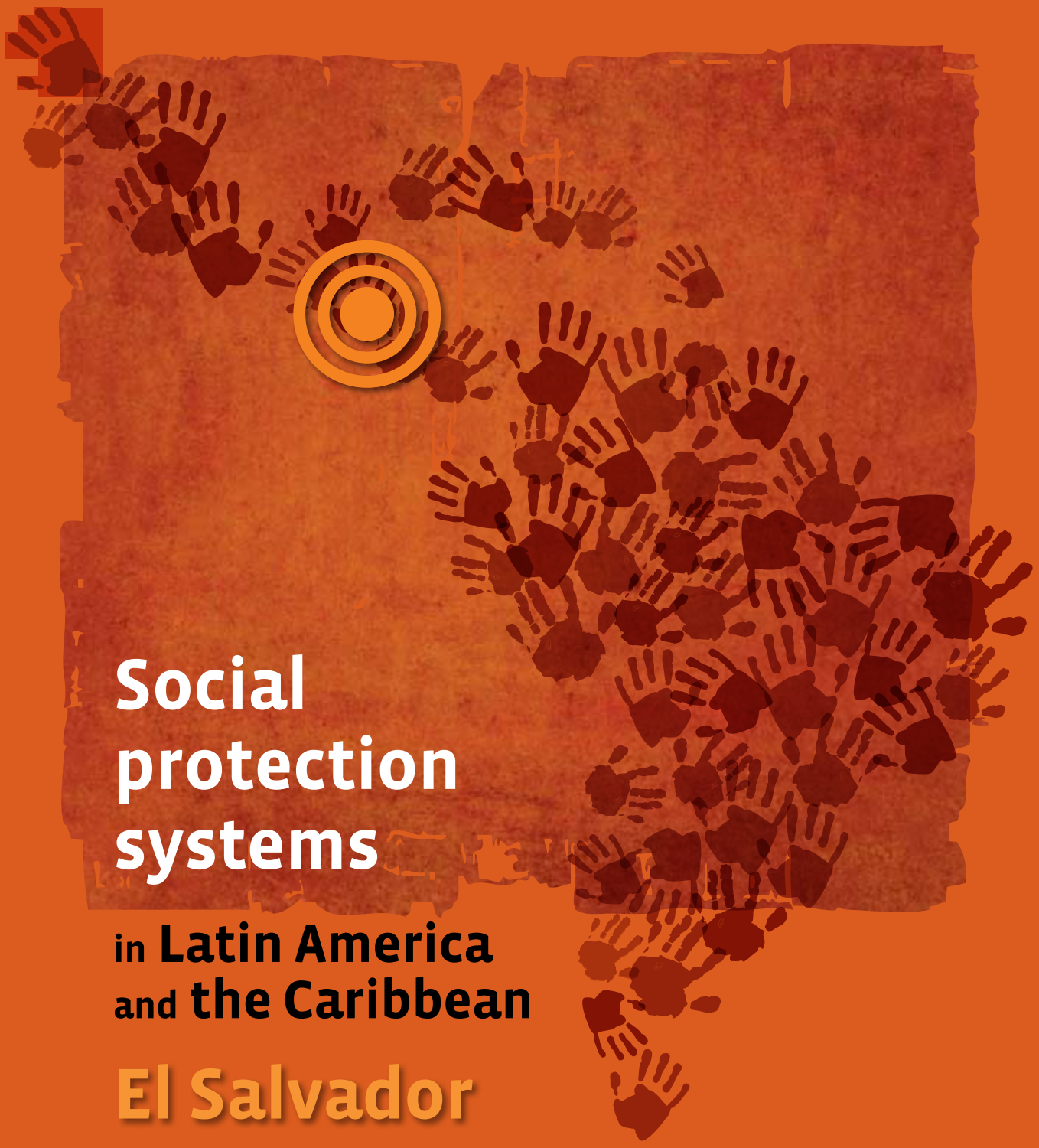

Social protection systems in Latin America and the Caribbean

El Salvador

Juliana Martínez Franzoni

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Project Document

Social protection systems in Latin America and the Caribbean: El Salvador

Juliana Martínez Franzoni

Economic Commission for Latin America and the Caribbean (ECLAC)

This document was prepared by Juliana Martínez Franzoni, consultant with the Social Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC), and is part of the series of studies on “Social Protection Systems in Latin America and the Caribbean”, edited by Simone Cecchini, Social Affairs Officer, and Claudia Robles, consultant with the same Division. The author gratefully acknowledges the research assistance of Héctor Solano and Luis Ángel Oviedo. Luna Gámez and Daniela Huneeus, consultants, provided editorial assistance. Humberto Soto and Astrid Rojas provided valuable comments.

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Foreword

Simone Cecchini
Claudia Robles

This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing of the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Given that, in 2011, 174 million Latin Americans were living in poverty —73 million of which in extreme poverty— and that the region continues being characterized by an extremely unequal income distribution (ECLAC, 2012), the case studies place particular emphasis on the inclusion of the poor and vulnerable population into social protection systems, as well as on the distributional impact of social protection policies.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. While social protection can be geared to meeting the specific needs of certain population groups —including people living in poverty or extreme poverty and highly vulnerable groups such as indigenous peoples—, it must be available to all citizens. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population, which are laid out in a series of national and international legal instruments, such as the United Nations' 1948 Universal Declaration of Human Rights or the 1966 International Covenant on Economic, Social and Cultural Rights (ICESCR). These normative instruments recognize the rights to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

The responsibility of guaranteeing such rights lies primarily with the State, which has to play a leading role in social protection —for it to be seen as a right and not a privilege—, in collaboration with three other major stakeholders: families, the market and social and community organizations. Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of developing countries' efforts to establish these guarantees, by implementing various types of transfers, including conditional cash transfer programmes

and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions (Cecchini and Martínez, 2011).

Social protection is central to social policy but is distinctive in terms of the social problems it addresses. Consequently, it does not cover all the areas of social policy, but rather it is one of its components, together with sectoral policies —such as health, education or housing— and social promotion policies —such as training, labour intermediation, promotion of production, financing and technical assistance to micro— and small enterprises. While sectoral policies are concerned with the delivery of social services that aim at enhancing human development, and promotion policies with capacity building for the improvement of people's autonomous income generation, social protection aims at providing a basic level of economic and social welfare to all members of society. In particular, social protection should ensure a level of welfare sufficient to maintain a minimum quality of life for people's development; facilitate access to social services; and secure decent work (Cecchini and Martínez, 2011).

Accordingly, the national case studies characterize two major components of social protection systems –non-contributory (traditionally known as "social assistance", which can include both universal and targeted measures) and contributory social protection (or "social security"). The case studies also discuss employment policies as well as social sectors such as education, health and housing, as their comprehension is needed to understand the challenges for people's access to those sectors in each country.

Furthermore, the case studies include a brief overview of socio-economic and development trends, with a particular focus on poverty and inequality. At this regard, we wish to note that the statistics presented in the case studies —be they on poverty, inequality, employment or social expenditure— do not necessarily correspond to official data validated by the Economic Commission for Latin America and the Caribbean (ECLAC).

I. Introduction: historical context for the social protection policies in El Salvador[1]

Within Central America, El Salvador is the country that has given greater continuity to the social and economic transformations that were initiated during the 1990s. Comparatively, the country has the lowest poverty rates within this region. Nevertheless, poverty is spread throughout the country, affecting all regions with different intensity.

Emigration, especially to the United States, has had profound social impacts. On the one hand, the current population of El Salvador is at least one million less than estimates had previously projected for 2007. On the other hand, remittances have had an important weight on the economy and the living conditions of families.

El Salvador went through an armed conflict that lasted between 1980 and 1992. This conflict opposed two forces: on the one hand, the military and the right-wing political parties and organizations; on the other hand, the leftist guerrilla that formed the *Frente Farabundo Martí para la Liberación Nacional* (FMLN), which was also supported by grassroots and church organizations, public universities and intellectuals (Sáenz de Tejada, 2005). The conflict originated in longstanding demands for political democratization, social justice and economic redistribution and caused over 30,000 deaths as well as a sharp repression of the peasantry and indigenous peoples. It had also strong impacts on social development: once the war was ended, the country had become even poorer and more unequal.

Peace was sealed after the Chapultepec Peace Accords signed in 1992. The *Alianza Republicana Nacionalista* (ARENA), a right-wing party, ruled the country between 1989 and 1999 and consolidated a model of economic growth based on transnational economy —focused on the finance sector and the promotion of textile *maquila*— and heavily subsidized by the State.

However, economic growth has been volatile during the past two decades. Over the first half of the 1990s, the economy grew steadily at an average rate of 6%. After this period, the average growth rate was less than 3%. Growth in the different economic sectors was also quite unequal: the finance sector experienced the highest growth throughout Central America; however, agriculture, that absorbs over 60% of employment in the non-metropolitan areas of San Salvador, only grew at a rate of 1.2% and passed to represent 13% of GDP in 2000 from 25% in 1970 (UNDP, 2001).

