

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

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

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

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

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

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

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

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