of the new “Social Development Plan 2019-2025” – Indirect management – Contribution Agreement with Member State organisation (EUR 2 M)**

Given the concerns regarding the compliance of the eligibility criteria for budget support, it was decided not to continue supporting the social policy through this modality. However, support to the social policy through mechanisms other than budget support remains relevant, taking into account that the new social plan, the “Social Development Plan (SDP) 2019-2025), which is in the process of being adopted. In order to support the implementation of the SDP, we envisage providing technical assistance (TA), which will support in particular the Result 6 of the plan whose aim is “to reduce gender inequality”.

Component 4: Green Economy

➤ **Supporting the creation of the “Education and Research Center for Agriculture and Livestock” – Contribution Agreement with a Member State Agency or International Organisation. Twinning/TAIEX, (EUR 5 M)**

One of the components of the “Master Plan for Agricultural Rescue”, which is a strategic priority for the Government, it has been devised to support private sector and aims to become a regional benchmark for top-level academic training and technological developments, training new entrepreneurs with an agro-industrial vision. We envisage our support as a means to influence the vision of the center, enhancing the gender, climate action and digitalisation component. That is particularly relevant for Agriculture and Livestock and their impact on climate change and the environment. A specific attention will be given to mitigation of negative impacts on climate and the environment by livestock and agriculture activities at different levels, as well as principles related to Climate Smart Agriculture.

➤ **Supporting trade and business development – Indirect management – Contribution Agreement with an International Organization or a Member State organisation (EUR 7M)**

In line with the objectives of the MIP 2014-2020 focal sector on Private Sector Development, this intervention aims to strengthen the integration of El Salvador’s business sector in the regional economic market, enhancing the international competitiveness of SME’s as well as increasing their potential trade capacity to take full advantage of the EU Central America Association Agreement through the promotion of green and sustainable business practices. This will complement the action with a focus on youth and women and seek synergies with the same. The focus is on providing services to business to expand trade.

1 CONTEXT

1.1 Country context

The election of President Nayib Bukele in 2019 represented a break with the previous political establishment of two political parties that fought during the civil war and signed the peace agreement (1980-1992). President N. Bukele continues to enjoy strong support. In the 2021 legislative elections, the President's party, Nuevas Ideas, and its allies, won an outright majority in the Legislative Assembly. Since his election, President Bukele has adopted a populist tone and made decisions that undermine democracy, rule of law and respect for human rights. The new Legislative Assembly has reinforced these concerns when it dismissed all magistrates of the Constitutional Court and the Attorney General in its first session. A law on judicial reform passed in September 2021 has further reduced the scope for the judiciary by removing judges over 60 years of age, thus introducing many new judges aligned with the government. With the Legislative majority and control of the judiciary, civil society and international organizations have expressed concern about the centralization of power and the lack of proper democratic checks and balances in the country.

Lack of opportunities and violence push Salvadorans, in particularly youth, towards migration. El Salvador is a principal source of migrants to the United States; around 2 million Salvadorans are estimated to be in the US, and remittances account for around 20% of GDP. Relations between El Salvador and the USA are particularly marked by this issue, and the government's focus has been on trying to address the root causes of migration in terms of providing security and economic opportunities, although lack of transparency and clear policy direction risks undermining the main commitments in this regard. Quarantines and reduced economic activity have negatively affected employment and underemployment, for youth in particular.

Gender inequality and violence against women remain very high, and have deteriorated during the pandemic: women, who suffer higher levels of underemployment and marginalisation in the labour market, have been suffering strongly from the reduced economic activities during lockdowns. There are also reports of increasing levels of Sexual and Gender Based Violence (SGBV). Civil society organisations have criticised a lack of gender perspective in government policies to address the impact of COVID-19 on women and girls.

Poverty levels are also higher for groups in vulnerable situations, such as indigenous peoples and persons with disabilities, without being clear due to lack of data if and how many PWD have benefited from social programmes.

COVID-19:

The COVID-19 pandemic has had severe negative impacts on El Salvador: an already weak health system is struggling with the continued increase of cases. The lockdowns and quarantines have also negatively affected the already limited economic growth; whereby unemployment, poverty and inequality are all expected to grow significantly.

The impacts of COVID-19 are also hitting women and specific groups in more vulnerable situations the hardest. Women are being particularly affected in their health (especially regarding sexual and reproductive health needs), economic independence and safety, being more exposed to gender-based violence/. Gender imbalances are also reflected in the fact that although most of the frontline health workers are women, the key decision-makers in the process of designing and executing the pandemic response are men. The specific underlying conditions of persons living with disabilities also puts them at higher risk of contracting COVID-19, while they may also face additional barriers in seeking health care and experience discrimination and negligence in health and social services. Migrants and IDPs are also disproportionately at risk from the impact of the pandemic, due to inadequate and crowded living conditions, limited access to healthcare, poor working conditions and exploitative labour systems.

1.1.1 Context Policy Framework (Global, EU)

The proposed action aims at reformulating the actions to be supported with the remaining EUR 33 million from the MIP 2014-2020 for El Salvador under priority sectors 1 (Youth and Social Inclusion) and 2 (Private Sector Development). It also envisages the modification of the approach previously undertaken for the implementation of the Contribution Agreement with AECID to implement an action supporting women economic empowerment, amounting to EUR 10 million.

The strategic objectives of the MIP 2014-2020 are:

- to help deepen the democratisation process and sustainable development in the country, with a focus on social inclusion (poverty reduction, fighting inequality and exclusion, the prevention of violence), good governance and human rights, protection of the environment and climate resilience;

- to consolidate past progress on transformation, democratisation and development, and ensure that essential reforms remain high on the national political agenda;
- to support El Salvador's integration into the world economy, strengthen bilateral trade relations and assist in the shift to a green economy, mainly by means of a better regional integration process and improving the investment and business climate.

The Specific Objective of the MIP 2014-2020 Sector 2 is to "...support the 'economic tissue' in order to diversify production, investment, innovation, cleaner production, low-carbon development, job quality (with an emphasis on jobs for young people) and exports by SMEs and cooperatives, especially in view of the implementation of the EU-CA Association Agreement. Higher employment rates will also feed into the first sector (youth and social inclusion) indicators.

The strategic context for cooperation changed with the advent of COVID-19, when the focus became addressing the social and economic impact of the pandemic. Initially, the €33 million had been reallocated to the ongoing Budget Support operation "Apoyo al Plan Social 2014-2019 El Salvador" (LA/2016/039-034) with a view to assist the country in addressing the impact of COVID-19, including support to public finances, economic recovery and women entrepreneurship. However, due to deteriorating political situation, the conditions are presently not conducive to meeting general eligibility for budget support.

The strategic priority for the EU in El Salvador for the period 2021-2027 is fostering the green economic recovery, creating jobs and tackling inequalities, in particular the digital divide. In addition to contributing to addressing the immediate effects of COVID-19, it also aims toward support long-term sustainable and equitable growth. Tackling these issues will also contribute to addressing the root causes of migration.

Because of the absence of a National Development Policy, the basis for the Multi-Annual Indicative Programme 2021-2027 is the Heads of Mission Report Framing the Union's and Member States' Policy towards El Salvador for the Period 2021-2027 (June 2020), on the basis of which the following Priority Areas and Indicative sectors have been selected: (1) Digital Transformation; (2) Green Transition; (3) Governance and Human Development.

This action supports the launch of the "Digital Jobs" TEI's implementation. Indeed, its Social Digital Connectivity component is one of the main elements of the TEI. Moreover, the component on support to SMEs provides an additional and innovative push to the TEI implementation. Their contribution to increasing productivity, job creation and enhanced economic opportunities fits the MIP 2014-2020 sector 2 criteria and, at the same time, creates a bridge to the new MIP.

The commitment of the EU's contribution to the Team Europe Initiatives foreseen under this annual action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners' meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

In addition, the intention through this addendum is to provide the foreseen support to Ministry of Finance and the Court of Auditors through a Member State agency, and to complement and bolster this support with the regional specialization of CAPTAC-DR. The configuration of support to these institutions is deemed more appropriate under the current conditions and circumstances in the country. Good financial governance remains paramount for a sound economic recovery, particularly while the country currently struggles with key issues related to transparency, efficiency, capacity and planning.

The women's economic empowerment component is part of the Gender Action Plan III of the European Union, towards gender equality 2021-2025, through one of its fundamental axes: the "Promotion of social and economic rights and the empowerment of women and girls", as well as through its specific objective: "to promote decent work, equal pay and labor rights and the transition of women to the formal economy". This component will be managed by AECID and will be reinforced with a dedicated TA to support to the implementation of the gender component of the new Social Plan. This will keep the EU's engagement with the Government in this important policy, which is also one of the new MIP priority sectors.

Finally, supporting the creation of the "Education and Research Center for Agriculture and Livestock" provides the opportunity to contribute in shaping the Center's vision, aiming at the development of a climate, gender and digital sensitive regional project, in line with the EU Green Deal.

The Government of El Salvador, which took over in June 2019, has not yet developed a National Development Plan superseding the previous government's Plan Quinquenal de Desarrollo (PQD). The Plan Cuscatlan, which was the policy framework during the electoral campaign, sets out the government's priorities in terms of economic development,

security and human development. As the government was developing specific policies, the COVID-19 pandemic struck, delaying the process and redefining priorities, which are still evolving.