[1] This section is based upon Martínez Franzoni (2008).

Before the war, social policy covered only a reduced part of the population and thus social security, education and health had a very limited coverage. These policies were not targeted on the large majority of the population living in poverty. Instead, they were oriented towards the middle classes. Once the war ended, social policy became focused on providing social assistance to the poor. The FMLN, already legitimized as a political party, managed to exert some influence in the definition of the educational reform implemented in the country and opposed several initiatives pushed forward by the ARENA aiming to privatize health and education. In turn, ARENA succeeded in creating a privately managed capitalization pension system inspired in the Chilean model. Nevertheless, reforms of this kind were not easily implemented in the health sector due to the firm opposition of the FMLN and civil society.

During the 1990s, progress was made in areas such as primary education, the control of infectious diseases and the eradication of polio, measles and malaria. During the last administration of ARENA led by President Saca (2005-2009), it was implemented the first conditional cash transfer programme in the country, called *Red Solidaria*. This soon became the star social programme of the government.

In 2009, the FMLN won the polls, promoting a universal social policy approach. This has combined targeted measures and actions focused on the middle class, particularly in the areas of health and education. These measures form part of a universal system of social protection in the making.

II. El Salvador: main economic and social spending indicators

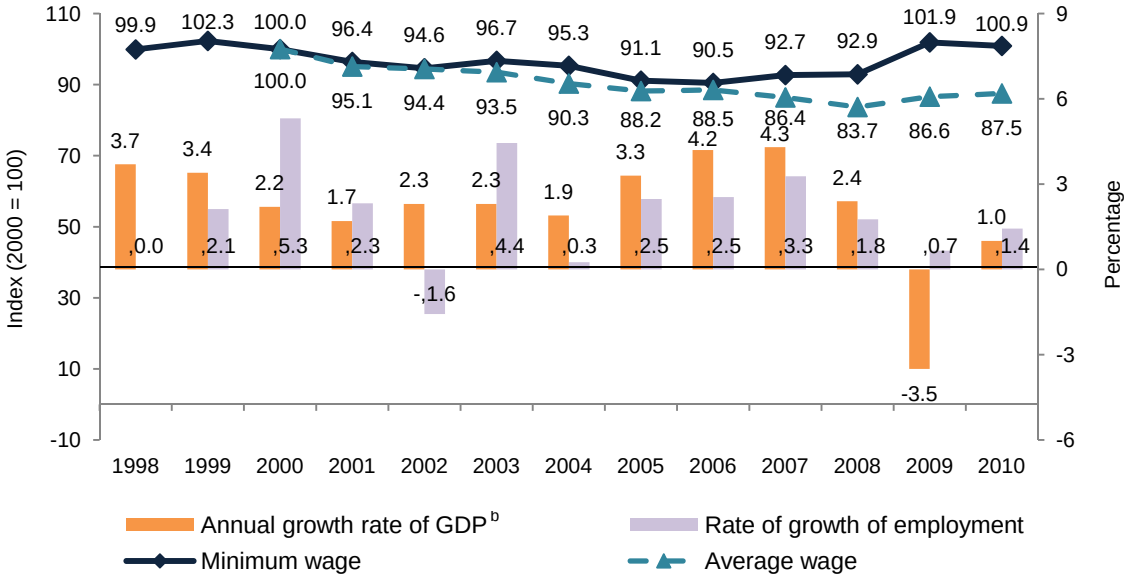
A. Economic and labour performance

Figures 1 and 2 provide an indication of the trends followed by economic growth, the labour market and wages in El Salvador. During the past decade, average economic growth was low (2.7%) and very volatile —in 2007 it grew up to 4.3% to later decline to -3.5% in 2009 in the context of the world financial crisis. The labour force participation rate has decreased moderately from 56% in 1998 to 54% in 2008. In parallel, unemployment has remained stable, reaching its highest rate in 1998 (7.3%) and its minimum in 2008 (5.9%). Informality has remained high: it was 55% at the beginning of the period and increased to 60% by 2008. Labour market indicators are even more worrying, if considering that during this period, the emigration of the economically active population was among the highest in the continent. Between 1998 and 2010, the minimum wage grew moderately: considering an index built using 2000 as the base year, the real minimum wage increased from 99.9 in 1998 to 100.9 in 2010. The real annual average wage instead declined between 2000 and 2010, from 100 to 87.5.

According to the General Direction of Statistics and Census of El Salvador (*Dirección General de Estadística y Censos de El Salvador*), the urban basic consumption basket for July 2009 corresponded to US$ 166.87 per family, and in rural areas, it was US$ 102.03 (DIGESTYC, 2009).

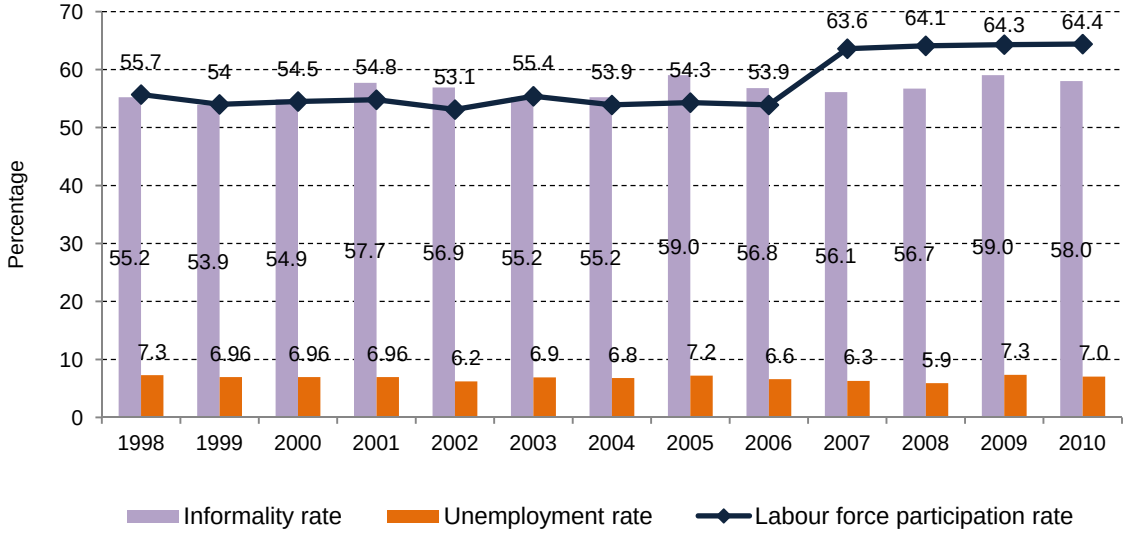
Public social spending in El Salvador has grown from 8% to 13% of GDP between 1998 and 2009. It has also become more prominent in fiscal terms, increasing its representation in total public spending from 31% to 39%. Spending per capita also increased, from US$ 191 to US$ 382 (see figure 3).

FIGURE 1
REAL MINIMUM WAGE[a], REAL ANNUAL AVERAGE WAGE[a], EMPLOYMENT GROWTH AND ANNUAL GROWTH OF GDP[b], 1998-2010
(In values of the minimum wages and real wages index and percentages)



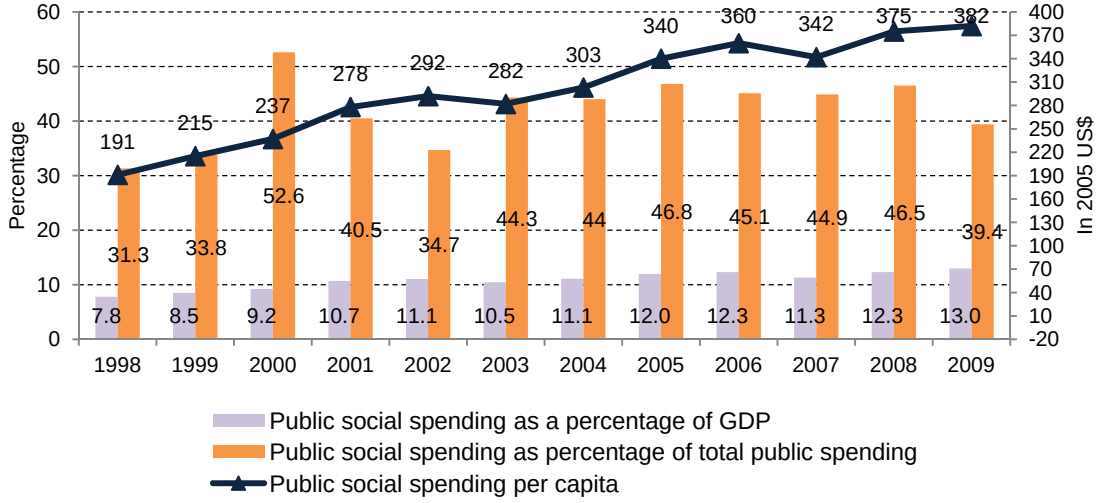
Source: Economic Commission for Latin America and the Caribbean (ECLAC, 2010, 2007), Consejo Monetario Centramericano, Dirección General de Estadística y Censos de El Salvador (DIGESTYC).
[a] Annual average index, 2000 = 100.
[b] Based on official figures expressed in constant 2000 dollars. Data for 2010 is preliminary.

