

When the earthquake is over

ROSA MARÍA MENJIVAR

ROSARLIN HERNÁNDEZ

MARIO ANTONIO PANIAGUA



The national situation after the seismic disasters, paradoxically, offers a great opportunity to change the route of poverty and vulnerability for the majority of the population. The Reconstruction Plan should be concerted, transparent, and ambitious; and it should apply an equitable fiscal policy that reaches sectors that generate greater amounts of capital. If not, reconstruction will simply become another unfulfilled challenge. It is time for the government to demonstrate the political will to bring dignified conditions of life to the population in the long term.

Before...

In the last decade, the market economy was strengthened: the role of government was modified and limited, fiscal reforms were executed, the economy was liberalised, some public assets were privatised, and the opening toward global markets began. The "blessings" of this situation rested on the Stabilisation and Structural Adjustment Programs, which caused an increase in price of services and taxes, and restrictive monetary and financial policy. The result was relative macroeconomic stability, which in turn created a judicial and political atmosphere favourable to development of the neoliberal economic model.¹

In 1998, Hurricane "Mitch" was one of the first warning signs to confront El Salvador. This natural phenomenon changed the environment and the rhythm of the national economy, and it reduced GDP growth by approximately 2% because of costly damages to agriculture and infrastructure. The disaster made two things very clear: the priority of the government had been to oversee macroeconomic development, and the majority of the population was living in vulnerable conditions. The floods surprised the country, which had no specific policies for eradicating poverty, creating jobs or improving social conditions.

The percentage of poor households diminished in the last five years, falling from 47.5% in 1995 to 45.1% in 1999. Rural households reduced their average poverty, as opposed to urban households, whose poverty level increased from 40% in 1995 to 43.2% in 1999. Meanwhile, the poorest 20% of families receives only 5.7% of total income while the richest 20% receives 48% of income. This explains why one in four children is malnourished and why the literacy rate has increased by only 1.78% in five years.

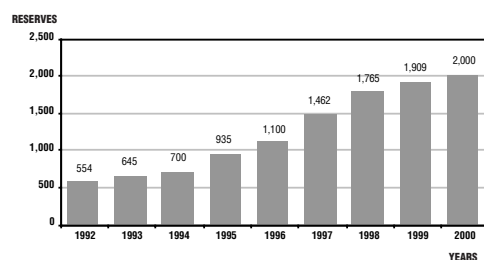
In primary education, the evolution was positive, with attendance going from 52.9% in 1995 to 81.7% five years later. Average schooling increased from 4.67 years (grades) in 1995 to 5.01 years in 1998; in urban areas it is 6.6 years, while in rural areas it is only 2.9 years.

Before 13 January 2001, the process of dollarisation (which entered into effect by decree on 1 January 2001), was the main topic of interest and debate in the society. Central Reserve Bank (BCR) figures indicated that by the end of January there were USD 70.95 million circulating, equal to 15.77% of the total currency in circulation. This led to the belief that the country would be completely dollarised by July.

The Monetary Integration Law was supposed to have several advantages. The government maintained that it would stimulate economic growth of 4%-4.5% in 2001, reduce interest rates, and attract greater foreign investment into the country. Nevertheless, the measure was not, and is not, popular among the

citizenry. Sectors opposing it question the lack of a national monetary policy, especially in crisis situations, and they now ask that the international reserves be used for reconstruction.

International Reserves of El Salvador, in USD millions



Source: BCR. Taken from *El diario de Hoy*, 16 December 2000.

...and after

Three years after Hurricane Mitch, on 13 January 2001, an earthquake of 7.6 on the Richter scale surprised the country in exactly the same conditions of vulnerability and poverty. This reality was magnified when one month later, on 13 February, another earthquake of 6.1 on the Richter scale struck most of the municipalities that were still intact.

The result is a country with more than 80 emergency shelters nationwide and more than 1.5 million homeless people. Of 262 municipalities, 97 were damaged significantly. One in every six people was directly affected.

In March 2001, official sources had reported 1,149 dead and 8,056 wounded; 178,060 houses were damaged, 688 buried, and 149,900 demolished. There is serious damage to 938 public buildings, 1,566 schools and 135 health centres.² Small and medium businesses lost 32,540 jobs.

The Economic Commission for Latin American and the Caribbean (ECLAC) expects that, instead of the predicted 5% economic growth, El Salvador would now grow between 3.0% and 3.5%.³ ECLAC estimated that the damage of the first earthquake would provoke a recession in the economy equivalent to 3-5

¹ Taken from the *Evaluation of the World Summit on Social Development 1995-2000. Mexican, Central American and Panamanian Regional Report*. CIDEP, El Salvador, June 2000.

² Project Madrid Document. El Salvador Government, March 2001.

³ Newspaper *El Diario de Hoy*, 23 February 2001, p. 4.

years, since the damages of USD 1.25 billion are equivalent to 9.5% of the GDP. The second earthquake added an estimated USD 348.5 million in damages.