The Plan Cuscatlan on Economy has the overall objective of promoting an inclusive and sustainable economic growth, which has been partly put into action by the Policy on Commerce and Investments 2020-2050 and the recently approved Plan de Desarrollo Social 2019-2024. The Policy on Commerce and Investments aims, amongst others, to attract investment in digital services and expand connectivity and digital skills, particularly among youth, while the Plan de Desarrollo Social also aims to promote digital skills and employability in the education sector. The overarching government policy to promote the country's digital transformation is the **Agenda Digital 2020-2030**, with four components: (1) Digital Identity; (2) Digital Governance; (3) Modernization of the State; (4) Innovation, education and competitiveness. The government is currently elaborating the 2021-2024 Strategic Plan for the implementation of the Digital Agenda with EU support. Digital connectivity and bridging the digital gap are two of the main objectives of the Agenda Digital.

To achieve the success of this agenda, one of the main challenges is the deployment of digital infrastructure that allows bringing the benefits of the digital agenda to unconnected areas. The other one is reducing the digital skills and competencies gap.

The **Ministry of Finance**, aware of the institutional, process and capacity weaknesses of the institution, has implemented its **Institutional Strategic Plan (PEI)** 2015-2019 and prepared a new plan for **2019-2024**. This Plan has allowed closing some gaps identified in the current planning system regarding best practices; improve the integration of the strategy with the operation; work on institutional capacity to execute strategic projects; optimize performance of the critical processes for the execution of the strategy and leadership; and strengthen monitoring and evaluation of PEI goals.

The new PEI 2019-2024 was formulated with the support of the TA of the European Union. The institutional strategy is based on the Fiscal Policy Guidelines for 2019-2024, aiming at the promotion of greater economic growth and social development; it focuses on 5 strategic pillars: 1) Income; 2) Expenditure; 3) Public Investment; 4) Debt Management; 5) Modernization and Institutional Innovation. Satisfactory progress was achieved on tax and customs administrations, but on the expenditure side, there has been limited progress. The IMF also emphasizes "the fight against corruption continues to be a top priority".

The public finances' components of this action aims to promote a transparent accountable and sound public financial management system for better public policies and a green and inclusive economic recovery in El Salvador. The objectives are strengthening strategic planning, human capital, expenditure effectiveness, transparency and finance statistics. It will contribute to the achievement of SDG 16: It will strengthen effective, accountable and more transparent institutions (Ministry of Finance and Court of Auditors), also contributing to a more responsive, inclusive and participatory decision-making.

The Education and Research Center for Agriculture and Livestock is one of the components of the "**Master Plan for Agricultural Rescue**", a political priority for the Government. It will provide support to private sector, and aims to become a regional benchmark for top-level academic training and technological developments, training new entrepreneurs with an agro-industrial vision. We envisage our support as a means to influence the centre's vision, enhancing its gender, climate action and digitalisation components.

Finally, the women's economic empowerment component remains a standalone project albeit providing a specific support to the implementation of the new **Plan Social**. It tackles one of the most pressing social issues in El Salvador, which is the lack of economic opportunities for women. Implementation through a member state agency is the most feasible course of action to attain its objectives.

At the national level, the action is aligned with the main instruments designed to achieve gender equality: The Law for Equality, Equity and the Eradication of Discrimination against Women (LIE); Special Comprehensive Law for a Life Free of Violence for Women (LEIV); National Policy for Women and its National Equality Plan 2016-2020; Cuscatlán Plan, and more specifically with the Women Plan, Youth Plan and Economy Plan. Similarly, the project aims to contribute to the implementation of the 2030 Agenda in El Salvador, specifically to the achievement of SDG 5: Gender Equality. We are envisaging the reinforcing of this component with a dedicated TA to the Government in support of the gender component of the new Social Plan, as a way to remain engaged in the transition from our BS programme to a new approach to be decided based on the country's developments in the short term.

The projected technical assistance (TA) aims to support the implementation of the country's social policy by supporting the new five-year "*Social Development Plan Social 2019-2025*" which has been recently adopted. It was developed in

the framework of the country's "Ley de Desarrollo y Protección Social"¹ (LDPS). The TA would build on an EU's long-standing commitment initiated in 2010 with the "Poverty Alleviation Programme in El Salvador" (EUR 37 000 000), and followed by PACSES ("Programa de Apoyo a Comunidades Solidarias", EUR 47 400 000) and the ongoing support to Plan Social, both budget support programmes. In particular, our TA should focus on supporting the Result 6 of the plan: "to reduce gender inequality".

1.1.2 Stakeholder analysis

The El Salvador Agency for International Cooperation (ESCO) is the body responsible for optimizing opportunities and possibilities for international cooperation for the economic and social development of El Salvador through new and efficient forms of international linkage with the country. As such, and together with the Ministry of Foreign Affairs, it follows all actions supported by international cooperation and is responsible for the mechanisms / instances of dialogue and coordination foreseen between the GOES and international partners.

The Secretaría de Innovación, SECINO, is responsible for the implementation of the 2020-2030 Digital Agenda. The connectivity and digital infrastructure will be provided, among other modalities, through the Minimum Subsidy Tender scheme, based on the design of an auction for the connection of locations with certain minimum technical quality requirements and taking into account the existing infrastructure. Private telecoms will bid and compete. The subsidy will be for one time only to encourage the private actors to reach areas with low population density. The Ministries of Education and Health will coordinate the prioritization of the sites. The training component includes online training for civil servants and public servants with a gender perspective, and training for the population benefiting from connectivity, taking into account a gender perspective. The IADB is about to launch a first phase of this programme, providing a USD 85 million loan that includes USD 35 million from the Korean Infrastructure facility managed by the IDB.

The Minister and Deputy-Ministers of Finance were replaced at the end of 2020, as well as several Directors. The commitment of the current Minister to the reforms has to be confirmed after the Covid crisis, which has concentrated all the administration efforts since the pandemics started; the reactivation of the Fiscal Responsibility Law has also to be confirmed. Moreover, the capacity and human resources of the Ministry of Finance need to be strengthened in order to achieve the main goals of the PFM reform process (i.e.: Results Oriented Budgeting, external control and oversight of the budget).

The President of the Court of Auditors was appointed in August 2020 for a period of three years. The Court is currently working in their new Strategic Plan with the technical assistance of USAID. Audit coverage is still very low, as it only reaches less than 40% of all institutions. The capacities of the Court's human resources need to be strengthened, especially in the areas of inspection and monitoring. The reports that are being produced are still not to the level of international standards.

The Education and Research Center for Agriculture and Livestock is one of the components of the "Master Plan for Agricultural Rescue", a political priority for the Government. This policy is co-led by the Ministry of Agriculture and Livestock, MAG, and the Secretary of Commerce and Investments. The MAG is responsible for formulating and executing policies that promote sustainable agricultural, livestock, forestry, fishing and aquaculture development, food security and sovereignty, with a focus on adaptation to climate change. The Secretary is the entity that dictates national policies aimed at strengthening trade in products and services, as well as investments. The new center will merge the National Center for Agricultural, Livestock and Forestry Technology (CENTA), in charge of providing specialised extension and support services to the agricultural sector; and the National School of Agriculture, ENA, which is the State Higher Education instance dedicated to the training of technicians in agronomic sciences.

¹ Art. 12 of LDPS: "By the first semester of each presidential term, must be formulated and presented the Development Plan Protection and Social Inclusion, its objectives and purposes must be consistent with the General Plan of the Government and as a framework for social programs to be defined and implemented".

The Fondo de Inversión Social y Desarrollo Local (FISDL) ² has as its core responsibility to reduce poverty in El Salvador by promoting development at the local level. It is currently being merged under the MINDEL- Ministry of Local Development.

CONAMYPE is an independent public entity ascribed to The Ministry of Economy's in charge of implementing policies in support of Micro and Small Enterprises in El Salvador. It has regional centers (CDMYPEs) covering most of the country that provide support to entrepreneurs and small business-owners (with programmes specifically focused on women) through training, technical and legal advice, as well as facilitating access to possible sources of financing.

ISDEMU: is the institution responsible for formulating, executing and monitoring compliance with the National Policy for Women. It promotes the comprehensive development of women through compliance with legal provisions and also to promote draft laws and reforms to them that improve the legal situation of women, especially in labour legislation.

Led by the **Secretaria de Inclusion Social (SIS)** ³, **Ciudad Mujer** brings together 18 public institutions that work in coordination in each of the programme's 6 centres located throughout the country. Ciudad Mujer provides basic social services on reproductive health, attention to victims of gender violence (including legal assistance), education on basic rights and gender issues, and economic empowerment (capacity building, designing of business plans, loan provision, etc.). The component targeted, dealing with women's economic empowerment, will be implemented with the participation of a number of the institutions that are already part of the programme: CONAMYPE –financial training, promotion of savings and entrepreneurship–, the national professional training institute (INSAFORP) –vocational training–, and the Ministry of Labour –labour market intermediation.

The coordination of the programme with AECID will be in charge of the Ministry of Local Development (MINDEL), and more specifically through the Ciudad Mujer Programme. Likewise, coordination at the territorial level will be necessary. MINDEL, through Ciudad Mujer staff, will be the institution in charge of coordination in the territories, with the rest of the implementing institutions: CONAMYPE and ISDEMU. Other secondary actors will be part of the programme with AECID: the Ministry of Labour, Insaforp (governmental institution responsible for training and professional training of human resources in El Salvador), and the Ministry of Education.