FIGURE 2
UNEMPLOYMENT, LABOUR FORCE PARTICIPATION AND INFORMALITY RATES, 1998-2010
(Percentages)



Source: Socio-Economic Database for Latin America and the Caribbean (SEDLAC), Estado de la Región and International Labour Organization (ILO).

FIGURE 3
PUBLIC SOCIAL SPENDING PER CAPITA (IN 2005 US$), RELATIVE TO GDP AND TO TOTAL PUBLIC SPENDING (IN PERCENTAGES), 1998-2009 [a]

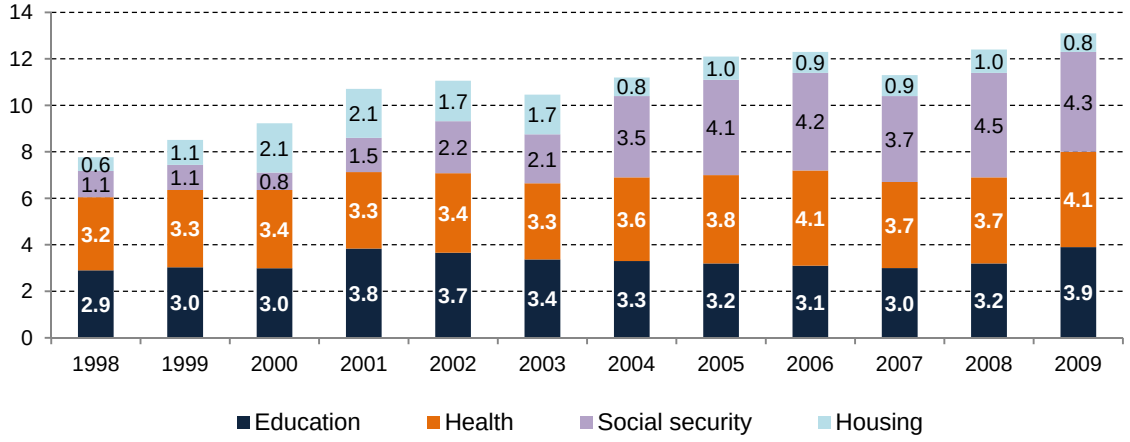


Source: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] Up to 2003, the series was based on the information from the general government, Since 2004 data comes from the non-financial public sector.

Rising public spending possibly had an impact on poverty and extreme poverty, which showed a modest decline in the country. According to data from ECLAC, poverty decreased from 54.2% in 1995 to 46.6% in 2010, while extreme poverty declined from 21.7% to 16.7% during the same years.

Between 1998 and 2009, spending on social security grew more than any other sector, increasing from 1.1% to 4.3% of GDP (a 3.2 percentage point increase). Consequently, social security represents today the most important sector of social spending, followed by health and education. Spending on housing is still very marginal and only represented 0.9% of GDP in 2009 (see figure 4).

FIGURE 4
PUBLIC SOCIAL SPENDING BY SECTOR, 1998-2009[a]
(Percentage of GDP)



Source: Social spending statistics (ECLAC).
[a] A methodological change was introduced in 2004. Since then, data comes from the non-financial public sector. Previously, the series was based on the information from the general government.

III. Contributory pensions in El Salvador[2]

Contributory pensions in El Salvador combine public and private insurances of limited coverage. A large proportion of the population of the country remains unprotected, while there is no unemployment insurance yet in place in the country. The following sections introduce the main features of this system.

A. Overview of the contributory pensions regime in El Salvador

Contributory pensions are organized under four regimes: two belong to the general regime —one among them, the pay-as-you-go system, already closed—; and the remaining two, with higher benefits than those offered by the general regime, are reserved for the teachers and the personnel of the armed forces.

1. Public System of Pensions (*Sistema público de pensiones,* SPS)

Access to this regime is currently closed and persons affiliated to the public system may only access the individual capitalization system. Created in 1953, it is ruled by the Salvadoran Institute of Social Security (*Instituto Salvadoreño de Seguridad Social,* ISSS). It was a pay-as-you-go system that protected against old age, disability and death and was funded by a global contribution of 14% of wages (Mesa-Lago, 2007, p. 3).

This regime covers former members of the ISSS and the National Institute of Pensions for Public Workers (*Instituto Nacional de Pensiones de los Empleados Públicos,* INPEP) who decided to remain in the public system between 1996-1998, after the Law of Pensions' Savings System (*Ley del Sistema de Ahorro para Pensiones,* SAP) was passed (see section III.A.2).

2. Individual capitalization system (SAP)

It was created in 1996 and was fully implemented since 1998 (Velásquez, 2005). This system covers all kind of workers; it is mandatory for wage-earners and voluntary for independent workers. 98% of the population who makes contributions to social security is affiliated to this system. The required global contribution is set at 13% of wages: employers contribute by 6.75% and wage-earners workers, by 6.25%. In the case of independent workers, they must pay the full contribution rate (13%). In order to administer the contributions, private pension funds (*Administradoras de Fondos de Pensiones* AFP)

[2] The information for this section and the following comes from primary and secondary sources, including interviews.

were created as part of this system. There is also a Superintendent of Pensions that regulates and monitors the performance of the SAP.

The main benefit provided by this regime is the old age pension, through the Individual Account for Pensions' Savings (*Cuenta Individual de Ahorro para Pensiones*, CIAP). There is also the option to include a Disability and Survival Insurance (*Seguro de Invalidez y Supervivencia*). Those who have contributed for at least 25 years and have run off their CIAP's reserves, and do not have further sources of income, may access a minimum pension (Mesa-Lago, 2007, p. 9). Similarly, those who have contributed for the same period and the amount of their pension is insufficient to cover the person's basic needs, may access a minimum welfare pension. Given the current levels of contributions made by the population in El Salvador, it is likely that most of the affiliates will require this sort of benefits.

Workers who were affiliated to the SPS and decided to move to the new system, received a recognition bonus —the so-called *certificado de traspaso*. The total amount of this bonus is calculated and paid at the moment of retirement (Mesa-Lago, 2007, p. 11).

3. Teachers' Welfare (*Bienestar Magisterial*)

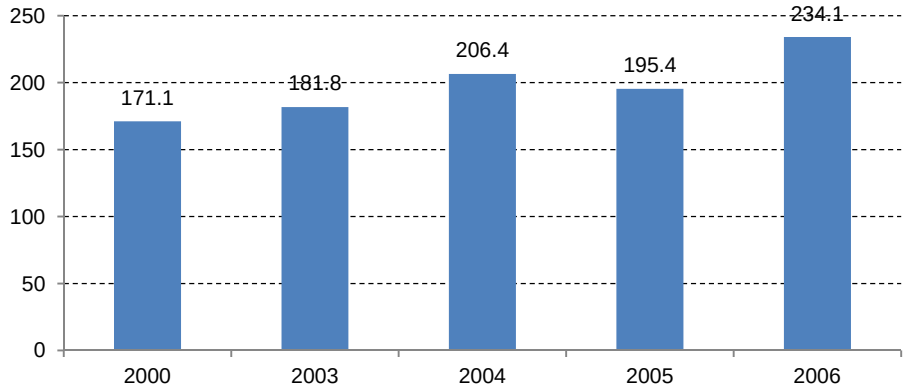
It was created in 1969 to provide social security for the personnel of the Ministry of Education. The most recent legislation was passed in 2007 (decree No. 485). It provides mandatory insurance to teachers of private and public schools and of the Salvadoran Institute for Disabled Rehabilitation (*Instituto Salvadoreño de Rehabilitación de Inválidos*). It provides an old age pension, plus a disabled and risk insurance. The latter is administered by private pension funds with a faculty to determine the cases in which this pension should be granted, according to the law that regulates the SAP. The required global contribution for this scheme is set at 10.5% of wages, 7.5% of which is provided by the Ministry of Education and 3.5%, paid directly by the teachers (Asamblea Legislativa, 2007, Artículo 54), plus a contribution of US$ 1 monthly (Argueta, 2007, p. 19).

4. Institute of Social Security for the Armed Forces (*Instituto de Previsión Social de la Fuerza Armada*, IPSFA)

It was created in 1981 (decree No. 500) by the Governmental Revolutionary Junta. It comprises a disability, old age and retirement pension, a retirement fund, an individual life insurance and burial support (IPSFA, 2011).

