

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**EL SALVADOR**

**PROGRAM TO STRENGTHEN PUBLIC POLICY AND FISCAL MANAGEMENT  
IN RESPONSE TO THE HEALTH AND ECONOMIC CRISIS  
CAUSED BY COVID-19 IN EL SALVADOR**

**(ES-L1143)**

**LOAN PROPOSAL**

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\* At the request of the borrowing country, the information contained in this electronic link will not be disclosed. "The non-disclosure of this information is in accordance with the country-specific information exception in paragraph 4.1 i of the Bank's Access to Information Policy."

## ABBREVIATIONS

CABEI	Central American Bank for Economic Integration
COVID-19	Coronavirus disease 2019
ECG	Evaluation Cooperation Group
ECLAC	Economic Community of Latin America and the Caribbean
FERRE	Fondo de Emergencia, Recuperación y Reconstrucción Económica [Economic Emergency, Recovery, and Reconstruction Fund]
ICU	Intensive care unit
IGFE	State Financial Management Report
IMF	International Monetary Fund
LIBOR	London Interbank Offered Rate
LRF	Fiscal Responsibility Act
MFMP	Medium-term Fiscal Framework
OAS	Organization of American States
OECD	Organisation for Economic Co-operation and Development
SARS-CoV-2	Severe acute respiratory syndrome coronavirus 2
SDL	Special Development Lending
UNAC	Procurement Unit
WHO	World Health Organization

## PROJECT SUMMARY

### EL SALVADOR PROGRAM TO STRENGTHEN PUBLIC POLICY AND FISCAL MANAGEMENT IN RESPONSE TO THE HEALTH AND ECONOMIC CRISIS CAUSED BY COVID-19 IN EL SALVADOR (ES-L1143)

Financial Terms and Conditions				
<b>Borrower</b>			<b>Flexible Financing Facility<sup>(a)</sup></b>	
Republic of El Salvador			<b>Amortization period:</b>	20 years
<b>Executing agency</b>			<b>Disbursement period:</b>	12 months
Ministry of Finance			<b>Grace period:</b>	5.5 years <sup>(b)</sup>
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Interest rate:</b>	LIBOR-based
<b>IDB (Ordinary Capital):</b>	250,000,000	100	<b>Credit fee:</b>	<sup>(c)</sup>
			<b>Inspection and supervision fee:</b>	<sup>(c)</sup>
			<b>Weighted average life:</b>	12.75 years
<b>Total:</b>	250,000,000	100	<b>Currency:</b>	U.S. dollar
Project at a Glance				
<p><b>Project objective/description:</b> The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are to: (i) promote the availability and timely execution of public resources to respond to the effects of the health crisis caused by COVID-19; (ii) strengthen the countercyclical effect of public policy and fiscal management through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) promote economic and fiscal recovery during the post-pandemic period.</p> <p>This program is structured as a programmatic policy-based loan consisting of a series of two independent but technically linked operations.</p>				
<p><b>Special contractual conditions precedent to the first and only disbursement of the loan:</b> Fulfillment of the policy reform conditions established in the Policy Matrix (Annex II), the policy letter, and any other conditions set forth in the corresponding loan contract (see paragraph 3.4) will be a special contractual condition precedent to the first and only disbursement.</p>				
<p><b>Exceptions to Bank policies:</b> Policy measure (ii) of Component 3 calls for a deferral of payments on water, energy, and telecommunications bills for March, April, and May 2020, with those payments prorated over the following 24 months. In view of the fact that the deferral of these payments interrupts the revenue streams of service providers, thereby putting the financial sustainability of these companies at risk, at least temporarily, Management is requesting approval from the Board of Executive Directors for a partial exception to the Public Utilities Policy set forth in document GN-2716-6, given that the operation does not comply with the policy's financial sustainability criteria. This exception is justified given the importance of helping the country adopt crisis measures to ensure that its population has access to basic public services, with an emphasis on the most affected groups, and reducing potential costs in light of the economic circumstances stemming from COVID-19. The fiscal sustainability of these measures is an integral part of support under this proposal, and the measures should be temporary and take into account the criteria of efficiency, transparency, and financial viability (paragraph 3.5).</p>				
Strategic Alignment				
<b>Challenges:<sup>(d)</sup></b>		SI <input checked="" type="checkbox"/>	PI <input type="checkbox"/>	EI <input type="checkbox"/>
<b>Crosscutting themes:<sup>(e)</sup></b>		GD <input type="checkbox"/>	CC <input type="checkbox"/>	IC <input checked="" type="checkbox"/>

<sup>(a)</sup> Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(b)</sup> Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

<sup>(c)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

#### 1. Macroeconomic context

- 1.1 The health and economic crisis caused by the coronavirus disease 2019 (COVID-19) pandemic is deeply impacting all of the world's countries, which has led to a widespread decline in economic activity.<sup>1,2</sup> The macroeconomic and social effects of this crisis are expected to be tremendous in Latin America and the Caribbean, and their magnitude will likely vary depending on the characteristics of each country.<sup>3</sup> The International Monetary Fund (IMF)<sup>4</sup> projects that economic growth for 2020 in El Salvador will be -5.4%.<sup>5</sup> This is a steep decline from the 2.5% growth initially projected by the government (Central Reserve Bank of El Salvador, 2019).
- 1.2 The downturn in both domestic and foreign economic activity in most countries of Latin America and the Caribbean is expected to drive down tax revenue. Combined with the anticipated increases in public spending to deal with the fallout from the crisis, this will likely result in considerable increases to the fiscal deficit. The soundness of local banking systems could also be affected if the crisis persists, as a result of business bankruptcies, higher unemployment, and sudden stops in capital flows.<sup>6</sup>
- 1.3 El Salvador is expected to see a significant drop in tax revenue as a result of the slowdown in economic activity and social distancing measures. These measures have adversely affected such activities as trade, restaurant and hotel operations, manufacturing, construction, and professional services, which account for approximately 50% of GDP (Central Reserve Bank of El Salvador, 2019) and 67% of tax revenues (Ministry of Finance, 2019).<sup>7</sup> The Ministry of Finance projects lost tax revenues of US\$400 million-US\$500 million, or about 10% of the taxes collected in a fiscal year. Meanwhile, public spending should increase by 4% to 8% of GDP, depending on how long the crisis lasts and on budgetary execution for meeting the healthcare and economic relief needs identified by the authorities. Thus, after nearly seven years of continuous improvement and three consecutive years maintaining a primary surplus, the pandemic-related drop in tax revenue and increase in spending will widen the fiscal deficit from -3.1% of GDP in 2019 to -8.7% of GDP in 2020 and will increase the debt from 70% of GDP in 2019 to 82.2% of GDP in 2020. Table 1 summarizes the main macroeconomic indicators for El Salvador.

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<sup>1</sup> [G. Gopinath \(2020\)](#).

<sup>2</sup> [W. McKibbin and R. Fernando \(2020\)](#).

<sup>3</sup> IDB (2020). Macroeconomic Report.

<sup>4</sup> [A. Werner \(2020\)](#).

<sup>5</sup> [World Economic Outlook \(April 2020\)](#).

<sup>6</sup> According to the [Institute for International Finance](#), cumulative net capital outflows in emerging markets since late January have surpassed the levels observed during the peak of the 2008 great financial crisis.

<sup>7</sup> [Baseline Tax Statistics. Ministry of Finance \(2019\)](#).

**Table 1. Selected economic indicators, 2015-2019  
(Fiscal data of the nonfinancial public sector)**

	2015	2016	2017	2018	2019
Real GDP growth (% change)	2.4	2.5	2.2	2.4	2.4
Unemployment (% economically active population)	7.0	7.1	7.0	6.3	6.7
Inflation (end of period and in %)	1.0	-0.9	2.0	0.4	0.0
Total income (% GDP)	21.9	22.1	22.8	23.0	22.8
Tax revenue (% GDP)	17.6	17.5	18.0	18.3	18.2
Total expenditure (% GDP)*	25.5	25.2	25.3	25.6	25.8
Primary expenditure (% GDP)*	22.87	22.32	22.1	22.1	22.1
Public sector fiscal balance (% GDP)*	-3.6	-3.1	-2.5	-2.7	-3.1
Public sector debt (% GDP)*	66.2	67.5	69.2	69.2	70.2
Remittances received (US\$ billions)	4,256	4,543	4,985	5,391	5,649

Sources: Central Reserve Bank of El Salvador (March 2020), [Ministry of Finance](#), and the IMF World Economic Outlook (April 2020).

\*Includes social security costs.