1.1.3 Priority areas for support/problem analysis

The action will address the following programmes:

- Limited affordable broadband connectivity, in particular in rural areas, and lack of capacity/knowledge to take advantage of the opportunities offered by the digital transformation, particularly by women.
- Weak capacity in the agricultural and livestock sector to innovate and invest in sustainable and climate-friendly production
- Weak public financial management capacity for transparent planning, budgeting, executing and oversight
- Lack of empowerment and economic autonomy of women
- Slow implementation of Digital Transformation in SMEs

The digital divide in El Salvador is deepening, both across and within regions. Low connectivity, limited penetration of digital infrastructure, low level of digital skills and the gender gap are problems that have deepened with the COVID-19 crisis, which has highlighted the importance of affordable access to digital services. El Salvador ranks 92nd out of 129 countries, according to the Global Innovation Index (IGI)⁴; this affects its competitiveness and the country's economic and social development. One of the causes is the limited development of the digital economy, due to low access to ICTs and the scarce use of solutions on digital infrastructure. The WEF Global Competitiveness Index only assigns 3.2 points out of 7 in terms of digital skills of the active population, ranking the country 131st of 141 countries. Additionally, the Global Gender Gap Index quantifies El Salvador's gender parity at 0.706 out of 1, which places it in 80th position out of 153, with low indicators in the area of education and skills. The overarching government policy to promote the country's digital transformation is the Agenda Digital 2020-2030, with four components: (1) Digital Identity; (2) Digital Governance; (3) Modernization of the State; (4) Innovation, education and competitiveness. The

² In 2020 the FISDL should become part of the Ministerio de Desarrollo Local, which is the process of being set-up.

³ Since June 2019, the SIS does not exist anymore, and the oversight of Ciudad Mujer has been assigned to the FISDL/MINDEL (the Ministerio de Desarrollo Local which is in the process of being set-up).

⁴ The Global Innovation Index, 2020; World Intellectual Property Organization.

government is currently elaborating with EU support the 2021-2024 Strategic Plan for the implementation of the Agenda Digital. Digital connectivity and bridging the digital gap are two of the main objectives of the Agenda Digital.

To achieve the ambitious objectives of the Agenda, one of the main challenges is the deployment of digital infrastructure that allows bringing the benefits of the digital agenda to unconnected areas. The other challenge is reducing the digital skills and competencies' gap by promoting education and specialized vocational training, in particular in rural areas, and benefitting youth and women.

Digital Transformation is one of the political priorities of the President. Innovative business models and pilot digital developments in SMES could reap the benefits of better connectivity in the country and create innovative jobs for youth and women, who would with more opportunities, may lead to reduced levels of migration. Through business associations, for instance CASA-TIC, an active ITC business association, well-targeted grants could foster the take-off of the digital transformation for the local SMEs.

The challenges faced in rural areas are particularly acute for the small and medium agricultural producers, who are often faced with food insecurity and lack capacity and incentives for entrepreneurial initiatives that can foster sustainable productive and commercial activities. The new reality of coexistence with Covid-19 implies the need to promote food security in the region through economic, social and environmentally sustainable processes. The creation of an Education and Research Center for Agriculture and Livestock is one of the components of the "Master Plan for Agricultural Rescue" (*Plan Maestro de Rescate Agropecuario*), a high political priority for the Government aiming at achieving a more efficient and sustainable agriculture, as well as promoting food security and the development of the rural areas. The Plan is composed of five distinct components: (1) food security; (2) rescue of the coffee sector; (3) creation of a Center for Agricultural Education and Research; (4) Rural development; (5) Community development programme. The creation of the Center for Agricultural Research aims at strengthening both education and research, but also services to the agricultural and agri-food sector, by firstly merging the National Agricultural School (ENA) and the National Center for Agriculture and Forestry Technology (CENTA), and then upgrading its resources and capacity.

The Government of El Salvador, through the Ministry of Agriculture and Livestock as a rector of this initiative, accompanied by the Secretary of Commerce and Investments will contribute to the development and promotion of sustainable business models.

El Salvador's fiscal space remains limited and has become more so with COVID-19: The sustained fiscal deficit has led to a substantial increase in public debt that is estimated to reach 88% of the country's GDP by 2022. During the COVID-19 crisis, additional loans to combat the crisis mean that debt levels may increase to up to 90% of GDP and sharpens the risk of default. The Fiscal Responsibility Law remains suspended due to the crisis, but its aim remains achieving a sustainable debt level in 2030. A possible agreement with the IMF remains pending, as PFM reforms have stalled in many areas. The Ministry of Finance's Strategic Plan for PFM reforms has been partly suspended, and core reforms, such as result-based budgeting and transparency, have had limited advances. The COVID-19 crisis has led to further concerns about budget comprehensiveness and lack of solid control mechanisms: limited controls on procurement and investment planning remain issues of concern that can hamper a sustainable recovery from COVID-19.

Unemployment, underemployment, and informality affecting youth and women are not only the result of lack of job opportunities, but stem as well from a lack of capacity and education, as well as access to technical and specialized job training that can promote self-employment or entrepreneurship to reach vulnerable groups. The COVID-19 pandemic has had a negative impact on the growth rate of formal employment, which had already stagnated before the outbreak. Sectors such as tourism (which was growing) and restaurants have been strongly affected; but also the large textile industry and agricultural production have been impacted. It has also strongly affected the large informal sector, which represents around 70% of the workforce, as a large part of Micro and Small Enterprises operate informally.

Among the main challenges faced by women, we can highlight the following: i) Low labour participation: El Salvador registers one of the lowest female labour participation rates in Latin America and the Caribbean (LAC) since only 46.8% of women of working age participate in the labour market, versus 80.5 % of men. Women also have higher rates of labour informality: 49% of women employed in urban areas are in the informal sector, the rate for men is 39%; ii) High rate of inactivity: it is 53.2% compared to 19.5% for men. This situation does not seem to be changing with the new generations: 79.9% of young people who neither study nor work in El Salvador are women; iii) Wage gaps between men and women not only persist, but also tend to increase, going from a gap of 17% in 2016 to an increase of 19.5 % in 2018; iv) Precarious female enterprises: women own 61.4% of small and micro-enterprises but their business initiatives are mostly micro-enterprises (99.53%), many of which have returns below the minimum wage (subsistence enterprises), and on average they have lower incomes than companies led by men.

Several social conditions contribute to the gender gap: i) Domestic chores and care work fall almost exclusively on women, which limits their development possibilities and constitutes one of the main causes of low female labour participation. It is also a limiting factor for the growth of women-led businesses. Other factors are the lack of assets in their name that enable them to access credit, as well as access to business services, placing them at a competitive disadvantage with respect to male entrepreneurs. The State and the labour market have little participation in the provision of care services, and if they exist, they tend to be jobs also held by women and characterised by low pay and inadequate working conditions; ii) Early pregnancy - 29% of pregnancies in 2017 were girls between 10 and 19 years old - is also a factor that limits the possibilities of studying or working for young women and therefore contributes to perpetuating the gender gap in terms of economic inclusion; iii) High prevalence of violence against women: in 2017, 67.4% of women aged 15 years and over reported some type of violence throughout their lives, and 33.8% in the last 12 months.

The increase in the participation of women in economic activity, to the extent that it is linked to quality jobs, can translate into a substantial increase in the contribution that women make to their household income and, therefore, to economic growth and poverty reduction. Hence the concept of gender bonus, which generally refers to the potential economic benefit obtained by increasing the participation of women in work activity.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Continued limited fiscal space reduces the possibility for public investment in expansion of digital connectivity and implementation of the Master Plan for Agricultural Rescue	H	The action is accompanied by strategic support to public finances, complementing the need for improved policy and budget planning, as well as investment. EFSD+ will make investment opportunities available
Reputational and Do-No-Harm risks related to working with government Ministries and other state offices, as well as in support of certain government policies (lack of accountability, corruption, political patronage of targeted stakeholders, etc.; EU seen as too close to the government	H	Moving away from Budget Support implementing modality, we take back control of the whole project cycle. The EU will work closely on including civil society actors in dialogue fora and monitoring of EU investments. All support will be accompanied by close monitoring of the political situation and political dialogue.
Lack of a regulatory and policy framework, as well as political commitment towards promoting the inclusion of the most vulnerable population in the labour market and to gender mainstreaming	L	The action, amongst others, will promote innovative solutions, with inspiration from other countries. They will as well promote the participation in decision making in order to cater more for their needs
Lack of willingness from the formal private sector to invest and participate in actions that promote digital employment for youth and women, also in rural areas; vested interests linked to political affiliations and patronage	L	Dialogue with private sector representatives will be included, and all training activities will be formulated taking into account the private sector needs
Internal events or external shocks affect the Strategic Planning and Macro-fiscal projections	M	The IMF is working in a fiscal risks mapping and training the new unit of fiscal risks to have regular reports associated to the budget

Mismanagement of Human Resources and Staff turnover in the areas of work delays the implementation of the PEI	M	Regular dialogue with the decision makers of the Ministry of Finance in order to make awareness of the importance of sound Human Resource Management.
Limited access to data of public revenue and expenditure and other relevant information for a sound public financial Management; continuous deterioration related to the Right to Information by the general public, as well as lack of independent monitoring of public finances and budgets.	H	Strategic Actions will strengthen CSOs capacity and means to hold Government accountable
Weak political commitment to execute the necessary fiscal policy reforms and actions for a sustainable finances, as well as lack of effectiveness and independence of the judiciary in this regard.	H	Increasing the focus on institutional strengthening and assessments. Enhance fluency in the dialogue with the Ministry of Finance to highlight the importance of fiscal reforms.
Financial or human resource constraints	H	Raising the understanding of stakeholders on the benefits and implications.
There is limited market demand, limiting the opportunities for young and women entrepreneurs to market their products	M	The action will include technical support for market studies, and work closely with private and public agencies that support Micro-, Small and Medium Enterprises
Public institutions responsible for gender policy understaffed and/or with limited political backing	H	The action must implement provisions so that it can work even with minimum participation of the public administration
Security risks in some municipalities	M	Promote the institutional framework, apply security protocols for project personnel and take precautionary measures for the distribution of inputs, and involve the communities in all processes so that they take ownership of the project.
Lack of social and environmental safeguards in relation to the digital economy and SME creation	M	Environmental and Social impact assessments will be included in terms of all digital and SME interventions; these will include specific gender mainstreaming elements.
Assumptions		
<ul style="list-style-type: none"> • There will be no major natural or political event that will disrupt implementation • There is continued interest from the Government in dialogue with international partners on public finances, digital transformation, youth employment and women empowerment • Implementation of the Digital Agenda remains a strategic priority for the Government • The Ministry of Finance assigns the necessary resources for the implementation, monitoring and evaluation of its Strategic Plan. • The Ministry of Finance is open to improve strategic planning of human resources, introducing the necessary changes in the Strategic Plan 2019-2024 		

- The Ministry of Finance receptive to implement the necessary fiscal actions to reach sustainability. There is an annual budget proposal in the form of the performance-budget approach.
- The Court of Auditors assigns the necessary resources for the implementation, monitoring and evaluation of its Strategic Plan.
- The competencies to implement and monitor gender policies remain allocated at the institutions currently responsible for these areas in the national public administration
- Security situation does not deteriorate

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The COVID'19 lockdowns made evident the lack of connectivity suffered by large parts of the population, in particular outside urban areas. This particularly affected the education sector where, despite government efforts, many children and young people could not follow classes in one of the longest closures of educational facilities in the world.