Figure 5 shows the evolution of the average value of the pensions' benefits distributed in the country. It is worth noting that in 2006, it increased sharply reaching the level of the average wage in the country.

FIGURE 5
AVERAGE VALUE OF PENSIONS, 2000-2006

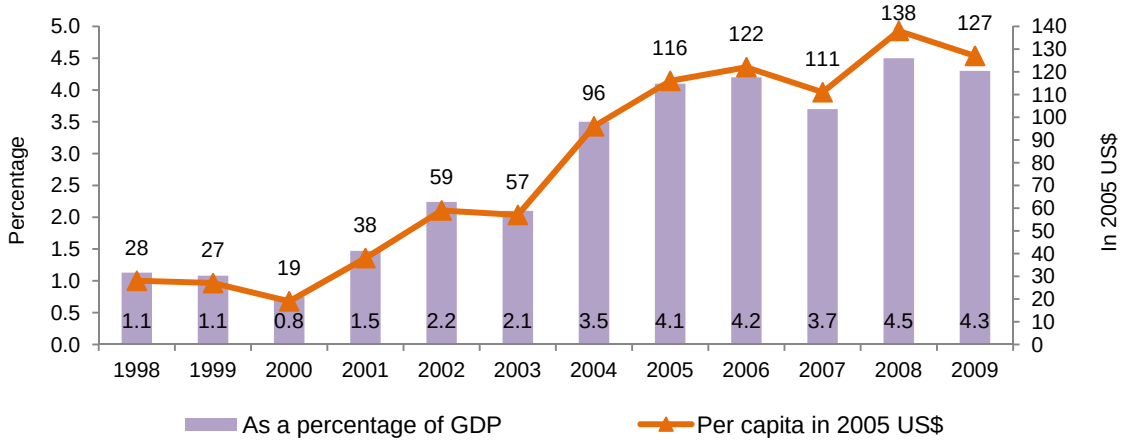


Source: Dirección General de Estadística y Censos de El Salvador (DIGESTYC) and Household Surveys.

B. Social spending in social security and funding of the system

Social spending in social security in El Salvador includes spending on pensions (disability, old age and death) and health (illness and maternity). According to data from the ECLAC, spending on social security per capita and as a percentage of GDP has been volatile, although it has grown considerably between 1998 and 2009: spending per capita increased from US$ 28 to US$ 127 (in 2005 dollars) (see figure 6).

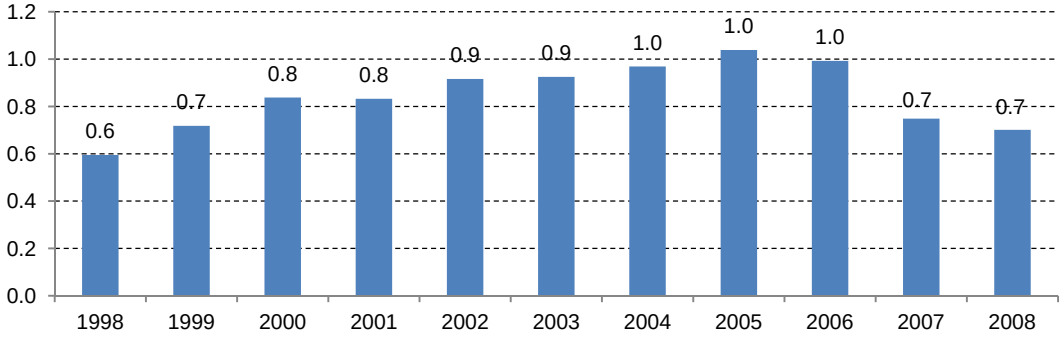
FIGURE 6
PUBLIC SPENDING ON SOCIAL SECURITY PER CAPITA (1998-2009) [a b]
(In 2005 US$ and as a percentage of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] Includes information on employment and non-contributory social assistance policies.
[b] Up to 2003, the series was based on the information from the general government. Since 2004, data comes from the non-financial public sector.

Taking only in consideration the spending on the general regime of disability, old age and death managed by the ISSS, it reached its maximum in 2005, when it accounted for 1.0% of GDP, to decline in the following years (see figure 7).

FIGURE 7
SPENDING ON THE GENERAL REGIME OF DISABILITY, OLD AGE AND DEATH (ISSS) AS A PERCENTAGE OF GDP, 1998-2008



Source: Instituto Salvadoreño de Seguridad Social (ISSS).

Contributory social protection is almost completely reliant upon individual contributions, although in the pay-as-you-go system, this was financed mostly through government stocks (Mesa-Lago, 2007, p. 3).

The pension system managed by IPSFA is financed by contributions, which vary as follows:

(i) Disability, old age and death pension: graduated average premium requires global contributions equivalent to 8% of the worker's wage (4% contributed by the affiliate personnel; 4% by the State).

(ii) Retirement fund: general average premium requires global contributions equivalent to 6% of the worker's wage or pension (3% contributed by the affiliate personnel; 3% by the State).

(iii) Individual life insurance: pay-as-you-go system, requires global contributions equivalent to 4% of the worker's wage or pension (2.5% contributed by the affiliate personnel; 1.5% by the State).

(iv) Burial support: financed by regular budget defined by the Ministry of Defence (IPSFA, 2001).

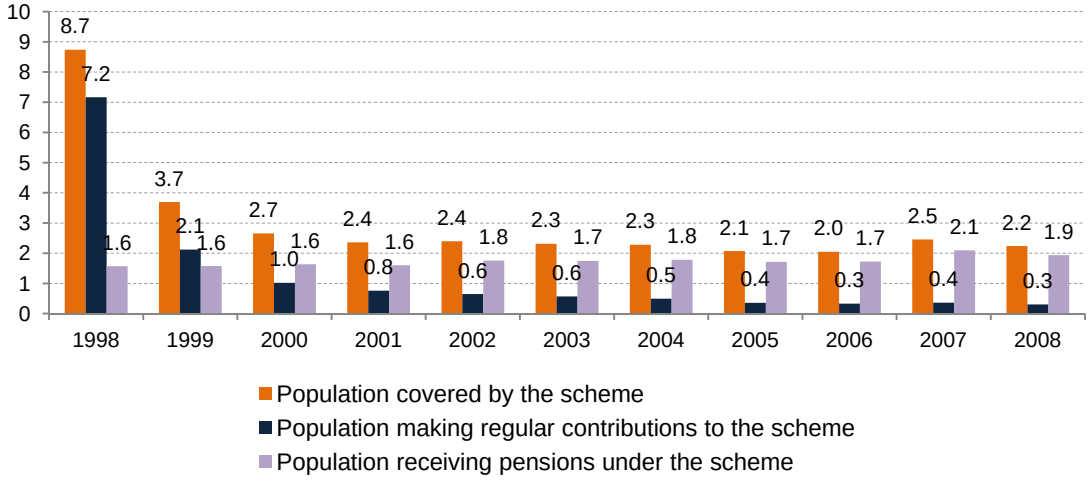
C. Coverage of the social security system

In 2008, only 19% of the occupied population made contributions to social security in El Salvador (Carrera, Castro and Sojo, 2009, p. 17) and 14.5% of the population aged 65 years and above had access to a pension (Mesa-Lago, 2007, p. 50). According to estimates elaborated for this document, 87% of the population aged 65 years old and above lacks access to a pension.

Furthermore, special regimes have a greater coverage than general regimes. Yet, of 36.000 school teachers in the country, only 70% had access to social security (equivalent to 25.000 teachers) in 2003.

Figure 8 shows three main trends followed by the coverage of social security in El Salvador. In the first place, between 1998 and 1999, the coverage of the disability, old age and death general pension scheme declined sharply as a result of the launch of the individual capitalization regime and the massive migration to the new system by most members of the former regime. In second place, figures show that an enduring gap remains between the insured population and the population that makes regular contributions to the disability, old age and death pension regime. This is also a problem in the individual capitalization regime that has a low density of contributions. Finally, it is worth noting that the population receiving pensions under the scheme has remained stable over the years.