## 2. The COVID-19 pandemic and the health crisis

- 1.4 The severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) that causes COVID-19 was detected in China in late 2019 and spread very quickly to the rest of the world. On 11 March 2020, the World Health Organization (WHO) declared the disease a pandemic. As of 18 April 2020, there were more than 2.1 million confirmed infections and 146,000 COVID-19 deaths<sup>8</sup> around the globe. While the spread of SARS-CoV-2 in Latin America and the Caribbean began later than in Asia and Europe, the number of cases in the region is also rising rapidly. As of 1 May 2020, the number of confirmed infections in Latin America and the Caribbean was 204,508, with a death toll of 10,668,<sup>9</sup> figures that will quickly become obsolete. El Salvador had 424 confirmed cases, 289 active cases, and 10 deaths as of that date.<sup>10</sup>
- 1.5 COVID-19 is highly contagious,<sup>11</sup> with the average number of cases reported in a country increasing by approximately 33% on a daily basis.<sup>12</sup> This high infection rate causes sudden spikes in cases that can decimate the capacity of healthcare systems because sick patients require specialized medical care. To prevent this collapse, social distancing and isolation have become essential measures in the public health response, as they slow COVID-19 transmission<sup>13</sup> and postpone demand for medical services.<sup>14,15,16,17,18</sup> Implementing these types of measures is

<sup>8</sup> [World Health Organization](#) (2020).

<sup>9</sup> See footnote 8.

<sup>10</sup> See updated figures on the [official website of the Salvadoran government](#).

<sup>11</sup> COVID-19 can [spread from person to person through respiratory secretions and direct contact](#).

<sup>12</sup> [Financial Times](#) (2020).

<sup>13</sup> Eichenbaum et al. (2020) show that the value of lives saved can be greater than the economic cost of an effective and temporary distancing policy. M. S. Eichenbaum, S. Rebelo, and M. Trabandt. (2020). The Macroeconomics of Epidemics (Working Paper w26882). National Bureau of Economic Research.

<sup>14</sup> [J. Hellewell, S. Abbott, A. Gimma, N. I. Bosse, C. I. Jarvis, T. W. Russell, et al.](#)

<sup>15</sup> [T. Day, A. Park, N. Madras, A. Gumel, and J. Wu.](#)

<sup>16</sup> [N. Ferguson, D. Cummings, C. Fraser, J. C. Caika, P. C. Cooley, and D. S. Burke.](#)

<sup>17</sup> [A. Dénes and A. Gumel.](#)

<sup>18</sup> Imperial College (2020).

especially important in Latin America and the Caribbean, considering that the majority of the region's countries are not prepared to deal with a pandemic.<sup>19</sup>

- 1.6 While social distancing and preventive isolation can reduce the speed with which COVID-19 is transmitted, these measures have not completely stopped the disease from spreading. Countries have therefore had to implement additional health measures. For example, in order to replicate relatively successful experiences, early health interventions are necessary to conduct mass testing of individuals in order to detect the virus and trace possible cases of infection for subsequent isolation. These interventions have proven effective in ending health crises faster.<sup>20,21</sup> In addition, healthcare services must be expanded to deliver care to infected individuals with severe symptoms. Both types of interventions require material and financial resources, which must be provided urgently and expeditiously. In many countries, including several in Latin America and the Caribbean, governments are ramping up spending on health.<sup>22</sup>

### **3. Public policy and fiscal management challenges during health crises**

- 1.7 Public policy and fiscal management play a central role in ensuring the availability and timely execution of resources. Good practices during crises highlight the importance of having institutions, policies, processes, and information systems that are flexible, efficient, reliable, and transparent and that encourage accountability.<sup>23</sup> Nevertheless, in previous health crises, such as the outbreaks of Ebola and severe acute respiratory syndrome (SARS), fiscal management institutions and systems had weaknesses and became bottlenecks that reduced the public sector's response capacity in key areas.<sup>24</sup> One of the biggest challenges is the lack of additional budgetary and financial resources to respond to the crisis, which can considerably exceed capacity to redirect budget resources in execution.
- 1.8 The lack of provisions for countercyclical spending, the rigidity of the public budget, and the constraints imposed by a dollarized economy make it virtually impossible for El Salvador to meet its pandemic-related spending needs without incurring external debt.<sup>25</sup> Moreover, this spending would fall outside the bounds of the 2016 Fiscal Responsibility Act, which sets quantitative limits on consumption spending and on increases in public debt.

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<sup>19</sup> IDB Social Sector (SCL) (2020).

<sup>20</sup> [S. Correia, S. Luck, and E. Verner.](#)

<sup>21</sup> [K. Prem, Y. Liu, T. W. Russell, et al.](#)

<sup>22</sup> IMF (2020). In El Salvador, the cost of sanitary measures alone is estimated at 1% of GDP, including resources earmarked for the construction and equipping of a hospital for COVID-19 patients, the remodeling and equipping of other hospitals in the public hospital network, and other goods and services needed to address the pandemic.

<sup>23</sup> World Bank Group (2019).

<sup>24</sup> [S. Saxena and M. Stone \(2020\).](#)

<sup>25</sup> El impacto del COVID-19 en la economía de El Salvador: algunas consideraciones de política macroeconómicas para hacer frente a la crisis, Salvadoran Foundation for Economic and Social Development (FUSADES) (2020).



- 1.9 One of the areas where the introduction of changes in applicable regulations is vital for crisis response is in public procurement systems. The response of countries affected by the Pandemic H1N1/09 Virus in 2009 underscored the need to guarantee that administrative processes facilitate the flow of public resources to the health sector.<sup>26</sup> However, traditional procurement processes for medical supplies in El Salvador take an average of 62 calendar days between requisition and procurement.<sup>27</sup> To encourage greater efficiency in public procurement processes during a crisis, some good practices include:<sup>28</sup> (i) introducing guidelines for the use of expedited procedures for emergency procurement;<sup>29</sup> (ii) identifying and introducing policies to unblock bottlenecks in the procurement system; and (iii) regulating the most appropriate procurement procedures for key purchases.

#### **4. The pandemic and its effects on household and business income**

- 1.10 Social distancing measures, necessary during the health crisis to save lives, lead to a decrease in economic, labor, and recreational presence. This, in turn, significantly reduces economic activity, resulting in job losses and lower household income. Unlike in developed countries, which have consolidated social security systems, such systems in Latin America and the Caribbean are inadequate and deficient partly due to the high levels of informal labor. In El Salvador, only 26% of the economically active population pays social security contributions, and 71% of households have at least one informal worker. A significant percentage of these households depend on family remittances from abroad: the country received remittances equivalent to 20% of GDP in 2018 (World Bank). These remittances are expected to drop considerably during the global economic downturn.
- 1.11 Household incomes in El Salvador will be hard hit by a drop in work-related income and remittances from abroad, as well as by an inadequate social security system. To avoid a collapse in household finances, economic relief measures must be implemented through a direct aid mechanism for low-income families whose livelihoods depend on economic activities disrupted by the pandemic. Since expenditures on basic utilities during the crisis may become a significant burden on already weakened household finances, agreements should be pursued with utility companies to extend payment deadlines for a reasonable period of time.
- 1.12 A policy that has proven effective in protecting household income during crises is to support the businesses where the individuals from those households work,<sup>30</sup> as a way of preventing widespread job losses and bankruptcies. While the economic crisis caused by COVID-19 is affecting most of the economy, some sectors are harder hit than others, including tourism, recreation, and food services, as a consequence of the powerful impact of social distancing and isolation measures. The sharp fall in sales also creates liquidity problems for businesses, in many cases exacerbated by the destruction of the payment chain. In El Salvador, there are a number of options for protecting the liquidity of businesses and thereby

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<sup>26</sup> D. Hurst and S. Shapre (2017).

<sup>27</sup> IDB (2016). Public Procurement in Latin America and the Caribbean and IDB-financed Projects.

<sup>28</sup> The National Association of County and City Health Officials (2013).

<sup>29</sup> These types of procedures include the use of exceptional, faster procurement methods, such as single-source selection and direct contracting.

<sup>30</sup> International Labour Organization. A review of global fiscal stimulus.

preventing bankruptcy and the loss of jobs. The most immediate mechanism involves reviewing the timing of tax payments and reimbursements and readjusting them to support businesses' cash flows without jeopardizing total expected tax collection for the fiscal year.

## **5. Public policy and income protection**

- 1.13 Public policy and fiscal management can play a crucial role in economic crises such as the one caused by COVID-19,<sup>31</sup> protecting household income during the social distancing period and supporting the survival of businesses to keep jobs safe. Proper fiscal policy design and implementation for these purposes during the current crisis presents significant challenges, because the fiscal measures introduced must benefit those individuals and sectors that need it most, when they need it most.<sup>32</sup> With respect to the issue of selecting beneficiaries, targeting difficulties arise mainly due to the absence or lack of reliability of integrated systems containing information about individuals, owing to the fact that such systems generally contain partial, often outdated information, particularly in the case of individuals in informal labor situations.<sup>33</sup> This leads to targeting errors, reducing efficiency in the use of public resources. To address this challenge, public policy design must focus on transparency in the use of these public resources, in order to increase accountability of executing agencies and reduce room for misuse.<sup>34</sup>
- 1.14 Fiscal policies that support households are also usually difficult to reverse, especially if the benefit duration is prolonged. This is because individuals begin to consider such benefits as acquired rights, which raises the political cost of withdrawing them. One of the main lessons of the fiscal policy response in Latin America and the Caribbean to the 2009 global financial crisis was that various programs introduced during the crisis to mitigate its effects ended up becoming permanent programs that were not reversed once the economic shock had subsided.<sup>35</sup> This ended up eroding fiscal fundamentals in the medium term.<sup>36</sup> Thus, to encourage efficient use of public resources, time-bound provisions<sup>37</sup> must be considered in household and business support policies from the outset. In El Salvador, any measure designed to provide relief to household or company finances during the crisis should be rolled back once the crisis has ended, especially since the country lacks the fiscal headroom to absorb new permanent spending commitments.