As reflected in the MIP 2021-2027, “As in other developing countries, the digital divide in El Salvador is hampering the efforts to foster an inclusive recovery. Likewise, the gender gap is also noticeable in terms of digital access, skills and job opportunities. Unequal access to and use of digital technologies and solutions by women and girls, as well as their lower presence in jobs requiring digital skills across all sectors that use technology, are some of the key aspects of the ‘Gender Digital Divide’. Bridging the Digital Divide and extending Internet access could enhance productivity as much as 25% with tremendous benefits on sustainable jobs and growth.”

The results of the last PEFA evaluation (2018) reflected that El Salvador is “partially aligned” with good international practices considered under the 2016 PEFA. The most relevant PEFA weaknesses identified are: the capacity of the government to formulate solid and complete macro fiscal projections, as well as to estimate the fiscal impact of potential changes in short and medium term economic conditions; the weak linkage in the medium term of the planning with the budget; the difficulty to estimate the future impacts on the resources generated by the investment projects and the absence of a programming of the commitments that are linked to cash availability; the weak identification and quantification of payment arrears and contingent liabilities; the difficulties in managing the collection of revenues, and the deficiencies in the management of assets and liabilities. This situation is exacerbated by the lack of effective follow-up mechanisms for results; the weaknesses identified in the coverage and quality of the external audit; and the lack of an examination by the Legislative Assembly of medium-term priorities.

A TADAT evaluation (2018) identified strengths in many areas: timely presentation of the tax returns and payment of taxes, followed by the accuracy of the information declared. However, 16 indicators obtained C or D ratings that denote the need to work to overcome weaknesses in the remaining areas: the integrity of the database of registered taxpayers, the effective management of compliance risks, support for voluntary compliance, effective resolution of tax litigation, the efficient administration of the collection, and accountability and transparency.

Both evaluations were taken into account for the formulation of the Strategic Institutional Plan 2019-2024.

A PIMA evaluation was carried out by the IMF but is not public and a MAPS is in process with the support of the IDB but delayed in COVID context. The results of these evaluations will be taken into account during the design of specific PFM interventions.

Previous EU support to Ciudad Mujer and the extensive work developed by AECID in municipalities and with ISDEMU have shown that the multidimensional and municipal approach is the most effective in order to reach the most vulnerable women groups.

A dedicated TA to the Government aimed at supporting the social policy proved to be very relevant, especially in the drafting of the gender policy included in the recently approved new Social Plan. Therefore, even though BS to the new Social Plan is not an option for the moment, we will keep our engagement with the Government through this TA.

3.2 Complementarity, synergy and donor coordination

The action will support the priorities of the MIP 2014-2020 in the context of post-COVID-19 recovery, as well as lay a foundation for actions under the new MIP 2021-2027 supporting the digital transformation through improved access and skill development, which have proven core issues to address following the COVID-19 pandemic. In this regard, the

action is fully aligned to the TEI on Digital Jobs, and will complement actions by other partners, including the EIB (interest in women employment and digital infrastructure), AECID (youth and women employment), and Italian cooperation (rural development, youth, women). In its recently presented Strategy for El Salvador, USAID also has one priority area to increase jobs and income for youth between 16 and 40 years of age, with a particular focus on women, which underlines the need for strengthening coordination efforts in this area.

The digital connectivity component of this action is intended to act as a bridge between the IADB/Korea digital connectivity programme, which is about to be launched, and our MIP 2021-2027 Digital connectivity programme. Digital training is also a priority for USAID, but it intends to focus on the three major urban areas, which are not the main objective of our proposal.

Regarding public finances, the IMF has focused its technical assistance in fiscal policy issues like debt sustainability, pension reform, tax administration, customs and fiscal risks. IDB has a USD 40 mill Programme to support Tax and Customs Administration and it is working in Fiscal Policy in coordination with the IMF. USAID has worked in Financial Management Integration Systems in order to upgrade the SAFI II and allow the implementation of Programme Budgeting. GIZ has worked in Tax Administration, BEPS and the performance evaluation system of the Budget. Meanwhile, the EUD has worked on Institutional Strategic Planning, Fiscal Policy, Tax Administration, Transparency and the coordinated the PEFA and TADAT evaluations.

Before the COVID-19 outbreak, there was already an active donor-coordination group on public financial management that included the Ministry of Finance, EU, USAID, GIZ, Luxembourg, World Bank, IADB, etc. Unfortunately, the group has lost some of its dynamism during the lockdowns and has lost its relevance due to the lack of interest of the Government.

Major donor partners have already called on ESCO to take a more active role in leading donor coordination efforts; EU is supporting ESCO in the design of an information platform on international cooperation. At the same time, donors are increasingly coordinating efforts in some sectors, such as agriculture and women's rights; there is space to further expand these efforts into areas such as youth employment and digitalization.

In El Salvador, there are different international programs that, in collaboration with civil society organizations, promote the economic empowerment of women. They have provided relevant information for the formulation of this project. To name just some of the most representative: Women, Local Economy and Territories Program (MELYT) launched in 2018 by UN Women and funded by the Italian Agency for Development Cooperation (AICS). The United Nations Development Program (UNDP) in conjunction with the Ministry of Agriculture and Livestock (MAG) and the International Fund for Agricultural Development (IFAD), implemented a productive rural development project that has promoted the empowerment of women and youth. The Spanish Agency for International Development Cooperation (AECID) also contributes to this effort; at the bilateral level, support has been provided to the Salvadoran Institute for the Development of Women (ISDEMU); also noteworthy is AECID's support and experience with the Workshop Schools in Zacatecoluca (School of Human Development) and San Salvador, in conjunction with the respective municipalities, for occupational training and entrepreneurship under the learning-by-doing methodology characteristic of the Program of Workshop Schools of the Spanish Cooperation.

For the purpose of ensuring complementarity, synergy and coordination, the Commission may sign or enter into joint donor coordination declarations or statements and may participate in donor coordination structures, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union.

3.3 Cross cutting issues / Mainstreaming

Women and girls will be targeted as a priority in the Action, with a specific focus on the strengthening of their empowerment, employment and entrepreneurship opportunities, in particular through the Specific Objective 5.

The overall Action should contribute to reducing the gaps between women and men in El Salvador, including improved access to digital connectivity and related services.

As per OECD Gender DAC codes identified in section, this action is labelled as G1.

The action will contribute to the overall achievement of EU objectives in El Salvador, where human rights remains a cross cutting objective, and the achievement of the Human Rights and Democracy Country Strategy priorities will be key of the action. Promoting non-discrimination and equality to keep empowering women and youth, and to promote fundamental pillars of democratic society, rule of law, a need for oversight, accountability and responsibility. Digital technology pursues to empower, connect, inform and investigate with due consideration to social, cultural, and economic rights.

El Salvador is currently undergoing a conflict analysis as per NDICI requirements. During the programming of the new MIP, a preliminary conflict assessment was prepared by the EU Delegation. CAS recommendations will be properly taken into account in the shaping of the foreseen contribution agreements, as they are specifically focused on programming priorities. Risks related to potentially harmful or negative impacts should be considered for mitigation, in compliance with the Do-No-Harm principle at the basis of conflict sensitivity.

We envisage the participation of the EU in the launching of the Education and Research Center for Agriculture and Livestock as an opportunity to influence its vision and priorities, so that climate action and biodiversity will be at the core of the centre's focus.

3.4 Contribution to Sustainable Development Goals (SDGs)

This intervention is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG 8: Create Decent Work and Economic growth. This is because the action will contribute to technological upgrading and innovation for technical and vocational skills (particularly for women and youth), contributing to higher levels of productivity and opportunities.

Through its focus on these primary SDGs, there are also complementarities to the following SDGs:

- SDG1 - Eliminate poverty: it will contribute to the most vulnerable population have improved access to economic resources and to basic services, as well as appropriate access to new technologies.
- SDG 5 - Enforce Gender Equality: the action has a gender focus in all its components, one of them being fully dedicated to fostering women economic empowerment, and, notably, it will enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women
- SDG 9: Increase Industry, Innovation and Infrastructure: the action will contribute to significantly increase access to digital services and strive to foster digital innovation in SMEs
- SDG 10 - Reduced Inequalities: the action will directly contribute to reduce the significant digital gap in the country, both by providing better connectivity, but also empower the most vulnerable parts of the population to take better advantage of digital opportunities (in particular, the bottom 40 % of the income distribution), broadening economic opportunities and participation
- SDG 16: Guarantee Peace, Justice and Strong Institutions, as the action will contribute to improved fiscal and macroeconomic policy planning and oversight.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

Overall Objective:

Fostering a sustainable and inclusive post-COVID economic and social recovery in El Salvador.

