



El Salvador's recent experience for social protection and employment generation

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Background: Impact of the crisis

- **El Salvador has been hardest hit by the international crisis**
 - GDP fell by 3.5% in 2009
 - Expected to grow 1% in 2010
- **Close links with the US economy:** Direct effects through reductions of
 - Remittances: 18% of GDP, fell by 10% in 2009
 - Exports: 18% decrease
 - Tax collection: 10% drop (tax ratio decreased to 12.1% of GDP)
- **Effects on employment**
 - Direct increase in unemployment: 40,000 jobs lost in formal sector
 - Reduction in social security contributors

Policies response

- **New Government took office in June 2009: new model for social and economic development**
- Actions organized on two interlinked strategies:
 - Anti Crisis Programme (short-term): aimed at cushioning the impact on most vulnerable population
 - Five year Government Plan 2009-2014 (medium term horizon)
- Both strategies encompass a wide range of interventions which are fully consistent with the Social Protection Initiative and Global Jobs Pact.
- Objectives of the AntiCrisis Programme:
 - Protect existing employment and generate new jobs
 - Initiate the implementation of a universal social protection system
 - Use the crisis as an opportunity to develop economic and social policies that are inclusive

Five-year Government Plan (2009-2014)

- Medium-term horizon planning with a longer-term scope (2024)
- Main areas:
 - Universal social protection system
 - A new financial system to promote national development
 - Strategy for development of productive activities
 - Policies for security and democratic society
 - Public investment in strategic programs and projects
- New approach to build consensus: new dialogue and consultation instances
 - A Social and Economic Council was created in 2009 as a new mechanism for social dialogue (sectoral committees)
 - Tripartite Commission for the Global Jobs Pact (15 members) in April 2010

International Support

- UN system is fully cooperating through different areas
 - UNDP is directly assisting the functioning of Consejo Económico y Social
 - ILO is supporting government implementation of Jobs Pact
- Full support also from World Bank, IMF and Inter-American Development Bank (IADB)
- Government signed a 3-years Stand-By Agreement with IMF
- US\$50 million World Bank loan for income protection and employment generation
- US\$300 million from IADB for different projects: urban poverty alleviation (Comunidades Solidarias Urbanas), integrated health program, housing and improving of neighborhoods, water and sanitation, rural roads, etc.

Relevant actions

- Most programs have recently begun to be implemented
- Multi-institutional (inter-sectoral) coordination to design and execute different actions
- Some relevant actions:
 - Conditional cash transfers for the elder in poorest rural areas
 - Poverty alleviation program extended to urban areas
 - Unemployed workers have been granted access to Social Security (Instituto Salvadoreño del Seguro Social)
 - Domestic workers can now be affiliated to ISSS
- Complementarity between short-term responses and long term actions
 - New economic and social model must be sustainable
 - Permanent jobs in productive activities, particularly for the youth (positive externalities to reduce violence).