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<sup>31</sup> K. Storesletten, C. Telmer, and A. Yaron (2001).

<sup>32</sup> V. Gaspar, and P. Mauro (2020).

<sup>33</sup> Izquierdo, Pessino, and Vuletin (2018).

<sup>34</sup> S. Cecchini and A. Madariaga (2011).

<sup>35</sup> IMF (2015).

<sup>36</sup> Between 2008 and 2019, public debt jumped from 40% of GDP to close to 60% of GDP for a typical country in the region.

<sup>37</sup> V. Gaspar and P. Mauro (2020).

## 6. The economy and public finance during recovery from the pandemic

- 1.15 While the global growth outlook is still highly uncertain, preliminary estimates for 2020 from the Organisation for Economic Co-operation and Development (OECD)<sup>38</sup> point to a decrease in growth of around -3% of GDP worldwide and -5.2% in Latin America and the Caribbean.<sup>39</sup> The Economic Commission for Latin America and the Caribbean (ECLAC) expects this to lead to a spike in poverty, with an additional 35 million people sinking into poverty and 22.6 million descending into extreme poverty.<sup>40</sup> The IMF projects that the Salvadoran economy will contract by 5.4%, and IDB estimates based on official surveys suggest that poverty could increase by 8%—the equivalent of an additional 500,000 people falling into poverty.<sup>41,42</sup>
- 1.16 The economic crisis will take a heavy toll on countries' public finances. The economic contraction will drive tax collection down considerably in the near term, with no immediate recovery.<sup>43</sup> The loss of revenue, combined with higher spending to contend with the health, economic, and social crisis, will put pressure on fiscal and public debt positions. El Salvador, which has a dollarized economy and public debt equivalent to 70.2% of GDP, is especially vulnerable and will have to implement considerable fiscal adjustment measures once the pandemic has ended. The IMF's Rapid Financing Instrument, recently approved for El Salvador, calls for an adjustment of at least 3% of GDP between 2021 and 2024 to put the country back on a path to significantly reduce its debt by 2030.<sup>44</sup> On the fiscal management front, the country faces significant challenges in the areas of audits, tax control, and public expenditure efficiency.<sup>45</sup>
- 1.17 **Bank operational work and technical support in the country.** The Bank has been providing El Salvador with support for strengthening its public finances. Using a comprehensive approach with a variety of loan instruments and technical-cooperation operations<sup>46</sup> in coordination with a programmatic policy-based loan series (loans 4542/OC-ES and 4807/OC-ES, approved in 2018

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<sup>38</sup> In November 2019, the global growth forecast for 2020 was 3%. [OECD Economic Outlook, Interim Report March 2020](#).

<sup>39</sup> IMF. [World Economic Outlook](#).

<sup>40</sup> ECLAC (2020). [COVID-19 Will Have Grave Effects on the Global Economy and Will Impact the Countries of Latin America and the Caribbean](#).

<sup>41</sup> Estimate based on three main assumptions: a 17% decrease in remittances; a 30% drop in informal-sector income; and a cash transfer of US\$300 per household for 75% of households, using the 2018 Multipurpose Household Survey.

<sup>42</sup> IDB (2020). [El impacto del COVID-19 en la economía de la región \(Centroamérica\)](#).

<sup>43</sup> During the 2008-2009 crisis, consumption taxes fell close to 10% in a typical country of the region, and tax revenue dropped by as much as 3.5 points of GDP in some countries (IDB-Inter-American Center of Tax Administrations, 2019).

<sup>44</sup> [IMF Staff Country Report – El Salvador](#).

<sup>45</sup> These challenges include a lack of integrated information for audits and a results-based budget system. El Salvador has made headway on both fronts, especially taxes, with the support of the operation described in paragraph **Error! Reference source not found.**

<sup>46</sup> Including technical-cooperation operation ATN/OC-16234-ES, Support for Strengthening of Tax Administration and Fiscal Policies for Inclusive Growth; and technical-cooperation operation ATN/FI-15360-ES, Support for the Improvement of Public Expenditure Management and Institutional Strengthening of Tax Administration.

and 2019, respectively, for a combined US\$550 million), the Bank supported the development of a legal framework for fiscal responsibility to help contain spending, reduce the debt burden, and adopt the first medium-term fiscal framework in El Salvador. In 2019, execution began for the Tax Administration Strengthening Program (loan 3852/OC-ES), a US\$30-million investment loan that seeks to permanently increase tax revenue by at least 1% of GDP through administrative measures. The Bank has also provided technical assistance to El Salvador to enhance the efficiency of public payroll spending, public procurement processes and systems, and results-based management with a focus on the budget system. Lessons learned that were applied when designing this programmatic series include the following: (i) the importance of having a sound, credible fiscal rule in place and of reinstating it as soon as possible if it is suspended due to an emergency; (ii) the need for continuity in reform processes interrupted by the emergency, including budget, tax, and procurement reforms; (iii) the value of having parallel technical-cooperation instruments to support technical dialogue and provide state-of-the-art solutions; and (iv) the importance of technical coordination between cooperating entities (paragraph 1.19).

- 1.18 **The Bank's experience in the region and lessons learned.** The IDB Group has supported the region through various types of crises to mitigate their immediate effects and to design reforms for the recovery period. The Bank's support varies depending on the nature of the crisis to be addressed.<sup>47</sup> In the fiscal sphere, the Bank recently supported the Government of Ecuador in re-establishing macroeconomic stability, restoring fiscal sustainability, and safeguarding social spending in support of the vulnerable population through the Emergency Program for Macroeconomic Sustainability and Prosperity (loan 4771/OC-EC). Similarly, the Macroeconomic Emergency Program to Protect Economic and Social Progress (loan 4656/OC-BA) in Barbados supported the government in re-establishing macroeconomic stability and fostering a sustainable fiscal balance in the short and medium term, protecting social spending to safeguard the social progress made. Both projects were coordinated very closely with the IMF. The Bank has also provided support to countries in their reform processes to improve tax policy and administration, public expenditure quality, and the strengthening of fiscal sustainability.<sup>48</sup> In the area of health, the Bank has experience in programs and initiatives in Latin America and the Caribbean aimed at the prevention and better control of various communicable diseases, including malaria, Zika, cholera, Pandemic H1N1/09 Virus, and other infectious diseases. Lastly, the Bank also has experience in restoring basic service infrastructure in areas affected by earthquakes, both during the emergency and in the rebuilding phase.<sup>49</sup> A number of lessons learned have resulted from this experience, including: (i) ensure that

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<sup>47</sup> The first contingent financing instrument for natural disasters was the Contingent Credit Facility for Natural Disaster Emergencies. Examples include the Dominican Republic (operation DR-X1003), Honduras (operation HO-X1016), Ecuador (operation EC-X1014), and others (document RE-496-1).

<sup>48</sup> The most recent policy-based loans include the Program to Deepen Fiscal Reform in Colombia (loan 4552/OC-CO), the Program to Support Fiscal Sustainability in Costa Rica (loan 4819/OC-CR), and the Finances for Sustainable Development Program in Paraguay (loan 4667/OC-PR).

<sup>49</sup> In 2016, the Bank supported Ecuador in restoring infrastructure and basic services in earthquake-affected areas through various instruments (operation EC-X1014; loan 3751/OC-EC; loan 3906/OC-EC; and technical cooperation operation ATN/JF-15752-EC). Other examples include support for Haiti in 2010 and for El Salvador following the 2001 earthquake.

any temporary economic relief measures implemented during the emergency are effectively discontinued once it is over; (ii) make medium-term measures consistent with fiscal adjustment objectives once the emergency has ended; (iii) guarantee the highest possible level of transparency for emergency-related spending; and (iv) establish participatory mechanisms to identify post-emergency economic recovery measures.