Specific Objectives:

1. Improve access to digital connectivity and services for citizens, companies and public institutions with special focus on young women and men
2. Strengthen the effectiveness and efficiency of public finances' management
3. Reduce gender inequality
4. Promote trade and application of green transition standards in MSME's including agricultural and livestock entrepreneurs

Expected outputs:

Outputs related to SO1

1.1 Citizens, companies and public institutions have access to broadband and affordable internet connections

1.2 Women and youth in municipalities with high social and economic vulnerability have increased access to employment and entrepreneurship opportunities offered by the digital economy

1.3 Improved access to support services for MSMEs, including industrial and creative industry, to foster the digital transformation

Outputs related to SO2

2.1. Enhanced capacity for strategic planning and human capacity development ~~follow-up~~ at the Ministry of Finance and the Court of Auditors

2.2. Court of Auditors is enabled to apply international standards in the areas of fiscal and performance audits

2.3 The MoF counts on an effective M&E system for the results-based budgeting and public investment approach as well as is able to mitigate fiscal risks. Transparent and efficient procurement system.

2.4 Strong statistical system for public finance and adequate macro-fiscal projections to enhance medium-term budgeting

Outputs related to SO3

3.1. Women in municipalities with high social and economic vulnerability are economically empowered and have the opportunities to become autonomous.

3.2. The gender policy of the Social Development Plan 2019-2025 is strengthened

Outputs related to SO4

4.1 Improved access to support services for agricultural and livestock entrepreneurs to implement sustainable production

4.2. Enhanced capacity of MSMEs to operate in sustainable value chains.

4.2 Main activities

4.2.1 Complementary Support

In order to attain the results mentioned above, the following indicative activities are proposed:

Activities related to Output 1.1

- Expand and equip the fiber optic (CORE) network
- Connect up to 525 public sites, focused on education, social and tourism facilities

Activities related to Output 1.2

- Training in digital skills for women and youth in the intervention areas, with an emphasis on vocational training in innovative areas

Activities related to Output 1.3

- Provide specialised support to MSMEs in favour of disruptive business models or processes, with an emphasis on the creative and cultural industry

Activities related to Output 2.1

- Provide technical assistance to sound planning, implementation, monitoring and evaluation of the Institutional Strategic Plan system of the Ministry of Finance, including peer review in the framework of COSEFIN

Activities related to Output 2.2

- Provide training programme for human resource development in the MoF and Court of Auditors. For the latter, focus will be on enhancing capacity for inspection, investigation, auditing and reporting in line with INTOSAI standards.

Activities related to Output 2.3

- Provide technical assistance to sound implementation of the public procurement and investment model.

Activities related to Output 2.4

- Provide technical assistance to strengthen the public finance statistical system and fiscal risk management system

Activities related to Output 3.1.

- Provide vocational training programmes to women in non-traditional and innovative areas.
- Support productive enterprises led by women developed according to market demands and in synergy with other territorial and government initiatives.
- Empowerment of women through the knowledge and understanding of their human rights, the strengthening of their self-esteem, leadership and decision-making capacity;
- Support the reduction and redistribution of time spent on care and unpaid domestic work.

Activities related to Output 3.2.

- Provide technical assistance to support implementation of the gender policy of the SDP

Activities related to Output 4.1.

- Support the formalisation of productive enterprises/ MSMEs led by women according to market demands
- Provide TA to the creation and operationalisation of the Education and Research Center for Agriculture and Livestock

Activities related to Output 4.2

- Enhance the capacities and performance of the trade and investment framework, particularly as regards support institutions

4.2.2 Budget Support

The SPRC component

The original Decision C(2016)8379 of 13.12.2016 that this top-up is composed of, included an initial budget support allocation of EUR 46 Million and 4 million for complementary support that included technical assistance to the relevant government institutions to strengthen social policy and programmes design (EUR 2.5 million), monitoring and support to civil society to oversee social programmes (EUR 1.2 million), as well as M&E (EUR 0.3 million).

EUR 12 million were disbursed in 2017 in one fixed tranche. Variable/fixed tranches foreseen in 2018 and 2019 were not fully disbursed: 2018 (EUR 9.875 million out of 14) and 2019 (EUR 6.1 million out of a 12 available). In 2020 EUR 2 million were disbursed as a fixed tranche through an accelerated procedure, but the variable tranche of EUR 6 million had to wait for a verification mission to take place. The mission took place in 2021, and found that most of the results of the Plan Social reported by the government were not supported by evidence. Therefore, the mission recommended to only disburse EUR 1.89 million of the EUR 6 million foreseen.

This amount has not yet been disbursed due to the deterioration of the eligibility criteria, including the important delays in the finalization of a new Plan Social, which also constituted a condition for the top up of EUR 33 Million foreseen through Commission Implementing Decision C(2020) 7429 of 22 October 2020. This top-up foresaw a EUR 31 million budget support component to support the Government with the immediate socioeconomic needs arising from the Covid-19 pandemic, and a complementary measures of EUR 16.025 million (EUR 4 million from the original decision; EUR 10.025 million for a Women's Economic Empowerment component and an additional EUR 2 million for TA to the the Ministry of Finance and the Court of Auditors.

However, since the adoption of the Decision in October 2020 the eligibility criteria for budget support been negatively assessed, and it is highly unlikely that eligibility criteria will be fulfilled in the course of 2021. The allocation of additional funds toward a budget support component can therefore not be justified in light of this assessment, rendering the signature of a Financing Agreement impossible in the configuration proposed in 2020.

A RAL of 6 million for budget support thus remains, with a pending payment of 1.89 million for possible disbursement in 2022 if eligibility criteria are again fulfilled.

4.3 Intervention Logic

The underlying intervention logic for this action is that that a multifaceted approach is necessary to support El Salvador recover from the COVID-19 pandemic. The action entails four components that will all contribute to address the distinct

priority areas for post-COVID recovery for the benefit, in particular, of women and youth: digital connectivity and skills; efficient and transparent public finances; gender equality; and business sector recovery through digitalization and green transition. On digitalization, the COVID-19 pandemic has underlined the already existing challenges of El Salvador in terms of taking advantage of the opportunities offered by the digital economy, and the government has, with its Digital Agenda, made this a priority. Expanding access to digital connectivity is a central part of the government's agenda. If the EU invests in expanding digital connectivity in rural areas, this will lead to more areas being connected, contributing to the target of having affordable access in the entire country. Firstly, more connectivity will benefit public schools, social and tourism facilities in areas where COVID-19 lockdowns led to children missing school and the impossibility to undertake any economic activity. Secondly, expanded connectivity will also create opportunities to better access government services; part of the government's Digital Agenda includes the objective to digitalise public services to Salvadoran citizens, not only making them more simple and efficient, but also more accessible to all parts of the country. Thirdly, connectivity will also create economic opportunities by exploiting digitalization for entrepreneurs to innovate and expand their businesses. This is already happening among youth in San Salvador's urban areas, but opportunities will expand significantly in new areas.

It is important to make sure that connectivity benefits everyone, not just the better educated. Therefore, better connectivity infrastructure cannot stand alone, but must be accompanied by measures to support citizens, especially women and youth, to use and take advantage of the opportunities offered by digitalization. If citizens are offered training and skills development, they will be better equipped to take advantage of these opportunities, which is also a core element of the government's Digital Agenda.

Additional support aimed to fostering digital transformation of MSMEs will be made available, in particular targeting the creative and artistic industry. Sectors specially hit by the pandemic and mostly featuring youth initiatives.

In summary, under component 1, enhancing digital connectivity (including the possibility of using blending or guarantees), digital skills and support services to foster digital transformation will contribute to an inclusive post-COVID economic recovery.

With regards to public finances, the COVID-19 pandemic has put additional strains on the Salvador public management system as authorities have found it necessary to spend more funds to address the impact of COVID-19, leading to higher debt levels, underlining the necessity of strengthening PFM systems remains highly relevant, including fiscal risk management, medium term processes and to provide macroeconomic information for policy makers. If the Ministry of Finance and Court of Auditors strengthen their capacity to implement their respective Strategic Plans, this will improve both their capacities to better perform their tasks, and achieve the indicators in the respective plans. For the Ministry of Finance specifically, this will mean advancing on its strategic targets related to public investment, result-oriented interventions, and their design to be based management, as well as transparency of the budget.

Strengthening oversight, in particular the role of the Court of Auditors, and transparency of fiscal information will contribute directly to more efficient and targeted use of public resources, but also, more broadly, constitute a core element for strengthening democratic institutions.

In summary, under component 2, strengthening public finances will contribute to strengthen the government's capacity to an inclusive post-COVID economic recovery, as well as to strengthen democratic control that will be needed to make any recovery sustainable, under the underlying assumption that authorities will contribute to address the weaknesses identified in the latest PEFA and prioritize the targets in the Law on Fiscal Responsibility.

The EU has been an important supporter to the implementation of Social Policy in El Salvador, and following the elaboration of a new Social Plan (prepared with EU support) there is an opportunity for the EU to continue its engagement with the new Social Plan, focusing on women's empowerment, given the prevailing gender inequality in El Salvador, and where women have been hardest hit by the COVID-19 pandemic. By means of component 3 on women's economic empowerment component, the action will contribute to promoting the economic empowerment of women in the prioritized municipalities of the Social Plan, through the development and / or strengthening of sustainable economic enterprises, improving women labor and business training and promoting the full exercise of their citizenship and rights, as well as the accessibility to care services that reduce their reproductive workload and therefore facilitate their productive inclusion. The project will begin with a first identification phase in which the knowledge of the intervention territories, the identification of key actors and the strategic involvement of all institutions will be deepened. For this process, the key institution will be MINDEL through the staff of the Ciudad Mujer centers. The next step will be the convocation and registration of the participants who meet the established criteria, and start the activities.