FIGURE 8
POPULATION COVERED BY THE REGIME OF DISABILITY, OLD AGE AND DEATH, 1998-2008
(As a percentage of the economically active population)

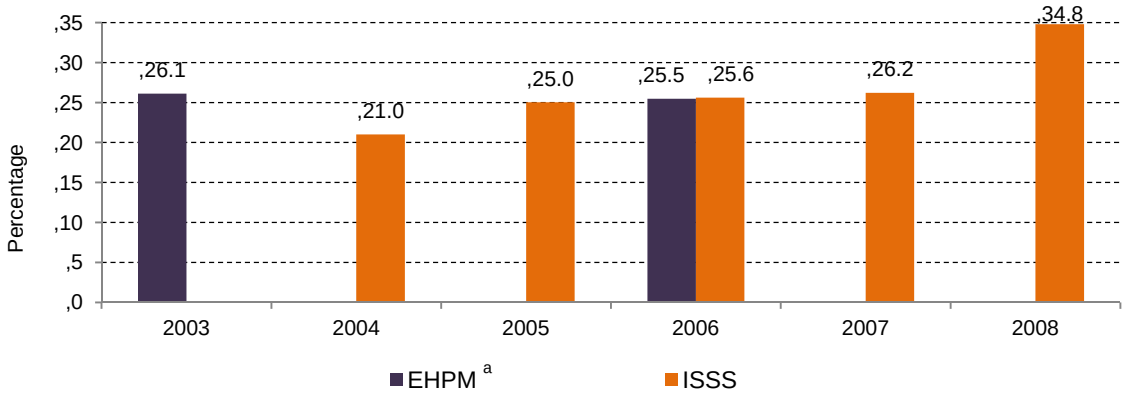


Source: Instituto Salvadoreño de Seguridad Social (ISSS).

The percentage of the economically active population that makes contributions to social security increased between 2004, when it was 21.0%, and 2007, when it reached 26.2% (see figure 9). In 2008, it climbed to 35%; however, this increase is unlikely if considering that in that year the international financial crisis started, with strong impacts on formal employment. Hence, it may be the case that the 2008 figure corresponds to errors of measurement and not to an effective increase.

It must also be considered that, given the high informality rates of the labour market in the country, the population that makes contributions to social security might not remain stable over time. The density of contributions is low and accordingly, there are small chances that all contributors will reach the defined number of contributions required to access a contributory pension in the future.

FIGURE 9
ECONOMICALLY ACTIVE POPULATION CONTRIBUTING TO SOCIAL SECURITY, 2003-2008
(Percentages)



Source: Instituto Salvadoreño de Seguridad Social (ISSS) and Dirección General de Estadística y Censos de El Salvador (DIGESTYC).
[a] Data from the Household Survey of Multiple Purposes (*Encuesta de Hogares de Propósitos Múltiples*).

According to data from the DIGESTYC and household surveys, the percentage of the adult population that receives a pension in El Salvador is very low (13% in 2006) and it decreased between 2000 and 2006, from 14% to 13%. There is not a universal non-contributory pension scheme yet in place in the country, although a pilot version of a basic universal pension is currently being developed (see section IV.B). Hence, the living of the elderly relies mostly on family networks.

Table 1 shows the distribution of coverage of social security by income quintiles. It clearly indicates the high degree of social stratification in accessing social security benefits. Within the highest income quintile, over half of the population makes contributions to social security and a third of the adult population has access to a pension. Among people in the lowest income quintile, less than 10% make contributions to social security and less than 5% has access to a pension.

TABLE 1
COVERAGE OF SOCIAL SECURITY BY INCOME QUINTILES, 2006
(Percentages)

	Quintile 1 (poorest)	Quintile 2	Quintile 3	Quintile 4	Quintile 5 (richest)	Average
Population formally insured	6.8	13.8	22.6	32.4	48.4	22.0
Population making contributions to social security	9.0	16.2	25.2	31.0	45.3	25.5
Population aged 65 and above receiving a pension	2.6	2.6	10.4	18.0	32.3	13.1

Source: Own estimation based on the Household Survey of Multiple Purposes 2006 data.

IV. Non-contributory social protection in El Salvador

A. Conditional cash transfer programmes in El Salvador

The main non-contributory programme in El Salvador is Solidarity in Communities (*Comunidades Solidarias Rurales*). The programme began in 2005, with the name of Solidarity Network (*Red Solidaria*). Since its origin, it has kept a similar structure that includes: (i) cash transfers to foster human capital formation; (ii) the enhancement of local infrastructure; and (iii) income generation and productive development through training and micro-credit programmes with a strong emphasis on food security. With the creation of Solidarity in Communities, the programme added a new component consisting of the strengthening of local municipalities and communities to improve local management and impacts (ECLAC, 2012b).

Under the administration of the President Saca, the programme was located under the National Coordination Unit of the Social Area of the Presidency (*Coordinación Nacional del Área Social de la Presidencia*) (Gobierno de El Salvador, 2005). This unit was in charge of promoting intersectoral coordination and set budgetary priorities for the ministries involved in the programme, while the functions of management and coordination were under the responsibility of the Social Investment Fund for Development (*Fondo de Inversión Social para el Desarrollo*, FISDL). Under the administration of President Funes, the institutional setting is similar, although the programme is located within the Technical Secretariat of the Presidency of the Republic (*Secretaría Técnica de la Presidencia de la República*) and is considered part of the new Universal Social Protection System.

The targeting of the former Solidarity Network was carried out according to a poverty map that has been defined by the Latin American Faculty of Social Sciences (FLACSO) in coordination with FISDL. As of June 2009, 43,450 families were included in the beneficiary registry. In order to define the municipalities to be targeted by the programme, a poverty map was created based on the Household Survey of Multiple Purposes. This analysis identifies four categories of municipalities by level of extreme poverty, according to two variables: the proportion of 1st grade students with severe stunting and the incidence of income poverty (percentage of the population living under the extreme poverty line). The four categories of municipalities identified are: (a) 32 municipalities with population in severe extreme poverty; (b) 68 municipalities with population living in a high level of extreme poverty; (c) 82 municipalities with population living in moderate extreme poverty; and, (d) 80 municipalities with population living in low extreme poverty (Feitosa de Britto, 2008).

In the rural version of the programme, which started in 2005, one hundred districts belonging to the first two categories were selected. In the urban version of the programme, created in June 2009, the target consists of 412 precarious urban settlements in 25 municipalities. The recipients of the transfers can vary between the rural and urban version of the programme, and include among others children under 5 years of age, children aged between 6 and 15 years, as well as pregnant and breastfeeding women.

Cash transfers are granted to mothers; in rural areas, they equate 15% to 18% of the minimum rural wage, seeking to stimulate the demand for health, nutrition and basic education services. The programme considers two types of transfers. On the one hand, the health bonus —only available for Solidarity in Rural Communities— consists of a flat transfer of US$ 20 delivered twice a month for children under 5 years old and pregnant and breastfeeding women. The transfer is conditional on vaccination compliance, attendance to prenatal and weight and height controls. On the other hand, the education bonus is available for both Solidarity in Rural and Urban Communities. It consists of a flat transfer in rural areas, and a transfer according to the school grade attended and gender of the recipient in urban areas. The transfer is granted twice a month to families with children aged 6 to 15, conditional on school enrolment and attendance[3]. In urban areas, the education bonus also includes a transport allowance and a monthly saving allowance available for children and young people enrolled between 7th grade and the end of the secondary school (ECLAC, 2012b).

In urban areas, Solidarity in Communities aims to expand the social network of health, nutrition and education services. It seeks to universalize coverage until 6th grade for children aged between 5 and 14; to increase the coverage of basic health services in the country through mobile units; and to expand the basic water, electricity and roads infrastructure.

In addition to these transfers, the programme was supplemented in 2008 with the Universal Basic Pension for the Elderly that is granted to people aged 70 and above living in extreme poverty. A pilot version of this programme is being implemented in the 100 rural communities prioritized for Solidarity in Communities. The pension may be complemented by other pension schemes and is also combined with the Programme of Comprehensive Care for the Elderly that grants comprehensive health care for elders living in poverty (ibid).

B. Funding and coverage of Solidarity in Communities

The estimated cost of Solidarity in Communities is US$ 50 million per year. The programme has different sources of funding:

(i) The national budget, which allocated almost US$ 4 million, to be invested within the 32 districts with higher levels of extreme poverty

(ii) Loans by the Inter-American Development Bank and the World Bank, which financed the expansion of infrastructure

(iii) External donors. The European Union had disbursed US$ 44.4 millions by 2009 (US$ 7.6 in 2006, US$ 8.4 in 2007, US$ 14.4 in 2008 and US$ 12 million in 2009).

The programme covers 24.106 families —equivalent to 55.5% of the people identified as poor by the poverty maps— who receive the health and education bonus (Martínez Franzoni y Voorend, 2010).

[3] In 2008, as a result of the financial economic crisis, Solidarity in Communities increased the amount of the education bonus from US$ 15 to US$ 30 (ECLAC, 20012b).

V. The health sector in El Salvador

In El Salvador, public health and social insurance are combined with public, private and community health services, creating a very stratified system.

A. Overview of the health system

The health system in El Salvador is organized in three systems: public health, social insurance and private services. The latter consist mainly of out-of-pocket expenditures, as private insurance is scarce and reserved to high income earners. The benefits that each system provides are highly stratified: social security provides better quality services than those run by the public health system.