- 1.19 **Coordination with other Bank projects.** This program is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996), as it forms part of the Bank's support to its borrowing member countries in the adoption of fiscal policies to mitigate the effects of the health crisis and alleviate the economic impacts. The program coordinates efforts with various supports, such as: (i) the immediate public health response; (ii) safety nets for vulnerable populations; and (iii) economic productivity and employment. The tax administration measures planned for the second operation of the programmatic series, and the implementation of electronic invoicing in particular, will be directly supported by the Tax Administration Strengthening Program (loan 3852/OC-ES).<sup>50</sup> The technical-cooperation operation "Support for the Design and Implementation of a Property Tax" (technical cooperation funding ATN/OC-17732-ES), currently in execution, will support preparation of a proposed law to establish a property tax, which is a measure envisioned for the second operation of the programmatic series and is part of the IMF's recommendations associated with the Rapid Financing Instrument. This coordination seeks to leverage synergies to increase the impact of the Bank's interventions.
- 1.20 The Government of El Salvador also requested US\$250 million in special development lending (SDL) for pandemic-related expenditures, which supports the Rapid Financing Instrument that the IMF approved for El Salvador on 14 April 2020. The SDL supports the government's commitment to implement fiscal adjustment measures starting in 2021 in line with the letter of intent for the Rapid Financing Instrument. This programmatic series complements the SDL as follows: (i) in the short term, it supports necessary measures for public health containment and economic relief that require financing from both the SDL and the first operation of the programmatic series; and (ii) in the medium term, the measures under the second operation of the programmatic series provide support that helps make the government's commitments (including a fiscal adjustment of 3% of GDP) viable within the framework of the SDL and support the IMF's tax-related technical recommendations included in the report on the Rapid Financing Instrument.<sup>51</sup>
- 1.21 **Coordination with other donors.** During preparation of this operation, the Bank coordinated preparation of this program with the IMF, the World Bank, and the Central American Bank for Economic Integration (CABEI). The macroeconomic framework supporting medium-term measures to restore fiscal sustainability is part of the Rapid Financing Instrument recently approved by the IMF, and the

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<sup>50</sup> The expected impact of that operation, which includes electronic invoicing and other components such as comprehensive auditing and database harmonization, is the generation of at least 1% of GDP in permanent additional revenue by 2024.

<sup>51</sup> [Rapid Financing Instrument: El Salvador—Staff Report, Letter of Intent.](#)

measures under this operation are expected to contribute directly to the target of reduced public debt as described in the country's letter of intent. Several partner organizations are coordinating their response through informal weekly dialogues between their representatives to harmonize support for the immediate response and economic reactivation efforts. During program execution, coordination with multilateral and donor entities will be implemented through coordination tables and senior-management meetings. The Bank will share its progress on program implementation with the IMF and the rest of the donors.<sup>52</sup>

- 1.22 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy (document AB-3190-2) and is aligned with the development challenge of social inclusion and equality, through measures to ensure the maintenance of essential health services in order to overcome the health crisis. The program is also aligned with the crosscutting theme corresponding to Institutional capacity and rule of law inasmuch as it will strengthen fiscal policy and management to tackle the health, economic, and social crisis, and it will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12).<sup>53</sup> The program is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996) and is also aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2) as concerns strengthening public sector management. The program is consistent with the Fiscal Policy and Management Sector Framework Document (document GN-2831-8), which highlights the importance of institutional strengthening to improve public expenditure quality as well as fiscal equity and social inclusion.

## **B. Objectives, components, and cost**

- 1.23 **Objective.** The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are to: (i) promote the availability and timely execution of public resources to respond to the effects of the health crisis caused by COVID-19; (ii) strengthen the countercyclical effect of public policy and fiscal management through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) promote economic and fiscal recovery during the post-pandemic period.
- 1.24 The program is structured as a programmatic policy-based loan and consists of two separate but technically linked operations whose policy actions aim to help the country adopt measures in the short term to tackle the main challenges faced by countries in their response to the health and economic crisis caused by COVID-19.

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<sup>52</sup> Alongside the Rapid Financing Instrument approved by the IMF, other donors are supporting the Salvadoran government's pandemic response, including: (i) the World Bank, which has approved a US\$20-million emergency loan; (ii) CABEL, which has approved US\$1 million in nonreimbursable technical-cooperation financing and expects to design operations amounting to an additional US\$650 million; and (iii) the Japan International Cooperation Agency (JICA), which has modified the stand-by loan for natural disasters it issued in 2016 to deliver funds amounting to 5 billion yen.

<sup>53</sup> See Annex I – Summary Development Effectiveness Matrix.

This first operation mainly focuses on supporting policy measures undertaken during the pandemic period that aim to: (i) promote the availability of resources to address the emergency; (ii) promote the efficient execution of those resources; (iii) support household income and business liquidity; (iv) ensure continuity in the provision of public goods and services; and (v) begin to define an economic and fiscal plan to find a way out of the pandemic. The second operation in the series will seek to promote economic and fiscal recovery in the medium term by implementing policies that enable a return to growth with equity and fiscal sustainability in the post-pandemic period. Thus, in keeping with the purpose of programmatic policy-based loans, this program aims to support structural reforms and institutional changes to strengthen sector policies and restore soundness to public finances.<sup>54</sup>

- 1.25 The program is organized into the following components:
- 1.26 **Component 1. Macroeconomic stability.** The objective of this component is to ensure that a macroeconomic context consistent with the program objectives as set forth in the Policy Matrix and the sector policy letter is maintained.
- 1.27 **Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19.** The objective of this component is to promote the availability and timely execution of public resources to respond to the effects of the health crisis caused by COVID-19. In order to achieve this objective, program measures will support changes to budget and public procurement regulations with a view to providing necessary resources to the health sector and ensuring that those resources are executed in an efficient, orderly, and transparent manner. The program will also support changes to regulations and strategies to improve coordination and implementation of actions for pandemic preparedness and response.
- 1.28 The program policy measures that will support changes to regulations in order to provide the necessary resources for responding to the health crisis are as follows: (i) a one-time authorization will have been granted allowing the government to borrow US\$2 billion to finance the Economic Emergency, Recovery, and Reconstruction Fund (FERRE),<sup>55,56</sup> (ii) the borrower will be releasing the reports on COVID-19-related expenses envisaged in Legislative Order 606; and (iii) the existing fiscal rule (the Fiscal Responsibility Act) will have been relaxed for the duration of the pandemic-related national emergency.
- 1.29 In addition, to increase the efficiency of processes for procuring medical supplies and other essential goods related to pandemic response, and thereby support the timely and transparent execution of resources, the program includes the following policy measures: (i) authorization will have been given to use emergency procurement procedures, such as direct contracting and/or single-source selection of works, goods, and services for pandemic-related prevention, treatment, containment, and response; (ii) regulations will have been issued to ensure

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<sup>54</sup> Policy-based Loans: Guidelines for Preparation and Implementation (document CS-3633-2), Section II, Definition and Objective of Policy-based Lending.

<sup>55</sup> [Optional link 1.](#)

<sup>56</sup> The proceeds will finance immediate response actions, hospital infrastructure and supplies, direct financial aid, and, ultimately, economic recovery projects.

- transparency in procurement processes, resolutions, or agreements for direct contracting and/or single-source selection by posting such items on the online procurement system COMPRASAL after completion of the process in question; and (iii) an agreement will have been reached with the Organization of American States (OAS) for the provision of auditors to oversee procurement processes related to the pandemic response, as part of the agreements establishing the International Commission against Impunity in El Salvador.<sup>57</sup>
- 1.30 The second operation in the programmatic series will continue to promote the efficient, orderly, and transparent allocation and execution of public funds, with a view to promoting economic and fiscal recovery. In that manner, it will continue to strengthen transparency and the fiscal institutional framework. The triggers for the second operation are as follows: (i) a detailed report on the expenses incurred through FERRE will have been posted to the Ministry of Finance website; (ii) a proposed law to reinstate the fiscal rule will have been submitted to the Legislative Assembly; (iii) the authorization of the use of emergency procedures for pandemic-related procurements of works, goods, and services will have been suspended; (iv) a detailed report on procurement processes conducted using emergency procedures to respond to the COVID-19 pandemic will have been posted to the Ministry of Finance website; and (v) a detailed report on the findings of audits performed by the OAS-provided auditors will have been posted to the Ministry of Finance website.
- 1.31 **Component 3. Strengthening public policy and fiscal management to respond to the economic crisis.** The objective of this component is to strengthen the countercyclical effect of public policy and fiscal management through the temporary introduction of measures to protect the income of vulnerable households<sup>58</sup> and increase liquidity for businesses during the health and economic crisis. To achieve this objective, the program includes measures for the design and implementation of policies to support households, workers, and businesses, which incorporate lessons learned on the need to ensure that support measures are targeted and temporary. Accordingly, the policy measures for protecting households' disposable income are as follows: (i) approval will have been given for a one-time, US\$300 cash transfer to low-income households, as identified from the registry of gas subsidy recipients and other complementary records; (ii) deferral of payments on water, energy, and telecommunications bills for March, April and May 2020, will have been approved and payment of those bills will be prorated over the following 24 months, with measures to target the most vulnerable households; and (iii) approval will have been given for a bonus per diem allowance of US\$150 per month for the duration of the state of emergency for all State employees who have been assigned to participate in the COVID-19 response.

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<sup>57</sup> One of the objectives of the International Commission against Impunity in El Salvador is to actively support, strengthen, assist, and cooperate in the prevention, investigation, and punishment of acts of corruption and other common criminal offenses.