In summary, under component 3, women economic empowerment will directly contribute to an inclusive post-COVID economic recovery.

Regarding the component on MSME business strengthening, the action will contribute to addressing the severe impact that COVID has had on the private sector in El Salvador, in particular the large number of micro and small enterprises (many informal and operated by women) that were already weak and not sufficiently prepared to face the crisis. If MSMEs are provided with support to participate in sustainable value chains, as well as to make better use of e-commerce, there will be more opportunities to exploit entrepreneurship capacities among budding women and youth entrepreneurs, and innovative SMEs will be more willing to take risks to invest and endeavour adopting disruptive technologies and business models.

Focus on the most disadvantaged rural areas remains a priority under this component, and in particular, on the significant number of agriculture and livestock producers, who can benefit from opportunities to use technologies to increase production, as well as to make this production more sustainable. EU's support to the design of the Education and Research Center for Agriculture and Livestock, foreseen in the government's Plan for Agricultural Recuperation, it will contribute to the use of innovative approaches to improve agriculture and livestock production, and contribute to more food security in the post-pandemic era, under the assumption that sustainability is guaranteed by the government.

In summary, under component 4, micro and small enterprises, in particular in rural areas, will be strengthened to take advantage of green transition opportunities, contributing to a sustainable and inclusive post-COVID economic recovery.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 96 months from the date of where a financing agreement is concluded.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Indirect Management with a Member State or international organisation/ financial institution

A part of this action may be implemented in indirect management with an entity or entities that will be selected by the Commission's services using the following criteria:

- For the infrastructure sub-component: Entities with a track record in providing support to infrastructure and connectivity in Latin America; experience in digital sector and private sector development in Latin America,
- For the training sub-component: a track record in the region, ideally in the country, in providing vocational training for women and youth in digital technologies and services.

The implementation by this entity/entities entails the Digital Connectivity component, and refers to Outputs 1.1 and 1.2

1.1 Citizens, companies and public institutions have access to broadband and affordable internet connections

1.2 Women and youth in municipalities with high social and economic vulnerability have increased access to employment and entrepreneurship opportunities offered by the digital economy

It is also envisaged exploring potential blending/guarantees implementing modalities, be it directly with the corresponding partner IFI or through the EFSD+, should it be operational in time.

This contribution may be implemented under indirect management with the entities, called Lead Finance Institutions, identified in the appendix to this Action Document.

The Lead Financial Institutions are not known definitively at the time of adoption of this Action Document, yet these Institutions have to fulfil the eligibility criteria below to participate in blending operations.

- (a) alignment with the strategic priorities as agreed with EU partner countries
- (b) compliance with EU policies, sector/thematic policies;
- (c) additionality of EU contribution;
- (d) potential cooperation on policy dialogue topics; and
- (e) maturity of project preparation.

5.4 Indirect management with a Member State or international organisation

A part of this action may be implemented in indirect management with an entity that will be selected by the Commission's services using the following criteria: technical expertise; track record in providing good quality technical assistance to the Ministry of Finance and Court of Auditors in El Salvador; available capacity;

The implementation by this entity entails the support to the Ministry of Finance and the Court of Auditors, and refers to Outputs 2.1 and 2.2

2.1. Enhanced capacity for strategic planning and human capacity development at the Ministry of Finance and the Court of Auditors

2.2. Court of Auditors is enabled to apply international standards in the areas of fiscal and performance audits

5.5 Indirect management with an international organisation.

A part of the action may be implemented in indirect management with an entity that will be selected by the Commission's services using the following criteria: technical expertise; track record in providing good quality technical assistance to the Ministry of Finance in El Salvador; available capacity;

The implementation by this entity entails the support to the Ministry of Finance, and refers to Outputs 2.3 and 2.4

2.3 The MoF counts on an effective M&E system for the results-based budgeting and public investment approach as well as is able to mitigate fiscal risks. Transparent and efficient procurement system.

2.4 Strong statistical system for public finance and adequate macro-fiscal projections to enhance medium-term budgeting

5.6 Indirect management with a Member State Organisation.

A part of this action may be implemented through indirect management with AECID. The envisaged entity has been selected using the following criteria: technical expertise; track record in gender focused actions in El Salvador; available capacity; solid links with the public administration representatives and experience in territorial development working with sub-national entities.

The implementation by this entity entails the component aiming at reaching Output 3.1:

- 3.1. Women in municipalities with high social and economic vulnerability are economically empowered and have the opportunities to become autonomous.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision needs to be justified.

5.7 Indirect management with a Member State Organisation.

A part of this action may be implemented through indirect management with a member state organization, entity that has been selected using the following criteria: technical expertise; track record in gender focused actions in El Salvador; available capacity; solid links with the public administration representatives and experience in territorial development working with sub-national entities.

The implementation by this entity entails the component aiming at reaching Output 3.2:

- 3.2 The gender policy of the Social Development Plan 2019-2025 is strengthened

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision needs to be justified.

5.8 Indirect management with a Member State or international organisation.

A part of this action may be implemented through indirect management with an entity that will be selected by the Commission's services using the following criteria: technical expertise; relevant partner of El Salvador's government with a track record in providing support to setting up agricultural and livestock education and research centres in Latin America; experience in providing sectorial vocational training for women and youth.

The implementation by this entity entails the creation and operationalization of the Education and Research Center for Agriculture and Livestock, which refers to Output 4.1

Output 4.1: Improved access to support services for agricultural and livestock entrepreneurs to implement sustainable production

5.9 Grants (Direct management)

a. Purpose of the grant

In case of failure to reach agreement with an international organization or Member State organisation to implement the component described in section 5.8 above, the part of the action may be carried out in direct management through Twinning/TAIEX grants with an entity or entities that will be selected by the Commission's services using the following criteria:

Technical expertise; available capacity; experience in working with sub-national entities

The implementation by this entity entails the creation and operationalization of the Education and Research Center for Agriculture and Livestock, which refers to Output 4.1

Output 4.1: Improved access to support services for agricultural and livestock entrepreneurs to implement sustainable production

b. Type of applicants targeted

Applicants must be EU Member State administrations or their mandated bodies.

5.10 Indirect Management with a Member State or international organisation /financial institution.

A part of this action may be implemented through indirect management with an entity or entities that will be selected by the Commission's services using the following criteria: Relevant partner of El Salvador's government with a track record in providing technical expertise on trade and commerce related interventions

The implementation by this entity/entities entails the Trade, business and competitiveness component, and refers to Output 4.2

Output 4.2: Enhanced capacity of MSMEs to operate in sustainable value chains.

5.11 Grants (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The objective of the grants is to support the Plan Social dispositions to enhance the implication of the civil society in public policy monitoring giving an external oversight on the Plan's implementation from a technical and financial perspective.

In line with this, the proposed Sector Reform Contract will allocate funds to help finance civil society initiatives for such social control.

The proposals have to deal with both of the following priorities:

-To ensure the technical and financial oversight of the implementation of the Plan Social and its programmes in what regards to: a) access to basic services (including basic infrastructure, health, and education) and social protection in the framework of the Estrategia de Erradicación de la Pobreza Extrema, b) the implementation of the PEEJ, and Ciudad Mujer c) inclusiveness of social policy. The diffusion in social media of the results of this oversight is the main outcome for this priority.

-From a right based approach perspective, to enhance the effective participation of the citizens in the participatory mechanisms established by the legal framework of social sector. The installation of local committees for social control of the Plan Social is the main outcome for this priority

To allow a national coverage of social oversight, a maximum of 4 contracts would be awarded (one for each geographic region: Occidente, Oriente, Central and Paracentral) In case there is no contract awarded in a region because the quality of the applications received is deemed unsatisfactory, funds could be available for other contracts in the other regions.

(b) Eligibility conditions

The applicants and co-applicants must be non-for profit non-governmental actors, in particular NGOs, NGOs' networks, foundations, think-tanks or universities (both private and public). Their place of establishment must be in El Salvador. A co-applicant which is not established in El Salvador but which can prove that he has ever developed activities of the same nature as those required in this call of proposal, and has a minimum of three years relevant experience in the country, is also eligible if partnering with local organisations.

The applicant (and co applicants if there are any) have to act in consortium with local-level organizations competent in social area, and which will be considered as beneficiaries of the contract.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 250,000 to 300,000. The indicative duration of the grant (its implementation period) is 36 months.

(c) Essential selection and award criteria

The essential selection criteria are the financial and technical capacity of the applicant.

The essential award criteria are: the relevance of the proposed action to the objectives of the call and its design, effectiveness, feasibility, sustainability, and cost-effectiveness.

(d) Indicative timing to launch the call

First trimester of 2017.

5.12 Grants (direct management)

SME Proposal 3M€. - Digital Transformation of SMEs

(a) Purpose of the grant(s)

The grants will contribute to achieve Output 1.3

Output 1.3: Improved access to support services for MSMEs, including industrial and creative industry, to foster the digital transformation

The purpose of the grant will be to contribute to the digital economic recovery in El Salvador by fostering the adoption of disruptive technologies and business models by small and medium-sized enterprises (SME) with a particular focus on the creative and artistic industry.

According to the Salvadoran Chamber of Commerce and Industry (CAMARASAL), 91% of SMEs in El Salvador were seriously affected by the lockdown, the main impact was the drop in sales revenues, up to 75% with more than 80,000 employees lost (formal sector).

The capacity of business organization have also declined, due to the pandemic and the political scenario. This programme will provide better services for SMEs and renewal platforms to promote the coordination and the exchange among the Salvadoran private sector.