The Ministry of Health (*Ministerio de Salud*, MINSAL) is responsible for monitoring the performance of all public and social security health institutions and for providing healthcare services within local areas through the Basic Systems of Integral Health (*Sistemas Básicos de Salud Integral*, SIBASI). The SIBASI provide universal access, although, in practice, people living in poverty and the uninsured, equating to 83% of the national population, are the target population of their attention (Argueta, 2007).

The SIBASI, besides providing healthcare services, also coordinates healthcare provision in rural and urban health centres. There are no universal healthcare packages and the services included cover fundamentally primary attention (ibid), including the attention of children aged 11 and below, women of reproductive age, adolescents, adults, elders and persons affected by contagious diseases.

Within areas with vulnerable population and lacking health services, the Health Fund (*Fondo de Salud*, FOSALUD) has been implemented. The FOSALUD aims to improve the management of health programmes and expand healthcare coverage and attention in the case of emergencies (Asamblea Legislativa, 2004). Among the measures to be implemented under the new government's administration, it has been announced the attention to the labour conditions of the medical staff —not part of the State's personnel— and the improvement of the coordination of the components of the system (Diario CoLatino, 10/06/09).

The services provided by the MINSAL coexist with institutions under the tutelage of the social security: the ISSS, the Teachers' Welfare (*Bienestar Magisterial*) (see section III.A) and the Armed Forces Healthcare (*Sanidad Militar*). Access to these institutions, which provide attention to active and retired personnel, is determined by the contributions made while at work and is also provided to the economic dependent of the insured population. The benefits that each institution provides are different and are better in the cases of the school teachers and armed forces insurances.

Access to the benefits provided by the ISSS is open to insured persons, their spouses, partners or widows and children, as well as to unemployed workers and disability pensioners. The ISSS provides services in the areas of surgery, pharmaceutical services, odontology, hospital attention, laboratory, prosthesis and orthopedics (Asamblea Legislativa, 1953).

The Teachers' Welfare system provides attention to spouses and partners, dependent children and single children aged 21 years old and under. At the primary healthcare level, it provides attention through family doctors in the areas of maternity, preventive medicine, illness and emergencies, health promotion, domiciliary visits and references. The secondary level of attention includes agreements with private clinics and hospitals (Holst, 2003).

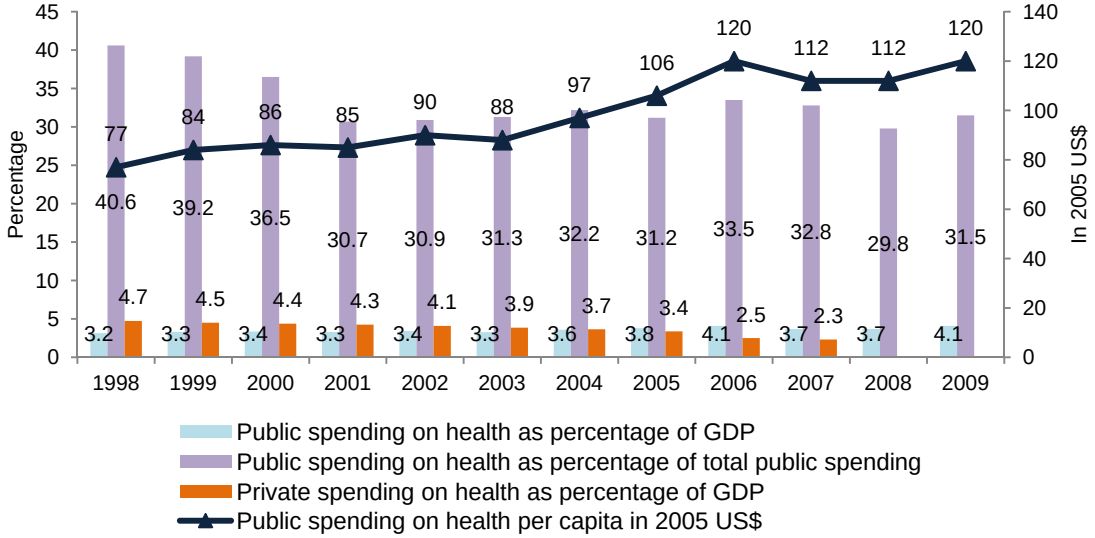
As in the health sector there are no formal mechanisms of institutional coordination, the same person may access more than one system. The majority of the population is covered by the MINSAL.

B. Social spending and financing on health

Between 1998 and 2006, public spending per capita on health increased from US$ 77 to US$ 120 (in 2005 dollars) —coinciding with the creation of the FOSALUD—, to decline between 2007 and 2008, and recover the path of growth in 2009. A similar trend was followed by public social spending as a percentage of GDP and as a percentage of total public spending. It is worth noting that the private spending on health as a percentage of GDP has decreased from 4.7% in 1998 to 2.3% in 2007 (see figure 10).

Public financing of the health sector corresponds to less than 50% of the total healthcare spending in the country (Carrera, Castro and Sojo, 2009). The primary level of attention captures most of the spending in public health (39% of the MINSAL's budget), contrary to the case of social security (12% of the ISSS's budget). The MINSAL assigns 34% of its budget to the secondary level of healthcare attention and only 18% to the tertiary. Conversely, the ISSS invests more in the tertiary level (47%) than in the secondary level (41%). Although there are no official estimates, external sources of funding are very important for financing the primary level of attention.

FIGURE 10
PUBLIC SPENDING ON HEALTH PER CAPITA[a], AS A PERCENTAGE OF GDP[a], AS A PERCENTAGE OF TOTAL SPENDING AND PRIVATE SPENDING ON HEALTH AS A PERCENTAGE OF GDP, 1998-2009



Source: Economic Commission for Latin America and the Caribbean (ECLAC), World Health Organization.
[a] Up to 2003, the series was based on the information from the general government. Since 2004, data comes from the non-financial public sector.

C. Coverage of the health system

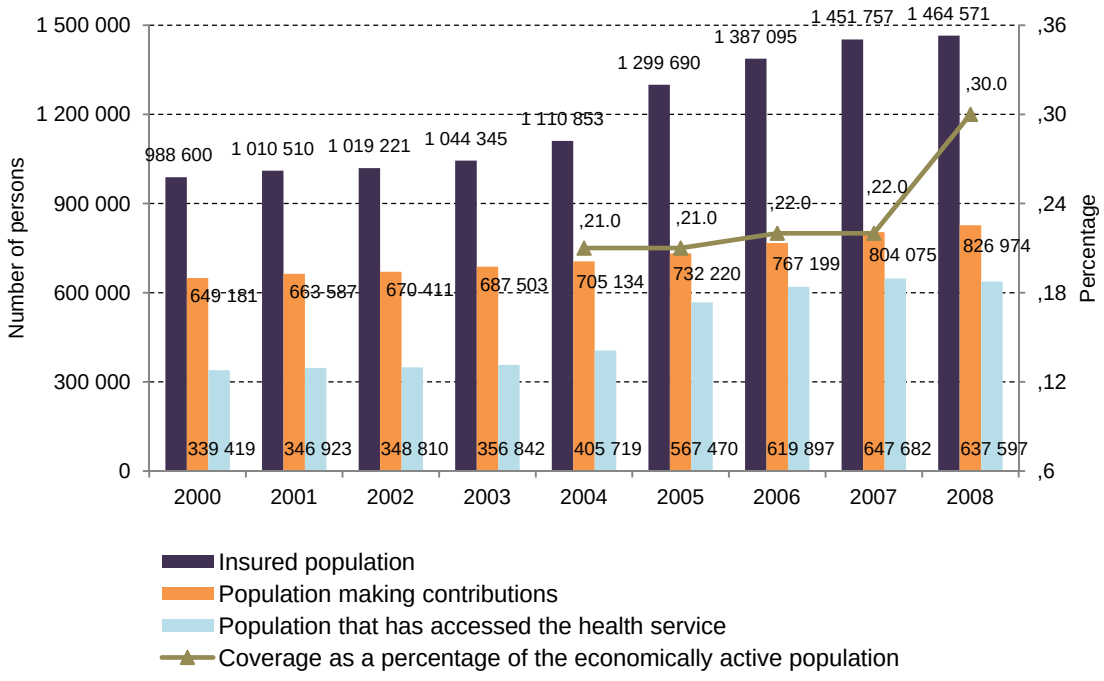
According to official estimates, over 80% of the population declared lacking medical insurance in 2003. This figure declined slightly to 78% in 2006. Women have greater access to these insurances compared to men (65% of women and 72% of men declare lacking insurance). This gap may be explained by the fact that women have greater access as dependents of the affiliate, especially at the ISSS: among women, 7.3% has access to medical insurance as spouses of the insured person, compared to 1% among men. Nevertheless, coverage as spouses, partners or children gives access to a very limited set of benefits; in the case of spouses, this is mostly confined to attention due to maternity.