<sup>58</sup> This includes vulnerable families that participate in existing social protection programs, vulnerable families that do not participate in social protection programs, and informally employed or unemployed individuals (without a source of income).



- 1.32 The policy measures that aim to provide temporary liquidity protection for businesses affected by the crisis are as follows: (i) payments of the special contribution for tourism promotion described in Chapter V, Article 16 of the Tourism Act will have been waived for three months; (ii) the income tax payment deadline for tax year 2019 will have been extended, free of interest, fees, and fines, to 31 May 2020 for taxpayers in the tourism sector whose tax payment is US\$25,000 or less; (iii) the income tax payment deadline for tax year 2019 will have been extended for all taxpayers whose tax payment is US\$10,000 or less; and (iv) the income tax payment deadline for tax year 2019 will have been extended for all taxpayers who: (a) are engaged in the generation, transmission, distribution, or sale of electricity; or (b) provide telecommunications or Internet services.
- 1.33 The second operation in the programmatic series will support policies that help align tax incentives with economic recovery. To achieve this, the program will support government initiatives that restructure tax benefits and reprioritize beneficiaries, with a view to promoting greater economic growth with fiscal equity. The triggers are as follows: [REDACTED] [REDACTED]<sup>(\*)</sup>; (ii) collection on payments of water, energy, and telecommunications bills that had been deferred during the emergency will have been completed or will be in progress; (iii) the US\$150 bonus allowance for State employees who participated in the COVID-19 response will have been discontinued; (iv) collection of the special contribution for tourism promotion, as described in the Tourism Act, will have resumed; and (v) collection of income tax payments for tax year 2020 will have been completed or will be in progress following the deadlines set forth in law prior to the emergency, for all taxpayers who had received an extension on their income tax payment for tax year 2019.
- 1.34 **Component 4. Economic and fiscal strengthening for the post-pandemic period.** The objective of this component in the first operation in the programmatic series is to promote economic and fiscal recovery in the post-pandemic period. To that end, the first operation includes the following policy measures: (i) a study on the estimated economic, social, and fiscal costs associated with COVID-19 will have been posted to the Ministry of Finance website, to be updated every two months;<sup>59</sup> and (ii) a High-level Strategic Advisory Group consisting of individuals with established track records from various sectors will have been formed, to propose and/or assist with the development of strategies for economic reactivation.
- 1.35 The second operation will support implementation of structural measures for revenue, spending, and macrofiscal management, which will revitalize the economy and help improve the government's fiscal position in the medium term. The triggers are as follows: (i) the economic and fiscal recovery plan adopted by the government will have been posted to the Ministry of Finance website; (ii) the High-level Strategic Advisory Group will continue its work to monitor and/or assist

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\* At the request of the borrowing country, information contained in this paragraph will not be disclosed. "The non-disclosure of this information is in accordance with the country-specific information exception in paragraph 4.1 i of the Bank's Access to Information Policy."

<sup>59</sup> Through this measure, the Ministry of Finance, acting through its Economic and Fiscal Policy Office, will publish the first study and update the study every two months in 2020. This measure is related to indicator (vii) in the Results Matrix, which will help generate accurate knowledge on how the crisis is affecting the economy and fiscal finances. This knowledge will be used to generate the post-pandemic economic and fiscal recovery plan, which is policy measure 4(ii) of the second phase of this operation.

with the development of strategies for economic reactivation; (iii) a proposed financial administration law that incorporates international good practices and replaces the current law will have been submitted to the Legislative Assembly; (iv) the Ministry of Finance will have approved a plan to implement the results-based program budget; [REDACTED]

[REDACTED]; (vii) an expenditure quality unit will have been established within the Ministry of Finance to promote efficiency in public spending at all entities of the national government; [REDACTED]

[REDACTED]; (ix) a pilot program for electronic invoicing that covers at least 30 establishments using a business-to-business approach will have been launched;<sup>60</sup> and (x) a provision will have been included in the Budget Act of the year in which the second individual operation is approved to guard against cuts in social spending and protect vulnerable groups.

### C. Key results indicators

- 1.36 The expected results of this first operation of the programmatic series are included in the Results Matrix. The results indicators are as follows: (i) budget allocated to the health sector; (ii) health sector expenditure executed; (iii) average procurement processing time for medical supplies;<sup>61</sup> (iv) households benefited by temporary direct cash transfer programs related to the health crisis; (v) State employees benefited by temporary bonuses because they perform essential duties; (vi) businesses availing themselves of extended deadlines for income tax payments, offered as a result of the health crisis; and (vii) diagnostic assessments for monitoring COVID-19 and/or its impact on fiscal sustainability and economic stability in El Salvador.
- 1.37 **Economic analysis.**<sup>62</sup> Based on the recommendations by the Office of Evaluation and Oversight (OVE) in its 2011 Evaluability Review of Bank Projects<sup>63</sup> and on the findings of the review of evaluation practices and standards for policy-based loans conducted by the Evaluation Cooperation Group (ECG, which comprises the independent evaluation offices of the multilateral development banks),<sup>64</sup> as

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\* At the request of the borrowing country, information contained in this paragraph will not be disclosed. "The non-disclosure of this information is in accordance with the country-specific information exception in paragraph 4.1 i of the Bank's Access to Information Policy."

<sup>60</sup> Business-to-business refers to invoicing transactions between businesses that are registered taxpayers in the value-added tax system.

<sup>61</sup> This only includes medical supplies procured in connection with the health crisis caused by the novel coronavirus known as 2019-nCoV. This emergency was declared in [Ministerial Agreement 301](#) of 23 January 2020.

<sup>62</sup> See paragraph 3.5, "Partial exception to the Public Utilities Policy."

<sup>63</sup> Document RE-397-1: Currently, the economic analysis section is computed as the maximum between the cost-benefit analysis (CBA) and the cost-effectiveness analysis (CEA). Yet neither a CBA nor a CEA is applicable to policy-based loans.

<sup>64</sup> Good Practice Standards for the Evaluation of Public Sector Operations. Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition. February 2012.

provided for in paragraph 1.3 of document GN-2489-5 (Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non-Sovereign Guaranteed Operations), which indicates that an analysis of efficiency in the use of financial resources is unnecessary,<sup>65</sup> it was determined that an economic analysis would not be performed for this type of loan, as reported to the Board of Executive Directors. Accordingly, this loan operation does not include an economic analysis and no such analysis is considered for purposes of measuring the evaluability score in the program's Development Effectiveness Matrix.

- 1.38 **Beneficiaries.** The direct beneficiaries of the first operation in the programmatic series are the citizens of El Salvador, particularly those in the most vulnerable sectors, due to the following positive effects of the program: (i) improved public health services delivery through implementation of policy measures that help increase available resources for responding to the health emergency; and (ii) mitigation of the impact of the health crisis on the well-being of the population, especially low-income groups, through policy measures to protect household income and business liquidity.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 **Financing instrument.** This operation has been structured as a programmatic policy-based loan and is the first operation of a programmatic series consisting of two contractually independent but technically linked loans, in line with the guidelines for the preparation and implementation of programmatic policy-based loans set forth in document CS-3633-2. The programmatic modality was chosen because: (i) it promotes ongoing policy dialogue between the Bank and the country with the aim of providing continuous support during the pandemic and in the post-pandemic period; (ii) given the uncertainty regarding the length and severity of the crisis caused by the pandemic, this instrument leaves room for adaptation to evolving circumstances and monitoring of the program's scope; and (iii) it facilitates the development, fine-tuning, and implementation of economic and fiscal recovery plans, with a view to resuming growth with equity and fiscal sustainability in the post-pandemic period.
- 2.2 **Dimensioning.** The cost of this operation will be US\$250 million financed from the Bank's Ordinary Capital. This amount will be disbursed in one single tranche. The cost of the operation is justified by the public sector's financial needs and has no direct relationship to the cost of the program's reforms, in accordance with document CS-3633-2 (paragraph 3.27 (b)). The public sector's financial needs for 2020 are estimated at approximately 2.645 billion dollars.<sup>66</sup> The total amount of this operation constitutes 16% of funds from multilateral sources to address the COVID-19 crisis in 2020 and 13% of all multilateral financing expected in 2020.

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<sup>65</sup> According to the ECG, policy-based loans should be evaluated for relevance, effectiveness, and sustainability. Efficiency was not included as a criterion, since the size of a policy-based loan is related to a country's financing gap, independent of the project's benefits.

<sup>66</sup> Source: Ministry of Finance.

**B. Environmental and social safeguard risks**

2.3 Based on guideline B.13 of the Environment and Safeguards Compliance Policy (Operational Policy OP-703), this program does not require ex ante classification of impacts. The operation supports the development of policies, rules, management instruments, and other institutional strengthening actions and therefore no significant direct impacts on the environment or natural resources are anticipated.