This action is complementary to Iniciativa DINAMICA II.

The objective of the call for proposals will be to support the increase in productivity of the sector through trainings, business missions, technical assistance, organization of promotional events, among other activities.

Specific areas:

- EuroInnovation: Aims to support MSMEs to introduce innovation management as part of their production strategy, contributing to improving their competitiveness and reducing the impact of the pandemic.
- EuroGender: Aims to support companies led by women, to enhance their leadership and the growth of their companies with the contribution of the academia.
- EuroRed: Aims to promote strategic alliances among MSMEs, whether from the same or different sectors, creating synergies in order to create new strategies to overcome the impacts of the pandemic.

- EuroExport: Aims to support MSMEs in their export process with a more diversified market, including Europe as destination.

(b) Type of applicants targeted

The applicants can be private sector entities that are already working to foster the digital transformation of MSMEs, and carrying out actions to support them, in particular the creative and industrial industry, in the framework of the pandemic.

The applicants must be Salvadoran and can be associated with European institutions that work on innovation in the MSME sector.

The action must reach MSMEs from all over El Salvador; therefore, the applicants must have a network throughout El Salvador and coordinate actions with other sectors, e.g. academia.

5.13 Procurement (direct management-already executed)

Under the addendum no new TA is foreseen. A Long-Term TA contract has already been implemented and finalised. Funds remains of the EUR foreseen for M&E.

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance	Services	2	2 nd 2017, 4 th 2020
Monitoring and evaluation	Services	4	1 st 2018

5.14 Changes from indirect to direct management mode due to exceptional circumstances

In case of failure to reach agreement with an international organization or Member State organisation in the above cases of indirect management for the achievement of Specific Objectives 1, 3 and 4, the part of the action may be carried out through a procurement of Technical Assistance in direct management.

5.15 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.16 Implementation of the budget support component

5.16.1 Rationale for the amounts allocated to budget support

The amount allocated for budget support component is EUR 35,975,000 and as foreseen in the original Decision Decision C(2016)8379 of 13.12.2016 EUR 4,000,000 were foreseen for complementary measures. This amount was determined on the financing perspectives of both GoES and donors, which serve to calculate the funding gap on the Plan Social's flagship programmes. **The actions foreseen under the top-up of EUR 43 025 000 are not attached to the original budget support component, but for the purpose of this rider are to be designated as “complementary measures”.**

In order to ensure an appropriate mix of performance incentives and predictability of funding the programme will have fixed tranches in years 1, 2, 3 and 4 and variable tranches in years 2, 3 and 4.

5.16.2 Criteria for disbursement of budget support

- a) The general conditions for disbursement of all tranches are as follows:
- Satisfactory progress in the implementation of the Social Plan and continued credibility and relevance thereof

- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the Salvadoran Ministry of Finance’s Strategic Plan (Plan Estratégico Institucional 2015-2019 e 2020-2024 del Ministerio de Hacienda) and continued credibility and relevance thereof;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information in line with the PEFA’s conclusions on transparency of the budget. Satisfactory progress on transparency regarding the implementation of the COVID response⁵;

b) The specific conditions for disbursement of variable tranches were the following:

-The fulfilment of a number of indicators from the Plan Social's Performance Assessment Matrix (here forth MED (Matriz de Evaluación del Desempeño), which have been selected in order to evaluate performance and guide disbursement.

Those indicators complemented the assessment of the Plan’s implementation and were carried out under the general conditions by focusing on the three programmes that have been selected as priorities because of their respective aims, all contributing to fight exclusion in El Salvador: reducing extreme poverty, fighting youth unemployment and exclusion, and promoting women’s economic empowerment. Thus, the indicators agreed upon with the Government of El Salvador will measure progress in key initiatives under the Plan Social that aim to decrease the incidence of extreme poverty and exclusion by: tackling key vulnerabilities throughout the life-cycle, providing social protection, targeted mechanisms to improve access to social services by populations in vulnerable situations, and promoting their productive inclusion as explained under section 4.1 above:

- Ensuring free comprehensive care –including guidance on proper nutrition, prevention of high prevalence diseases and early detection of development problems– for children under one year as the first year of life as part of the 1,000 days window that are determining for their optimal physical and intellectual development (comprehensive care coverage for children under one year with at least six checks);
- Increasing the average years of schooling of children and youth as a means to increase their future employability (number of children of families living in extreme poverty receiving stipends linked to third cycle/high school attendance);
- Decrease the vulnerability of the elderly in a context in which, due to migration, they also often times end up heading a home (13.18% of Salvadoran households are headed by someone over 70) ⁶ and having children under their care (number of people above 70 that have no other pension that receive a basic non-contributive pension – "Pensión Básica Universal or PBU);
- Support families living in extreme poverty through a personalised accompaniment (community social workers) to ensure their access to the different social protection instruments and basic services as a key mechanism of the EEPE to improve their living conditions and their capacity to lift themselves out of their exclusion situation (proportion of families living in extreme poverty that are covered by the personalised accompaniment of the EEPE);
- Promoting the productive insertion of families living in extreme poverty (proportion of families living in extreme poverty that receive support under the productive inclusion component of the EEPE) as a means to ensure – and linked with the other mechanisms under the EEPE– they have the tools to gradually lift themselves out of extreme poverty;
- Improve habitability conditions of housing by ensuring access to drinking water, as this has a direct impact on health –and malnutrition of infants– domestic workload and safety of women and children, and reduces basic expenses (number of household water connections installed);

⁵ Satisfactory progress on transparency regarding the implementation of the COVID response among other sources, to be monitored through the following portals: www.cortedecuentas.gob.sv / <https://covid19.gob.sv>

⁶ Encuesta de Hogares y Propósitos Múltiples 2014.

- Promoting the productive inclusion of youth, in particular those in most vulnerable situations, as a means to reduce exclusion and create conditions to prevent social violence (as gangs prey on and recruit mainly disadvantaged youth), and ultimately improve the country's productivity and growth perspectives⁷ (number of youth that have received training and job intermediation services through the PEEJ);
- Promoting the productive insertion of women, in particular those in most vulnerable situations, as a means to reduce gender exclusion, reduce poverty –35.7% of Salvadoran households are led by single women⁸- and promote economic growth⁹ (number of women who receive assistance to set up an undertaking and access a concessional credit scheme).

Finally, social expenditure was also measured as a means to protect -in a context of low growth and fiscal constraints– the country's favourable trend towards increasing or at least maintaining social expenditure as a means to reduce inequity and exclusion.

5.16.3 Budget Support Details

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into U.S. dollars will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

Budget support disbursements to date and pending:

- Two fixed tranche (EUR 12 million, EUR 4 million, were disbursed in 2017 and 2020 respectively.** after the verification of the fulfilment of the four general budget support eligibility conditions.
- Two mixed tranches, composed respectively of EUR 4 million, EUR 4 million fixed components, and EUR 5.875 million, EUR 2.1 million variable components** were disbursed in 2018 and 2019. These mixed tranches, underwent a verification of the fulfilment of the four general budget support eligibility conditions in order to release the fixed allocations as well as the rate of compliance of the targets set in the Financing Agreement for each of the indicators selected to monitor the performance of the GoES' implementation of the Plan Social.
- One variable tranche** of EUR 1.89 million out of the foreseen EUR 6 million, to be indicatively disbursed in 2022. This final budget support payment in the form of a variable tranche relates to execution in 2019 but could not be verified in 2020 as a result of the pandemic and rules restricting national and international travel. Although eligibility criteria is not presently met, effectively impeding a disbursement in 2021, it could be released if the conditions are re-established within the duration of this action. The release of funding under this tranche will therefore be contingent upon the fulfilment of the four general budget support eligibility conditions.

The following table shows the budget support amount actually disbursed from the inception of the programme, and the foreseen payment of 2022 for EUR 1.89 million:

Indicative breakdowns	Total	Year 1 (2017)	Year 2 (2018)	Year 3 (2019)	Year 4 (2020)	Year 5 (2021)	Year 6 (2022)
Fixed tranche	22	12	4	4	2		
Variable tranche	9.865	-	5.875	2.1			1.89
Total	31.865	12	9.875	6.1	2		1.89

⁷ As mentioned under section 1.1.3 above, youth between 15 and 29 represent 28.1% of the country's population and 53.8% of the working-age population.

⁸ Encuesta de Hogares y Propósitos Múltiples 2014.

⁹ As mentioned under section 1.1.3 above, women represent 52.8% of El Salvador's population but only 47.2% of women in the working-age are employed, whereas the figure for men is 81%.

5.17 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution in EUR
1 – <u>Budget support Sector Reform Contract</u>	35 975 000	
2– <u>Complementary support</u> ¹⁰	47 025 000	
2.1 – Grants (Direct Management)		
2.1.1 – Call for proposals “Civil society oversight of the Plan Social” (direct management) (already executed)	1 200 000	133 000
2.1.2 – Call for proposals “Improved access to support services for MSMEs, including industrial and creative industry, to foster the digital transformation “ (Output 1.3)	3 000 000	1 000 000
2.2 Contribution Agreement with Member State or International Organization; Twinning/TAIEX; (Indirect Management)		
2.2.1 – Contribution Agreement or blending/guarantee with IFI/ International organization for the Digital Connectivity component (Output 1.1 and 1.2)	6 000 000	30 000 000
2.2.2 – Contribution Agreement with Member State organization (Outputs 2.1 and 2.2)	6 000 000	600 000
2.2.3 - Contribution Agreement with international organization (Outputs 2.3 and 2.4)	4 000 000	
2.2.4 - Contribution Agreement with AECID for an action to support the economic empowerment of women (Output 3.1)	10 025 000	200 000
2.2.5 -Contribution Agreement with Member State organization in support of implementation of the new Social Plan, targeting its gender policy in particular (Output 3.2)	2 000 000	
2.2.6 – Contribution Agreement with Member State or International Organization; Twinning/TAIEX ¹¹ (Output 4.1)	5 000 000	12 000 000
2.2.7 – Contribution Agreement with International organization for the trade business and competitiveness component (Output 4.2)	7 000 000	
2.3 – Procurement (direct management)		
2.3.1 – Technical assistance (already executed)	2 500 000	N.A.