The MINSAL covers 40% of the population, equivalent to only half of the population that it should cover. The ISSS covers 21.1% of the population —including contributors, family and pensioners—, the Teachers' Welfare scheme covers 1.2% and the IPFSA 0.6% of the population. Only 0.2% of the national population is insured privately.

In 1999, 12% of the population living in poverty accessed private health services (Martínez Franzoni, 2008, p. 135). One of the goals of Solidarity in Communities is to improve the coverage of health services among the vulnerable population. However, household surveys have not yet reported any improvement of the health coverage of the uninsured population (ibid, p. 128-129).

Figure 11 shows the evolution of the general health insurance, both in absolute terms and as a percentage of the economically active population. Similarly to the trend followed by pensions, between 2007 and 2008 insurance coverage increased significantly, from 22% to 30% of the economically active population.

FIGURE 11
COVERAGE OF HEALTH INSURANCE, 2000-2008
(Number of persons and percentage)

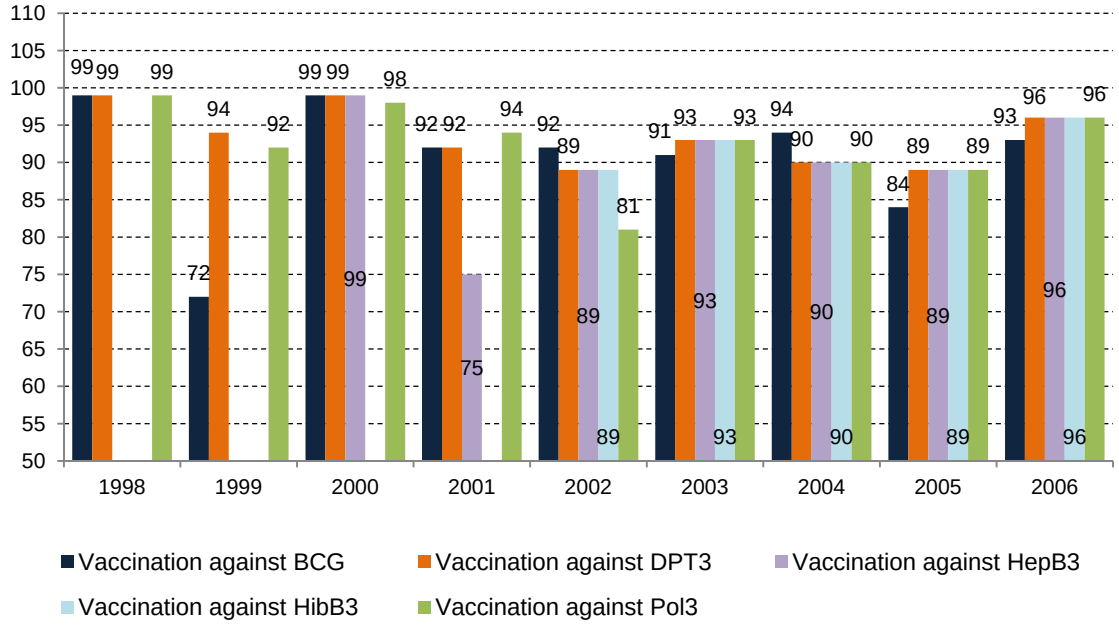


Source: Instituto Salvadoreño de Seguridad Social (ISSS).

According to data from the DIGESTYC and household surveys, the proportion of live births attended at healthcare institutions decreased from 80% in 1998 to 78% in 2003.

Vaccinations are received by more than 90% of children in El Salvador, although the coverage of the vaccines against polio, hepatitis B and tuberculosis (BCG) have shown fluctuations between 1998 and 2006 (see figure 12).

FIGURE 12
CHILDREN WHO HAVE BEEN VACCINATED ACCORDING TO THE BASIC IMMUNIZATION PACKET, 1998-2006
(Percentages)



Source: World Health Organization.

VI. The education sector in El Salvador

The education sector in El Salvador is composed of a public and a private sector, financed by the national budget and out-of-pocket disbursements, respectively. In 2008, the average enrolment rate in the private sector was 14%: 18% in primary education, 11% in secondary education and 28% in tertiary education. The participation of private education in the overall system has remained stable over the years: in 1998, the average enrolment rate in this sector was 13%: 17.5% in primary education, 10% in secondary education and 28% in tertiary education.

A. Overall description of the education sector

Primary education is under the responsibility of the Ministry of Education (*Ministerio de Educación*, MINED) and is organized under the decentralizing and privatizing approach that was led by the educational reform implemented after the signature of the peace accords: the so called Programme of Education with the Participation of the Community (*Programa de Educación con Participación de la Comunidad*, EDUCO). The EDUCO aims to transfer the responsibilities for education from the public to the private sector —officially, to the communities—, through transfers of public resources to the Communal Associations for Education (*Asociaciones Comunales para la Educación*, ACE) (Meza, Guzmán y De Varela, 2004).

In the case of children living in extreme poverty, the programme Solidarity in Communities aims to increase the coverage of pre-school and primary education within 100 municipalities prioritized for the intervention of the programme (see section IV.A). The programme, besides the cash transfer, considers different actions such as accelerated school programmes, literacy programmes for young people and adults and school feeding programmes.

From an institutional point of view, these actions form part of the Effective Solidarity Networks (*Redes Solidarias Efectivas*), which seek to deepen administrative decentralization through the creation of associative networks among actors and centres working on education within the same community, establishing a directive council (Ministry of Education, 2004a).

In the case of secondary education, under the decentralizing policy, along with the ACE, it was decided the creation of the School Directive Councils (*Consejos Directivos Escolares*, CDE) and the Catholic School Educative Centres (*Centros Educativos Católicos Escolares*). The ACE and the CDE administer 41% of the Ministry's budget (UNESCO-OEI, 2010). In the case of the population living in poverty, the programme EDUCAME (Ministry of Education, 2004b) works with young

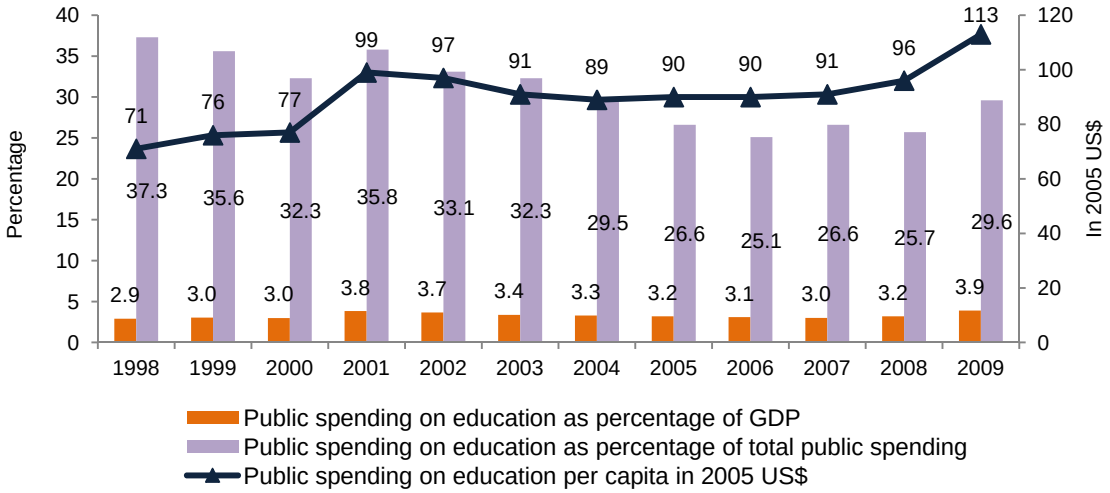
persons that have dropped out of school and whose age (15 to 30 years) is older than the typical age to enter secondary school. This programme considers actions in the areas of accelerated school programmes, part-time attendance education and distance learning.

In the case of tertiary education, there are 26 universities (25 private and one public), five specialized institutes (four private and one public), and nine technological institutes (four private and five public).

B. Financing and social spending on education

Spending on education in 2009 represented almost a third of total public spending in the country and 3.9% of GDP. Per capita spending on education has varied between 1998 and 2009, although it has increased steadily since 2006 and reached US$ 113 in 2009 (in 2005 dollars) (see figure 13).

FIGURE 13
PUBLIC SPENDING IN EDUCATION PER CAPITA (IN US$), AS A PERCENTAGE OF GDP AND AS A PERCENTAGE OF TOTAL PUBLIC SPENDING, 1998-2009 [a]



Source: Economic Commission for Latin America and the Caribbean (ECLAC), and Sistema de la Integración Centroamericana (SICA).
[a] Up to 2003, the series was based on the information from the general government. Since 2004, data comes from the non-financial public sector.

The main source of funding for education spending is debt swap (GOES funds) and loans from the IADB and the World Bank (Canadian Association for Community Living, 2004). According to Cuellar (2007), over 90% of the spending on education is financed by the MINED and less than 10% by external funds.