**C. Fiduciary risks**

2.4 No fiduciary risks associated with the operation have been identified. The operation's proceeds will be disbursed directly to a bank account specified by the Ministry of Finance, from which it will draw to cover financing needs. To that end, the executing agency, has the necessary financial management instruments and control systems. The resources will be disbursed once the policy measures set forth in the loan contract are fulfilled.

**D. Other key risks and issues**

2.5 **Public management and governance risks (High).** There is a high public management and governance risk related to delays in implementing the expected triggers for the second operation of this programmatic series. To partially mitigate this risk, the Bank will provide technical support in order to help the country implement and transparently monitor the related measures. With regard to the tax measures, a loan operation and a technical cooperation operation that are in execution can support the proposed measures (paragraph 1.19).

2.6 Additionally, there is a medium risk that measures for tax relief and protection of household income and business liquidity will not reach the sectors most affected by the health crisis. This risk is exacerbated by the fact that the country has not conducted a population census in the last 13 years. To mitigate this risk, the Bank is collaborating with the Ministry of Finance in the search for the most reliable mechanisms for identifying the most vulnerable households to benefit from the economic relief, including the use of a variety of existing databases of subsidy beneficiaries.<sup>67</sup>

2.7 **Development risk (Medium).** There is a medium risk that the packages of measures to respond to the health and economic crisis will only be partially implemented, due to a lack of financial resources. To mitigate this risk, the Bank will coordinate closely with other agencies that provide resources to FERRE and the emergency effort in general (paragraph 1.21). The Bank will also provide advisory support to the Ministry of Finance on matters related to issuing debt on the international market.

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<sup>67</sup> The mechanism used relies on the registry of beneficiaries of the subsidy for liquified gas cylinders, which is cross-checked with other administrative records. The government created an on-line search system for households that qualify for the US\$300 subsidy, which indicates if a household is eligible based on the identification document number submitted. In the event that a household appears to be ineligible but the head of household believes that it should be eligible, the system also has an appeal mechanism through which an eligibility review can be requested.

- 2.8 **Fiscal sustainability risk (High).** Fiscal sustainability risk is high in the event that the temporary spending increase in response to the pandemic becomes permanent, or in the event that the loss of income for 2020 turns out to be greater than anticipated. This risk is mitigated by the IMF's recent approval of a Rapid Financing Instrument; in the associated letter of intent, the government states its commitment to a fiscal adjustment of 3% of GDP between 2021 and 2024. To make this adjustment, the IMF's program has recommended specific measures, which can be complemented by an adjustment in capital spending if necessary. In addition, the Bank will closely monitor the fiscal adjustment process, including the leveraging of the loan for the Tax Administration Strengthening Program (paragraph 1.19) to optimize tax collection, and specific measures to reverse incremental expenses are included among the triggers for the second loan of this programmatic series.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower.** The borrower will be the Republic of El Salvador, through the Ministry of Finance.
- 3.2 **Executing agency.** The executing agency will be the Ministry of Finance, which will have technical responsibility for program execution and agrees to: (i) act, on its own or by means of a designee, as the official liaison with the Bank and submit reports and evidence of fulfillment of the operation's conditions, as well as any other report that the Bank requires, according to the agreed deadlines and terms; (ii) promote actions to achieve the policy objectives defined in the program; and (iii) collect, record, and submit to the Bank all data, indicators, and metrics that help the Salvadoran government and the Bank monitor, measure, and evaluate the program's results.
- 3.3 **Coordination mechanism.** The Ministry of Finance is responsible for fulfillment of program measures. It will maintain an ongoing dialogue with other agencies involved in the operation and in overall coordination of pandemic response at the Office of the President, which will facilitate coordination of the implementation of program measures.
- 3.4 **Special contractual conditions precedent to the first and only disbursement of the loan: Fulfillment of the policy reform conditions established in the Policy Matrix (Annex II), the policy letter, and any other conditions set forth in the corresponding loan contract will be a special contractual condition precedent to the first and only disbursement.**
- 3.5 **Partial exception to the Public Utilities Policy.** Policy measure (ii) of Component 3 (paragraph 1.31) calls for a deferral of payments on water, energy, and telecommunications bills for March, April, and May 2020, with those payments prorated over the following 24 months. In view of the fact that the deferral of these payments interrupts the revenue streams of service providers, thereby putting the financial sustainability of these companies at risk, at least temporarily, Management is requesting approval from the Board of Executive Directors for a partial exception to the Public Utilities Policy set forth in document GN-2716-6, given that the operation does not comply with the policy's financial sustainability

criteria. This exception is justified given the importance of helping the country adopt crisis measures to ensure that its population has access to basic public services, with an emphasis on the most affected groups, and reducing potential costs in light of the economic circumstances stemming from COVID-19. The fiscal sustainability of these measures is an integral part of support under this proposal, and the measures should be temporary and take into account the criteria of efficiency, transparency, and financial viability.

**B. Summary of arrangements for monitoring results**

- 3.6 **Monitoring.** Program monitoring consists of verification of the agreed policy measures ([monitoring and evaluation plan](#)). The executing agency and the Bank will meet regularly to monitor the operation's results and anticipate and resolve technical difficulties related to the operation's execution. The executing agency will submit to the Bank all information required for measuring fulfillment of program targets and will provide timely information on progress toward those targets.
- 3.7 **Evaluation.** The evaluation strategy will consist of: (i) a "before and after" analysis of the outcome and impact indicators included in the Results Matrix; (ii) a review of the intervention's theory of change; (iii) a literature review of evidence on the effectiveness of similar interventions in comparable contexts; and (iv) a qualitative evaluation that provides complementary information on how the achieved results can be attributed to the program. The evaluation's main questions will address whether the policies implemented helped achieve the program objectives ([monitoring and evaluation plan](#)). Additionally, a program completion report will be prepared. Both the ex post evaluation and the program completion report will be conducted at the end of execution of the programmatic series.

**IV. POLICY LETTER**

- 4.1 The policy letter reiterates the country government's commitment to the objectives and actions envisaged in the program. Additionally, the Bank and the Salvadoran government agreed on a Policy Matrix that identifies the policy actions under this operation.

Development Effectiveness Matrix		
Summary		ES-L1143
<b>I. Corporate and Country Priorities</b>		
<b>1. IDB Group Strategic Priorities and CRF Indicators</b>		
Development Challenges & Cross-cutting Themes		-Social Inclusion and Equality -Institutional Capacity and the Rule of Law
CRF Level 2 Indicators: IDB Group Contributions to Development Results		-Beneficiaries of targeted anti-poverty programs (#) Countries with strengthened tax and expenditure policy and management (#)
<b>2. Country Development Objectives</b>		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		See paragraph 1.24
<b>II. Development Outcomes - Evaluability</b>		Evaluable
<b>3. Evidence-based Assessment &amp; Solution</b>		9.3
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		2.7
<b>4. Ex ante Economic Analysis</b>		N/A
<b>5. Monitoring and Evaluation</b>		7.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		4.5
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>		
Overall risks rate = magnitude of risks*likelihood		High
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		B.13
<b>IV. IDB's Role - Additionality</b>		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, Internal Audit. Procurement: Information System, Price Comparison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	The Bank has provided technical assistance in the elaboration and implementation of the measures included in this operation.

Note: (\*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The program is structured as a PBP. This is the first of two operations whose policy actions aim to support the country in the adoption of activities to respond to the main challenges generated by the health and economic crisis due to COVID-19. The operation ES-L1143, for US\$250 million, is part of the Bank's operational response to the COVID-19 Pandemic. The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) to promote economic and fiscal recovery during the post-pandemic period.

The loan proposal presents a solid diagnosis of the problem, as well as a review of international evidence. The proposed solutions are an appropriate response to the problems identified in the proposal and its contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of outcomes and impacts. The outcome indicators are appropriately defined to measure the achievements of the project's specific objectives. The impact indicators reflect the contribution to the final health and fiscal objectives of the operation. These indicators will measure that the capacity of ICU beds in hospitals is appropriate to face the health crisis (health) and whether the primary fiscal balance is restored after the crisis (fiscal).

The monitoring and evaluation plan proposes a reflective analysis of the outcome and impact indicators included in the result matrix, complemented by a review of the theory of change, an updated review of international evidence and qualitative studies. The monitoring and evaluation activities will be carried out by the Ministry of Finance in coordination with the Bank.

**INDICATIVE POLICY MATRIX**  
**PROGRAM TO STRENGTHEN PUBLIC POLICY AND FISCAL MANAGEMENT**  
**IN RESPONSE TO THE HEALTH AND ECONOMIC CRISIS CAUSED BY COVID-19 IN EL SALVADOR**

**Objective:** The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are to: (i) promote the availability and timely execution of public resources to respond to the effects of the health crisis caused by COVID-19; (ii) strengthen the countercyclical effect of public policy and fiscal management through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) promote economic and fiscal recovery during the post-pandemic period.