¹⁰ The actions foreseen under the top-up of EUR 43 025 000 are not attached to the original budget support component, but for the purpose of this rider are to be designated as “complementary measures”

¹¹ Twinning/TAIEX is an alternative to the indirect management modality. In case twinning/TAIEX grants are used, the amount of EUR 5 million will constitute the global budgetary envelope for grants.

2.4 and 2.5– Monitoring and Evaluation	300 000	N.A.
Totals	83 000 000	43 933 000

5.18 Organisational set-up and responsibilities

Each component will require an ad-hoc set-up that will be formulated in the course of the negotiations to sign the corresponding contribution agreements

5.19 Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). Each action under the decision will include resources for baseline surveys that will be conducted at the start of each action. A final evaluation of the action will review the appropriateness of the logical framework and the monitoring arrangements of each action.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The EU Delegation will be responsible for the overall monitoring of the action and the achievement of the specific objectives. Each specific commitment under the action will include specific monitoring arrangements that will be agreed with each partner for each Contribution Agreement.

5.20 Evaluation

Having regard to the nature of the action, mid-term and final evaluations will be carried out for this action or its components via an implementing partner.

Evaluations will be carried out for problem solving, learning purposes, in particular with respect to digital connectivity, skills and entrepreneurship, to draw lessons learnt for new actions under MIP 2021-2027.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

5.21 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

5.22 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures that shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation. . This will be fully aligned to the long-term country-level strategic communication plan developed by the Delegation.

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and Contribution Agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The Delegation counts with a dedicated service for communication and visibility, provided by a private contractor, which will secure a proper coverage for all the needs raised by the implementation of this Action. The contractor will ensure that all activities are properly aligned with the country-level strategic communication plan.

APPENDIX 1- INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ¹²

The indicative logframe matrix will evolve during the lifetime of the Intervention. The activities, the expected outputs and related indicators are indicative and may be updated during the implementation of the Intervention as agreed by the parties (the European Commission and the implementing partner/s).

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
Impact (Overall Objective)	Fostering a sustainable and inclusive post-COVID economic and social recovery in El Salvador	<p>1 Proportion of employed population below the international poverty line</p> <p>2 **Proportion of youth (aged 15–24 years) not in education, employment or training, disaggregated by sex SDG indicator 8.6.1</p> <p>3. Income share held by the lowest 40% of income distribution (% income, period averages) (EURF2)(SDG 10.1)</p>	<p>1. World Bank Data bank</p> <p>2, World Bank Data Bank</p> <p>3, World Bank Data Bank</p>	<i>Not applicable</i>
Outcome(s) (Specific Objective(s))	<p>1. Improve access to digital connectivity and services for citizens, companies and public institutions with special focus on young women and men</p> <p>2. Strengthen the effectiveness and efficiency of public finances' management</p> <p>3. Reducing gender inequality</p>	<p>1.1 Number of people with access to Internet, disaggregated by sex and rural/urban</p> <p>2. 1 PEFA Pillar III: PI – 10: Fiscal risk reporting</p> <p>2.2 PEFA Pillar IV: PI:15 – Fiscal strategy</p> <p>3.1 Gender Inequality Index (reduced by XXX points)</p>	<p>1.1 EHPM</p> <p>2.1 PEFA report</p> <p>2.2 PEFA report</p> <p>3.1</p> <p>3,2</p>	<p>Government provides resources for the continued implementation of the Digital Agenda</p> <p>No extreme external events, including a new pandemic</p> <p>New PEFA study takes place as planned</p>

¹² Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

	<p>4. Promote trade and application of green transition standards in MSME's including agricultural and livestock entrepreneurs</p>	<p>3,2 Multidimensional poverty rate among women heads of household (reduced by X%)</p> <p>3,3 Women's empowerment index (increased by X%°)</p> <p>4.1 Number of Micro, Small and Medium Enterprises (MSMEs) applying Sustainable Consumption and Production practices with EU support (EURF 25)</p> <p>4.2 Jobs created by SMEs with EU support (disaggregated by sex and rural/urban)</p>	<p>3,3</p> <p>4.1 Project baseline and final report</p> <p>4.2 Project baseline and final report</p>	
<p>Expected outputs</p>	<p>Outputs related to OS1</p> <p>1.1 Citizens, companies and public institutions have access to broadband and affordable internet connections</p> <p>1.2 Women and youth in municipalities with high social and economic vulnerability have increased access to employment and entrepreneurship opportunities offered by the digital economy</p>	<p>1.1 Number of people with access to broadband and affordable internet connections with EU support</p> <p>1.1 Number of companies with access to broadband and affordable internet connections with EU support</p> <p>1.1 Number of public facilities with access to broadband and affordable internet connections with EU support</p> <p>1.2 Number of people with access to e-services with EU support (disaggregated by sex, age and rural/urban)</p> <p>1.2 Number of people with access to entrepreneurship opportunities and skilled jobs offered by the digital economy with EU support (disaggregated by sex, age and rural/urban)</p> <p>1.2 Number of digital jobs created with EU support (disaggregated by sex and rural/urban) (EURF 28)</p>	<p>1.1 Digital Strategy Annual Operating Plan Execution Reports;</p> <p>1.2 Digital Strategy Annual Operating Plan Execution Reports;</p>	<p>-There will be no major natural or political event that will disrupt implementation</p> <p>-There is continued interest from the Government in dialogue with international partners on public finances, digital transformation, youth employment and women empowerment</p> <p>-Implementation of the Digital Agenda remains a strategic priority for the Government</p> <p>-The Ministry of Finance assigns the necessary resources for the implementation, monitoring and evaluation of its Strategic Plan.</p>

	<p>1.3 Improved access to support services for MSMEs, including industrial and creative industry, to foster the digital transformation</p> <p>Outputs related to OS2</p> <p>2.1. Enhanced capacity for strategic planning and human capacity development at the Ministry of Finance and the Court of Auditors</p> <p>2.2. Court of Auditors ist enabled to apply international standards in the areas of fiscal and performance audits</p> <p>2.3 The MoF counts on an effective M&E system for the results-based budgeting and public investment approach as well as is able to mitigate fiscal risks. Transparent and efficient procurement system.</p> <p>2.4 Strong statistical system for public finance and adequate macro-fiscal projections to enhance medium-term budgeting</p> <p>Outputs related to OS3</p> <p>3.1. Women in municipalities with high social and economic vulnerability are</p>	<p>1.3 Number of MSMEs, including artistic and creative industry, supported to foster digital transformation</p> <p>1.3 Jobs created in industrial and creative industry supported by the programme, disaggregated by sex</p> <p>2.1 Number of PEI reports presented as planned</p> <p>2.1 Number of public officials capacitated in strategic planning and follow-up</p> <p>2.2 PEFA score in Pillar VII: PI: 30: External Audit</p> <p>2.3 OBI overall score</p> <p>3.1 Number of women who have received training and job intermediation services through the AECID programme</p>	<p>CONAMYPE annual report;</p> <p>Digital Strategy 2021-2024 implementing reports</p> <p>2.1 PEI implementation annual report</p> <p>2.2 PEFA report</p> <p>2.3 annual OBI report</p>	<p>-The Ministry of Finance is open to improve strategic planning of human resources, introducing the necessary changes in the Strategic Plan 2019-2024</p> <p>-There is an annual budget proposal in the form of the performance-budget approach.</p> <p>-The Court of Auditors assigns the necessary resources for the implementation, monitoring and evaluation of its Strategic Plan.</p> <p>-The competencies to implement and monitor gender policies remain allocated at the institutions currently responsible for these areas in the national public administration</p> <p>- The Ministry of Finance receptive to implement the necessary fiscal actions to reach sustainability</p> <p>-Security situation does not deteriorate</p> <p>Women show interest in participating in proposed activities</p> <p>The government institutions involved rely on the resources and capacities to deliver the expected services</p> <p>The Social Development Plan (SDP) is adopted and relies on sufficient financial resources to be implemented</p>
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	<p>economically empowered and have the opportunities to become autonomous.</p> <p>3.2. The gender policy of the Social Development Plan 2019-2014 is strengthened</p> <p>Outputs related to OS4</p> <p>4.1 Improved access to support services for agricultural and livestock entrepreneurs to implement sustainable production</p> <p>4.2. Enhanced capacity of MSMEs to operate in sustainable value chains.</p>	<p>3.2 Gender equality index</p> <p>4.1 Number of agricultural and livestock entrepreneurs supported by the Centre to implement sustainable production techniques, disaggregated by sex</p> <p>4.1 Jobs created in green food security economic activities supported by the Centre, disaggregated by sex</p> <p>4.2 Number of MSMEs supported to take part in e-commerce activities and join sustainable value chains</p>		
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APPENDIX 2 IMPLEMENTING PARTNERS (NON-EXHAUSTIVE LIST)

EUROPEAN IMPLEMENTING PARTNERS
AECID, COFIDES
AFD, PROPARCO
CDP
EDFI
EIB
FMO
KfW, DEG
REGIONAL AND INTERNATIONAL IMPLEMENTING PARTNERS
CABEI
CAF
CDB
IDB
WBG (IBRD, IDA, IFC, MIGA, ICSID)