The government estimates the damages of both earthquakes to be as high as USD 2 billion, equivalent to the annual spending of the entire government apparatus. The Salvadoran Foundation for Economic and Social Development (FUSADES)⁴ estimates that economic growth in 2001 will be 2.0%-2.5%, because of lost wealth, the low level of investor and consumer confidence, and the low availability of resources.

The social sector suffered the worst: education, health and housing lost a total of USD 616 million. According to ECLAC, there was a significant decline in the quality of primary education, because of the number of schools damaged and interruptions in the school year after each earthquake.

During the emergency, humanitarian aid from the international community contributed to reducing short-term needs of the homeless population, but many countries did not provide as much help as was needed. Some 325 tons of food is required daily to meet the food needs of over a million homeless people; international aid contributes about 100 tons daily.⁵

During the first phase of the national emergency, the legislative assembly ratified the general budget for 2001 in its entirety, as presented by the secretary of the treasury: SVC 19.49 billion (USD 2.23 billion). The budget will be financed through issuance of SVC 2.66 billion (USD 303.5 million) in bonds and a tax increase of 9.9%, mainly in sales (VAT) and income taxes. International loans were approved for healthcare, education and social investment funds targeted to reconstruction. This adds 2% to the fiscal deficit of 2.8% of GDP expected before the earthquakes.

Budget Assignments 2001		
AREAS	ASSIGNMENTS (IN MILLIONS OF COLONES)	PERCENTAGES
Public Security	1,504.1	7.7
Health	2,020.0	10.4
Public Works	1,168.0	6.0
Defense	968.4	5.0
Municipalities	866.0	4.5
Secretariat of State	314.9	1.6
Treasury	289.4	1.5
Education	3,752.0	19.3
State Obligations	2,297.0	11.8
Public Debt	2,937.0	15.1
Miscellaneous	3,375.0	17.4

In 2001, 41.1% of the budget is allocated to social spending. The health and education ministries obtained the greatest increases, receiving USD 66.9 million more than in 2000. Despite the tragedy, the government says it will not exceed the national debt limit of approximately USD 1.5 billion.

The reality is that not even these budget adjustments are enough to cover the needs of the homeless population. The government is hoping for cooperation from the international community, loans, and family remittances from other countries.

Reconstruction: a process for everyone

The earthquake shook any plans the government might have had for the remaining three and a half years of its term. Now every ministry has to readdress its objectives in the new scenario. The rebuilding of the transportation, educational and health infrastructures will postpone any other goals in the short-term.

Currently, the country's attention is focused on the challenges of reconstruction. The government and various sectors of the citizenry have made their intentions public, without reaching an agreement. The government began its term with a country that was doing well before the two earthquakes, and its goal is simply to finish its term with the same outlook it had before 13 January. For an important sector of the citizenry, reconstruction must include analysis of the ecological, social and economic vulnerability of El Salvador before the earthquakes. This sector begins by answering the following questions: Why were poor people once again those who suffered the greatest damages? Does the fact that the poor suffered most make it necessary to examine the political and social dynamics of the country?

Of the estimated USD 2 billion in earthquake damages, the government can cover only one-fourth, approximately USD 500 million. The Reconstruction Plan presented to the Advisory Group in Madrid was USD 2.1 billion. Of this sum, a package of USD 1.3 billion was conceded, and of this, only USD 300 million was granted in donations. Clearly, the government did not receive the kind of support it expected in Madrid: the loans, though soft, will always be loans. These resources will arrive over the next four years and the government believes that the country is still in a good position to take on the new debts.

Lack of agreement regarding the content of the Reconstruction Plan, and lack of transparency experienced in other emergencies, may have influenced the conditions defined by the international community for quantifying and channeling the aid. In some ways, the spirit of Stockholm (May 1999) was expressed in Madrid.

For citizen's organisations, the focus of reconstruction should be the human being, and reconstruction should involve a process of wide participation. The Reconstruction Plan should focus on sustainable human development with a gender perspective, an on-going policy of poverty eradication, a disaster prevention program, decentralisation and local strengthening, transparency in public policies, and a citizen's social watch. ■

Iniciativa Control Ciudadano El Salvador (Social Watch Initiative El Salvador):
Asociación de Mujeres por la Dignidad y la Vida (LAS DIGNAS)
(Association of Women for Dignity and Life)
Fundación Maquilishuatl (FUMA) (Maquilishuatl Foundation)
and the Asociación Intersectorial para el Desarrollo Económico y el Progreso Social (CIDEP)
(Intersectorial Association for Economic Development and Social Progress).
<cidpnet@es.com.sv>

⁴ Salvadoran Foundation for Economic and Social Development. *Quarterly Report, March 2001*. Published in *El Diario de Hoy*, 2 March 2001.

⁵ *El Diario de Hoy*, 8 March 2001, p. 3.