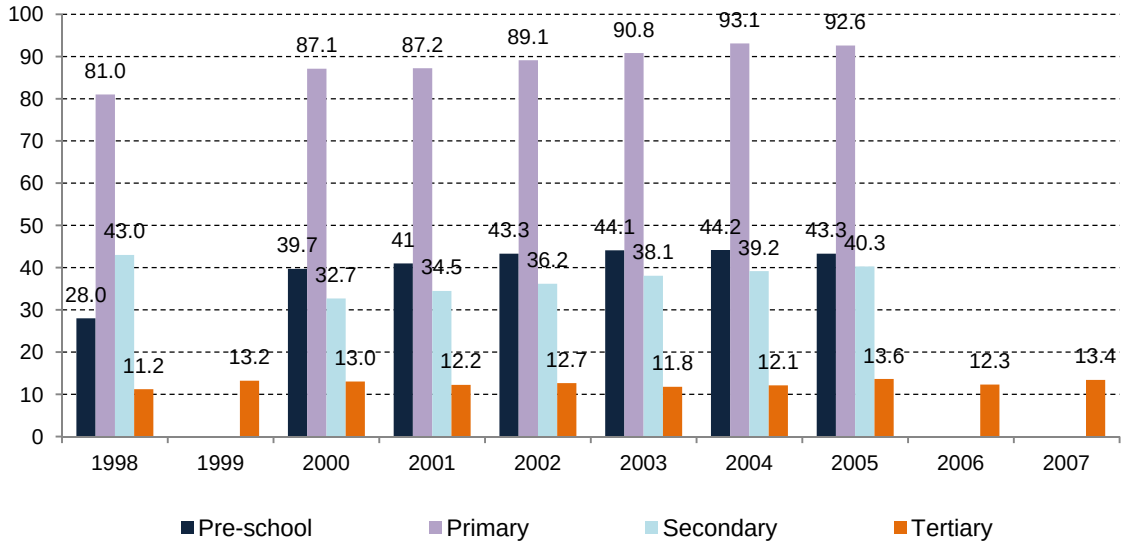
C. Coverage of the education system

Primary and secondary education services are universal. In 2007, the primary education enrolment rate was 92% and the secondary education enrolment rate 54%. Population aged 15 to 29 years old who have completed primary education is 75%; among the population aged 50 to 64, this proportion falls to 40% (UNDP, 2008, p. 68).

Net schooling rates have increased in both pre-school and primary education between 1998 and 2005; however, in the case of secondary education, net schooling rates decreased from 43% to

40.3% during the same period (see figure 14). The most significant increase is that of pre-school education for children aged 5 to 6: in 1998, it was 28% and in 2005, 43.3%. In primary education, this rate also increased from 81% to 92.6% in the same period. Net schooling rates in tertiary education have also increased from 11.2% to 13.4% between 1998 and 2007.

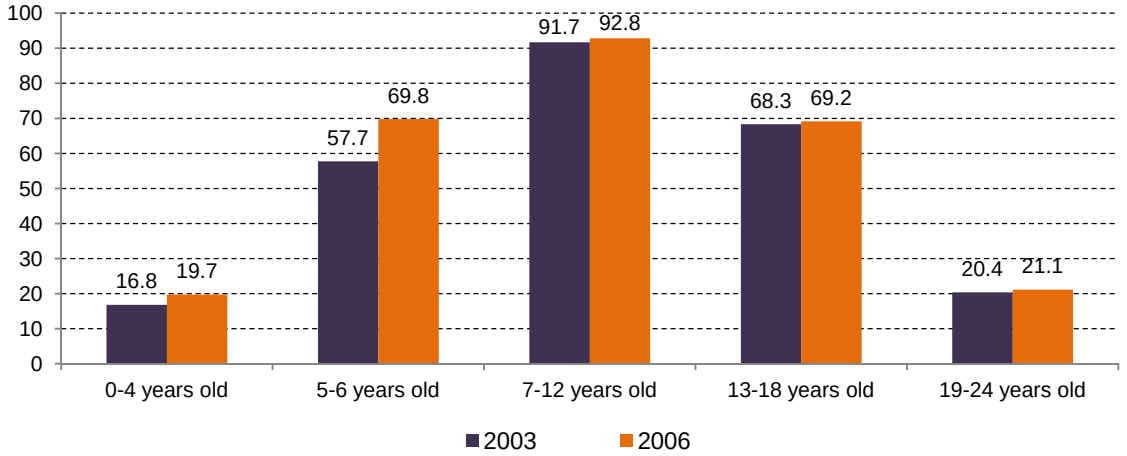
FIGURE 14
NET SCHOOLING RATES, 1998-2007
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), and Sistema de la Integración Centroamericana (SICA).

Concerning attendance rates, nine in ten children aged 7 to 12 attend school; and seven in ten children aged 13 to 18. However, only two in ten children aged 0 to 4 —as well as young people aged 19 to 24—, attend school (see figure 15).

FIGURE 15
SCHOOL ATTENDANCE RATES OF THE POPULATION AGED 0 TO 24 YEARS, 2003-2006
(Percentages)

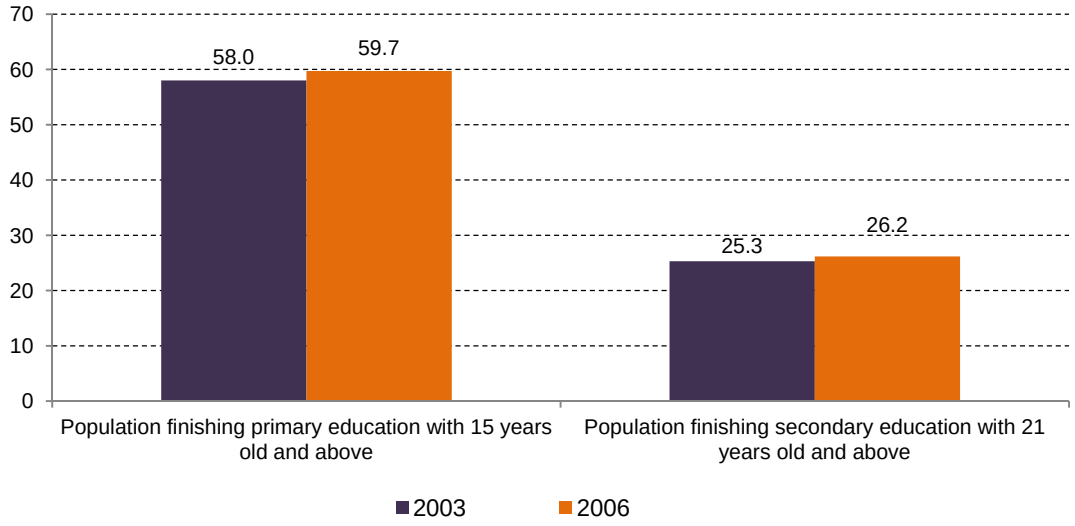


Source: Dirección General de Estadística y Censos de El Salvador (DIGESTYC) and Encuesta de Hogares de Propósitos Múltiples (EHPM).

By 2009 the Solidarity Network programme had increased the coverage of pre-school by 23%, of the first cycle by 6% and of the second cycle by 9%. The programme had also succeeded in expanding literacy among 22.491 young people and adults. The programme had also triggered an expansion of school infrastructure by the MINED. Between 2005 and 2009, forty Effective School Networks were created and US$ 962,756 was transferred to 319 school centres as part of the integrated school budget (FISDL, 2009).

Concerning the evolution of the completion rates, information was available for two years, 2003 and 2006, one prior and one after the implementation of the Solidarity Network programme. Within this period, completion rates have slightly improved: in primary education, they increased from 58% to 60%, and in secondary school, from 25% to 26% (see figure 16).

FIGURE 16
POPULATION THAT HAS COMPLETED PRIMARY AND SECONDARY EDUCATION, 2003-2006
(Percentage)



Source: Dirección General de Estadística y Censos de El Salvador (DIGESTYC), Encuesta de Hogares de Propósitos Múltiples (EHPM).

Finally, it is worth noting that the coverage of education is highly stratified along income quintiles (see table 2).

TABLE 2
GROSS ENROLMENT RATES BY AGE GROUPS AND INCOME QUINTILES, 2007

Age group	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Average
3 to 5	19	26	30	35	56	32
6 to 12	85	92	95	95	98	92
13 to 17	65	73	77	84	92	77
18 to 23	17	20	25	31	50	29

Source: Socio-Economic Database for Latin America and the Caribbean (SEDLAC).

At the beginning of 2010, among the measures to be pursued by the new government, it was announced the provision of school uniforms and materials for the whole of the schooling population between the first and the third grade.

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This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population—to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of efforts to establish these guarantees by implementing various types of transfers, including conditional cash transfer programmes and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions.

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