Components / Policy objectives	Policy conditions Programmatic loan I	Status of fulfillment, conditions for programmatic loan I <sup>1</sup>	Triggers for programmatic loan II
<b>Component 1. Macroeconomic stability.</b>			
Maintain a macroeconomic context consistent with the program objectives as set forth in the policy matrix and the sector policy letter.	i. Maintain an economic framework consistent with program objectives and the guidelines set forth in the sector policy letter.	Fulfilled	i. Maintain an economic framework consistent with the program objectives and the guidelines established in the sector policy letter.
<b>Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19.</b>			
Promote the timely availability and execution of public resources to respond to the effects of the health crisis caused by COVID-19.	i. A one-time authorization will have been granted allowing the government to borrow US\$2 billion to finance the Economic Emergency, Recovery, and Reconstruction Fund (FERRE).	Fulfilled Q1 2020	
	ii. The borrower will be releasing the reports on COVID-19-related expenses envisioned in Legislative Order 606.	Pending Q2 2020	ii. A detailed report on the expenses incurred through FERRE will have been posted on the Ministry of Finance website.
	iii. The existing fiscal rule (Fiscal Responsibility Act) will have been relaxed for the duration of the pandemic-related national emergency.	Fulfilled Q1 2020	iii. A proposed law will have been submitted to the Legislative Assembly to reinstate the fiscal rule.
Promote the timely and transparent execution of resources.	i. Authorization will have been given to allow the use of emergency procedures, such as single-source selection and/or direct contracting, for the procurement of works, goods, and services for pandemic-related prevention, treatment, containment, and response.	Fulfilled Q1 2020	i. The authorization of the use of emergency procedures for pandemic-related procurements of works, goods, and services will have been suspended.

<sup>1</sup> This information is merely indicative as of the date of this document. In accordance with document CS-3633-2 (Policy-based Loans: Guidelines for Preparation and Implementation), compliance with any specified disbursement conditions, including maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank when the borrower makes the corresponding disbursement request and will be reflected in a timely manner in the disbursement eligibility memorandum.



Components / Policy objectives	Policy conditions Programmatic loan I	Status of fulfillment, conditions for programmatic loan I <sup>1</sup>	Triggers for programmatic loan II
	ii. Regulations will have been issued to ensure transparency in contracting processes, resolutions, or agreements for single-source selection and/or direct contracting, by posting such items on the online procurement system COMPRASAL after completion of the process in question.	Fulfilled Q1 2020	ii. A detailed report on procurement processes conducted using emergency procedures for the COVID-19 pandemic response will have been posted to the Ministry of Finance website.
	iii. An agreement will have been reached with the Organization of American States (OAS) for the provision of auditors to oversee procurement processes related to the pandemic response, as part of the agreements establishing the International Commission against Impunity in El Salvador.	Fulfilled Q2 2020	iv. A detailed report on the findings of audits performed by the OAS-provided auditors will have been posted to the Ministry of Finance website.
<b>Component 3. Strengthening public policy and fiscal management to respond to the economic crisis.</b>			
Strengthen the countercyclical effect of public policy through the temporary introduction of measures to protect the income of vulnerable households.	i. Approval will have been given for a one-time US\$300 cash transfer to low-income households, as identified from the registry of gas subsidy recipients and other complementary records.	Fulfilled Q1 2020	[REDACTED] (*)
	ii. Approval will have been given for the deferral of payments on water, energy, and telecommunications bills for March, April and May 2020, with these payments to be prorated over the following 24 months, including measures to target the most vulnerable households.	Fulfilled Q1 2020	ii. Collection on payments of water, energy, or telecommunications bills that had been deferred during the emergency will have been completed or will be in progress.
	iii. Approval will have been given for a bonus per diem allowance of US\$150 per month for the duration of the state of emergency for all State employees who have been assigned to participate in the COVID-19 response.	Fulfilled Q2 2020	iii. The US\$150 bonus allowance for State employees who participated in the COVID-19 response will have been discontinued.

\* At the request of the borrowing country, information contained in this paragraph will not be disclosed. "The non-disclosure of this information is in accordance with the country-specific information exception in paragraph 4.1 i of the Bank's Access to Information Policy."

Components / Policy objectives	Policy conditions Programmatic loan I	Status of fulfillment, conditions for programmatic loan I <sup>1</sup>	Triggers for programmatic loan II
Strengthen the countercyclical effect of fiscal management through the temporary introduction of measures to increase liquidity for businesses during the health and economic crisis.	i. The special contribution for tourism promotion described in Chapter V, Article 16 of the Tourism Act will have been waived for a three-month period.	Fulfilled Q1 2020	i. Collection of the special contribution for tourism promotion, as described in the Tourism Act, will be in progress.
	ii. The income tax payment deadline for tax year 2019, will have been extended, free of interest, fees, and fines, to 31 May 2020 for taxpayers in the tourism sector whose tax payment is US\$25,000 or less.	Fulfilled Q1 2020	ii. Collection of income tax payments for tax year 2020 will have been completed or will be in progress, following the deadlines set forth in law prior to the emergency, for all taxpayers who had received an extension on their income tax payment for tax year 2019.
	iii. The income tax payment deadline for tax year 2019 will have been extended for all taxpayers whose tax payment is US\$10,000 or less.	Fulfilled Q1 2020	
	iv. The income tax payment deadline for tax year 2019 will have been extended for all taxpayers who: (a) are engaged in the generation, transmission, distribution, or sale of electricity; or (b) provide telecommunications or Internet services.	Fulfilled Q1 2020	
<b>Component 4. Economic and fiscal strengthening for the post-pandemic period.</b>			
Promote economic and fiscal recovery during the post-pandemic period.	i. A study on the estimated economic, social, and fiscal costs associated with COVID-19 will have been posted to the Ministry of Finance website, to be updated every two months.	Fulfilled Q2 2020	i. The economic and fiscal recovery plan adopted by the government will have been posted to the Ministry of Finance website
	ii. A High-level Strategic Advisory Group consisting of individuals with established track records from various sectors will have been formed, to propose and/or assist with the development of strategies for economic reactivation.	Pending Q2 2020	ii. The High-level Strategic Advisory Group will continue its work to monitor and/or assist with the development of strategies for economic reactivation.
			iii. A proposed financial administration law that incorporates international good practices and replaces the current law will have been submitted to the Legislative Assembly.
			iv. The Ministry of Finance will have approved a plan to implement the results-based program budget.

Components / Policy objectives	Policy conditions Programmatic loan I	Status of fulfillment, conditions for programmatic loan I <sup>1</sup>	Triggers for programmatic loan II
			[REDACTED] (*)
			[REDACTED] (*)
			vii. An expenditure quality unit will have been established within the Ministry of Finance to promote efficiency in public spending at all entities of the national government.
			[REDACTED] (*)
			ix. A pilot program for electronic invoicing that covers at least 30 establishments using a business-to-business approach will have been launched.
			x. A provision will have been included in the Budget Act of the year in which the second individual operation is approved to guard against cuts in social spending and protect vulnerable groups.

\* At the request of the borrowing country, information contained in this paragraph will not be disclosed. "The non-disclosure of this information is in accordance with the country-specific information exception in paragraph 4.1 i of the Bank's Access to Information Policy."

## RESULTS MATRIX

<b>Program Objective:</b>	The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are to: (i) promote the availability and timely execution of public resources to respond to the effects of the health crisis caused by COVID-19; (ii) strengthen the countercyclical effect of public policy and fiscal management through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) promote economic and fiscal recovery during the post-pandemic period.
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## EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Baseline year	Final target	Final year	Means of verification	Comments
Weeks in which demand for beds in Intensive Care Units (ICUs) due to COVID-19 does not exceed the health system's ICU capacity.	%	100 (18 weeks)	2020 (29 April)	100 (34 weeks)	2020 (30 December)	Reports from El Salvador's COVID-19 Observatory <sup>1</sup> .	Number of weeks the condition is met / Total number of weeks. The expected impact is that demand will not exceed the health system's capacity to provide ICU beds to COVID-19 patients who require them at any point in 2020. Demand for ICU beds for COVID-19 patients will be the total number of patients in critical and severe condition as indicated in the observatory's reports. On 29 April, 9 patients were in that condition, and capacity was 238 ICU beds, which is being expanded thanks to the policy program.
Government primary balance.	%	-4.5%	2020	1.9%	2022	Ministry of Finance – Medium-term Fiscal Framework (MFMP).	Primary fiscal balance as a percentage of GDP. Baseline: International Monetary Fund (IMF) projection for 2020.

<sup>1</sup> The [Observatory](#) is formed by Francisco Gavidia University, Escuela Superior de Economía y Negocios, the University of El Salvador, and Salvadoran Foundation for Economic and Social Development (FUSADES).

### EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
<b>SPECIFIC OBJECTIVE 1:</b> Promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19.						
Budget allocated to the health sector.	Percentage of GDP	2.52%	2019	5%	Budget approved by the Legislative Assembly and supplementary resources from the Economic Emergency, Recovery, and Reconstruction Fund (FERRE), Ministry of Finance State Financial Management Report (IGFE).	The increase will be measured at year-end 2020, and its calculation will be based on the 2020 budget approved by Congress. Baseline: Budget allocated to the health sector: US\$681.7 million / GDP 2019: US\$27.0226 billion (IGFE, March 2020).
Health sector expenditure executed.	%	97.3%	2019	98.5%	Budget approved by the Legislative Assembly and Ministry of Finance expenditure execution reports, Ministry of Finance IGFE.	Percentage of allocated budget actually executed Baseline: Executed budget: US\$663.6 million / Allocated budget: US\$681.7 million. (IGFE, March 2020).
Average procurement processing time for medical supplies.	Calendar days	62	2019	5	Ministry of Finance and Procurement Unit (UNAC) report.	Baseline 2019: Estimated by UNAC based on average times from recorded execution data (nonregulatory) for processes involving medical supplies (independent management, direct procurement, open and public bidding processes) carried out in 2019. Purchases for the COVID-19 crisis do not use the abovementioned processes but instead use simplified procedures; the special guidelines for crisis-related purchases set forth a procedure that differs from the normally used procurement methods. With no regulated minimum time frames, procurement is open and expedited, execution times will depend on institutional management and conditions on domestic and international markets. Calculation of the target will only consider medical supplies obtained under the framework for the Novel Coronavirus 2019 health crisis, as ordered in <a href="#">Ministerial order 301</a> from 23 January 2020.

Indicators	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
<b>SPECIFIC OBJECTIVE 2:</b> Strengthen the countercyclical effect of public policy and fiscal management through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis.						
Households benefited by temporary direct cash transfer programs related to the COVID-19 health crisis.	Percentage	0	2019	75%	Ministry of Finance administrative records.	Beneficiary households will be identified primarily using the registry of gas subsidy beneficiaries, which was developed based on the most recent census. An appeal mechanism was included for households not on that registry that believe they qualify.
State employees benefited by temporary bonuses because they perform essential duties.	Percentage	0	2019	10%	Ministry of Finance administrative records.	The percentage will be calculated using official public employment registries.
Businesses availing themselves of extended deadlines for income tax payments offered as a result of the COVID-19 health crisis.	Percentage	0	2019	54%	Tax administration administrative records.	The percentage will be calculated based solely on taxpayers who are legal entities. Where possible, it will be broken down by business size and type of moratorium. (Large 159, medium-sized 1,011 and other 17,591 / 34,541*). *Income-tax-paying legal entities benefited according to the taxpayer portfolio /Total number of income-tax-paying legal entities in tax year 2019.
<b>SPECIFIC OBJECTIVE 3:</b> Promote economic and fiscal recovery during the post-pandemic period.						
Diagnostic assessments for monitoring COVID-19 and/or determining its impact on the country's fiscal sustainability and economic stability.	Studies	0	2019	6	Studies posted on the Ministry of Finance website.	Reports on estimated economic, social, and fiscal costs should be updated at least six times over the course of the year. Each update will be considered a complete study.

### OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
<b>Component 2: Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19</b>						
Regulations for the one-time authorization for the government to borrow US\$2 billion to finance the Economic Emergency, Recovery, and Reconstruction Fund (FERRE), approved.	Regulations	0	2020	1	Publication of Legislative Order 608 in the official gazette <i>Diario Oficial</i> .	Baseline at the beginning of the year and targets through December of each year.
Government website where the reports on expenses related to the COVID-19 crisis envisioned in Legislative Order 606 are posted, in operation.	Reports	0	2020	1	Updated reports available on the website of a government institution.	Baseline at the beginning of the year and targets through December of each year.

Outputs	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
Regulations temporarily suspending the Fiscal Responsibility Act (LRF) and use of LRF-required fiscal metrics and targets for the duration of the pandemic-related national emergency, approved.	Regulations	0	2020	1	Publication of Legislative Order 607 in the official gazette <i>Diario Oficial</i> .	Baseline at the beginning of the year and targets through December of each year.
Regulations for emergency procurement procedures, such as direct contracting and/or single-source selection of works, goods, and services, for pandemic-related prevention, treatment, containment, and response, approved.	Regulations	0	2020	1	Publication of Legislative Order 593, Article 13, in the official gazette <i>Diario Oficial</i> .	Baseline at the beginning of the year and targets through December of each year.
Regulations to ensure transparency in procurement processes, resolutions, or agreements for direct contracting and/or single-source selection by posting such items on the online procurement system COMPRASAL after completion of the process in question, issued.	Regulations	0	2020	1	Guideline 03-19 issued by UNAC.	Baseline at the beginning of the year and targets through December of each year.
Official document certifying that agreement has been reached with the Organization of American States (OAS) for the provision of auditors to oversee procurement processes related to the pandemic response, as part of the agreements establishing the International Commission against Impunity in El Salvador.	Official document	0	2020	1	Official document from the OAS certifying the agreement reached with the Salvadoran government for the provision of auditors.	Baseline at the beginning of the year and targets through December of each year.
<b>Component 3: Strengthening public policy and fiscal management to respond to the economic crisis</b>						
Regulations for a one-time, US\$300 cash transfer to all low-income households, as identified from the registry of gas subsidy recipients and other complementary records, approved.	Regulations	0	2020	1	Publication of Executive Order 12, Article 7, in the official gazette <i>Diario Oficial</i> .	Baseline at the beginning of the year and targets through December of each year.
Regulations for the deferral of payments on water, energy, and telecommunications bills for March, April and May 2020, with these payments to be prorated over the following 24 months, including measures to target the most vulnerable households, approved.	Regulations	0	2020	1	Publication of Legislative Order 601 in the official gazette <i>Diario Oficial</i> .	Baseline at the beginning of the year and targets through December of each year.
Regulations for the allocation of a bonus per diem allowance of US\$150 per month for the duration of the state of emergency for all State employees who have been assigned to participate in the COVID-19 response, approved.	Regulations	0	2020	1	Publication of Executive Order 16 in the official gazette <i>Diario Oficial</i> .	Baseline at the beginning of the year and targets through December of each year.

Outputs	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
Regulations waiving the special contribution for tourism promotion described in Chapter V, Article 16 of the Tourism Act for a three-month period, approved.	Regulations	0	2020	1	Publication of Legislative Order 598 in the official gazette <i>Diario Oficial</i> .	Baseline at the beginning of the year and targets through December of each year.
Regulations extending the income tax payment deadline for tax year 2019, free of interest, fees, and fines, to 31 May 2020 for taxpayers in the tourism sector whose tax payment is US\$25,000 or less, approved.	Regulations	0	2020	1	Publication of Legislative Order 598 in the official gazette <i>Diario Oficial</i> .	Baseline at the beginning of the year and targets through December of each year.
Regulations extending the income tax payment deadline for tax year 2019 for all taxpayers whose tax payment is US\$10,000 or less, approved.	Regulations	0	2020	1	Publication of Legislative Order 598 in the official gazette <i>Diario Oficial</i> .	Baseline at the beginning of the year and targets through December of each year.
Regulations extending the income tax payment deadline for tax year 2019 for all taxpayers who: (a) are engaged in the generation, transmission, distribution, or sale of electricity; or (b) provide telecommunications or Internet services, approved.	Regulations	0	2020	1	Publication of Legislative Order 598 in the official gazette <i>Diario Oficial</i> .	Baseline at the beginning of the year and targets through December of each year.
<b>Component 4. Economic and fiscal strengthening for the post-pandemic period</b>						
Study on the estimated economic, social, and fiscal costs associated with COVID-19, posted to the Ministry of Finance website.	Study	0	2020	1	Study on the estimated economic, social, and fiscal costs associated with COVID-19, posted to the Ministry of Finance website.	Baseline at the beginning of the year and targets through December of each year.
Ministry of Finance commitment to update the study on the economic, social, and fiscal costs associated with COVID-19 every two months.	Ministry of Finance official letter	0	2020	1	Official letter from the Economic and Fiscal Policy Office of the Ministry of Finance confirming its intent to update the study every two months.	Baseline at the beginning of the year and targets through December of each year.
Regulations forming a High-level Strategic Advisory Group consisting of individuals with established track records from various sectors to propose and/or assist with the development of strategies for economic reactivation, approved.	Regulations	0	2020	1	Executive Decree that establishes the High-level Strategic Advisory Group and specifies its basic structure, functions, attributes, the mechanism for selecting its members, and the government institution responsible for its coordination, in effect.	Baseline at the beginning of the year and targets through December of each year.



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/20

El Salvador. Loan \_\_\_\_/OC-ES to the Republic of El Salvador  
Program to Strengthen Public Policy and Fiscal Management  
in Response to the Health and Economic Crisis Caused  
by COVID-19 in El Salvador

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of El Salvador, as borrower, for the purpose of granting it a financing to cooperate in the execution of the "Program to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in El Salvador". Such financing will be for the amount of up to US\$250,000,000 from the resources of the Bank's Ordinary Capital and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_\_2020)